



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

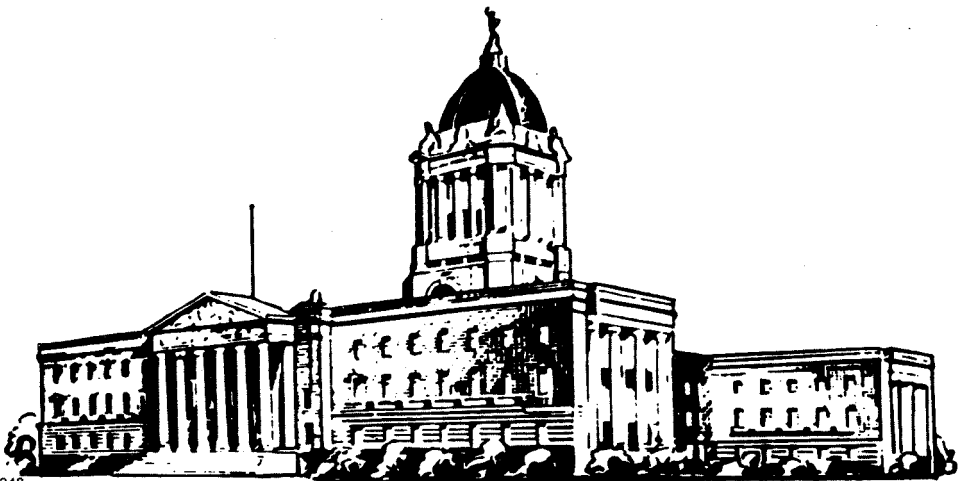
STANDING COMMITTEE

on

ECONOMIC DEVELOPMENT

31-32 Elizabeth II

Chairman
Mr. G. Lecuyer
Constituency of Radisson



MG-8048

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MANITOBA LEGISLATIVE ASSEMBLY
Thirty-Second Legislature

Members, Constituencies and Political Affiliation

Name	Constituency	Party
ADAM, Hon. A.R. (Pete)	Ste. Rose	NDP
ANSTETT, Andy	Springfield	NDP
ASHTON, Steve	Thompson	NDP
BANMAN, Robert (Bob)	La Verendrye	PC
BLAKE, David R. (Dave)	Minnedosa	PC
BROWN, Arnold	Rhineland	PC
BUCKLASCHUK, John M.	Gimli	NDP
CARROLL, Q.C., Henry N.	Brandon West	IND
CORRIN, Brian	Ellice	NDP
COWAN, Hon. Jay	Churchill	NDP
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DODICK, Doreen	Riel	NDP
DOERN, Russell	Elmwood	NDP
DOLIN, Mary Beth	Kildonan	NDP
DOWNEY, James E.	Arthur	PC
DRIEDGER, Albert	Emerson	PC
ENNS, Harry	Lakeside	PC
EVANS, Hon. Leonard S.	Brandon East	NDP
EYLER, Phil	River East	NDP
FILMON, Gary	Tuxedo	PC
FOX, Peter	Concordia	NDP
GOURLAY, D.M. (Doug)	Swan River	PC
GRAHAM, Harry	Virden	PC
HAMMOND, Gerrie	Kirkfield Park	PC
HARAPIAK, Harry M.	The Pas	NDP
HARPER, Elijah	Rupertsland	NDP
HEMPHILL, Hon. Maureen	Logan	NDP
HYDE, Lloyd	Portage la Prairie	PC
JOHNSTON, J. Frank	Sturgeon Creek	PC
KOSTYRA, Hon. Eugene	Seven Oaks	NDP
KOVNATS, Abe	Niakwa	PC
LECUYER, Gérard	Radisson	NDP
LYON, Q.C., Hon. Sterling	Charleswood	PC
MACKLING, Q.C., Hon. Al	St. James	NDP
MALINOWSKI, Donald M.	St. Johns	NDP
MANNES, Clayton	Morris	PC
McKENZIE, J. Wally	Roblin-Russell	PC
MERCIER, Q.C., G.W.J. (Gerry)	St. Norbert	PC
NORDMAN, Rurik (Ric)	Assiniboia	PC
OLESON, Charlotte	Gladstone	PC
ORCHARD, Donald	Pembina	PC
PAWLEY, Q.C., Hon. Howard R.	Selkirk	NDP
PARASIUK, Hon. Wilson	Transcona	NDP
PENNER, Q.C., Hon. Roland	Fort Rouge	NDP
PHILLIPS, Myrna A.	Wolseley	NDP
PLOHMAN, John	Dauphin	NDP
RANSOM, A. Brian	Turtle Mountain	PC
SANTOS, Conrad	Burrows	NDP
SCHROEDER, Hon. Vic	Rossmere	NDP
SCOTT, Don	Inkster	NDP
SHERMAN, L.R. (Bud)	Fort Garry	PC
SMITH, Hon. Muriel	Osborne	NDP
STEEN, Warren	River Heights	PC
STORIE, Jerry T.	Flin Flon	NDP
URUSKI, Hon. Bill	Interlake	NDP
USKIW, Hon. Samuel	Lac du Bonnet	NDP
WALDING, Hon. D. James	St. Vital	NDP

LEGISLATIVE ASSEMBLY OF MANITOBA
THE STANDING COMMITTEE ON ECONOMIC DEVELOPMENT
Thursday, 19 May, 1983

TIME — 10:00 a.m.

LOCATION — Room 255, Winnipeg, Manitoba.

CHAIRMAN — Mr. Gerard Lecuyer (Radisson)

ATTENDANCE — QUORUM - 6

Members of the Committee present:

Hon. Mr. Cowan; Hon. Ms. Dolin; Hon. Mr. Parasiuk;

Messrs. Ashton, Brown, Filmon, Harper, Lecuyer and Santos

APPEARING: Mr. David Gardave, Chairman of the Board

Mr. Malcolm Wright, President

MATTERS UNDER DISCUSSION:

Annual Report of Manitoba Mineral Resources Ltd. for the fiscal year ended March 31, 1982.

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MR. CHAIRMAN: The Committee will come to order. We are here to look at the report from Manitoba Mineral Resources Limited.

Mr. Minister.

HON. W. PARASIUK: Yes, I'd like to introduce to the members of the Committee, Mr. David Gardave, who is the Chairman of the Board of Manitoba Mineral Resources Limited, and Malcolm Wright, who is the President of Manitoba Mineral Resources Limited.

I'll now ask Mr. Gardave to make his opening statement to the Committee.

MR. CHAIRMAN: Mr. Gardave.

MR. D. GARDAVE: Thank you. Mr. Chairman and members of the Committee, this is the first time I've had the pleasure of presenting Manitoba Mineral's Annual Report to this Committee. The last presentation was made by Malcolm Anderson who has since resigned. I was appointed Chairman of the Board 10 weeks ago to replace him. The current board consists of myself, Mr. Jack Roper and Dr. Bruce Wilson. Mr. Burns, who is shown as a board member in the report before you, resigned last year.

The report you are examining today is for the year ending March 31st, 1982 and is now 12 months old. I will try and highlight the report and bring you up-to-date.

The companies objectives listed in the report are:

1. To start exploration projects that will attract participation by the private sector and,

conversely, to participate in worthwhile projects proposed by others.

2. To manage the province's interests in mandatory participation agreements.
3. To employ and train Manitoba residents in mining exploration.

In the past year we have added a fourth objective: To accelerate exploration in the Lynn Lake area where depleting ore reserves threaten the community of Lynn Lake.

I should point out that Manitoba Mineral has been aware of the Lynn Lake problem for a number of years. Since its inception in 1971, the company and its associates in joint ventures have spent \$9.2 million exploring for new deposits in this area.

The company acts as an agent for the province and manages its 27 percent interest in the Trout Lake mine near Flin Flon. By last June Hudson Bay had earned its 44 percent interest in that project by spending \$27.4 million on developing the mine. At that time, development work was still in progress and the mine was producing at 50 percent of designed capacity. Since June the province has been contributing 27 percent of the costs. The initial development work was completed on schedule in December for a total cost of \$30.2 million, 6 percent over budget. The mine is now operating at full capacity.

