



First Session — Thirty-Fourth Legislature
of the
Legislative Assembly of Manitoba

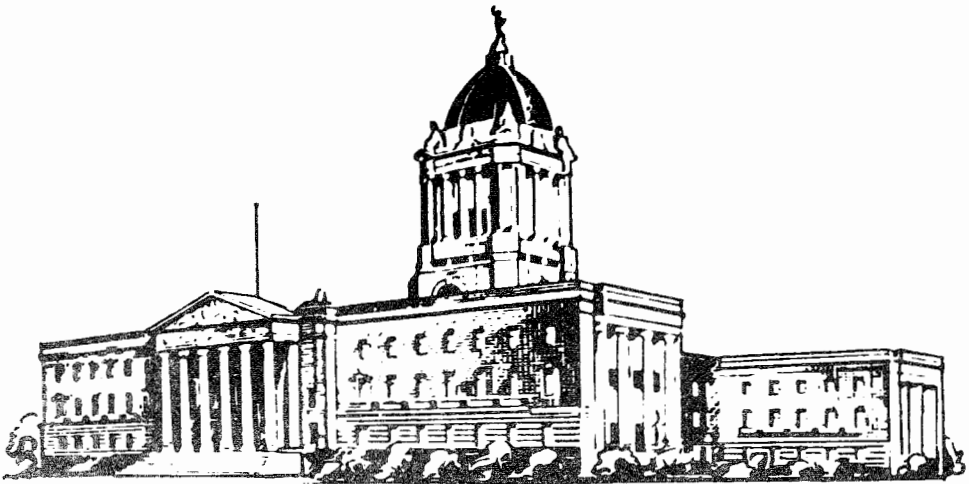
STANDING COMMITTEE

on

ECONOMIC DEVELOPMENT

37-38 Elizabeth II

Chairman
Mr. H. Pankratz
Constituency of La Verendrye



VOL. XXXVII No. 6 - 10 a.m., THURSDAY, MARCH 16, 1989.

MANITOBA LEGISLATIVE ASSEMBLY
Thirty-Fourth Legislature

Members, Constituencies and Political Affiliation

NAME	CONSTITUENCY	PARTY
ALCOCK, Reg	Osborne	LIBERAL
ANGUS, John	St. Norbert	LIBERAL
ASHTON, Steve	Thompson	NDP
BURRELL, Parker	Swan River	PC
CARR, James	Fort Rouge	LIBERAL
CARSTAIRS, Sharon	River Heights	LIBERAL
CHARLES, Gwen	Selkirk	LIBERAL
CHEEMA, Gulzar	Kildonan	LIBERAL
CHORNOPYSKI, William	Burrows	LIBERAL
CONNERY, Edward Hon.	Portage la Prairie	PC
COWAN, Jay	Churchill	NDP
CUMMINGS, Glen, Hon.	Ste. Rose du Lac	PC
DERKACH, Leonard, Hon.	Roblin-Russell	PC
DOER, Gary	Concordia	NDP
DOWNEY, James Hon.	Arthur	PC
DRIEDGER, Albert, Hon.	Emerson	PC
DRIEDGER, Herold, L.	Niakwa	LIBERAL
DUCHARME, Gerald, Hon.	Riel	PC
EDWARDS, Paul	St. James	LIBERAL
ENNS, Harry	Lakeside	PC
ERNST, Jim, Hon.	Charleswood	PC
EVANS, Laurie	Fort Garry	LIBERAL
EVANS, Leonard	Brandon East	NDP
FILMON, Gary, Hon.	Tuxedo	PC
FINDLAY, Glen Hon.	Virden	PC
GAUDRY, Neil	St. Boniface	LIBERAL
GILLESHAMMER, Harold	Minnedosa	PC
GRAY, Avis	Ellice	LIBERAL
HAMMOND, Gerrie	Kirkfield Park	PC
HARAPIAK, Harry	The Pas	NDP
HARPER, Elijah	Rupertsland	NDP
HELWER, Edward R.	Gimli	PC
HEMPHILL, Maureen	Logan	NDP
KOZAK, Richard, J.	Transcona	LIBERAL
LAMOUREUX, Kevin, M.	Inkster	LIBERAL
MALOWAY, Jim	Elmwood	NDP
MANDRAKE, Ed	Assiniboia	LIBERAL
MANNES, Clayton, Hon.	Morris	PC
McCRAE, James Hon.	Brandon West	PC
MINENKO, Mark	Seven Oaks	LIBERAL
MITCHELSON, Bonnie, Hon.	River East	PC
NEUFELD, Harold, Hon.	Rossmere	PC
OLESON, Charlotte Hon.	Gladstone	PC
ORCHARD, Donald Hon.	Pembina	PC
PANKRATZ, Helmut	La Verendrye	PC
PATTERSON, Allan	Radisson	LIBERAL
PENNER, Jack, Hon.	Rhineland	PC
PLOHMAN, John	Dauphin	NDP
PRAZNIK, Darren	Lac du Bonnet	PC
ROCAN, Denis, Hon.	Turtle Mountain	PC
ROCH, Gilles	Springfield	LIBERAL
ROSE, Bob	St. Vital	LIBERAL
STORIE, Jerry	Flin Flon	NDP
TAYLOR, Harold	Wolseley	LIBERAL
URUSKI, Bill	Interlake	NDP
WASYLYCIA-LEIS, Judy	St. Johns	NDP
YEO, Iva	Sturgeon Creek	LIBERAL

