



Second Session - Thirty-Fifth Legislature
of the
Legislative Assembly of Manitoba

STANDING COMMITTEE

on

ECONOMIC DEVELOPMENT

40 Elizabeth II

Chairman
Mr. Jack Penner
Constituency of Emerson



VOL. XL No. 1 - 8 p.m., WEDNESDAY, MARCH 20, 1991



MANITOBA LEGISLATIVE ASSEMBLY
Thirty-Fifth Legislature

Members, Constituencies and Political Affiliation

NAME	CONSTITUENCY	PARTY
ALCOCK, Reg	Osborne	Liberal
ASHTON, Steve	Thompson	NDP
BARRETT, Becky	Wellington	NDP
CARR, James	Crescentwood	Liberal
CARSTAIRS, Sharon	River Heights	Liberal
CERILLI, Marianne	Radisson	NDP
CHEEMA, Gulzar	The Maples	Liberal
CHOMIAK, Dave	Kildonan	NDP
CONNERY, Edward	Portage la Prairie	PC
CUMMINGS, Glen, Hon.	Ste. Rose	PC
DACQUAY, Louise	Seine River	PC
DERKACH, Leonard, Hon.	Roblin-Russell	PC
DEWAR, Gregory	Selkirk	NDP
DOER, Gary	Concordia	NDP
DOWNEY, James, Hon.	Arthur-Virden	PC
DRIEDGER, Albert, Hon.	Steinbach	PC
DUCHARME, Gerry, Hon.	Riel	PC
EDWARDS, Paul	St. James	Liberal
ENNS, Harry, Hon.	Lakeside	PC
ERNST, Jim, Hon.	Charleswood	PC
EVANS, Clif	Interlake	NDP
EVANS, Leonard S.	Brandon East	NDP
FILMON, Gary, Hon.	Tuxedo	PC
FINDLAY, Glen, Hon.	Springfield	PC
FRIESEN, Jean	Wolseley	NDP
GAUDRY, Neil	St. Boniface	Liberal
GILLESHAMMER, Harold, Hon.	Minnedosa	PC
HARPER, Elijah	Rupertsland	NDP
HELWER, Edward R.	Gimli	PC
HICKES, George	Point Douglas	NDP
LAMOUREUX, Kevin	Inkster	Liberal
LATHLIN, Oscar	The Pas	NDP
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MANNES, Clayton, Hon.	Morris	PC
MARTINDALE, Doug	Burrows	NDP
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ORCHARD, Donald, Hon.	Pembina	PC
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WOWCHUK, Rosann	Swan River	NDP

LEGISLATIVE ASSEMBLY OF MANITOBA
THE STANDING COMMITTEE ON ECONOMIC DEVELOPMENT
Wednesday, March 20, 1991

TIME — 8 p.m.

LOCATION — Winnipeg, Manitoba

CHAIRMAN — Mr. Jack Penner (Emerson)

ATTENDANCE - 10 — QUORUM - 6

Members of the Committee present:

Hon. Mr. Neufeld

Messrs. Cheema, Connery, Helwer, Hickes, Laurendeau, Penner, Reimer, Storie, Mrs. Vodrey

APPEARING:

Mr. Malcolm Wright, President, Manitoba Mineral Resources Ltd.

Mr. Neil Briggs, Vice-President, Manitoba Mineral Resources Ltd.

MATTERS UNDER DISCUSSION:

Annual Reports of the Manitoba Mineral Resources Ltd. for the years ended December 31, 1988, and December 31, 1989

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Clerk of Committees (Ms. Patricia Chaychuk-Fitzpatrick): Will the Standing Committee on Economic Development please come to order.

We have a vacancy for the position of Chairperson, and before the committee can proceed the committee has to elect a Chairperson. Are there any nominations?

Mr. Marcel Laurendeau (St. Norbert): I would like to nominate Jack Penner.

Madam Clerk: Mr. Penner has been nominated. Are there any further nominations? There are no further nominations.

Mr. Penner, you are duly elected Chairperson. Please come and take the Chair.

Mr. Chairman: I would like to call the committee this evening to order.

We are dealing with the Standing Committee on Economic Development, which will consider the December 31, 1988, and December 31, 1989, Annual Reports for Manitoba Mineral Resources.

I would invite the honourable Minister of Energy and Mines to give the opening statement to introduce his staff members at the present time.

Hon. Harold Neufeld (Minister of Energy and Mines): Mr. Chairman, I will introduce my staff. First on my left is Dr. Malcolm Wright, the President of the company; Neil Briggs, Vice-President and Cyril Vicker the Comptroller.

I will let Mr. Wright make the opening statements. I would encourage the committee to pass at least the 1988 report, as we have already met on three different occasions to consider that report. We have met on one other occasion to consider the '89 report. The questions will undoubtedly be the same on both reports. I will ask Dr. Wright to make the opening statement.

Mr. Malcolm Wright (President, Manitoba Mineral Resources Ltd.): Thank you, Mr. Minister.

Mr. Chairman, and members of the committee, as you are well aware we are dealing with activities in 1988 and 1989. Trying to make these activities meaningful today is like trying to heat up old potatoes and hope that they will go down fairly well, but I will give it a shot.

* (2005)

This is the first time the '89 report has been before the committee and the third time for the '88 report. Since there are some new members here tonight, I thought it best to resummairize the '88 report and then summarize the 1989 report. First on the 1988 report, in 1988 Manitoba Mineral reported then record income of \$4.6 million after record high exploration expenditures of \$4 million. The high income reflected record production from the Trout Lake mine and extremely strong copper and zinc prices.

In 1988, we purchased the province's 25 percent interest in Tantalum Mining Corporation of Canada

and consolidated the administration of this particular investment. At December 31, 1988, the investment was being carried on the books at \$1.8 million. In that same year, we entered into a joint venture with Hudson Bay Mining and Smelting Limited to develop the Callinan mine near Flin Flon. By October of that year, the development had started, and the corporation had contributed \$7.5 million to the project. By the end of the year, Hudson Bay had agreed to buy back our interest under a loan agreement which retires the debt by the end of 1990, and that has now been done.

Total exploration expenditures by Manitoba Mineral and its partners in 1988 were \$7.6 million with the corporation contribution amounting to 53 percent of the total, the balance coming from the private sector. Exploration in 1988 emphasized the work needed to do a feasibility study at the Farley Lake gold deposit east of Lynn Lake, a joint venture with Mingold Resources Inc. Joint venture expenditures on that particular project amounted to \$5.6 million. That concludes the summary of the 1988 report, so I will now move on to the 1989 report.

Nineteen eighty-nine was another record year for Manitoba Mineral in terms of net income which rose to \$7.6 million, an increase of \$3 million over the previous record set in 1988. The increase was due principally to two factors, an increase of \$1.9 million in interest income and a decrease in exploration expenditures of \$1.8 million due to completion of the intensive work on the Farley Lake gold deposit. In spite of record production from the Trout Lake mine in 1989 and strong copper and zinc prices, the contribution to consolidated net income from the Trout Lake mine remained essentially flat at \$8.1 million. Increased production and strong metal prices were offset by large cost increases.

Tantalum Mining Corporation produced a small profit in 1989. It was applied to the reduction of a bank loan obtained to finance the restart of Tantalum production in 1988. Total exploration expenditures in '89 amounted to \$3.6 million of which the corporation contributed \$2.2 million with the balance from the private.

The feasibility study on the Farley Lake gold deposit was disappointing. The deposit is not economic at anticipated gold prices. Additional ore reserves or higher gold prices are needed to enhance the economics of the deposit.

* (2010)

Since 1985 the corporation has reported positive net income which had led to the development of a strong balance sheet. By the end of 1989, working capital stood at \$22.2 million. We had no debt and that strong working capital placed Manitoba Mineral in the position to participate in the development of a new mine should the opportunity present itself, to maintain exploration levels at about \$3 million annually through periods of low metal prices, and to permit acceleration of exploration work on a discovery without impacting on other routine exploration programs.

The company will continue to act as a catalyst to stimulate exploration and development in the Manitoba mineral industry with an emphasis on areas surrounding communities threatened by an inadequate ore reserve base, namely Flin Flon, Snow Lake, Leaf Rapids and Lynn Lake. Thank you.

Mr. Chairman: Thank you very much. I would now ask the critic from the official opposition party if they have any opening remarks?

Mr. Jerry Storie (Flin Flon): I recognize that the 1988 report has been here a few times and perhaps it is timely that we I think intend to finish off the '88 report this evening. One of the reasons I think we can do that is that we have heard this evening that the Callinan mine project, which was begun in '88 and effectively ended in '88, has seen the end of the agreement by virtue of the fact that HBM&S I understand has paid out the \$7.5 million as of 1990. So that project now has sort of been finalized I gather.