Manitoba Mineral Resources Limited was authorized, under The 1982 Loan Act, to borrow \$2.8 million to cover working capital and its share of those development costs not borne by Hudson Bay. At March 31st of this year, the company had borrowed \$2.6 million which was used as follows, and you can see from the table:

Capital Construction took \$1 million

Working Capital Needed involved another \$1.3 million

Operating Losses for that year were \$0.3 million, a total of 2.6.

The estimated operating losses of \$0.3 million reflect high unit operating costs in the transitional period leading to full production, low copper and zinc prices, and lower than anticipated copper grades. Lower grade copper were offset, in part, by higher than expected zinc and gold values. The operation at this time is now breaking even.

Interest on that loan of \$2.6 million at March 31, 1983, amounted to \$114,300, which was covered by a Supplementary appropriation.

Turning to some of the other work - the company holds a small interest in the Pinebay property south of Flin Flon containing a marginal reserve totalling 660,000 tons grading at around 2.9 percent copper. The property is under option to Hudson Bay. Hudson Bay has completed five holes in an attempt to increase reserves without success, but further work is planned.

In the period covered by the report before you, exploration work was done on 12 properties covered by mandatory participation agreements in the Flin Flon,

Snow Lake, Lynn Lake, Gillam and Lac du Bonnet areas without encouraging results. The company contributed \$404,000 to these projects. Nine of these projects are currently active - one with Sherritt in the Lynn Lake area, seven with Hudson Bay in the Lynn Lake, Flin Flon and Snow Lake areas, and one with Falconbridge in the Lynn Lake area. The level of activity in the fiscal year just ended was about the same as that in the report before you; however, activity would have been about 50 percent less in the current year had the company negotiated acceleration of activity in the Lynn Lake area with both Hudson Bay and Falconbridge.

Fourteen of the company's own exploration projects were active in the year covered by the report. The location of these projects is shown on the map at the front of the report. All of the projects were worked under joint venture agreements with the private sector. One diamond drill hole in the Limestone Bay project south of Snow Lake intersected low-grade copper mineralization. Since the report, additional ground geophysical surveys have been run on the Limestone Bay property and further drilling is planned.

On the company's own exploration ventures, the company participated in \$1,850,127 worth of exploration at a net cost of \$737,943 which represents a leverage of about 1.5 to 1. Although the figures have not yet been compiled, the leverage in the fiscal year just ended will be considerably less, reflecting cutbacks in exploration funds available to the private sector and the acceleration by Manitoba Mineral of activity in the Lynn Lake area.

Turning now to oil wells - only two of the oil wells owned by the company and Berry Petroleum in the Pierson area are now in production. They are both marginal producers providing the company with income of about \$75 per month.

Mr. Chairman, this concludes my opening remarks and I welcome any questions from the committee.

MR. CHAIRMAN: What is the wish of the committee, that we deal with the report as a whole?

The Member for Turtle Mountain.

MR. B. RANSOM: Mr. Chairman, I think that we probably would like to have a general discussion of the report, perhaps making reference to the pages in the report and then pass it completely at the end.

To begin with, Mr. Chairman, I'd like to just look briefly at the company's objectives. There has been a new objective added, and I would like to know whether that has been done on the basis of the economic prospects that exist in the Lynn Lake area? Is that the best place for the company to be investing money if they are contemplating trying to make a profit for the shareholders, the taxpayers?

MR. D. GARDAVE: I think the prospects there are still quite good in relation to other areas. The emphasis, therefore, has been that, rather than weigh them because we feel the prospects are fairly similar, and because of the need in that community, that we should concentrate at this time in the Lynn Lake area, a fair amount of our exploration activities. Do you have anything to add, Malcolm?

MR. B. RANSOM: This would seem to be some departure then from the way that the company has

operated in the past. We had some discussion of this last year and, I believe, reference to the committee proceedings of last year will show that Manitoba Mineral had been operating strictly on the basis of what they regarded as the best opportunity for the investment of limited funds, in terms of the corporation. The Minister confirmed at that time that the policy that had existed would continue to be in place. I would gather now, then, that there has been some change, and that the corporation is being asked, at least to some extent, to consider putting more effort into the Lynn Lake area because of the fact that the Fox Lake mine is going to be closing down. It is important to the future of the province that there be some continuing activity there.

Perhaps the Minister could indicate to us, then, whether this indicates a shift in the policy of the government toward Manitoba Mineral Resources.

MR. CHAIRMAN: Mr. Minister.

HON. W. PARASIUK: This is something that the Board took into consideration. If you look at Page 31 of last year's review of the committee, and this was Thursday, June 3, 1982, I indicated that I wasn't sure about the nature of all the joint venture proposals coming forward before the MMR. I said that I thought that one of the reasons why MMR has been focusing some of its exploration activity, or would like to focus some of its exploration activity, in the general Lynn Lake area was because the area at present is experiencing some difficulty with respect to the existing mines, and we're not quite sure how long Fox Lake will continue. I think that MMR can be a positive instrument in terms of new types of exploration and focusing exploration activity into certain geographical areas.

The other thing I mention is that one of the things that would have to be looked at is the extent to which MMR might be an instrument to have some exploration take place in areas that haven't been explored too much heretofore. One could look at MMR in a catalytic role as doing some joint ventures with companies in areas that haven't been explored much heretofore, but you have to weigh that against the reality of Fox Lake running out, and the fact that there is an infrastructure that exists in that area that may have an impact with respect to the economic feasibility of possibly a lower grade of ore.

If you've already got a mill in the community of Lynn Lake, that may have an impact on the economic feasibility of an ore find there, just as I believe the facilities at Flin Flon have had a substantial impact on the economic feasibility of some of the ore found there, which is in and around that area, and that some of it hasn't necessarily been of the highest quality, but because there is an existing infrastructure there people were able to mine it at a profit.

I think this is a factor that has become more apparent to the board and to the government. It was something that certainly the board took into account. They raised that with me, and we in a sense came to a meeting of the minds on this with respect to looking at focusing activity in the Lynn Lake area given scarce resources. We could pursue a policy, I guess, of spreading out the exploration all through Manitoba or focusing on it.

Apparently, the economics are such that in a sense there isn't any competitive or comparative disadvantage

to do that. At the same time, I guess over the long run, if that was continued over the long run, it would narrow the focus of exploration activity only to one area. It may mean that areas on, say, the east side of Lake Winnipeg might not be pursued. So as a short-term policy, it might make some sense; over the long run, obviously it may be too narrow.

MR. CHAIRMAN: The Member for Turtle Mountain.

MR. B. RANSOM: Let me just read into the record then some of the discussion that took place last year that follows further down the page from the quotation that the Minister gave. I said at the time: "Then it sounds to me, Mr. Chairman, as if perhaps the Minister then is considering giving more direction to Manitoba Mineral Resources in terms of where they should make their investments. I believe it is fair to say that over the past four years, at least, that Manitoba Mineral Resources has been given their own head to make the decisions that were in the best economic interests of the corporation.

"The first objective of the company, of course, says that the company will carry out its work within the same framework of rules, regulations and normal practice governing the private sector. Normal practice governing the private sector, I would take it, to be wanting to make a profit for the corporation, to make the best investments that they can. Are these objectives still going to hold, or is the Minister considering using the corporation to direct investment into areas for reasons other than strictly economic ones related to mineral exploration?"

The Minister came back at that time and said not at all. In fact, I received some tentative early indication that MMR was seriously looking at applications for joint ventures from areas that possibly hadn't been explored that much to date, and I was going to give serious consideration to that. So, Mr. Chairman, I just was trying to determine last year whether the company would continue to operate in the same way that it had previously, or whether the Minister intended to use it as an instrument more of government policy rather than giving its head. I would take from what he has said now that the decision to concentrate more activity in the Lynn Lake area is something that came, not just strictly from the Board of Directors of the Corporation, but from the Minister.

I'm not saying there's anything wrong with that necessarily, but I think it's important that the committee know in the future of the decisions that Manitoba Mineral makes, whether they are made strictly on the basis of the judgment of the Board of Directors as to where they can get the best return for the dollar that they're provided with by the Legislature, or whether there is another, one might term I suppose, a social factor being injected into the decision making by the Minister through Crown Investments.

HON. W. PARASIUK: I think that when one can say that given scarce resources - and the board really took this into account and reported back to me - they will focus their activity in a smaller geographical area than in a larger geographical area if there's no great competitive disadvantage to that over the shorter run.

That reflects the reality of the prospects facing Lynn Lake.