LEGISLATIVE ASSEMBLY OF MANITOBA
THE STANDING COMMITTEE ON ECONOMIC DEVELOPMENT
Thursday, March 16, 1989

TIME — 10 a.m.

LOCATION — Winnipeg, Manitoba

CHAIRMAN — Mr. Helmut Pankratz (La Verendrye)

ATTENDANCE — QUORUM - 6

Members of the Committee present:

Hon. Messrs. McCrae, Neufeld, Orchard
Ms. Gray, Messrs. Angus, Minenko, Pankratz,
Storie, Taylor, Uruski

APPEARING: Mr. P. Brockington, Chairman of the Board

Dr. M. Wright, President

MATTERS UNDER DISCUSSION:

1987 Annual Report of Manitoba Mineral Resources Ltd.

* * * *

Mr. Chairman: I would like to call this meeting to order at this time. We have to deal with, I think, six resignations, so we will deal with them first, and hopefully after that we will have a quorum.

"I wish to resign from the Economic Development Committee immediately, Iva Yeo, Sturgeon Creek." Are there any nominations?

Mr. Mark Minenko (Seven Oaks): I nominate Avis Gray, the Member for Ellice.

Mr. Chairman: Avis Gray nominated, all in favour? (Agreed)

"I wish to resign from Economic Development immediately, Richard Kozak." Actually, under some people's signatures, there should always be the spelling. So we have a resignation from Richard Kozak. Have we any nominations?

Mr. Minenko: I nominate Harold Taylor, the Honourable Member for Wolseley.

Mr. Chairman: Mr. Taylor nominated. All in favour? (Agreed)

"I wish to resign from Economic Development immediately, Gwen Charles." Any nominations?

Mr. Minenko: Mr. Chairperson, I nominate John Angus, the Honourable Member for St. Norbert.

* (1005)

Mr. Chairman: John Angus nominated. All in favour? (Agreed)

"I wish to resign from Economic Development immediately, Jim Maloway." Have we any nominations? No nominations.

"I wish to resign from Economic Development Committee immediately, Jim Ernst." Have we any nominations?

Hon. Donald Orchard (Minister of Health): Mr. Chairman, it is my ongoing and distinct honour and pleasure to nominate the Attorney-General of the Province of Manitoba, Mr. McCrae.

Mr. Chairman: Very good, the Attorney General has been nominated, Mr. McCrae. (Agreed)

"I wish to resign from Economic Development Committee immediately, Ed Helwer, Gimli." We have another resignation, Ed Helwer. We need another nomination. Would somebody please nominate Mr. Neufeld? Nominated by Don Orchard, Mr. Neufeld. Committee agree? (Agreed)

I would like to call the committee to order on Economic Development in order to consider the 1987 Annual Report of Manitoba Mineral Resources Ltd. I would invite the Honourable Minister to make his opening statement and to introduce the staff that he has with him today.