The president mentioned in his remarks that the corporation had left approximately, or intended to spend approximately \$3 million on a continuing basis and I am wondering, given some of the difficulty that particularly HBM&S seems to be having in the Snow Lake area, whether there are plans afoot, or whether in fact there is in place an exploration program that is perhaps somewhat expanded from that for this fiscal year?

Mr. Chairman: Before we begin with the questions I would like to ask Mr. Hickes whether he would have any remarks that he would like to put on the record?

Mr. George Hickes (Point Douglas): I would just like to reinforce what my colleague has mentioned, like tonight we hope to complete 1988 and continue to 1989.

Mr. Chairman: I would like to at this time also ask the critic for the second opposition, Mr. Cheema, whether he would have any remarks that he would like to put on the record?

Mr. Gulzar Cheema (The Maples): Mr. Chairperson, our critic cannot be here because of a previous commitment. I am replacing him, so I do not have any opening statement. I will just follow what is happening, and if any question comes up I will ask the questions.

Mr. Chairman: I would ask, in that case, and appreciate some guidance from the committee. Should the two reports be considered separately, or shall they be considered together?

Mr. Laurendeau: I believe that we should deal with the reports separately, '88 first and then deal with '89 once we have passed '88, Mr. Chairman. I believe that there has been enough time spent on '88 that we can finish up the questioning in a hurry on it and pass it, and then we will work on '89.

Mr. Chairman: Is there concurrence? (Agreed) Should we consider the '88 report then on a page-by-page basis or in its entirety?

Mr. Storie: I do not think we want to streak off and establish a new precedent in committee. Normally we do not review these reports page by page. We are intending to finish this up and perhaps we can do that in a few minutes, but normally we do not review these issues page by page. Clearly MMR and the annual reports are connected, the results of 1989 flow from 1988 and they are all connected to 1990 and 1991. We intend to pass these reports, but I do not see any point in breaking with tradition and beginning to review them page by page. We normally look at them as a whole because they are interconnected and that has been the tradition in this committee for my 10 years here and I see no reason to break with tradition.

* (2015)

Mr. Chairman: Would the committee then agree to consider the report then in its entirety?

An Honourable Member: Report.

Mr. Chairman: Thank you.

Mr. Storie: We could argue about the rules for a few days.

Mr. Edward Connery (Portage la Prairie): We could argue about the rules if you believe the member for Flin Flon (Mr. Storie) and his idea of

what goes on. I could be mistaken, but I think we should be reviewing one at a time and finishing one and going on to the next, should we not?

Mr. Storie: You never learn, do you?

Mr. Connery: From you I will never learn, because I do not want to be that kind.

Mr. Neufeld: I would agree with actually both comments, but I would expect Mr. Storie to agree to pass the 1988 report before we leave here this evening.

Mr. Laurendeau: Mr. Chairman, if there is an all-party agreement here with Mr. Storie and the rest of my colleagues, I believe if we ask the minister he might allow us to at random this evening deal with the two subjects at large if we were to pass the '88 report right away, and you might allow us to flow back to the '88 report, to flow with the '89 at the same period of time. Then we could have the '88 out of the way, and you can still deal with it a little bit. I do not think there will be any waves that way. I think it will make everybody happy.

Mr. Chairman: Is there agreement to Mr. Laurendeau's suggestion? Agreed? Thank you.

Mr. Laurendeau: That way you can still deal with it, but let us get it out of the way. Let us get this out of the way, and you can still—if the minister is in agreement.

Mr. Storie: It does not matter to me. Basically we are going to ask the questions that need to be asked regardless of whether the report is before us or passed page by page.

Mr. Laurendeau: I would just like to see one out of the way. It has been there three meetings and—

Mr. Storie: Fine. I have undertaken that will in all likelihood happen providing we do not find any surprises.

Mr. Neufeld: We have always allowed, and the members have always taken the latitude to ask whatever questions they wish, and we will continue on that line.

Mr. Laurendeau: I would like to move that we pass the 1988 report then.

Mr. Chairman: Agreed?

Mr. Storie: Mr. Chairperson, we have some questions on the 1988 report remaining. I have undertaken to pass 1988 when we are finished with

those questions, in all likelihood before this evening, and perhaps we will proceed to '89 before long.

Mr. Chairman: We will proceed then with dealing with the 1988 report.

Mr. Laurendeau: In that case, Mr. Chairman, I believe that we will have to stick to strictly the 1988 report and not go into the 1989 report at all.

Mr. Chairman: We will begin with dealing with the 1988 report and deal with it in that fashion.

Before I would allow discussion to continue, would the committee want to indicate how late they want to sit tonight? Is it agreed that we adjourn at ten o'clock?

An Honourable Member: Yes.

Mr. Chairman: Thank you. Can we begin then with questions on the 1988 report?

* (2020)

Mr. Storle: Yes, Mr. Chairperson, just going back to the issue of Callinan mine, I think I have put my remarks on record about, I guess, what I believed was at issue when the government made its decision in late 1988 to sell the 49 percent interest that the province owned in Callinan mine. I am wondering whether the president can tell us what the, I guess, final or what the anticipated start-up costs for Callinan were to be before this venture was sold with a loan agreement to HBM&S.

Mr. Wright: The anticipated start-up costs were—this is an approximate figure, Jerry, because that is old potatoes coming up—around \$25 million.

Mr. Storle: Perhaps, Mr. Chairperson, Mr. Wright can indicate whether HBM&S has finished the development work and whether in fact they are receiving ore now from the Callinan property.

Mr. Wright: The development work is not quite finished. The production schedule which was anticipated has not been attained, but they are still striving to get there.

Mr. Storle: Can Mr. Wright indicate what, I guess, the reported grades in the ore are? Are they anywhere close to what was originally anticipated? Are they worse or better?

Mr. Wright: The grade which is being fed into the mill, which I have seen so far, is slightly less than what was used in the feasibility study.

Mr. Storle: I gather that the prices are still somewhat better than what was fed into the model when it was originally discussed.

Mr. Wright: The prices which were fed into the model were definitely a lot lower than what has prevailed since then. On the other hand, the capital costs have been out to lunch as also the operating costs. If we had remained in that particular venture, we would have taken a financial bath.

Mr. Storle: I gather from Mr. Wright that that is a short-term view that we, obviously, cannot predict what the success will be and what looks to be, at this point at least, a long-term investment for HBM&S.

Mr. Wright: I do not know what quite you mean by long term and short term. I think that that view would prevail for the next five to six years and would be changed only by a significantly new discovery of better grade and bigger tonnage.

Mr. Storle: I gather from that Mr. Wright is indicating there has been no real expansion from the original sort of delineation of the orebody, that it is not any bigger than originally anticipated?

Mr. Wright: No, that is not true. There has been approximately 400,000 tons mined and the ore reserve stands at about the same position as before they started. So they have replaced by expiration what they have mined.

Mr. Storle: Mr. Chairperson, is MMR currently involved in any joint ventures for copper and zinc in the immediate vicinity of Flin Flon?

Mr. Wright: Yes, we are involved in several of them, the most important of which has not been exploration from the surface, but deep exploration of Trout Lake mine.

Mr. Storle: Replacement of reserves that are already gone, this exploration, is that the intention, or are we talking about a new orebody entirely?

Mr. Wright: We are talking about four new orebodies, but Trout Lake has had a history of maintaining about a six-year life. What the objective of this current exploration program is to see if we can just find enough ore beneath the lower hole edge level at Trout Lake to justify going down below that level either with deepening the shaft or an internal shaft or by continuing a decline down from the lower level.

Mr. Storle: There was recently a fall of some loose—I guess, in the Trout Lake mine that caused the death of a miner. I am wondering what you can tell this committee about the current status of the mine itself in terms of, I guess, some of the problems they are having with securing the—

Mr. Chairman: I would interject and suggest to Mr. Storle that he direct his remarks to the report. I assume that you are now talking about current situations. I think we are dealing with the '88 and '89 reports, so if you would please make sure that we deal with the reports and matters in the other reports.

* (2025)

Mr. Storle: Yes, Mr. Chairperson, really this just goes to the question of the profitability of Trout Lake mine. I assume that MMR, being a partner, is going to pick up some of the cost. Now I can either drop that question and ask it at a later date, or Mr. Wright can answer me now and get the answer out of the way. I am in your hands.

Mr. Chairman: I would really appreciate if members of the committee would ensure that they stay as close to the two reports that we are dealing with as possible, and if there are further questions on current activities, that those questions be left to either a later date, or maybe later on in this evening's questioning you might want to bring them forward.

