



# THE RISKS OF INVESTING IN **BELO SUN**

## EXECUTIVE SUMMARY

December 2022







# INTRODUCTION

## **HOW THE CANADIAN GOLD MINING COMPANY'S PLANS FOR THE BRAZILIAN AMAZON POSE SIGNIFICANT RISKS TO INVESTORS, BIODIVERSITY, AND FOREST GUARDIANS**

Belo Sun Mining Corp. is a Canadian mining company focused predominantly on gold mining. The company's primary project, the Volta Grande Project (VGP), is currently under development in the *Volta Grande do Xingu*, or Xingu River's Big Bend. The Big Bend is a region in Brazil's Pará state that comprises the lands located in the curve of the Xingu River within the Amazon rainforest. If built, the project would be the largest open-pit gold mine in Brazilian history, threatening the already fragile Amazonian ecosystem that local communities rely on for their lives and livelihoods.

The development of the Volta Grande Project has been characterized by misleading claims from Belo Sun executives, legal controversies, community opposition, and concern by scientists and mining experts about the project's potential impacts on biodiversity and the environment. As such, the VGP poses immense threats to the Amazon and risks to any firm or individual that seeks to invest in Belo Sun. The following sections will detail the reputational, legal, political, social, and environmental risks associated with the project.

## **BELO SUN'S MISLEADING CLAIMS**

**Belo Sun's executives have repeatedly and publicly downplayed the social, environmental, and legal risks of the VGP, thereby heightening risks for current and potential investors.** At the 2021 Prospectors & Developers Association of Canada (PDAC) conference, Belo Sun CEO Peter Tagliamonte claimed that the project was "fully authorized" and attributed its delay to the COVID-19 pandemic while failing to mention that the project's license had been suspended and was facing ongoing legal challenges.<sup>1</sup> Tagliamonte later repeated this assertion in an interview with the Canadian Broadcasting Corporation, despite the ongoing legal challenges and license suspension.<sup>2</sup> Additionally, **Belo Sun's project documents do not disclose the full extent of the risks posed by conflicts with communities and Belo Sun's failure to uphold Free, Prior, and Informed Consent (FPIC).**

1 - Brazil-Canada Chamber of Commerce YouTube Channel. Belo Sun Mining Interview - Brazil-Canada at PDAC 2021. 03/08/2021. <https://www.youtube.com/watch?v=0PQIQhOOZng>  
2 - CBC CA. Canadian firm's proposed gold mine in Amazon rainforest a step closer to reality, CEO says, 03/28/2021. <https://www.cbc.ca/news/world/belo-sun-brazil-gold-bolsonaro-amazon-indigenous-environment-rainforest-business-1.5963002>



## LEGAL RISK & SOCIAL AND HUMAN RIGHTS IMPACTS

Belo Sun's development of the VGP has been marred by legal challenges. **Belo Sun's license to operate has been suspended repeatedly due to the mine's potential impacts on Indigenous and traditional communities in the area.** Belo Sun has fought these suspensions and continues to push the project forward. Still, it is currently facing **seven different legal challenges from potentially-affected communities and government agencies** related to Belo Sun's failure to properly consult with affected communities, the legality of the company's questionable land acquisitions, and harassment of local residents. The Public Defender's Office of Pará state (DPE-PA) took action against Belo Sun. The DPE is a Brazilian legal institution responsible for representing the rights of individuals and groups which find themselves in a situation of socio-economic vulnerability. They work in a vast array of legal fields, such as criminal law, housing law, environmental law, consumer law and civil law. The Public Defenders of Pará filed a complaint against **armed security forces hired by Belo Sun for threatening local populations with eviction** and attempting to restrict the communities' traditional subsistence activities such as hunting and fishing.<sup>3</sup> The VGP plans to overlap an area of three villages – Ressaca, Galo, and Ouro Verde – **raising concerns about the forced displacement of those populations.** The VGP's license is currently suspended, and continued legal issues raise further risks for potential investors.

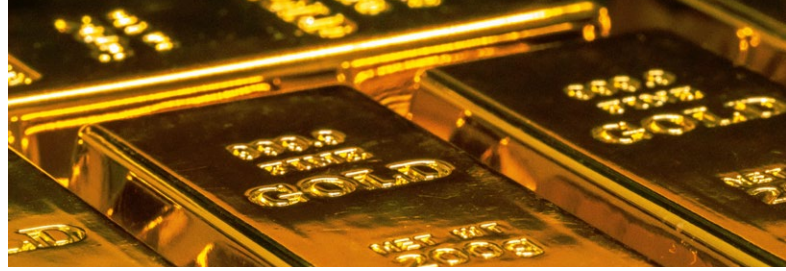


Photo: Cicero Pedrosa Neto/Amazon Watch

## REPUTATIONAL RISKS

Protection of the environment, particularly important biomes like the Amazon, is an increasingly important consideration for investors. Environmental, Social, and Governance (ESG) investing is expanding rapidly, and investors have not hesitated to voice their concerns about companies involved in the destruction of the Amazon. **In 2020, seven major European investment firms threatened to divest from Brazilian beef producers, grain traders, and government bonds due to Amazon deforestation.** The VGP's severe socio-environmental risks, threats of biodiversity loss, and negative media attention could incur repercussions for international investors.