Hon. Harold Neufeld (Minister of Energy and Mines): I will introduce the people we have with us today, and the chairman will then make the opening remarks.

The chairman on my left is Mr. Brockington, who is the Chairman of Manitoba Mineral Resources. Next to him is Dr. Malcolm Wright, the President and Chief Executive Officer of the company; and Mr. Neil Briggs, the Vice-President of the company. I will now turn it over to Mr. Brockington.

Mr. Paul Brockington (Chairman of the Board, Manitoba Mineral Resources): Mr. Chairman, and Members of the committee, the report before you today covers the activities for the year ended December 31, 1987.

I am pleased to state that the company reported positive net income of \$3.9 million, which represents an increase over fiscal year 1986, when the net income was \$1 million. Fiscal year 1987 repeated a continuation of the trend for the corporation of reporting net income in excess of its exploration expenditures. I can also now state that 1988 will represent a continuation of this trend.

The major source of revenue and earnings for Manitoba Mineral Resources continues to be the 27 percent interest in the Trout Lake Mine. Revenues from this source were \$12.3 million in 1987 versus \$8.7 million in 1986. This gave rise to net income of \$6.3 million,

compared with \$3.8 million the preceding year. Exploration expenditures totalled \$2.4 million.

* (1010)

The Trout Lake Mine benefitted from a 14 percent increase in ore production, which gave rise to increased zinc, gold and silver output which moved to offset the decline in copper production. Of primary importance, however, is the increase in metal realizations which, in Canadian currency, amounted to 28 cents per pound for copper at \$1.11 per pound and \$70.52 per ounce for gold, which averaged \$593.89 per ounce. Fiscal year 1988 continued to exhibit a positive trend for base metal prices with precious metals declining. Unit operating costs in 1987 increased by 4.3 percent to \$29.22 per ton.

Ore reserves at Trout Lake were 1,180,143 tons at December 31, 1987, down slightly from the previous year. Planned exploration activities will, it is believed, add to the potential mine life of over six years at current extraction rates. Of particular importance is the shaft at Trout Lake which is being financed out of cash generated from the operation and will provide both exploration access and ultimate development access to the ore at depth. This operation will continue to be an important source of future ore for the metallurgical complex at Flin Flon.

Manitoba Mineral Resources with a 55 percent interest and Mingold Resources with a 45 percent interest have continued with a detailed evaluation of the Farley Lake Gold project 24 miles east of Lynn Lake. A detailed feasibility study is now being completed and will be reviewed by the partners in the next few months.

As indicated in the 1987 Annual Report, Manitoba Mineral Resources entered into a joint venture with Hudson Bay Mining and Smelting Co. Ltd. to develop and mine the Callinan property adjacent to Flin Flon. The agreement calls for Manitoba Mineral Resources to pay the first \$9.658 million of costs to earn a 49 percent interest and thereafter costs are shared. Currently, Manitoba Mineral Resources is finalizing negotiations with respect to the sale of their interest in the Callinan project to Hudson Bay Mining and Smelting.

Exploration activity continued to focus on the Lynn Lake region, which absorbed 69.7 percent of Manitoba Mineral's exploration expenditures. Much of this was on the Farley Lake joint venture, where jointly funded exploration expenditures totalled \$2.1 million. The Flin Flon area received 27.2 percent of the exploration funding. Exploration in these two geographic regions emphasizes the importance of relating exploration to existing communities, their residents and the associated resource infrastructure. In total, Manitoba Mineral Resources was involved in 48 exploration projects at a total cost of \$4.4 million, of which the corporation's share was 54 percent. The funding strategy for exploration continues to be one of leveraging private sector sources.

Mr. Chairman, this concludes my opening remarks. Questions from the committee are welcome.