Mr. Storle: Thank you, if that is the way we are going to proceed. The corporation also—I will leave the Trout Lake question until '89—purchased the Tantalum Mining Corporation from the province, the interest of the province in that share. There is a reference in the last paragraph to start-up problems associated with the loss in '88. What exactly was the problem, and what did it end up costing? What was our contribution for those problems?

Mr. Wright: The start-up problem was basically when they went into the mine where the mining had been left off. They thought they were going to be mining the same grade of material, and it turned out they were not. The grade was not coming out that was anticipated to come out. That is the first part of the question.

The second part of the question is that there was no direct contribution by any of the shareholders to these problems. What had happened was that this was being covered under a bank loan which is still in place and yet to be repaid.

Mr. Storle: So there was no direct contribution from the province? Did the MMR have to get any authority from the province to get involved in the loan in the first place, or did MMR do that on its own hook, so to speak?

Mr. Wright: We purchased the shares of Tantalum Mining Corporation from the province. Tantalum Mining Corporation itself is held by three shareholders, ourselves, Hudson Bay Mining and Smelting and Cabot Corporation, but it in its own name borrowed the money, and they secure it by the assets of Tanco.

Mr. Storle: So what you are saying is that MMR was not required to secure any of that loan as one of the partners. It was simply that Tantalum borrowed it on its own hook based on the assets that exist.

Mr. Wright: Yes, that is right.

Mr. Storle: Could Mr. Wright tell us what—I am just trying to recall that there was some hope of a kind of a major long-term contract for the product out of this mine. Could Mr. Wright indicate whatever happened to that? Is that how they are operating? Is that what has turned this around? Could he refresh my memory on who that contract was with and what products we are talking about and bring me up to date on that?

Mr. Wright: We restarted Tantalum and borrowed the money from the bank basically on the basis of the contracts you are referring to. There were four-year contracts with two groups. One was Cabot Corporation, which was one of the shareholders. The other one was with an outfit called Stark, and they are Tanco's only two customers of tantalum materials. I am not aware of any other users of tantalum concentrates.

Mr. Storle: The other question that was in there, perhaps Mr. Wright missed it, was, what is this material currently being used for with these two producers? What products are they producing?

Mr. Wright: They produce a tantalum metal which is then drawn into various shapes, mostly wire, and used in the manufacture of high quality capacitors mainly for use in the electronics industry.

Mr. Storle: Was there not another product that could be produced out of this mine? Was there not another by-product?

* (2030)

Mr. Wright: We are actually producing three or four products. The mainstay at the mine is the tantalum concentrates. We produce what is called a ceramic-grade spodumene, which is used in the manufacture of glass on TV sets and Pyrex and Corning Ware. Our main customer is Corning. We also produce and are the main source for the world of a mineral called pollucite that is used in the production of cesium salts, but that should be taken in context in the sense that we can produce in two days the world's annual consumption of that material. We also produce a rubidium-bearing feldspar used by one customer, which is 100 tons a year, and that is like half a day's work. There are some exotic materials which are being produced, but the mainstay is tantalum. That is followed by ceramic-grade spodumene, but the operation would not go without the tantalum.

Mr. Storie: So the quantity of spodumene is not sufficient, or the quantity is not sufficient to mine on its own as an independent product? It is only feasible because it happens to be in combination with these other elements. What is the market for that? That was the product I was thinking of when, it seemed to me, there was considerable interest at one time on the part of the Japanese who were talking about new ceramics and the kind of super conductor idea. Is that the product that was important in the production of those new goods, whatever they are called?

Mr. Wright: I am not aware of any interest in superconductors of materials inside the tantalum pegmatite, Jerry. With regard to the first part of the question, we produce somewhere between 10,000 and 15,000 tons of this ceramic-grade spodumene. The basic customer is Corning, and the world demand for that is about 40,000 tons a year. We have a very heavy competitor out in Australia, and we have been shooting each other in the foot with prices, and there is no way that Tanco could survive alone on that production at the prices that we have seen since we started that and which look like are going to prevail into the longer term.

Mr. Storie: The report says that Tanco expects to be profitable in '89. When do you expect to pay off the bank loan related to the start-up cost?

Mr. Wright: At the tantalum prices we are using, I expect it to be by the end of 1992 and maybe into 1993.

Mr. Storie: Once that occurs then, whatever the results are would become part of available capital for other exploration work or whatever? There is no special agreement that this money goes back to the province or for their initial investment or whatever?

Mr. Wright: No, the shares are held by Manitoba Mineral Resources. Any dividends that would be declared on them would flow directly into Manitoba Mineral Resources, but I would not like to mislead you, because I do not think we are going to get much of anything out of those shares.

* (2035)

Mr. Storie: So while the near term looks better than the past, you are not talking about a tremendously profitable mine in any event.

Mr. Wright: I would just like to change that around a little bit, Jerry. Tantalum Mining Corporation has been working for 20-odd years. It had three banner years all squeezed together at the end of '78, '79, '80 and actually made in that period of time about \$22 million, \$23 million which was paid out in dividends, and the province got \$5.25 million, whatever it was. Prior to that, Tantalum never paid back any money to its shareholders. Since that time, there has been approximately \$15 million put into Tanco, first by way of a sell-off of inventory to finance the start-up of spodumene, secondly, when the mines shut down in 1982-83, a shareholders' loan and also the current bank loan, so you have gone from 1981 with an infusion in ground numbers of \$15 million, and about \$1.5 million has come back to pay down the bank loan.

Mr. Storie: What led to those three banner years? How are we going to recreate that?

Mr. Wright: What led to that was a peculiar situation which I do not think will ever be repeated. The consumers of Tantalum concentrates have huge capital investments in plants to produce Tantalum metal. You are talking of plants that cost \$100 million and up. There was a scare developed that there might be a shortage of raw material to feed these plants, so the producers started getting on the bandwagon and buying this stuff up and bid it up from something like \$16 a pound to \$110 a pound U.S. They shot themselves in the foot. They accumulated five or six years of inventory. Then, of course, the game came to a closing crash. We accumulated a year's worth of inventory, and we were shut down from 1981-82 until '88 on Tantalum.

Now, the producers have consolidated themselves, and I mentioned before, there are only two of them.

Mr. Storie: Who do you want me to start the rumour that there is a shortage? I will notify someone. Maybe Marcel will do that. -(interjection)- You guys were banking it.

Mr. Chairman: Order, please.

Mr. Storie: Mr. Chairperson, moving on to exploration, I note in the '88 year, something like \$7.6 million was spent on exploration. Was any of that money spent? We do not get a list of the various projects MMR was involved in. Did any of that involve exploration for granite- and quarry-type mineral, or was this all for the one kind and another?

Mr. Wright: No, we dedicate our entire efforts up into the north to those communities, Jerry. We are suffering from that inadequate oil reserve base, and basically, we have been trying to stick with the known hunting ground up there, copper, zinc, gold and silver, or gold alone or nickel.

Mr. Storie: So MMR was not involved in any search for any quarry minerals or any more exotic materials like diamonds? There were reports of some companies involved in exploration for ore—I forget what it is called where diamonds are in, but I am sure you know—in the Island Lake area. Is there any truth to those rumours, or have you heard them?

Mr. Wright: None of the money that you are talking about in that particular report, or ever, has been spent on the search for diamonds. We have looked at a couple of possible diamond ventures. In fact, we are still looking at one. I do not want to tell you where it is, but it is not in the Island Lake area. The ore is in what they call kimberlite pipes.

Mr. Storie: Then did MMR get involved in any search for nickel ore, any joint ventures with Falconbridge, Inco, HBM&S?

Mr. Wright: Not in the period of time covered by that particular report, but we do have a major nickel exploration project on the extension of the Thompson nickel belt, beneath the Paleozoic limestones to the southwest. That is a joint venture with Outokumpu of Finland, and we have been spending there for the past two years at the rate of a million dollars annually. It is a 50-50 joint venture.

Mr. Storie: Mr. Chairperson, the south, are we talking about in the area where Manibridge had the Manibridge mine? Is that what we are talking about?

I am just getting my geography straight here. That is southwest.

Mr. Wright: No, it is further south than that, Jerry. It is in what is called the Minago River area, if you are familiar with where that river is.

* (2040)

Mr. Storie: Right, but MMR has not been involved in any exploration for nickel in the Namew Lake area?

Mr. Wright: No, we have not, and part of the reason for that is it has a very large area covered with permits up there. That was in a joint venture also with Outokumpu, which also is part owner of the Namew Lake mine.

Mr. Storie: My understanding was that HBM&S was doing some deep drilling at Namew Lake. Have they approached MMR for assistance to develop or explore at depth that particular mine?