3 - Public Civil Suit n.º 0005149-44.2013.814.0005, filed in 2013 by the State Public Defender's Office. <https://www.jusbrasil.com.br/diarios/56801015/djpa-19-07-2013-pg-449>



## BIODIVERSITY AND CLIMATE THREATS

The Xingu River's Big Bend is a unique stretch of one of the largest and most important of the Amazon's rivers. The Brazilian Ministry of Environment named it a priority area for biodiversity conservation in 2019 because it is a fragile and critically-important ecosystem. Despite this, **Belo Sun has failed to comply with environmental protection requirements throughout the entire VGP licensing process.** Belo Sun's own environmental impact assessment for the project predicts a **high risk of a tailings dam failure that could result in massive water and soil contamination**, an imminent threat corroborated by independent expert assessments.<sup>4</sup> **This could drive the Amazon past its "tipping point," the point at which climate and ecological scientists predict the irreversible destruction of the ecosystem where the rainforest will lose its ability to recover from deforestation and ecological disruptions.**<sup>5</sup>

4 - Barreto, P., Brandão Jr., A., Martins, H., Silva, D., Souza Jr., C., Sales, M., & Feitosa, T. 2011. Risco de Desmatamento Associado à Hidrelétrica de Belo Monte (p. 98). Belém: Imazon. 01/18/2011. <https://imazon.org.br/publicacoes/risco-de-desmatamento-associado-a-hidreletrica-de-belo-monte-2/>; Rafael M. Tófoli, Rosa M. Dias, Gustavo H. Zaia Alves, David J. Hoeinghaus, Luiz C. Gomes, Matheus T. Baumgartner, Angelo A. Agostinho, Gold at what cost? Another megaproject threatens biodiversity in the Amazon, Perspectives in Ecology and Conservation, Volume 15, Issue 2, 2017, Pages 129-131. <https://www.sciencedirect.com/science/article/pii/S2530064417300342>; Federal Prosecution Office in Pará. Federal Prosecution Office recommends correction of Belo Monte license to preserve life in the Volta Grande do Xingu (PA). 09/04/2019. <https://www.mpf.mp.br/pa/sala-de-imprensa/noticias-pa/mpf-recomenda-correcao-da-licenca-de-belo-monte-para-preservar-a-vida-na-volta-grande-do-xingu-pa>; Instituto Socioambiental (ISA). War for Water: After five years of Belo Monte operations, Volta Grande do Xingu suffers from drought. 11/25/2020. <https://site-antigo.socioambiental.org/pt-br/noticias-socioambientais/guerra-pela-agua-apos-cinco-anos-de-operacao-de-belo-monte-volta-grande-do-xingu-sofre-com-a-seca/>; InfoAmazônia. Belo Monte is suffocating the Xingu River. 03/19/2021. <https://infoamazonia.org/2021/03/19/belo-monte-esta-sufocando-o-rio-xingu/>; From the Transamazon Highway to the Belo Monte Dam, the Arara tragedy that goes back to the Dictatorship. 08/08/2022. <https://infoamazonia.org/2021/03/19/belo-monte-esta-sufocando-o-rio-xingu/>

5 - Amazon Watch. Amazonia Against the Clock: A Regional Assessment on Where and How to Protect 80% by 2025. <https://amazonwatch.org/news/2022/0905-amazonia-against-the-clock>

6 - Agência Pública. How a retired military man's lobbying favored Canadian mining companies in the Amazon. 02/21/2022. <https://apublica.org/2022/02/como-o-lobby-de-um-militar-da-reserva-favoreceu-mineradoras-canadenses-na-amazonia/>

7 - Observatório da Mineração. Former Belo Sun director takes office as Brazil's National Mining Agency manager in Pará. 04/22/2020. <https://observatoriiodaminerao.com.br/ex-diretor-da-belo-sun-assume-cargo-de-gerente-da-anm-no-para/>

## POLITICAL RISKS

Incoming Brazilian President Luiz Inácio "Lula" da Silva's victory over Jair Bolsonaro indicates a shift in Brazil's political landscape that **increases investment risk in Belo Sun and the VGP.** This is due to the fact that Bolsonaro's outgoing government and his military allies served as a revolving door for Belo Sun officials and investors. The Canadian merchant bank Forbes & Manhattan built relationships with top **military officials** close to the federal government<sup>6</sup> providing evidence of its intentions to advance Belo Sun's land acquisition interests, and Belo Sun's former legal director became the regional manager of Brazil's National Mining Agency in Pará,<sup>7</sup> where the VGP is located. **With Lula's election and stated commitments to preserve the Amazon, however, there is no guarantee that such insider deals would continue.**

**THE PICTURE IS CLEAR:**  
investments in Belo Sun Mining Corp.  
create enormous political, legal,  
reputational, environmental, and  
social risks for financial firms.

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