Within that context, however, the decisions made by MMR are decisions made on the basis of their consideration of the economics of a project. I am not involved in those discussions that they have with private companies with respect to particular joint venture proposals. That is something that the management and the board is involved in without any type of political interference.

MR. B. RANSOM: Mr. Chairman, the Minister used the term "political interference," not myself. I don't necessarily regard it as political interference if the Minister should make the decision that Manitoba Mineral Resources is to be used as an instrument of government policy and directed through Crown Investments. But it's something that we need to know because when the corporation was operating during the period of our government, I believe it's fair to say, and Mr. Wright can correct me if I'm wrong, that they were given their head to make decisions based on what they thought was the best dollar return, especially with respect to negotiating the Trout Lake arrangement with Hudson Bay and Granges.

Now I'd just like to know for the record, whether they will be receiving some direction through Crown Investments to consider putting money into the Lynn Lake area as opposed to putting it into some other area where the company might think that there was a better chance of a making a find. That's all I want for the record, Mr. Chairman.

HON. W. PARASIUK: I haven't had the board come to me and say that they had any better prospects outside of Lynn Lake. They did feel that they had prospects in the Lynn Lake area that did warrant further exploration and that's the context under which they're operating and will continue to operate, as I said. I think the question by the Member for Turtle Mountain was fair enough in that respect. If there's a situation where the government feels that there is a particular role to play by MMR, then that should be a purposeful decision and it should be made public by the government. I think that's a fair enough question, and I respond in that manner because I think that there was a position taken by the previous administration with respect to MMR when, in their negotiations with IMC with respect to possible potash development, it was I think decided by the government that they would take an equity position in the potash development. I assume that MMR would have been their instrument for taking that equity position. I am not sure that was something that emanated from MMR or it was something that was decided by the government. Sometimes those situations do arise.

MR. B. RANSOM: Just to clarify the situation, Mr. Chairman, on the different role of the corporation - the corporation was directed to manage the mandatory participation agreements which had been entered into by the government. But having been given that direction to handle them, they then were allowed to deal with them in a way that they saw fit. If Manitoba Mineral Resources had come along and said, scrap the whole

bunch, they're all a bunch of losers, then that's what would have happened. Indeed, they did drop some of them quickly and some they proceeded with.

I think there's a difference there between giving them a task and letting them go ahead and do it, or nudging them in direction as they carry out their task.

HON. W. PARASIUK: I agree with that distinction.

MR. CHAIRMAN: The Member for Tuxedo.

MR. G. FILMON: Mr. Chairman, I wonder if I could ask the Minister, because I don't think he's clarified this in the discussion, if he could inform us as to whether or not the decision to localize and concentrate exploration and resources in the Lynn Lake area specifically, was one that emanated from the Minister's office on behalf of the government, or whether it was proposed to him by the Board of MMR and he concurred in it?

HON. W. PARASIUK: My recollection of that was that this was something that was considered at the board and reported to me, and I concurred with it.

MR. G. FILMON: In other words, the whole idea was initiated by the board, not by the Minister or the government.

HON. W. PARASIUK: Well, there arises a bit of overlap in that respect and that the Chairman of the Board of MMR was a Deputy Minister of Mines who had been involved in that process. Another member of the board is a former assistant Deputy Minister of Mines, so they are cognizant of what's taking place in Northern Manitoba and are cognizant of the possibilities with respect to mineral exploration. So I am not sure, if one says that there wasn't any awareness of the reality of Fox Lake running out; if one says there wasn't any awareness of the government being generally concerned about what the future of the community of Lynn Lake would be, I think that existed on the part of board members. I don't think it was a direction as such.

MR. CHAIRMAN: The Member for Tuxedo.

MR. G. FILMON: In other words the Minister is saying, that despite the fact that that was not within the ambit of their normal decision-making and in fact their normal objectives, the Board, because of the people who were on it being former senior government appointees in two cases, took it upon themselves to decide that the social and economic consequences to the Town of Lynn Lake were an important concern for Manitoba Mineral Resources as well as the government and they ought to propose this kind of thing.

HON. W. PARASIUK: What happens is that the board considers the whole set of joint venture possibilities and activities in their own right, and usually these exceed any type of budget parameter so it's a matter then of allocating scarce resources to, in a sense, equally good competing possibilities and in that circumstance, they're focusing more of their activity in the Lynn Lake area. They are doing so on the basis that these are still

competitive or business-like types of decisions on their part and that is what they're undertaking, decisions that they believe, in their judgment, to be economically-based decisions.

MR. G. FILMON: Would the Minister have had any discussions with his Deputy Minister who was Chairman of the Board prior to the board coming to that conclusion about this direction of development in resources in that particular area?

HON. W. PARASIUK: I can't recall specific discussions. I know we've been discussing the whole future of mining in Northern Manitoba and those types of general discussions took place. I can't remember a specific discussion.

MR. G. FILMON: No further questions, Mr. Chairman.

MR. CHAIRMAN: The Member for Morris.

MR. C. MANNESS: Mr. Chairman, I'd like to ask the Minister, after reviewing this Annual Report in detail, firstly, and listening to some of the opening remarks, how one can justify the continued existence of this particular corporation. Were I a shareholder and this Annual Report was mailed to me, I can tell you I would unload my particular equity in this corporation very quickly. What does the Minister and therefore the government see as a justified future reason for maintaining this particular Crown corporation?

HON. W. PARASIUK: There are a number of reasons. To begin with, a number of mining companies got going after a fair amount of perseverance. The timetable of exploration and finds is not something that one can predict with any degree of certainty, but we believed and I guess the previous administrations believed, that MMR did have some valid role to play in mineral development. We ourselves believe that there are a number of companies that do believe that they do have some interesting possibilities in Northern Manitoba or other parts of Manitoba. MMR itself is exploring some possibilities that it believes may turn up ore. One cannot be specific in terms of predicting success rates. Granted, to date, the success rate has not been great, but at the same time, as the company matures, I believe that it does have the prospect of acting, as I said, as a catalyst in terms of development.

We have found that, unlike previous years, well-established companies have been coming to MMR making legitimate proposals for joint venture activity. These are the senior companies in Manitoba; these are the established companies in Manitoba. They are prepared and willing to undertake voluntary joint ventures with MMR. They are showing some confidence in Manitoba; they are showing confidence in doing joint work with MMR; MMR is showing confidence in Manitoba and it is showing confidence in the propositions of these various companies by undertaking joint ventures with them after negotiations based on economic considerations.

So we believe that MMR does have a valid role to play in the development of minerals in Northern Manitoba and other parts of Manitoba at a prudent pace.

MR. C. MANNESS: The Minister says that there have been some long-established companies who have come to Manitoba Mineral Resources wishing to do some joint ventures. I suppose I, too, am prepared to enter into a joint ventures with a partner if that partner doesn't need to look at the bottom line from year to year. I suppose then I would ask the Minister whether he feels that there needs to be any time frame as to when this particular Crown corporation has to show any surplus, any black-line figure.

HON. W. PARASIUK: I think that one has to review the corporation from time to time and determined whether, in fact, it's making any significant input to the overall development of the mineral industry in Manitoba. I think the member has to recognize that the Government of Manitoba, without establishing a bottom line, spends a great deal of money on mineral development that it doesn't, in a sense, get a direct return on. It spends a lot of money on geophysical work and geoscientific work and that is picked up by the companies. It has provided the people of Manitoba, the people of Canada, through a process of tax expenditures, a fair amount of input to the mineral development of Manitoba and other parts of the country.

There has been that type of spending done in the past without people looking at the bottom line, so when the member says that we should look at the bottom lines of these types of expenditures, I think it's a valid point and it should be looked at with respect to all types of government expenditure that takes place with respect to mining development.

MR. C. MANNESS: Again, I would ask the Minister, in going through the details and not seeing - well, seeing maybe one out of the 14 or 15 listed seems to have some prospect, and realizing fully well that if you continue from year to year, the chances are that you may hit a beneficial site. I'm going to question how many years he's prepared to look at a report like this, which does not appear to very favourable at all.

HON. W. PARASIUK: I'm prepared to give the company an opportunity to do work over the course of the next three years, and I certainly would want to do a review of the corporation, frankly, towards the end of a term of office to determine what's happened over the course of that term. I'm not sure whether that was done in the past but it certainly is a valid consideration to raise and I would be looking at that. I can't say it's going to be five years or 10 years, but I think periodic reviews with an assessment and evaluation are certainly valid objectives from a provincial policy and administration point of view.