Mr. Wright: No, because they already have a well-financed, joint venture partner there in Outokumpu.

Mr. Storie: I will ask that question a little bit later. The other one that I wanted to spend some time on was on Farley Lake. Obviously, we have proceeded a little beyond where the 1988 Annual Report leaves us, but approximately \$5.6 million was spent in '88 on preparing that site, and I am wondering what we learned from that \$5.6 million.

Mr. Wright: We learned that we had a mineral reserve of 2 million tons which was pittance. It was a grade of one-tenth of an ounce of gold per ton, and when you ran the economics through it, it did not fly.

Mr. Chairman: Mr. Storie. Dr. Wright, did you want to continue?

Mr. Wright: I did not know whether Jerry wanted to know some of the details of the work or the conclusions.

Mr. Storie: Please. Mr. Chairperson, yes, I would.

Mr. Chairman: Do you want to continue, Dr. Wright?

Mr. Wright: We put in a 10-kilometre long road, 13-kilometre long road. There is a Bailey bridge across the river. There are 200 drill holes, roughly, 210 drill holes. The nominal spacing of about 50 feet drilled down to about 200 or 300 feet. There was finally a 10,000 ton test sample taken out of the mini-open pit. That was the kind of physical work

that was done, Jerry. We also, in order to get that—the deposit lay under a creek between two lakes, which we had to dam off, and then we had to put diversion ditches around the deposit before we could get at it underneath the stream and take out 10,000 tons.

Mr. Storle: Was the final result, in terms of the value of the ore, any different from, say, what is currently being mined or was at the time being mined at Lynn Lake? Are we just looking at a deposit that is just always going to be marginal or whether there are significant differences between the two orebodies?

Mr. Wright: We had a grade which was about two-thirds of the grade that was being mined at McLellan mine, but that is not the parameter for which to judge the relative merits of the two particular deposits because the McLellan mine was an underground operation, as you know. We were talking about an open-pit operation on this one, which is a lot cheaper on a unit basis.

Mr. Storle: Mr. Chairperson, Mr. Wright ended up by saying that it just was not going to fly, and I am wondering whether he can tell the committee what level gold prices will have to be at before it would fly.

Mr. Wright: We did the feasibility study in '88 at \$400 gold. It did not make it. I think in those days it would have probably made it if we had \$450 gold.

Mr. Storle: Are you talking \$450 U.S. or \$450—

Mr. Wright: \$450 U.S. Now, if that is 1988, you have to inflate that another two years if you want to bring it into what you need at current, so \$475 or something like that.

Mr. Storle: I have known Mr. Wright for some time and he is usually quite confident when he uses figures. I recall that in 1988 when LynnGold closed in the fall of '88, there was a feasibility study done at the McLellan mine that said basically that at 400 bucks an ounce, they thought they could operate. Given that this was going to be open pit, which is usually—you know, the cost of production is certainly half, normally—why could \$400 an ounce not operate a mine? What other factors are there that we have to add in there to make—

Mr. Wright: Well, you had to bring a hydro line in and you had to build a mill.

Mr. Storle: The plan was to have a mill on-site—a concentrator or a full fledged mill?

Mr. Wright: The plan was to have a full-fledged mill on-site because the ore would not withstand the truck into Lynn Lake.

Mr. Storle: Given that it does not look like that project is going to be feasible, what obligations are MMR and its partner under to restore that site, change the diversion and put the site back to some sort of natural state? Has that been done?

Mr. Wright: A certain amount of it has been done, Jerry, but it is not yet completed because we have not written off the property. Our joint venture partner is currently in the process of trying to dispose of its interest, and if we can get that interest into the right hands that have some money and want to gamble along with us, we would explore that particular area deeper.

Mr. Storle: Does the MMR—or perhaps Mr. Wright can answer a more general question: In projects like this where there is, for some reason, a decision not to proceed to production, how long does the Department of Environment—what licences does MMR have, how long do you have before you are obligated, regardless of the potential for sale or whatever or, even more so, holding out the hope that that is going to happen?

Mr. Wright: Honestly, Jerry, I cannot answer this question because the construction of the dams and the diversion ditches, that particular phase of the operation, was turned over to our partner who took out all the appropriate licences, and I know it was all reviewed at the time. When we said, we are on hold now, I believe that there were two things required, to block off the entry via the road, and to unplug one of the dams at the far end of the lake. Is that right? I think we just blocked the road for the time being. Sorry, Jerry.

Mr. Storle: Is MMR under any pressure or have they received any correspondence from local residents in the LGD of Lynn Lake, anybody with trapping, hunting interests in the area, to return that property to its natural state?

Mr. Wright: No, we have not.

Mr. Storle: Mr. Chairperson, in a meeting in Lynn Lake some months ago, I had had the issue raised with me, and I had understood that they had contacted you, or perhaps the LGD. I do not know whom they contacted, but the issue had been raised and the road is blocked. That was part of the problem, I think. They did not relate it necessarily to

the agreement the province has with Repap; but, normally when roads are opened, they are considered, with Repap and Manfor previously, public access roads. I am wondering, there have been no discussions with the province about MMR's responsibility when it comes to those kinds of access roads?

Mr. Wright: No, there have been no discussions, but we were specifically asked to block the road by the Department of Natural Resources.

Mr. Storle: Obviously, it is a different agreement from the one Department of Natural Resources has with a major forest user. This issue, just for Mr. Wright's information, may come up again from some of the people in Lynn Lake.

* (2050)

Moving on to another question. Mingold is partially owned or wholly owned by HBM&S?

Mr. Wright: No, it is not owned at all by us. It is in the same family. It is a two-way joint venture between Inspiration Resources and Manorco, who is the parent of Inspiration Resources.

Mr. Storle: Of these 51 projects that we are talking about in 1988, was MMR involved in any other gold exploration projects with Mingold?

Mr. Wright: I cannot remember in that particular year, but we have had a number of exploration projects with Mingold for gold.

Mr. Storle: Could someone with Dr. Wright give me an indication where those explorations took place?

Mr. Wright: They were mainly on the eastern side of the Lynn Lake, east of Lynn Lake, from Farley Lake well east of there for several miles. Also there was one underneath the Limestone south of Snow Lake, where we had an old copper bearing deposit that we knew from many years ago which contained gold, and there was another one out in the Flin Flon area near Mikanagan Lake.

Mr. Storle: Mr. Chairperson, the Hudson Bay—there was some property called the Hudvam.

Mr. Wright: Yes.

Mr. Storle: It is not in that property?

Mr. Wright: No.

Mr. Storle: In the vicinity obviously.

Mr. Wright: It is well south of that.

Mr. Storle: The other question I had was that the community of Sherridon certainly, but I had assumed Pioneer Metals may still be looking to sell their property at Puffy Lake. I am wondering whether MMR has had any expression of interest to perhaps explore the existing orebody at Puffy Lake.

Mr. Wright: No. We have not. We had looked at that thing previously and, having had a look at the first thing and saw what happened, we are not interested, Jerry.

Mr. Storle: Perhaps Dr. Wright can refresh my memory on previously meeting after Pioneer ceased operations in 1988—'89?—or prior to that having explored the orebody.

Mr. Wright: Prior to when Pioneer developed the orebody we looked at it.

Mr. Storle: Dr. Wright sounds as though he has foreclosed on any idea of doing any kind of joint venture in that area at all. Can he tell us whether anyone has expressed any interest, including Pioneer, at reopening?

Mr. Wright: The only thing that I am aware of, of any interest being expressed there and, of course, there could be things going on that I am not aware of up in that area, is that Hudson Bay Mining and Smelting has had one look at it or maybe even two as a source not for gold but for silica flux in its smelting operations.

Mr. Storle: I had asked earlier whether there was any copper-zinc exploration in 1988, and I am wondering whether MMR was involved in any of the exploration of the copper-zinc open pit in Snow Lake. It is not the Osborne mine. I cannot remember which one—

Mr. Wright: Chisel.

Mr. Storle: —Chisel Lake—or whether they have been asked to do a joint venture to explore in the Spruce Point area, where I understand HBM&S is going to be closing that mine unless they can find additional ore reserves.

Mr. Wright: With the Chairman's permission, I would like to range a little bit outside the '88 report on this one.

Mr. Chairman: Granted.

Mr. Wright: First I will go back a little bit before '88. We have had active exploration programs up in the Flin Flon-Snow Lake area since 1971, Jerry. However, we have always been confined until very

recently to the peripheries of the heart of the belt. The reason for that exclusion, being a long-time resident of Flin Flon, as you probably know, is that the ground has been tied up by Hudson Bay Mining and Smelting.