Mr. Minenko: As this corporation is set up in accordance with The Manitoba Natural Resources Development Act, I would like to use that as a starting point for my initial questioning. With respect to Section 2 of that particular Act, I would like to ask the Minister which of the three subsections of that section relate to this corporation, or does the corporation in fact carry on all three of the objects as set out in Section 2 of the Act?

Mr. Neufeld: Mr. Minenko, you have me at a disadvantage. You will have to read the sections to me if you want me to answer the question.

Mr. Minenko: Mr. Chairman, perhaps if there is a set of statutes here, the Minister could look at them from his own location. Is there a set perhaps if . . .

Mr. Neufeld: I am sure you have a specific question in mind and, if you ask the question, we will answer it.

Mr. Minenko: Well, the specific question was exactly as I had indicated. Is the corporation in fact carrying on all forms of business as it is set out in those three particular subsections of that section of the Act? For the Minister's staff, perhaps it is Chapter N33 of the Statutes of Manitoba.

* (1015)

Mr. Neufeld: If you read the notes of the financial statements, Mr. Minenko, you will see the operations and how the company operates.

Mr. Minenko: Okay, well, Mr. Chairman, perhaps then I will ask the Minister: is the corporation carrying on all forms of the business of growing, winning, harvesting, processing, and marketing natural resources or any of the products thereof?

Mr. Neufeld: The company is in the business of exploration and entering into joint ventures for the harvesting of ores.

Mr. Minenko: Does this corporation also then participate in the training of personnel resident in the province in the performance of employee, managerial, or proprietary functions pertaining to carrying on of business described in the previous section?

Mr. Neufeld: For details to that question, I will turn it over to Dr. Wright, the president of the company.

Dr. Malcolm Wright (President, Manitoba Mineral Resources): The short answer is yes. Preferential treatment is given to Manitoba residents in our employment policies.

Mr. Minenko: Does the company provide for the training and, if so, how does it provide for the training?

Dr. Wright: With regard to geologists, we generally hire them fresh out of the university. We have about five or six junior positions and then we get them involved

in the business right out of the university. A number of our contractors that we employ, they employ unskilled labour and train them on the site.

Mr. Minenko: So outside of really having the contractors doing the training, the corporation itself does not involve itself in the training at all.

Dr. Wright: Not now, it does not, no.

Mr. Minenko: Does it determine what these programs are to be or have any impact on the direction of these programs of learning that these contractors provide?

Dr. Wright: No.

Mr. Minenko: I would like to also ask the Minister finally, with respect to Subsection 2(c), does the corporation also conduct research to determine factors that are conducive to the success of a business of the kind described in Clause A, carried on in a sparsely populated, remote area in the province by local personnel, exercising employee, managerial, and proprietary functions?

Mr. Neufeld: I will turn that over to Dr. Wright as well.

Dr. Wright: Absolutely. That is one of our primary mandates is to initiate exploration projects in remote areas and then get other people's money involved in it, and the personnel of other people as well.

Mr. Minenko: So the geologists who were earlier referred to are included in the 12 employees I believe that the corporation has.

Dr. Wright: That is correct.

Mr. Minenko: What are then the functions of the other seven employees of the corporation?

Dr. Wright: First off is myself. I try to look after people, paper and money. The vice-president is Neil Briggs whose primary function is to look after the exploration. We have an office manager, the name is Sylvia Huyghebaert. We have a receptionist secretary; we have a comptroller; and the balance are geologists.

Mr. Minenko: Has there been a recent review of the employee positions and is there any idea of whether they will be expanding the number of employees in the corporation or reducing any, to the Minister if possible?

Dr. Wright: No, we have no intention of expanding the number of employees at this function at this point in time. Our primary function is to act as a catalyst and not to get deeply involved in the mining operation where the big employment is. We are deeply involved in the exploration. But we do much of the bull work of that exploration through contractors.

Mr. Minenko: So then the majority of the operations as we see from the annual report are through joint ventures. I am just wondering, Mr. Chairman, if the Minister's staff could deal with the item under

exploration operations where they set out the joint ventures which are managed by the corporation and joint ventures which are managed by others. What kind of control does the corporation have in joint ventures managed by others, or what are the obligations of the other participants in joint ventures in that sort of circumstance?