MR. CHAIRMAN: The Member for Turtle Mountain.

MR. B. RANSOM: The third objective listed for the company, which has been there I believe from the beginning, has been to employ and train Manitoba residents in mining exploration. Is that really an objective that's being pursued by the company and does it make sense that the objective should still be listed there?

MR. M. WRIGHT: At the current time wherever we can we give a preference to Manitoba residents; 60 percent

of the current staff were residents at the time they were hired for the company; and we attempt to do the same with contractors that we employ providing their rates are competitive.

MR. B. RANSOM: Is that something that flows from the fact that the objective is there or is that something that the corporation would do in the normal course of business?

MR. M. WRIGHT: Well I think in terms when it comes to the contractors, we would lean toward the Manitoba contractor because that is there. When it comes to terms of hiring, there have been times in the past when we may have been a little better off outside of the province, and have stayed inside of the province, partly because of that objective and partly because of cost of relocation.

MR. B. RANSOM: Perhaps I should ask the Minister then whether he thinks that this objective should continue to be in place, or whether that should be reviewed?

MR. CHAIRMAN: Mr. Minister.

HON. W. PARASIUK: I believe it should be kept in place. That doesn't mean that one shouldn't monitor it. I've had discussions with the universities and they in fact train people in the earth sciences. Unlike other provinces we don't have larger companies, or very many companies at all in the mining area that have their major offices here in Manitoba. It does, I think, provide a bit of a reference point for people who might be interested in earth sciences. Should they then go to universities outside of Manitoba, or should they go to university in Manitoba?

We've trained some very good geologists and other people. There's the whole area of mining engineering that the University of Manitoba is trying to develop. It believes there will be great demands in the future in this area as mines try and become more productive, to be more competitive in the world situation. If in fact the company that exists in Manitoba for the purpose of carrying out mining exploration and development, in a sense, turns a blind eye to their efforts and to the possibilities of graduates from Manitoba, then I think it would make their task more difficult.

I believe then that this should be done, but at the same time it should be done within the context of reasoned judgments and I certainly believe that's what the company would undertake.

MR. B. RANSOM: Mr. Chairman, I wanted to go on to another area. Maybe the Member for Burrows had a question?

MR. CHAIRMAN: The Member for Burrows.

MR. C. SANTOS: Thank you. Mr. Chairman, I'd just like to follow up the questions of the Member for Turtle Mountain with respect to the training of Manitoba residents.

What incentive or opportunities are there, if any, to offer to encourage the student to go into fields such

as geology and other related sciences related to mining if any? Are there any specific programs available to encourage students to go into those areas or fields for study?

MR. CHAIRMAN: Mr. Wright.

MR. M. WRIGHT: No, we have no specific programs in place, and right now you may be aware of, there's a surplus of geologists on the market all over the world, not only in Manitoba.

MR. C. SANTOS: I'm focusing my remarks primarily on Manitoba students. I'm not concerned about students in other places because if this objective is to materialize, we should have an army of people in this province who are skillful enough and trained enough to go into that particular field of endeavour.

Now assuming that there is a surplus of geology students in the province, assuming that is the case, once graduated, are there any special opportunities or special incentives that will attract Manitoba graduates of these sciences into some of these mining operations?

MR. CHAIRMAN: Mr. Minister.

HON. W. PARASIUKE: There aren't any that exist at present. I do know that what happens with some of the graduate students, and I guess some of the undergraduate students, is that a number of them have undertaken a research activity relating to Manitoba geological formations. I think they think that might in fact increase their marketability to Manitoba companies, and in particular MMR, so they undertake specific things relating to the Manitoba zones.

People who aren't that interested in that might be doing a geological research relating to geological zones that don't exist in Manitoba. Obviously they may then have a tendency to move elsewhere, but we don't have any specific incentives in place right now apart from, in a sense, an interest to employ and train Manitoba residents in mining exploration - a stated interest - and I think an achieved objective in terms of hiring Manitoba residents, but we don't have any incentives beyond that.

MR. C. SANTOS: Mr. Chairman, I suggest if this objective is to be a reality on both ends, both at the initial training of students, and at the graduating end when they are already trained, that there should be in place some kind of a rational kind of program in order that this objective may at least be realized if the province is to develop its capabilities in mining and resources in the future.

In the absence of such a conscious, rationally designed program, I cannot see how this objective can be achieved, especially so if corporations from outside of the province are the ones who are participating in all these joint ventures and along with them they are carrying their own trained personnel, wherever they may come from. So this objective is only on paper and it's not true as a matter of reality. Thank you, Mr. Chairman.

MR. CHAIRMAN: Mr. Wright.

MR. M. WRIGHT: I would point out to you, that in the year covered by the report most of those joint ventures you are referring to were initiated by Manitoba Mineral Resources and operated by Manitoba Mineral Resources. Our partners were contributing the funds, we were doing the work.

Now we're a small group; the total staff complement is only 11. There is not much room to absorb a large number of Manitoba graduates. As I mentioned before, we now have 60 percent of our people who were residents at the time they were hired. The other 40 percent have largely come in at a time three or four years ago when geologists were rarer than hen's teeth, and they were being sucked out of Manitoba by the oil industry which has since dumped them back on the market.

MR. C. SANTOS: Mr. Chairman, I have a sister who graduated here at the University of Manitoba with a Master in Geology, but she has to go to Alberta and precisely that's just one example among many. But if this objective, I'm saying, is to be realized in equality, then there should be a connecting link both in the input and the output of the educational system in Geology programs and in their work prospects after graduation. It should be in place. That's all I'm saying, Mr. Chairman. Thank you.

MR. CHAIRMAN: The Member for Turtle Mountain.

MR. B. RANSOM: Mr. Chairman, the Hudson Bay Company had an obligation to spend, I gather, \$27.4 million in developing the Trout Lake mine, and the actual cost then came in at \$30.2 million which seemed to me to be quite a good piece of work in coming in that close to the budget. That extra cost then, did the province pick up 27 percent of that?

MR. CHAIRMAN: Mr. Wright.

MR. M. WRIGHT: Yes, we did.

MR. B. RANSOM: How is it actually working now then, when ore is being produced, is Manitoba Mineral Resources paying a percentage of the total ore processing cost, or does Manitoba Mineral Resources have a percentage of the ore and they can do what they wish with it and pay 100 percent of the processing costs, wherever they might wish to have it processed?

MR. M. WRIGHT: The way this thing works is a little bit complicated; it's in three stages. There is a joint venture at the mine where each of the partners contribute their pro rata share of the costs, and Manitoba Mineral is entitled to 27 percent of the ore produced. There is then a contract in effect with Hudson Bay Mining and Smelting to mill that ore and convert it from ore to concentrates. That contract is for the life of the mine. We are then entitled to take our share of the concentrates and sell them wherever we can get the best deal.

MR. B. RANSOM: Then the Capital Construction cost that is shown in Mr. Gardave's comments - Capital Construction of \$1 million, did that relate to the cost

of completing the mine, the difference between the 27.4 and the 30.2?

MR. M. WRIGHT: Yes, that's right. That is there plus a little bit of additional Capital which has been spent in the current fiscal year.

MR. B. RANSOM: I believe either in this year's report or last year's report there was - it's in this year's report, where it says that Manitoba Mineral Resource's share of the depreciable assets at the end of the fiscal amounted to \$2,878,940.00. Just how did Manitoba Mineral acquire those depreciable assets?

MR. M. WRIGHT: This gets back into the joint venture agreement, and this is one point of the overall deal, that in spending its \$27.4 million, Hudson Bay for the point of tax purposes would be able to declaim the underground development costs, while the depreciable Capital assets purchased as a result of the \$27.4 million, would be divided up amongst the joint ventures in proportion to their percent interest. Very roughly, half of the \$27.4 million is a depreciable asset, as defined in The Income Tax Act.

MR. B. RANSOM: So Manitoba Mineral earned the interest in these assets which were purchased by Hudson Bay, by virtue of their original agreement then?

MR. M. WRIGHT: That's correct.

MR. B. RANSOM: It says again in Mr. Gardave's comments that the estimated operating losses were \$0.3 million during the transitional period to full production. The operation is now breaking even. Just what does that mean when a statement is made that it's breaking even? What costs are being taken into consideration?