Until the last year and a half or so, it has been kind of, hands off our backyard. They did not want joint venture partners. However, if you develop something on the periphery of the area or had an idea within the area that was not staked, they were more than willing to come and talk to you. So we did get into some of those kinds of ventures. However, with the new management team which is in place there now, there is a very marked change in attitude, and let us open up the fence, let us invite in as many joint venture partners as we can. We do not have enough money to do all of this, and we want to keep our plant running.

So in the last year and a half we have got a very large amount of information from Hudson Bay Mining and Smelting and been discussing quite a number of copper-zinc joint ventures with them. In particular, in the Snow Lake area we are in the process of concluding a three-way deal which would include Granges, ourselves and Hudson Bay.

We have also just completed a deal with Hudson Bay in the Flin Flon area south of the airport, where you are familiar with that, and the horizon of the Centennial mine. This is a very refreshing attitude which we have seen on the part of Hudson Bay Mining and Smelting.

Mr. Storle: That is actually very encouraging. I know that HBM&S has sometimes been a reluctant, to say the least, partner with MMR. I only hope that experience has taught them that MMR is in fact an excellent partner. I am not sure MMR always feel the reverse, but I think perhaps both parties are developing a grudging admiration for each other, or respect, and it is encouraging to know that they have opened up some of what has been their traditional, I guess, leasehold area.

Just before I forget though, Dr. Wright mentioned the Snow Lake area. I am wondering if we could have a report on, or whether Dr. Wright knows, the status of the original, I guess it was originally High River, and now Inco gold project that was begun in '88 in Snow Lake.

Mr. Wright: Before I answer your question, Jerry, I would like to clarify one thing about our relationships

with Hudson Bay Mining and Smelting. We have had very good relationships with Hudson Bay Mining and Smelting for 20 years in exploration projects which we have developed. However, it has not until recently been reciprocated that they have come forward with ideas and want us to participate. So I would not want—

Mr. Storle: They need you.

Mr. Wright: They do. So I would not want to leave any impression that there is bad feeling, or that we have had poor joint venture relationships in any period of time with Hudson Bay Mining and Smelting. It is quite the reverse. We have had excellent relationships with them. Like any marriage, there are ups and downs, but when you step right back from it, they have been good relationships.

Now onto the specific question, I only know about the High River thing probably what you read in the newspapers, that they have gone in there and spent several millions of dollars. They have developed—I have forgotten now—X millions of tons of the reserve of so many ounces per ton. It cost something like \$40 million or \$50 million to put it into production and, from what I had last seen in the papers, Inco was not touting it as a viable deposit. I think since that time the price of gold has fallen even further. No, we are not involved.

Mr. Storle: That is certainly going to be disappointing news. I do not think most of the people in Snow Lake were aware that Inco was unlikely to make any kind of production decision based on current price. I know that they are disappointed that it has been on hold, basically, but I do not think there has been any formal statement to anybody in the Snow Lake area, which, I am sure, is disappointing.

* (2100)

There are a number of other, I gather, small gold deposits in the Snow Lake area. I guess I am wondering whether there is any other activity or whether Mingold or anybody else is exploring in the Snow Lake area.

Mr. Wright: We would first have to go back and talk about Inco and high gold. Do not interpret what I say as having read any formal statements by Inco. I just read the same stuff you do in The Northern Miner and I figure that when you have spent all that money and there is no production decision, they do not like it.

With regard to further exploration for gold in the Snow Lake area, we are not currently active in gold exploration there at all. We are into the base metal exploration, but we have had a major program. It may have been '88 or before, in that kind of period of time. It went on for two or three years with a joint venture with Noranda and that was on a larger area on the east side of Wachusko Lake. The objective there was to find the second coming of Hemlo and it did not work.

Mr. Storie: The east side of Wachusko, is that in the vicinity of the Herb Lake mine, or Herbtown or whatever it was called?

Mr. Wright: Yes.

Mr. Storie: The results were?

Mr. Wright: We did not find anything worth pursuing, Jerry, but Neil just tells me that part of the ground that we had with Noranda was eventually auctioned off to—you do not even remember it. They have done a little bit of drilling in 1990.

Mr. Storie: I will leave that area. I just had one other question. I cannot remember who in MMR was involved, but there was an individual in Flin Flon who had found a gold finder. I am wondering whether MMR has any further contact with the budding inventor who developed that process. I cannot remember. I thought perhaps it was Mr. Briggs that was assigned to that task. I am just wondering if he could tell us what he found.

Mr. Neil Briggs (Vice-President, Manitoba Mineral Resources Limited): I think Mr. Storie had more contact with that individual and had a demonstration. I guess you did not invest.

Mr. Storie: Not heavily. It was quite an interesting event. I am sure Mr. Briggs enjoyed the overview of this discovery which could find gold from a piece of equipment mounted on top of a car travelling at highway speeds, and it was foolproof.

An Honourable Member: How much are you in?

Mr. Storie: A buck. I bought him a cup of coffee. We actually do not have a list. There are a whole series of joint ventures mentioned, and I am wondering whether there was anything in any of those joint ventures that was unusual. In other words, is MMR developing a broader roster of partners, or were those joint ventures essentially HBM&S, Outokumpu, Granges. Is there anybody new in the field. I guess that is my question.

Mr. Wright: I would have to go back in the total listing of those things in 1988, and I just cannot remember. You know, over the years we have been involved with somewhere between 20 and 30 different companies, Jerry. Some were relatively small joint ventures, others were big ones. We have had companies from Australia, and we have had the BP company, with, through Selco from England, and things like this. Of course, we have had Granges Sweden and Granges Canada and Outokumpu Finland and things like that. As of today, we are unduly joint ventured, if you want to call it that way, in terms of weightings with Hudson Bay Mining and Smelting because, again, bringing us back to our principal mandate is to focus our attention in those areas where communities do not have an adequate ore reserve base. The main problems are Flin Flon, Snow Lake, Lynn Lake, Leaf Rapids. We have a lot of their ground, and they are controlled by Hudson Bay Mining and Smelting.

Mr. Storie: Mr. Chairperson, I would just like to move back to Trout Lake for a few minutes. We have a 27 percent interest in Trout Lake.

I am wondering whether MMR is satisfied, given the relationship that we have with HBM&S for producing the product, whether we are satisfied that we are getting value for money in terms of the smelting process and the production process, whether there are any lingering questions about whether some of the other costs of operating are still being loaded onto Trout Lake.

I am not making an accusation here. It is something that I continue to hear. Some of the people who work in Trout Lake mine talked about, well, there are more supervisors than there should be, the question of whether MMR is picking up some of the costs that should not necessarily be attached to Trout Lake. I am wondering if there were any discussions, any changes, whether we are satisfied that the overhead costs for Trout Lake are within reason.

Mr. Wright: We have no reason to suspect whatsoever, Jerry, that there is any overt efforts on the part of Hudson Bay Mining and Smelting to load the costs on Trout Lake. The Trout Lake accounting is integrated into Hudson Bay's accounting system and, as such, the mine will call upon warehousing, will call upon the electrical department, will call upon the plumbing department, whatever. There are quite a bit of cost allocations going back and forth.

Now we look at the costing on this thing every month, and the accounts are audited in accordance with the joint venture agreement annually. There is an accounting section in the back of the joint venture agreement which is about yay thick spelling out just exactly what can be charged, what cannot, and how the accounts all flow.

This is all done by Price Waterhouse, and they have not turned up any material digressions from the joint venture agreement in terms of the costing. When you step back and look at it, for the kind of operation that is there, they appear on surface to be reasonable.

Mr. Storle: I indicated to Mr. Wright that concerns like this are raised periodically from people in Flin Flon, but also in your '88 Annual Report, and I quote, cash operating costs comprising mining and milling were \$36.54 per ton compared with \$29.22 per ton in '87.

On the surface, that looks like about a 25 percent increase. It strikes me as a fairly large increase for a single fiscal year.

Mr. Wright: Trout Lake costs have been escalating since 1987 at quite an alarming rate. There have been a number of things, a very large one being the metal price bonus paid to the workers. As you know, the copper, zinc prices have been sky high. The metal price bonus we are talking about is in terms of millions of dollars, which is on top of the wages and totally unrelated to productivity or production. It is totally related to metal price. That was part of the Hudson Bay Mining and Smelting union contract which, as I am sure you are aware, has been replaced by a profit-sharing arrangement. It is in a transitional phase for one year.

Our equipment is aging out there. We are getting deeper and deeper in working it, and our repair and maintenance costs have shot up. Also as you alluded to earlier, I think it was beginning in '88 and certainly developing in '89, we had an increase in problems with ground control. That raises the cost on just trying to control the ground.

I think those were the main areas, and we are continuing to fight those, and the costs are continuing—well, we have continued to fight the last one. The costs are continuing to escalate.

