



Responsible Resources & Roots Engagement
Zurich - Helsinki - Toronto

Canadian Mining Companies 2013



TORONTO, *December 18th* - After successful years of rising metal prices and investing on takeover deals and massive new projects, Canadian mining companies were forced to tailor shortly their expectations in 2013 as the cycle changed the winning play cards.

The mining industry took billions USD in **write downs** as companies re-evaluated projects that they believed were worth far more just a couple of years ago and **downsized spending** as falling commodity prices put pressure on margins. In fact, it was not just financial problems for the mining companies, as **political and environmental issues** brought negative headlines around the world for several Canadian mining companies.

The largest company to face problems was **Barrick Gold**, which suspended nearly all of the work at its massive Pascua-Lama project high in the Andes mountain range. The operation followed massive cost overruns and protests from an indigenous community living below the project who tried to have Barrick's licence revoked and **impose a new environmental impact study**. The Supreme Court of Chile stopped short of ordering a new review and upheld the environmental permit, but put construction on hold until **Barrick's environmental commitments and work to protect the water systems** is completed. Thoroughly, these are not the optimum premises of an efficient and profitable mining operation development.

Mining Watch Canada (MWC) believes that new technology has made it easier for social groups opposing mining projects to organise and disseminate information, even in remote areas around the globe. According to MWC **the level of awareness and information** has been much greater than it has ever been. **Many countries that didn't have mining industries before**, like Mali and Senegal and Burkina Faso are facing new challenges under new social and environmental paradigm.

Companies are now looking to develop projects in new, less accessible areas where indigenous people can be more protective of their culture and environment. The **risers of social and environmental concerns** have emerged at a time of volatile commodity prices. The price of gold, which broke USD 1,900 an ounce in 2011, fell to around USD 1,200 this year, while



Responsible Resources & Roots Engagement Zurich - Helsinki - Toronto

the price of silver, which started the year around USD 32 per ounce, fell below USD 19. Copper, which traded for about USD 3.70 per pound at the start of 2013, was down about 40 cents for the year.

In Mongolia, Turquoise Hill suspended work on development of the underground copper mine at its Oyu Tolgoi project after the Mongolian government said financing for **the project would require parliamentary approval**.

Gabriel Resources also faced a significant setback at its **Romanian Rosia Montana** project after a draft bill that specifically would have allowed what would be one of **Europe's biggest gold mining projects** go ahead was rejected after years of negotiations by a Romanian parliamentary commission. The final rejection followed long and large protests in Romania, mainly over environmental concerns and reproaches that Romania would earn too little from the deal.

Mining companies are learning and implementing new sustainable operational procedures

In a recent report, **Deloitte noted a trend of intensifying local community demands and government relations** marked by **rising hostility and zero tolerance regulatory environments**. Many years ago **mining companies** took a more adversarial approach to environmental and social issues. Now **they are learning and implementing new sustainable operational procedures**. They have actually realised that it is a better way of seeing governments and local market players as partners from the very beginning of a mining project.

Gabriel Resources management has not fully lost hopes for the Romanian project as there is still place for talks about the possibility of **a broader legal framework for sustainable mining development**. The other key now is how to keep shareholders any longer on waiting. Without progress by the Romanian government, Gabriel Resources will be forced to do something "radically different."

The Gabriel's management conceded that the downturn in the market for the mining industry has opened up an opportunity for some non-governmental organisations seeking improvements. Striving to make mining less harmful and invasive arise successful chances for responsible environmentally and socially proactive companies rather in a "offering" market because there is not that large demand for metals.

As a conclusion, one must admit that the **mining industry is on "learning modus" for a while**.

RLU