MR. M. WRIGHT: That would be all of the operating costs before interest.

MR. B. RANSOM: Then what is the reference to interest on the loan of \$2.6 million; it amounted to \$114,300.00. How is that interest cost taken into consideration?

MR. M. WRIGHT: That is right. That is not included in that breaking-even statement. The interest payments will be on top of that and put it into a loss position.

MR. B. RANSOM: Where can we see a statement of how this Trout Lake operation is doing? Will there be a statement coming to the committee as a consequence of having our interest in that operation?

MR. M. WRIGHT: The Provincial Auditors are currently struggling with this right now. The problem is that Manitoba Mineral is only an agent for the province in handling of the Trout Lake joint venture. Therefore, it is not an asset to appear on the books of Manitoba Mineral and we're struggling to see if we can show it in some form, as an attachment, to the Annual Report which is being prepared for the year ending March 31, 1983.

MR. B. RANSOM: We can at least expect to see a statement though for the overall operation of Trout Lake

that would include Hudson Bay's interest and Grange's interest as well, or is that operation not singled out somewhere?

MR. M. WRIGHT: No, you couldn't expect to see a statement for that because every partner has different economics affecting it. Getting back to a joint venture, you pay money in as a cost and you take your product in ore, so the revenue side of it is yours and the tax positions of all the different partners are different. What we could expect to see is a statement showing Manitoba's position.

MR. B. RANSOM: Mr. Chairman, we've been having some discussions, both the Minister in the House and with the Provincial Auditor, within the last few days and I'm sure we're going to have further discussion with the Minister during his Estimates and, again, with the auditor that relates to this in just trying to identify what the costs are to the province, or what the benefits are to the province in being in this kind of operation.

While I don't like to draw the staff into any partisan, political debate, I think it's well-known that the NDP in the election, and the now Premier said, that the Conservative Government had given up \$76 million in public money by selling provincially-owned shares in Trout Lake Mines. He is quoted in this article from the October 21, 1981 issue of the Winnipeg Sun. He is quoted as saying, "We estimate that potential profits from the public's share sold by the Conservatives could reach 90 million," Pawley said during a campaign speech in Flin Flon, "but that share was sold for 14 million."

Last year in the committee, we discussed how the agreement was arrived at and Mr. Wright confirmed that Manitoba Mineral had been able to proceed to make the best deal possible and even in hindsight, they still felt that it was the best deal possible that could have been made. But unless we have some means of identifying the costs and the benefits from it, it becomes a great subject for partisan political debate which really doesn't serve the interests of the taxpayer as such, in knowing what is happening. So I would hope that there would be some way of presenting this in its entirety.

I am pleased to see here, for instance, that Mr. Gardave's statement points out that there is 114 million of interest costs on that 2.6 million and that it's not part of the break-even situation.

Could I ask then, what you're expecting to see happen by the end of 1983-84? Is there a prediction, a projection at this point of what the statement is going to look like at the end of fiscal '83-84?

HON. W. PARASIUK: I would like to just raise one point and let the staff deal with the second point of the question where he said if there is any way in which one could put forward the material in such a way as to determine the benefits and costs of a particular development even though a number of firms are involved, even though a number of firms are involved in other activities. That is something I think can be said with respect to a Crown corporation's activities, like MMR, but it's certainly something that could be said with respect to the activities of Sherritt Gordon or with respect to the activities of Inco because what they do

is present consolidated financial statements for their operations.

So we never know what is happening in Manitoba, even though the Manitoba people, as part of that process, put up the roads, the schools, the hospitals, do a lot of that type of activity on the assumption that this type of development is of a benefit to the province.

Yet, at the same time it has been very difficult because of the way in which financial statements are provided, to determine what's taken place in Manitoba, what's been reinvested in Manitoba. You know, people have raised points about Inco, for example. Inco has had a good mine in Thompson over a number of years, and one doesn't know exactly how much money they made from the Thompson operations but, at the same time, there was a reduction in the activity in Thompson in late 1977, even though we were told that we have in a sense the lowest-cost nickel in the non-communist world. At the same time, Inco suffered over a billion dollars worth of losses in Indonesia and Guatemala and in battery facilities that they purchased in the United States. One wasn't able to determine what the overall benefit to Manitoba was, because the statements weren't broken out in that way.

Is the Member for Turtle Mountain saying that we should provide more precise statements with respect to MMR's activity? Does he want to extend that to the private sector as well so that we would have more precise statements presented to the Manitoba people so that they can make judgements as to the benefits and costs of developments that might take place within the borders of this province?

MR. B. RANSOM: Mr. Chairman, what the Minister has just spoken about is really quite irrelevant to my point with respect to Manitoba Mineral Resources. We are representatives of the shareholders in Manitoba Mineral Resources. I am not a representative of the shareholders of Inco. If I was a shareholder in Inco, I would want to know some of the same things that I am asking here about Inco's operation. Now, if the Minister has a concern about where Inco is making profits, whether they're doing it in Guatemala or whether they're doing it in Manitoba, it may be a legitimate interest for the Minister to have, but it is not relevant to our discussion here concerning Manitoba Mineral Resources.

If he wishes to establish a Crown corporation to build roads and say that it's going to be a profit-making operation, that would be his prerogative, I guess, to try and do that, but that isn't the way roads and hospitals and services have been provided. What we have here is a Crown corporation established primarily for the purpose of reaping a return to the taxpayers, just as the Minister is proposing to establish the Manitoba Oil and Gas Corporation as a means of providing a return to the people of Manitoba. That was a promise during the election that, indeed, the services that Manitobans could get, was going to be funded by profits from Manitoba Oil and Gas Corporation. All we're asking here is for some method of accounting that shows whether or not we're making a good investment in this corporation.

I am sure that the people who run the corporation don't want to be publicly vilified because their corporation doesn't do well or never seems to show

a profit or is just a sinkhole for taxpayers money. You can avoid that if there is a way of identifying the benefits and the costs. That's the only reason for raising these questions. I am pleased with Manitoba Mineral Resources Annual Reports, for instance, that over the years they show the cumulative costs and the cumulative grants that Manitoba Mineral Resources has received over the years. So it is possible for an individual to look at the reports and to calculate for oneself a rough cost to the taxpayer of making those grants to Manitoba Mineral, but it is not immediately evident to someone with an interest in this area and, of course, things that one calculates for oneself tend not to have the same kind of significance attached to them as things that are presented by the auditors, for example.

So it's just an area that I would like the Minister to give consideration to. We'll look forward to what the Auditor and Mr. Wright and the corporation are able to come up with in terms of the Trout Lake operation, because we're very interested in knowing how this operation is working. I am sure the taxpayers of Manitoba are very interested in knowing how its working. That brings me back to the question that wasn't answered, what is the expectation for fiscal '83-'84?

MR. CHAIRMAN: Mr. Wright.

MR. M. WRIGHT: We're carrying our projections on a calendar-year basis right now. Operations run on a calendar-year basis and we're predicting a break-even position for calendar '83. We have made no projections for calendar '84. It will largely depend upon metal prices, which I am sure you are aware have been at a very low level in the past year and are showing some improvement in some areas now. How far those prices will rise is somewhat dependent upon the rapidity in which the economy recovers. It is also dependent in the case of copper in political events around the world in which we have no control.

MR. B. RANSOM: Have the prices strengthened since last year?

MR. M. WRIGHT: I'm not too sure just where we're talking about. Copper reached a low in June of '82 of somewhere in the neighbourhood of the high fifties, cents per pound, U.S. It is now up about in the high eighties, U.S. cents per pound. Gold has been like a seesaw; it lost almost \$100 an ounce here in the first couple of months of this year and has recovered about half of that now. Zinc is currently selling at 49 cents a pound after dipping to 46 cents a pound; we are projecting 50 cents a pound for the balance of the year. Silver sank as low as about \$6 or \$7 an ounce, U.S., and is now up around \$12-\$13 an ounce, U.S.

MR. B. RANSOM: We're still some distance away from the prices that were used in making the original calculations then, Mr. Wright? You told us last year that it was \$1.07 a pound for copper.

MR. M. WRIGHT: Those figures were quoted in Canadian funds; currently, in Canadian funds, we're receiving somewhere between 92 and 94 cents a pound

on copper. On zinc, we're 49 cents a pound; on gold, in Canadian funds, we're about \$5.20-\$5.30 an ounce; and in silver, we're hedging up towards \$16 an ounce, but silver doesn't have a very big impact on it.