* (2110)

Mr. Storle: Mr. Wright is obviously satisfied that, despite the increase, they are due to attributable

factors and things that are understood and not out of the ordinary. They are out of the ordinary, but obvious.

Mr. Wright: We are not totally satisfied, Jerry, because whenever costs get going like this, we have to delve in and find out why, and we are always pressing to see in what areas we can try to reduce those costs. There is a technical committee that meets three or four days at a time four or five times a year and goes through these kinds of things in considerable detail with Hudson Bay Mining and Smelting. From the perspective of the non-Hudson Bay participants in those meetings, it is, well, why the hell have the costs gone up here so high, what is going wrong, what can be done about it, and this kind of thing.

Mr. Storle: Dr. Wright mentioned in his remarks that one of the reasons for the escalating costs was the fact that HBM&S signed what, at the time, in 1987 looked like a reasonable agreement which tied essentially pay, or a portion of it certainly, to sort of a blended price of copper, zinc and gold, et cetera, and it ended up costing HBM&S dearly. Obviously, it cost MMR as well. An extremely good agreement for the steelworkers, but I am wondering how MMR in this case dealt with the negotiations. Do they have any input as a minority holder, or do they simply just sit on the sidelines?

Mr. Wright: No, it is specifically stated in the joint venture agreement that Hudson Bay should be the operator, that the old union matters and things of that nature are up to them as operator and that Trout Lake will incur whatever umbrella agreement covers all of the other mines.

Mr. Storle: Nowhere in here, at least I did not see in here, any outline of what the price was per ounce, per pound or whatever, of zinc. I am wondering if we could just have a little, if I could get—what I would like perhaps is some sort of four- or five-year comparison just so we can track with MMR's Annual Report prices, if we could get some sort of average for '87, '88, '89, '90 just so we can see where it is going. In 1988, the \$1.44 a pound for copper was basically at its peak. That is approximately right. So '88 would have been almost the best year for MMR in terms of market price for copper. That is \$1.44 Canadian. When did the price peak, I guess is the question.

Mr. Wright: I think you are probably in the right year for the peak. It was fairly flat for about two years. If you look in the '89 report, you will see it was \$1.41.

Mr. Storle: The only other question I had on the Trout Lake mine was, I heard a concern recently that HBM&S is now calling itself a zinc producer because of declining copper ore. I am wondering whether Trout Lake is sort of following that pattern. Are we losing our percentage of copper? Given that it is the best return right now, what does that tell for the long-term future of Trout Lake?

Mr. Wright: We will not know what this means for the long-term future of Trout Lake until we have completed this deep exploration work, where we have some significant high-grade copper intersections. In the 10-year history of Trout Lake, the copper grade has been going down slightly, perhaps, I cannot remember, from 2.2 percent copper to maybe 1.9 percent copper. The zinc rate has been increasing from about 4 percent to around 6 percent zinc.

Mr. Chairman: Thank you. I would like to remind members of the committee if they want to go fishing this season will open in the not too distant future, and would they keep their remarks or their comments or questions pertinent to, as close to the report as possible.

Mr. Storle: Well, Mr. Chairperson, that was an unnecessarily snide remark. If the member will look on the annual report he will notice in 1987 zinc production moved from about 12 million pounds in '88, from 14 in '87 to 12, and the copper production rose as well. This remark that I made was that we are becoming a zinc producer. This does not look to be the case on the surface here. I am simply asking what was happening in Trout Lake.

Mr. Wright: I think I answered the question, did I not?

Mr. Storle: Yes, he did. The reserves that are shown on the Trout Lake page, is that the total reserve? How is that defined? I gather from what you said in your opening remarks that we continue to find ore as we go on. What does this refer to? How do we determine that?

Mr. Wright: Reserves which are quoted there are what are called proven reserves, Jerry. There are basically three classifications of reserves. One is proven, meaning that you—now these are just order-of-magnitude figures—are 90 percent sure

that it is really there. Then you have a probable reserve, which we do not quote, which you are kind of 50 percent sure it is there. Then you have a possible reserve, which is more like drawing a big area on a map and saying, well, I should punch some drill holes down there.

* (2120)

Mr. Storle: Based on the production of the Trout Lake mine in 1988, what does this reserve mean, 1.4 million tons?

Mr. Wright: If you read at the top there, it shows Manitoba Mineral's 27 percent share of production, so to mine as a whole you have to gross it up. Then it says that those are proven reserves only. So those are the ones that we are about 90 percent sure are really there.

Mr. Storle: The question is: If we multiply that times three and a third, and we have the total tons of proven reserves, how many tons are we using annually?

Mr. Wright: I would say it is quoted in here as a five- or six-year life, Jerry.

Mr. Storle: I see. Okay.

Mr. Wright: This is where we have always maintained the reserve at Trout Lake, roughly five to six years—

Mr. Storle: So this still represents five or six? Okay. So the life expectancy of Trout Lake has not changed in effect since it opened in '82.

Mr. Wright: As far as the reserves are concerned, that is true, yes.

Mr. Storle: I guess the only other question I had was whether the exploration operations, the joint ventures, are managed by MMR or whether they are managed by others, whether we could get a list of the companies that MMR joint ventured with.

Mr. Wright: We have to go back and dig them all out, but there are some managed by MMR and some managed by the partners. The general principle that followed, but not always, is if we have initiated a project and got it off the ground, we get a partner in, we manage it. If somebody has come to us and we think they are all right and good enough to get into bed with them on a joint venture, and they want to manage it, fine, but there have been cases where we have managed it for them as well.

Mr. Storie: My further question through you, Mr. Chairperson, was whether we could as members of the committee get a list of those that are joint ventured and perhaps a map, if we could, locating the joint ventures. I assume that some partners may be a little bit leery of providing any kind of detailed information, but any kind of brief explanatory note that would tell us what the project was all about might as well be useful.

Mr. Wright: We could provide you with this information to some extent, Jerry, but on an annual basis we are looking at 40 to 50 projects. We try to summarize it in this report by indicating where those projects are in a gross way. In this particular year that we are looking at, 27 in the Lynn Lake area, 21 in Flin Flon and three down in the southeast. There were 51 projects involved there.

Mr. Storie: No. I appreciate that it would require some work. The reason I ask is, several reasons, obviously No. 1, sometimes the activities of MMR in a given region can lead to the opening up of roads but, also perhaps even just as important, is the opening up of some hope. I think that perhaps even if they were to be illustrated on the exploration area map, just sort of indicating the exact area or a marked close proximity might be useful in terms of knowing what is going on in each of the communities so the communities could be aware of it as well.

Mr. Wright: You would find that you just about cluster groups of 10 or 15 of them right on top of each other on a map of this scale, because they are going to be centred around Flin Flon, Snow Lake and up in between Lynn Lake and Leaf Rapids. We can do it, Jerry, but I honestly do not know if it would be of tremendous amount of value, on a small map at least.

Mr. Storie: I gather what I am being told is that generally when they get into a joint venture, because of rather limited area, it would not show up on a small map. Then perhaps I would just ask for a list of the partners if you could just simply give me a list. I do not know if other members are interested.

I had asked the question earlier whether we had any new partners. Dr. Wright said that we have dealt over the years with many mining companies. I am just wondering, every so often we find a new company, Outokumpu or some other company comes from some other part of the world where the geology is the same and gets involved. I am just

wondering whether there were any new companies in the last few years. Are we dealing with pretty much known quantities at this point?

Mr. Wright: The ones that jump to mind as new exploration joint venture partners for us are Mingold, which we had a very large program on gold; Outokumpu, who certainly we have been joint venturing with in the Trout Lake mine in the past, but not as an exploration project; more recently we have developed several joint exploration ventures with Granges after about a 10-year period in which we did not have any with them. This is under their new management that we have been able to develop these new ventures.

Mr. Storie: Which reminds me of Tartan Lake. There was a suggestion that another mine that closed in '88—I am wondering whether MMR did any joint venturing or exploration work or has looked at Tartan Lake mine.

Mr. Wright: We looked at Tartan Lake before it went into production, Jerry, and I think the questions were asked about, certainly internally in the department at that time, why we were not in it. I said I would not touch it with a 10-foot pole. I think there is about \$50 million down the tube on that one.

Mr. Storie: Was Granges the only partner there? Was that a sole venture by them?

Mr. Wright: No. They had a partner in there, Abermin Resources, and the project was so disastrous that it ended up in a huge lawsuit, which I think Granges finally settled, paid them off for \$5 million, took the whole property over.

An Honourable Member: Out of court?

Mr. Wright: Out of court, yes.