* (1020)

Dr. Wright: The joint ventures in both cases work in similar ways. Usually there is a document about this thick covering the various obligations, responsibilities and liabilities of both parties. But basically the joint venture will function through a management committee and, in the normal joint-venture arrangement, the management committee will vote in proportion to its holdings although there are exceptions to that case to protect the minority interest of a minority partner.

Then there is a system of reporting in place depending upon what the job is. You could expect where a lot of money is being spent and results are encouraging and exciting, you can have it anywhere from daily to weekly to monthly. But normally there are quarterly reports required, there are annual reports required, and of course there is a budgetary process where annual budgets have to be presented and approved by the management committee of that nature.

Mr. Minenko: In these joint-venture agreements, which I recognize are rather lengthy documents and attempt to deal with any given number of circumstances, are the interests of Manitobans adequately protected in these joint ventures? If so, how are they in fact protected? Are the minority shareholder situations, do they deal with these types of protections?

Dr. Wright: There is no one deal exactly the same but, by and large, if we are in a minority position, we attempt to protect key decisions by requiring more than a 50 percent vote, and this will vary depending on how many people are involved, etc.

Mr. Minenko: If the corporation is indeed concerned about a particular joint venture and how it is developing, is there a way by which Manitobans' interests can be protected by this company withdrawing from that particular joint venture, or what are the penalties in those circumstances if there is a joint venture that is not quite going the way that would adequately protect taxpayers' interests?

Dr. Wright: There are various mechanisms. They may be involved in these deals, what I call a "shotgun buy-out clause," whereby you offer to buy somebody else's interest but at the same time you set a price for your own. So either it buys you or you buy him. There are other mechanisms in there involving dilution of interest if you do not like the way the thing is going, you do not want to put up any more money. You are always free to go out if you do not like what is going on and try to sell your interest, but generally those are also covered in these agreements by rights of first refusal.

Mr. Minenko: What is the likelihood of anyone on the open market wanting to purchase an interest that

Manitoba Mineral Resources Ltd. has in a joint venture, if it wants to be taken on the open market?

Dr. Wright: I guess anything is for sale at the right price and that is really where it boils down to, but remember a primary function in the exploration is to initiate the project ourselves and then go peddle it, try to get a joint-venture partner come in with us. But a condition of that, that we have maintained throughout our history with very few exceptions, is if that partner wants to come in we do the operating at the exploration level. But you are looking for a partner that not only has money but has the mining expertise to take it on and develop the mine if something is found. Then at that point in time, when the production decision is made, we would turn over the operatorship to that mining company.

Mr. Minenko: I would like to now go into, just briefly, the Manitoba Mineral Resources Ltd. balance sheet, the assets section. Under current assets, the item "in trust with the Minister of Finance," could the Minister or staff briefly describe what the terms of this trust and agreement are or are they relatively standard terms? Secondly, where does the interest earned on the money held in trust with the Minister of Finance (Mr. Manness) go?

* (1025)

Mr. Chairman: Before I ask the Minister to respond to this, we had a resignation this morning, Mr. Maloway, and we have Mr. Uruski with us here. Would anybody be willing to nominate him? Mr. McCrae. Would the committee agree to Mr. Uruski being on the committee? (Agreed)

Then I will now ask the Minister to respond to the questions.

Mr. Neufeld: The monies in trust with the Minister of Finance do earn interest. The exact amount I will have to ask Dr. Wright to answer, but they are surplus funds which are held for the time that the company does not need them. But if you want the exact amount of interest that we earn on it, I will have to turn it over to Dr. Wright.

Mr. Chairman: Mr. Minenko, do you want the response from Dr. Wright?