MR. B. RANSOM: What is Manitoba Mineral doing with the concentrates now?

MR. M. WRIGHT: The concentrates are currently being sold to Hudson Bay Mining and Smelting under a contract which terminates the middle of 1984.

MR. B. RANSOM: I assume then that you'd be looking at other possibilities, that you're not necessarily the captive of Hudson Bay, in terms of having to renegotiate with them.

MR. M. WRIGHT: We've just started negotiations on the sale of the concentrates for one year, after the middle of 1984.

MR. B. RANSOM: Just as a final question in this area then. Another year has now passed in the life of this joint venture arrangement with Trout Lake, it's completed and it's in full production now, do you, Mr. Wright, still hold the same position that you did last year and previously that this was a good agreement negotiated in the best interests of the people of Manitoba?

MR. M. WRIGHT: I do.

MR. B. RANSOM: Now, I must say that I concur with Mr. Wright on that statement. I believe that Manitoba Mineral Resources staff and directors did an excellent job of negotiating that agreement for the taxpayers of Manitoba, and it was by no stretch of the imagination a giveaway of Manitoba's resources.

I'd like to ask about the situation with Tantalum Mining Corporation now, could Mr. Wright or Mr. Gardave give us an update of what's taking place there?

MR. D. GARDAVE: Yes, very briefly, the mine has closed as at the end of last year because of the very poor markets for tantalum. We have about a full year's inventory on hand and the prospects for that to be disposed of will probably take most of this year and probably into next year before consideration is given to reopening the mine. Would you like to add to that, Malcolm?

MR. M. WRIGHT: No, that's basically the bottom line of it. The market projections for the balance of 1983 - really, we have no markets lined up ahead of us and we're sitting there with a projected one year's supply entering 1984. That's one year's supply of production, not one year of projected sales. The market is in complete disarray at this point in time, and there have been a few small-size spot sales that indicate there's some activity beginning to develop out on the marketplace and a small uptake in prices. But we have seen a decline in prices of spot prices from somewhere in 1980 of over \$100 a pound of tantalum pentoxide, which has sunk down to \$22 to \$24 a pound, and now recovering to about \$25 to \$28 but there's no volume out there.

MR. B. RANSOM: Is there any cost to the government of their owning their share in Tantalum at this time or is there any money flowing back to the province from Tantalum?

MR. M. WRIGHT: In 1982, although the company showed net earnings of \$1.3 million, there was a net cash outflow of almost \$2 million of which the province was required to contribute its share. In 1983, we're looking at a cash outflow - well, it's closed down - of about \$1 million of which the province will be required to contribute a portion.

MR. B. RANSOM: What might happen in the next year if it stays closed down for another year? Is there an ongoing outflow of cash then?

MR. M. WRIGHT: Yes, there would be the cost of keeping it mothballed are being borne by the shareholders.

MR. B. RANSOM: Our cost is 25 percent of those cash outflows?

MR. M. WRIGHT: It was 25 percent in 1982; it will be 20 percent in 1983.

MR. B. RANSOM: Why is that?

MR. M. WRIGHT: That's because of an arrangement with one of the shareholders, who was also a consumer, and in return for making concessions on the contract to take the product, he agreed to disproportionately fund the shutdown and standby costs in 1983.

MR. B. RANSOM: Again, is there someplace where there is a reasonably complete picture concerning Manitoba's interest in Tantalum? I probably should know that myself but my memory is not very good on this.

MR. M. WRIGHT: Manitoba Mineral is not even an agent for the province in respect to Tanco. The overlap is that myself, David Gardave and Jack Roper were appointed by the government to the Tanco Board. There are financial statements issued once a year by Tanco and these are passed on to the Minister of Finance who holds the shares of Tanco. Where you go from there, I'm not sure.

MR. B. RANSOM: So this cash outflow then, the 25 percent of which has to be paid by the province, doesn't directly relate to Manitoba Mineral but would be handled somewhere by the Minister of Finance?

MR. M. WRIGHT: That's right.

MR. B. RANSOM: I guess though, generally speaking, that this corporation, Tantalum, has gone from being something that appeared to be a great winner three or four years ago to something substantially less than that today. Is there any indication of what will happen over the next two or three years? The lack of sales, is that just a consequence of a downturn in the economy or is there something happening out there in terms of

the basic demand for Tantalum that would have this effect over a longer term?

MR. M. WRIGHT: No, it's quite an involved story. The Tantalum market is rather a small one and when the demand heated up, '78-79, it fed upon itself. The buyers of concentrates produced a tantalum metal through plants which cost tens of millions of dollars to construct. When they saw that the price was going up and there might be shortages, they bought and bought and bought and bought, and built up inventories and in so doing also drove the price even higher.

Then the recession hit at the same time as the price had gone higher, there had been substitution in two major areas of tantalum consumption. One was in the tantalum input to carbide steels, which is used in cutting equipment; and the other one was in capacitors where there was an attempt to design some of the tantalum capacitors out of electronic circuits because of their cost, but there was also a breakthrough in the use of tantalum in that they were able to take the same amount of tantalum which had previously produced one capacitor of a certain rating and produced three capacitors of that rating.

The bottom line is, that there could have been 30 to 40 percent of the market permanently lost; could have been. Nobody knows for sure because the inventories which are in the hands of the producers of metal, the inventories which are in the hands of the owners of the mines. We've got a bad inventory problem and that reflects why Tanco closed down with no sales projected for 1983.

MR. B. RANSOM: Thank you for that explanation, Mr. Wright. What's the situation with Manitoba Mineral vis-a-vis the Sherritt and Agassiz gold deposit? What sort of discussions have there been back and forth? What proposals for joint ventures?

MR. M. WRIGHT: I think if you would bear with me for a minute, Mr. Ransom, I'd like to put Agassiz into perspective. The Agassiz gold deposit is nothing new. It was discovered 27 years ago. There's been \$8 to \$10 million spent on that deposit through exploration; through diamond drilling; underground work and the basic picture has not changed from that which was known 27 years ago. We're dealing with a low grade and at current prices, a sub-marginal deposit.

In 1979 Sherritt negotiated to deal with an outfit called Kamisa (phonetic). This was when gold prices were in the \$600 or \$700 an ounce range. They have a very tough deal to live with there. Now Sherritt came to us about a year ago and offered participation in it. It boiled down to two things. One was one's view of the future price of gold and the other one was one's view of the terms of the deal. We made our own internal feasibility study. We had access to another one made by Kilborn Engineering and in our view the Agassiz deposit will not be a viable proposition unless gold stays over the life of the mine somewhere in the \$500 to \$600 an ounce U.S. range.

Now gold prices back I think in 1978-79 historically had never exceeded \$200 an ounce. A couple of years ago they went up I think on a short basis to about \$800, \$850, but over the past four years where they've

been at the historic high they average \$440 an ounce U.S. That is precisely the price at which gold happens to be selling today.

So our view of Agassiz was that it doesn't matter whether you spend money now or - well it does matter - the money that's spent on Agassiz now is not really going to do it any good. A prudent investor would sit back on Agassiz and watch the price of gold and if he felt that the price of gold was going to stay in that \$500 to \$600 range over the life of the mine, he'd make his move at that point in time.

MR. B. RANSOM: So you're saying then that there really isn't much prospect of showing the deposit to be any better than it's known to be now.

MR. M. WRIGHT: That is our evaluation of it, that it depends primarily upon the price of gold. We would not be interested in putting any further effort into it unless the price of gold got over \$500 U.S.

MR. B. RANSOM: This was an approach that Sherritt-Gordon had made to Manitoba Mineral over a year ago or approximately a year ago?

MR. M. WRIGHT: That's about a year ago.

MR. B. RANSOM: The proposal was appraised I take it then by Manitoba Mineral under the same circumstances that they appraised the other opportunities that they had with mandatory agreements, or with Trout Lake and simply made a decision then on an economic basis?

MR. M. WRIGHT: That's right. As I mentioned previously, it involved both the deal that was proposed and the view of the future price of gold.

MR. B. RANSOM: So there's nothing currently on the table then being negotiated or discussed between Manitoba Mineral and Sherritt?