Mr. Storie: The only other question I had on that page are under the New Agreements section. What is the interest in the Elbow Lake area, and who are Homestake Mineral Development Company? Are they doing anything with the option?

Mr. Wright: Homestake Mineral Development Company is a Canadian subsidiary of Homestake Mining or something, which is the oldest and was largest gold mining company in the United States, operating out of North or South Dakota. They were looking in the Elbow Lake area at a gold play up there, and we had some very peripheral ground to their main focus, and they just wanted to tie it up as a safety zone around them. Nothing came out of it.

Mr. Storle: Following on that, the reference is a small holding MMR had near Flin Flon in the Don Jon—is that Mexican—explored area. What is that? Is that also gold, and who is Minova?

Mr. Wright: Minova is a subsidiary of Kerr Addison, which is a subsidiary of Noranda, and that was not gold. That was an old Hudson Bay copper-zinc find that was very small, and which they wanted to chase down at depth. We had a very small percentage of that one. I think the largest percent of that particular one was previously part of the Pine Bay property and tied up with the Guggenheims in New York and Lou Parres in Flin Flon.

Mr. Storle: One other question, I do not know whether I asked this or whether it was answered specifically, but has MMR had any involvement with Inco gold in any project?

* (2130)

Mr. Wright: No.

Mr. Storle: The only other question was, we do not have a list of the joint ventures, but in 1988 was MMR involved or has MMR been involved in any review or discussions or exploration of the potash deposit near McAuley, Russell?

Mr. Wright: MMR as a corporate entity has not been involved with the potash at all. I have assisted on a personal basis with the department in its efforts to get those projects going.

Mr. Storle: My question is to the minister. Referring to the 1988 here, which was I think, if memory serves correctly, was supposed to be a pivotal year for whatever reason in terms of the potash market. There was supposed to be some kind of a breakthrough that we were going to start to see demand increases, and I am wondering whether the minister can indicate whether MMR was considered or is considered a vehicle worthy of getting involved in something like a joint venture in potash?

Mr. Neufeld: In 1988 it was anticipated that there would be a world demand for potash in about 1995. That has now changed to about the year 2000 or perhaps somewhat later. We now have a partner who purchased the interest of Canamax a year ago, and Canamax had 51 percent of the potash deposit. The new partner is a French company who does have experience and expertise in both development and operations in potash. We are keeping our eyes glued to the world market. We hope that in doing so we will remain in the position to be the next mine in

the world. As far as Manitoba Mineral Resources is concerned, I would say no. Manitoba Mineral Resources does not have the financial strength to get involved in a potash mine. The investment in a potash mine would be in the area of \$800 million, and I think that we have to reduce our interest of 49 percent before we can start developing that mine. Manitoba Mineral Resources, as you can see, has net assets in the area of probably \$20 million which is a very small amount considering the size of the investment necessary for a new potash mine.

Mr. Storle: I appreciate that. It was disappointing to hear of the revised forecast for potash. My question was more—

An Honourable Member: . . . it has been there for a long time. It is not revised. Anybody knew that.

Mr. Storle: Knew what?

An Honourable Member: That is was not a good market for a long time.

Mr. Storle: Mr. Chairperson, if the member for Portage (Mr. Connery) wants to enter the debate, perhaps he should listen.

The minister just responded that in 1988 it was expected that by 1995 demand would increase.

Mr. Chairman: I would remind the honourable members if they want to debate the issues that were discussed or mentioned by the minister, there is lots of room out in the hallway.

Mr. Storle: My question really was more of a philosophical one. I mean, 1988 was a year in which I still believe, despite some concerns expressed by Mr. Wright, that we should have maintained our interest in Callinan mine. MMR is in a position right now, was in a position, in my view, to improve its contribution through mining by remaining in that agreement. I guess only time, perhaps the long term, will show whether I was right or wrong.

I am anxious to know whether the minister is interested in joint ventures and partnerships in the way MMR got involved in Trout Lake in 1981 or '82 in a philosophical sense.

Is the minister saying that MMR could not get involved in potash because of the scope of the project but, on the other hand, might be willing to consider involvement on smaller scale projects with partners such as HBM&S or Inco or other companies operating in Manitoba?

Mr. Neufeld: In the first instance let us put potash aside as Minerals is not in the area of potash at all, has not been. Manitoba Minerals has been exploring and joint venturing in the north, and as far as your question of whether or not we see Manitoba Minerals as a joint venture, yes, we do. I think Manitoba Minerals is not equipped, I do not think, to operate by itself. We do not have the staff.

Manitoba Minerals is equipped to joint venture exploration projects, and Manitoba Minerals is equipped to help finance in mining operations as a joint venturer. Yes, in answer to your question, we are very much interested in seeing Manitoba Minerals expand the type of operations in which they have developed an expertise, and we do believe that they can be very useful in exploring for orebodies in areas where we see the need in the future, that being around the Flin Flon and the Snow Lake area, around Leaf Rapids and Lynn Lake.

Mr. Storle: Having said that, and I appreciate that, I am wondering whether the minister can indicate whether there is any intention to have MMR increase its exploration activities in the coming year or the coming years?

Mr. Neufeld: I think we have to see Manitoba Minerals as operating within their own limits. We do not want to push them into spending money on exploration for the sake of spending more money on exploration. They budget and bring their budget to us annually with respect to the operations they expect to take on, and I think that we have to leave it to their judgment to the amount that they can participate in it.

Mr. Storle: Well, Mr. Chairman, with your indulgence we are going to get into an area that is a little more, I guess, long range. The exploration budget in '88 was what, \$3.9 million? It looks like in 1989 it is somewhat down. I am wondering whether the minister has, for example, talked to HBM&S about the need to find additional ore, particularly copper ore, in Flin Flon and Snow Lake and whether that will ultimately lead to an increased exploration budget from MMR?

Mr. Wright: I think probably, Jerry, I am in a better position to respond to that because we had been dealing directly with Hudson Bay Mining and Smelting. We understand very thoroughly what the need is, to focus on copper rather than zinc in that area and, as I mentioned to you earlier in the meeting, that it is only in the past year and a half that

Hudson Bay has said, come into our backyard fellows, you are welcome, and opened up the properties.

Now, with regard to the level of their activities in there, there has been criticism in the past when some of their reports have been reviewed. I believe it was one, this 1988 or perhaps the previous one, why are you guys not spending more money in exploration when you appear to be making so much money? My answer has consistently been that we want to go through these swings of high metal prices and low metal prices and have a sustaining budget, because you are just wasting a lot of money if you try and crank up exploration and crank it down and follow these metal prices. It does not work that way. You take on an exploration project and it is a three- or four-year duration.

What I concluded in my opening statement is now we have a working capital base of \$22 million, and we are looking forward to \$3 million annual exploration which, given some ups and downs, is about where we have had it for the past six or seven years. What our projections are showing now, with the cost for Trout Lake, which is our main source of income, with the metal prices, which I am not predicting, I am picking up other people's predictions, that in the next two to three years—well, this year and the next two years—Trout Lake will not generate sufficient funds to fund \$3 million worth of exploration. It is that simple.

* (2140)

Almost all of the interest, which is running around \$2 million, will be consumed by an exploration level of \$3 million, about a million from Trout Lake, \$2 million from interest, so that we will be operating, as we see events today, at almost, for the next three years, a zero to \$1 million bottom line type number. I can tell you that in 1990, where we are just closing off, we got a bottom line of 1.8 and we are predicting a bottom line this year of .8. I believe that in the longer term we can fulfill our social role by maintaining financial responsibility and financial strength and operate within the means available to us without, so far after quite a number of years, having to come back to you fellows sitting around the table and asking for taxpayers' money. That is the long-range plan, to keep the exploration at a fairly constant level, pull the money in when the metal prices are high, but maintain the expenditures when the metal prices are low.

Mr. Storie: The exploration plan or, I guess, the exploration projects in 1988 included significant exploration in the Lynn Lake area. I am assuming that right now that has been curtailed somewhat, and I am wondering whether that exploration money is now being focused on the Flin Flon-Snow Lake area.

Mr. Wright: If you go back in history, Jerry, I think it was 1981-82 we really cranked up that Lynn Lake area, started at the Saskatchewan border and then worked all the way west until where the turn in the road is around Barrington Lake. We really flogged that area. I think our expenditures in that area were in the range of perhaps 60 percent to 75 percent of total expenditures for a number of years because of the problem of Lynn Lake. As you know, the only thing that jumped out at the thing was the Farley Lake deposit. We just did not make a go of it, and so it did not result in any discovery there. Over that period of years we have spent over—magnitude figures again—\$10 million to \$15 million in total up in there, plus money with other people.

You are quite correct. We are now winding that down for two reasons. One is we have hit it so hard, except for some going back at Farley and a few other smaller things. We are running out of ideas, but we are moving that money now back into the Flin Flon-Snow Lake area. We would be prepared to move some of it into the Leaf Rapids area if the appropriate joint venture opens up with Hudson Bay for new exploration, not exploration in the mine. The government already has its investment in the Ruttan mine.

Mr. Storie: With my next question, my understanding is that there has been some exploration of the West Anomaly, and I am wondering whether you can tell us what the results have been and what is the current expectation in terms of reserves at the Ruttan mine?

Mr. Wright: The latest figures that I saw, and again Ruttan is not reported in here, because it is not a Manitoba Minerals investment, it is a provincial investment in which we act as an agent. There have been exploration successes out in the West Anomaly. There has been a substantial tonnage found. The grade of the ore is marginally better than the rest of the mine, and the anticipated life of the mine at more or less current metal prices is about six years now. Remember that a reserve is an amorphous animal that changes by both prices and

with costs, and the government money that was into that thing was converted into a 50 percent cumulative net profit interest. Through that period of high metal prices, we collected under that particular agreement up to \$4.5 million to \$5 million.

Mr. Storie: Was it \$10 million?

Mr. Wright: The \$10 million was put in. We collected back about \$4.5 million, \$5 million, but it is a cumulative net profit, so if the thing goes negative it gets clawed back. The latest projections show that in six weeks it will all have been clawed back, and the mine will end up with a deficit cash flow of about \$10 million by the end of this year.

Mr. Storie: Mr. Chairperson, that is mining the current ore. Now, is it expected that once they are into the West Anomaly—I am assuming they are not already—once they begin to mine the newly explored area, is that picture going to improve?

Mr. Wright: I do not expect it to improve in a gross way because we have—actually it is this month or next month the first few tons come out from the West Anomaly area, and by the end of the year I think it is 10 or 15 percent of the annual production has come out of there.

The problem is that, yes, there are new oil reserves, yes, the grade is marginally better than what is in the new mine, but it is going to cost \$20 million or \$30 million just to get out there and get it. That is to access it, that is not to extract it.

Mr. Storie: Mr. Chairperson, this is straying a little bit. I am not sure how this affects MMR, but I assume that the ore that is coming from Leaf Rapids to HBM&S is essential to make any kind of reasonable productivity level at the smelter. Is MMR involved in any other exploration in Leaf Rapids right now? What is the prospect, or what does that do to the prospect if this becomes a real drain on HBM&S?

Mr. Wright: We have had a number of exploration programs in that general vicinity and we have not turned up very much. We got little sniffs and smells and things like that.

That whole area, whether you are talking about Leaf Rapids, Flin Flon, Snow Lake, desperately needs—or even on the Saskatchewan side—a discovery of a major copper deposit. I would say it would need that discovery hole in the next two years, because you have a lead time between discovery and production of five or six years.

If you look at Hudson Bay's annual statements, you will find that their ore reserves go out there in about seven years. Their principal problem is a shortage of copper. Right at the moment they are producing excess zinc and losing money having to sell it.

Mr. Storie: I guess that leads to the other question. Has HBM&S requested MMR to do any long-term planning with them, parallel to them because of their commitment after modernization, which I understand from HBM&S is something like \$200 million, exploration commitment? Has there been any sort of discussions with MMR on sort of a parallel plan for exploration?

Mr. Wright: Yes, in the framework of the agreement which has been negotiated, Hudson Bay would undertake to spend \$9 million on an annual basis. These are constant dollars. They do not have to put \$9 million of their own money into it. As long as it is being spent in that area they can get it from whom they want. There is a parallel commitment by Manitoba Mineral to supply \$1 million on an annual constant basis to that program.

* (2150)

Mr. Storie: I guess the other question that I had to ask is with respect to modernization. Has HBM&S made any request to MMR for a contribution to the modernization costs, given that it will have some, I would assume, reasonable effect on our profit from Trout Lake?

Mr. Wright: Kind of, the answer is yes and no, directly and indirectly. They are trying to squeeze the non-Hud Trout partners for as much as they can out of Trout Lake to contribute to modernization.

Mr. Storie: So the answer is, they are doing it indirectly. That is the answer. The more direct question is, has HBM&S then not approached them, not earlier in '88 or since, more directly to make a more direct contribution? I mean, has this been discussed at the board level? Do we have a role to play? Is that not a legitimate request?

Mr. Wright: I think, Jerry, that when you look at the magnitude of the money that is required, we get somewhere back into the potash situation. What we would have available at the moment is peanuts. Secondly, Hudson Bay's problem, as you have been skirting around the issue, is not only modernization. Hudson Bay's problem is an oil reserve base to feed that plant once it is

modernized. Now, they are going to need two types of money even when the plant is up and running. One is exploration; one is mine development capital. We stand here today in the good position to assist Hudson Bay in mine development capital.

They have a number of properties which may be viable and which we are prepared to sit down and talk to them if they require mine development capital under a kind of joint venture arrangement. They have already indicated that they foresee something like this, whether it be MMR or somebody else in the future, as an absolute need, because they are capital short.

Mr. Storie: Well, I guess that leads to another concern that I have had for a long time, and I have raised this issue with the Minister on many occasions. That is that the modernization which, according to the HBM&S president, would make HBM&S roughly 12 percent to 15 percent more productive, has now been waiting for about two and a half or three years. Obviously, for many residents, it is a concern over the environment but, more specifically, for HBM&S employees, for the steelworkers and for the company, it is more a question of survival. It is perhaps fortuitous that they went through a period where copper and zinc prices, copper prices in particular, were very good.

No one expected it to last, and clearly it is not going to last, so I mean MMR has a stake in this, a major stake. We have a stake because we are a partner, but we also have a stake in terms of the modernization. It will improve our profit picture, I assume, and certainly would have if it had been underway. It would have improved our ability to reinvest money in other projects. I guess my question is to the Minister. When are we going to see a conclusion to the longest pregnancy in mineral history?

Mr. Neufeld: Well, I guess by now, Jerry, you have moved totally outside the boundaries of the—

Mr. Storie: No, no. It is referring to the '88 Annual Report, profitability -(interjection)- profitability—

Mr. Chairman: Order.

Mr. Neufeld: We have definitely moved outside of the borders of the Manitoba Mineral Resources. I would prefer not to comment on the timing of the construction of the modernization in Flin Flon at this point. Mr. Storie has to remember that there are three parties involved, and none of the three parties have

signed the agreement at this time. So he should not point fingers at the Manitoba government as being the party responsible for the length of the pregnancy.

Mr. Storie: Mr. Chairperson, I am asking this minister to induce. I have been asking this minister to induce since 1988. I recognize that it would -(interjection)- We signed at Callinan mine and a few other things then. You do not know anything about it.

Mr. Chairman: Order, please.

Mr. Storie: I think we are finished our review of the 1988 Annual Report.

Mr. Chairman: Are there any other questions?

Mr. Storie: The minister never thought it was going to pass.

Mr. Chairman: Are we agreed that the Annual Report for Manitoba Mineral Resources be passed—pass.

Should we also pass the 1989 report?

Mr. Storie: I think that would be asking way too much. We would have to be here for proba

bly several, several hours. I think it was agreed that the committee would rise at ten o'clock.

Mr. Neufeld: I would like to suggest to Mr. Storie that he allow the '89 report to pass. The 1990 report will be issued in the very near future, at which time he will have the opportunity to ask all the questions he is about to ask on the '89 report. He will be able to ask all the questions on Hudson Bay Mining and Smelting modernization when we go into Estimates on Energy and Mines.

Mr. Chairman: Does the committee agree that we pass the '89 report?

Mr. Storie: No, Mr. Chairperson. I am prepared to consider perhaps reviewing this quickly, if we can get some indication from the minister of the time frame for the tabling of the 1990 report. When might we have that ready?

Mr. Neufeld: I am informed that the 1990 report should be available by the end of April and will be tabled immediately. I will undertake to sit in committee at any time thereafter, whenever we can get the committee.

Mr. Storie: Would the minister undertake to get me a preliminary copy of the report by the middle of April?

Mr. Neufeld: I do not think I can make the report available to anybody until such a time as I table it in the House.

Mr. Storie: The minister is saying that by the end of April the report will be available?

Mr. Neufeld: I have been informed that it will be available at that time, and I will table it as soon as it is available for tabling. I will give Mr. Storie that undertaking.

Mr. Storie: Okay, then we can pass the 1989.

Mr. Chairman: Are we agreed that the 1989 Annual Report for Manitoba Mineral Resources be passed—pass. Thank you. The meeting is adjourned.

COMMITTEE ROSE AT: 8:59 p.m.