MR. M. WRIGHT: I'm not sure right where it stands right now, Mr. Ransom. There was a proposal made about a month ago. I had the impression that Sherritt wasn't interested, but we haven't had a formal response.

MR. B. RANSOM: There was a proposal made by Manitoba Mineral Resources and Sherritt wasn't interested?

MR. M. WRIGHT: Yes, that's correct.

MR. B. RANSOM: Without asking you to reveal anything that might have been confidential, on what basis would Manitoba Mineral Resources then be submitting a proposal to Sherritt if you didn't think that the deposit could ever be viable unless gold was above \$500 an ounce?

HON. W. PARASIUK: Yes, it was on the basis of my asking the Manitoba Mineral Resources Corporation to determine what would make sense from their perspective if the government looked at the possibility of providing higher risk funds possibly from the job

corps, in lieu of the grant proposal which is an option that's being pursued. That was turned down by Sherritt-Gordon verbally because they would prefer to receive the money through the NEED Program on a grant basis rather than on an investment basis.

MR. B. RANSOM: Well, Mr. Chairman, what we have now is an example of the exact thing that I was questioning the Minister about earlier on and which the Minister didn't want to admit to, that he was, to use his terms, interfering with the operation of Manitoba Mineral. I was simply trying to establish what his policy was with respect to using this corporation. Now we have information that, from an economic point of view, Manitoba Mineral Resources wouldn't enter into an operation related to Agassiz except under certain circumstances of price. Now the Minister says that he has directed Manitoba Mineral to make a proposal, given some conditions that the Minister has imposed upon the corporation. I think we're entitled to have an up-front explanation from the Minister about this proposal and about how he intends to use Manitoba Mineral Resources, because had we not asked the specific question about what was on the table now, we would not have known that Manitoba Mineral Resources was being directed in this way by the Minister.

MR. W. PARASIUK: Not at all. I indicated that I would make public anything that arose. I will not make those things public before they are being concluded in terms of the negotiation. It was the previous administration that made an arrangement, a tentative arrangement, with the International Minerals Corporation for a joint venture, equity participation by the Provincial Government, presumably through the instrument of Manitoba Mineral Resources Corporation, as part of their negotiations. That was not made public to the people of Manitoba, Mr. Chairman.

So what we're talking about right now is a situation where the government has said that it had a preference, as opposed to giving a grant, which the opposition wants us to give to MMR without any accounting system, without the process that he wants, Mr. Chairman, to determine whether in fact any of these propositions are a good deal from a Manitoba taxpayer's prospective. It was fully possible for a Provincial Government to give a grant to MMR through a Jobs Fund, or could give it to Sherritt Gordon. It has those types of options. That's part of a process of discussions and negotiations which can be undertaken, which would be made public, which is no different than what took place before.

MR. B. RANSOM: Mr. Chairman, it's quite different. The Minister makes a statement that presumably Manitoba Mineral Resources was going to be the instrument that the government would use in dealing with IMC. Manitoba Mineral Resources had not been directed by our government to negotiate a deal with IMC on some basis that didn't make economic sense. That's ridiculous to suggest that that was the case and that there's anything analogous between the two situations.

The Minister states that we wanted the government to give a grant to Sherritt; he will find that has not been the position that has been taken. What we have

been attempting to determine from this Minister was what was being done, why it was being done or why it wasn't being done, because in the case of the program that Sherritt Gordon put forward, there was a belief on their part that it qualified under an existing government program and there was an indication from the federal side - it may or may not have been true, but there was an indication - that indeed the project qualified under the NEED Program and the questioning was as to what the position of the province was and to explain why they had taken the position. Now in this case, if the Minister is making a proposal to Manitoba Mineral Resources that he's going to make a grant to them to handle a proposal to Sherritt Gordon on some basis that isn't economic, then fine. That should simply be identified so that Manitoba Mineral Resources will not be put in the position of having to answer to this committee later on for making decisions that weren't economic. All we expect to get from the Minister is simply a straightforward explanation of what he's doing and how this corporation is expected to function. That's the only way that we can expect to come back to this committee and ask and make some judgment of how the corporation has functioned. We can only do that if we know what is expected of them.

HON. W. PARASIUK: I don't disagree with that particular position of the Member for Turtle Mountain. What I have said is, if there is a departure from that in terms of an actual event, that is, if an agreement would be reached, then of course we would make that public so the people would be able to know that there is a departure on that basis. If there aren't those departures, or if discussions and negotiations are being undertaken, I certainly am not in the position to make that type of thing public. I did say publicly that it was our preference that there be a participation with Agassiz.

I did say that there were different ways in which a province could look at a participation. There are a set of proposals put forward by MMR that have nothing to do with anything relating to a Jobs Fund or anything like that, for exploration activity in and around the Lynn Lake area. They relate to Sherritt Gordon; they relate to other mining companies in the area. Those are presently under discussion; they're presently under negotiation. I'm certainly not in the position, and I don't think Mr. Wright is, to talk about those as they are being negotiated but, at the same time, there are still ongoing discussions with respect to a whole set of things with Sherritt Gordon. They said their preference would be to look for a private partner with respect to Agassiz.

At the same time, as you can see, although they've made an application for NEED, they themselves have said that even if the Federal Government agrees with the provincial approval within the criteria of that program, they themselves aren't sure if they would proceed. Obviously the government then would have to look at the longer-term future of Lynn Lake and look at what instruments exist at its disposal and it would try and make some arrangements to determine whether in fact the longer-term future of Lynn Lake couldn't be pursued. We would do that on the basis of negotiations using instruments that we had at hand and making fully public those things that had been done. I say that I would do the same thing in this particular process.

We aren't finished that negotiation and discussion process.

MR. B. RANSOM: Who has prepared the joint venture proposal which Manitoba Mineral Resources has recently made to Sherritt?

HON. W. PARASIUK: That proposal was not done by myself, it was done by MMR.

MR. B. RANSOM: Well, if Manitoba Mineral prepared the proposal, then they had to have some different parameters on which to prepare that proposal from those outlined to us by Mr. Wright. Can the Minister tell us what the basic ground rules were that he gave to Manitoba Mineral Resources in order that they could make a proposal to Sherritt that might have a chance of being acceptable?

HON. W. PARASIUK: The ground rules were that they divide a package of proposals relating to Agassiz and others where they felt that they had better economic prospects, where they hadn't received responses from Sherritt Gordon to date of a type that would allow for proceeding with joint activity, and that we would look at the higher-risks elements from a provincial point of view with respect to Agassiz. They did that. Sherritt Gordon turned down the high-risk aspect that MMR considered to be the high-risk one, namely Agassiz. But they did respond in a more favourable positive manner than they had done to date with respect to the other proposals that MMR has been discussing with Sherritt Gordon with respect to exploration activity on other lands, especially lands that right now are under lease to Sherritt Gordon, in and around the Lynn Lake area. That may have been a very positive accomplishment of that.

At the same time, the Agassiz one does not seem to be one that will be proceeded with, but it would appear that MMR and Sherritt Gordon may be able to conclude joint venture exploration agreements with respect to other work in the Lynn Lake area, that MMR on its own has thought would be a judicious way to proceed.

MR. B. RANSOM: These other possibilities that MMR has are presumably not for gold, but are for copper, zinc, lead, etc.

MR. CHAIRMAN: Mr. Wright.

MR. M. WRIGHT: These other possibilities include gold as well as copper and zinc.

MR. B. RANSOM: But these are strictly agreements or prospects that Manitoba Mineral Resources have themselves identified and are making a judgment that it deserves further investment on the part of the taxpayers.

MR. M. WRIGHT: Yes, that's right.

MR. B. RANSOM: There is \$5,600,000 shown in The Loan Act for Manitoba Mineral Resources this year. How is that money to be used?

MR. CHAIRMAN: Mr. Gardave.

MR. D. GARDAVE: At present, that represents an equity proposal to fund Manitoba Mineral Resources in consolidated sources. The actual budget comes to much less than that for the current year so those funds are not being planned to be expended in the current year. The nine months I think comes to a figure of \$2,958,000.00.

MR. B. RANSOM: Could we have a few details of how that \$2,958,000 is to be expended?

MR. D. GARDAVE: Yes, that's broken down in terms of our overall plan. Again, the bulk of it is to be covered by our exploration projects, both the mandatory, wholly-owned and the joint-ventured ones. Also it covers another million dollars for Trout Lake which is what we expressed before.

Roughly I would say, Trout Lake will be covered by a million as I mentioned; exploration projects, mandatory is \$147,000; the plan for wholly-owned exploration projects is 698,000 and joint-ventured \$753,000; administration and Capital acquisitions will total 270-some-odd thousand - a total of \$2,958,000.00.

MR. B. RANSOM: I take it that doesn't represent a significant change from the level of funding that the corporation has had for the past few years.

MR. D. GARDAVE: Yes, the increase at the moment represents about 10 percent higher than what we expended in the '82-83 programs.

MR. B. RANSOM: So that's really not much more than an inflationary increase, I guess. Was there some change in the plans of the corporation that you had anticipated that there might have been higher Capital expenditures in the upcoming year and for some reason that is not now going ahead?

MR. D. GARDAVE: The anticipation is in the fact that we're looking for potentially interesting discoveries which are indications that would justify exploration expenditures this coming winter, and we really won't know that so that the preparation of that estimate as to what will be expended will not take place until the fall.

We're hoping, of course, that some of the planned initiatives that we've taken in the Lynn Lake area which I have already mentioned to you, would indicate prospects that were worth pursuing and therefore we're putting in place the fiscal authority to pursue these, if these possibilities did appear.

MR. B. RANSOM: Given the timing of the exploration and the 2.9 million that you're expecting to expend, it really would be unlikely that there would be a further requirement for Capital before the end of March 1984, would it not?

MR. D. GARDAVE: No, on the contrary, if there are some potentially interesting developments, there will be quite an opportunity to expend quite a few more funds during the January to March period, which is

where the bulk of exploration expenditures take place. That is still very much an unknown until some indications are developed this summer.

MR. B. RANSOM: What sort of circumstances might trigger that increased spending at that time? Would that be a favourable find or indication, and that you then would step up your exploration activities? It's quite a bit of money to flow on exploration on short notice.

MR. D. GARDAVE: That's an area where I would defer to Mr. Wright, who of course has quite a bit of experience in this area.

MR. CHAIRMAN: Mr. Wright.

MR. M. WRIGHT: Well, mainly the money we're talking about involves only a 10 percent increase in the overall expenditures, there's quite a shift around in where it's going. We will be more aggressive in the future years in participating in programs brought to Manitoba by other companies. We've already had indications from three majors that they would like our participation, and this has been prevented in the past by the lack of funds.

There is also an increase in the amount of projects which we are likely to be funding on our own, partly because of the lack of dollars out there in the mining industry right now, and partly because of a concentration on the Lynn Lake area where we're accelerating activities.

MR. B. RANSOM: So this extra Capital then, might be used if someone comes along with a joint venture proposal.

MR. M. WRIGHT: Well, the company right now is saying that - we've changed that fiscal year to December 31st, and we're saying in the next nine months, we anticipate spending \$2.9 million. We're not, at this point in time, projecting what our expenditures will be in calendar 1984.

MR. B. RANSOM: Mr. Wright, you're saying over the next nine months, are you talking about nine months from now, or are you talking about from April 1st to the end of December?

MR. M. WRIGHT: April 1st to the end of December.

MR. B. RANSOM: Well, that changes the situation a little bit, I guess. Perhaps I missed it, but I wasn't aware that the fiscal year had been changed to the end of December.

Just a couple of other questions then, Mr. Chairman. There was reference to Hudson Bay having the right to acquire a 60-percent interest in a lease, I think it was involving a Pinebay property. They could acquire a 60-percent interest in the lease through an expenditure of \$3,750,000 and two option payments of \$60,000 each. Is that being proceeded with? Is that the reference that has been made to that by Mr. Gardave?

MR. M. WRIGHT: Yes, that is the same one. So far their exploration work has not been encouraging.

They've drilled five very deep holes in the hope of trying to find an extension to the known mineralization in depth and it has not been successful.

MR. B. RANSOM: Another question related to Trout Lake, how will the profits from that be handled? Are they going to flow to Manitoba Mineral Resources?

MR. M. WRIGHT: The Agency Agreement provides that those monies would come into Manitoba Mineral Resources but, in essence, the government can call on them whenever they want. We would not be free to use them on anything else but mandatory participation agreements.

MR. B. RANSOM: Mr. Chairman, I don't believe that I have any more questions on the report.

MR. CHAIRMAN: The Member for Burrows.

MR. C. SANTOS: Not being very familiar with all these things, my policy is to ask questions when I don't know something. So could anybody enlighten me about the difference between mandatory participation and voluntary participation?

MR. M. WRIGHT: Yes, we have to go back in history approximately 10 years. When the company was first created, it was given seed money to go out and start exploration projects and invite other mining companies to join their venture. These are the so-called voluntary joint ventures. There are also voluntary joint ventures where another company has come to us and said, well, would you like to participate, and we've said, yes. So there are two kinds of voluntary joint ventures.

The reference to mandatory participation ventures is, I think, it was in 1974, the government came in with a regulation which required basically anyone exploring in Manitoba to offer 50 percent of the action to the province. There was an agreement in this form of agreement in this regulation, and a number of agreements were entered into by the province and we identified those as mandatory participation. They were then subsequently turned over to Manitoba Mineral to administer and the regulation was taken off the books.

MR. C. SANTOS: Thank you, Mr. Chairman. The mandatory ones then will be those that are new and recently initiated, and in no case will the old agreements be converted into mandatory ones?

MR. M. WRIGHT: No, the mandatory ones have been wound down; they are a leftover from a period of 1974 to '78. The voluntary ones were the ones which Manitoba Mineral was originally set up to be involved in and have continued throughout since the company's inception in '71. So the new agreements are voluntary.

MR. C. SANTOS: Mr. Chairman, in one of the objectives it says that exploration projects would either be initiated by the Manitoba Mineral Resources and by participation by private sector companies, or the proposal could be a worthwhile project proposed by other companies in which the Manitoba Mineral Resources can participate into. Insofar as existing ventures are concerned, what

is the proportion between the two categories? How many in terms of frequency of occurrence will there be where the initiation was by the government through the agency of the Manitoba Mineral Resources and the other way around? What is the proportion of activities of programs with respect to these categories?

MR. M. WRIGHT: I made a review of this for a 10-year period ending in 1981. There were 32 voluntary joint ventures with Manitoba Mineral Resources; 26 of these ventures were conceived and initiated by Manitoba Mineral and six were started by the private sector. Now, in initiating the project, we asked ourselves, first, is it technically attractive to us and is it saleable? The question asked, is it saleable, is why out of those 32 that 26 of them were initiated by Manitoba Mineral.

MR. C. SANTOS: Mr. Chairman, if a project is really worthwhile and has good prospects, is there any kind of obligation on the part of private companies to allow participation by Manitoba Mineral Resources?

MR. M. WRIGHT: No, there is no obligation on that part at all.

MR. C. SANTOS: Mr. Chairman, thank you. They can say this is our finding, this is our proposal, we don't want any participation by any government, can they do that?

MR. M. WRIGHT: There is no obligation for them to tell us anything of what they're doing on any particular project, which is their own. It's all by invitation, both on our part we would invite into our projects, or on their part they would invite us, but there's no obligation on either part.

MR. C. SANTOS: Then I don't understand the word "mandatory."

MR. M. WRIGHT: Well, that regulation has since been repealed. There was a four-year period, between 1974 and 1978, where the Department of Mines, totally divorced from Manitoba Mineral, came in with the regulation that any company operating in the Province of Manitoba had to offer 50 percent of the action to the Department of Mines. That regulation also applied to Manitoba Mineral.

So it was an incestuous affair built up between Manitoba Mineral and the department because we had to go and offer them 50 percent of the action, which we had 100 percent of, and we are a Crown corporation.

MR. CHAIRMAN: Any further questions?

MR. C. SANTOS: Thank you, Mr. Chairman.

MR. CHAIRMAN: There being no further questions - the Member for Turtle Mountain.

MR. B. RANSOM: Just one question then. Is it the company's intention to try and divest itself of the last oil interests?

MR. M. WRIGHT: Have you got an offer?

MR. B. RANSOM: Mr. Chairman, the ones that are returning \$75 a month were the winners.

MR. CHAIRMAN: There being no further questions, do I have the approval of the members of the committee for the passage of the report? (Agreed)
Committee rise.