Dr. Wright: In essence, we have an understanding with the Department of Finance that for their surplus funds it will act as our banker rather than we dealing directly with the banks. The money is held in a trust account and we advise the Department of Finance as to how much of that money should be put aside for certain terms, 60 days, 90 days, six months, a year, and the interest rate that we receive for that will be the interest rate which they actually receive when they blend all of the Government funding as surplus funds and put it on deposit for various lengths of time. It is marginally better than the commercial rates that are obtainable doing the same thing through a bank. It is a matter of convenience for us. It cuts down our administration and we get a marginally better interest rate.

Mr. Minenko: Is the interest rate on this money then set aside into a separate account that accumulates for the benefit of the corporation, or does it go into the general revenues of the Government?

Mr. Neufeld: The interest accrues to the corporation and is paid to the corporation as it is required. It becomes part of the trust funds.

Mr. Minenko: So it is then just constantly rolled over into the amount. The terms of that trust are standard trust terms that any external agency has with the Minister of Finance (Mr. Manness)?

Dr. Wright: There is no written agreement. It is simply a mechanism that was set up years and years ago and is identified as the Manitoba Mineral Trust Account and we are free to call upon it as and when we wish and as and when the funds are available. It is a convenience. We could have simply gone to the banks, but the province may as well have the use of this money and do what it can with it at the same time.

Mr. Chairman: Any more questions?

Mr. John Angus (St. Norbert): Excuse me, Mr. Chairperson, I do not want to appear ignorant or wear my ignorance on my sleeve as it were -(Interjection)- well, if you are here to keep me honest, Don, I am sure that, you know, we will get to the bottom of the issue.

Am I informed accurately, did I read in the paper that the money that the provincial Government has been putting up for exploration, for continued exploration, runs out at the end of a particular time? Is there an agreement of some sort that expires at the end of a period of time and that agreement has not been renewed? I only read reports of this, so.

Mr. Brockington: I think maybe, Mr. Angus, you are slightly confused. This corporation funds all its ongoing exploration from cash flow. This is a self-sustaining corporation and we still report a profit at the bottom line. I believe you are confused with the Mineral Development Agreement, which is something totally different and unrelated to the activities of this corporation.

Mr. Angus: Perhaps you could just clarify what the respective roles of the two different groups are and how they interrelate. Is one a federal responsibility and the other a provincial responsibility? I am just not familiar with it.

Mr. Neufeld: Mr. Angus, the Mineral Development Agreement is an agreement between the Manitoba Department of Energy and Mines and the federal Department of Energy and Mines, and it has nothing to do with the Manitoba Mineral Resources Ltd.

Mr. Angus: I appreciate the distinction as you have identified them but, just listening to the conversation and with a limited familiarity I have, it appears that you are doing similar activities. Is that accurate? That is inaccurate. Would you just clarify the difference then between the two corporations?

* (1030)

Mr. Neufeld: The Manitoba-Federal Mineral Development Agreement finances specific projects that the Manitoba Department of Energy and Mines feels they should enter into. These projects may be the work of Hudson Bay Mining and Smelting or the work of International Nickel or somebody else, or consultants. They have nothing to do with exploration, they are not exploration expenses. They are other development expenses.

Mr. Angus: Which group was that?

Mr. Neufeld: That is the Mineral Development Agreement.

Mr. Angus: I see. Again, I suspect there is an opportunity to discuss that agreement and the work of that agreement in another area. I am just not sure whether or not they are both working on the same Callinan Project from Hudson Bay Mining and Smelting. I guess I am trying to find out whether or not we have different areas of the Government trying to make the same pie from different angles.

Mr. Neufeld: The Mineral Development Agreement does not do any exploration work. It does not finance any exploration work. The work on Callinan is financed jointly by Hudson Bay Mining and Smelting and Manitoba Mineral Resources Ltd. The Mineral Development Agreement is not a separate legal entity. It is an agreement between the federal Government and the Manitoba Government through their departments, and that particular agreement runs out at the end of March of this year.

Mr. Minenko: Mr. Chairman, I would like to direct Members' attention to the items under "Mining Operations, Trout Lake," with respect to the proven reserves and the comparison for the year ending in '86 and '87. There certainly appears to be a reduction in tonnage and the percentage of the various minerals in the ore. Is there a reasonable geological explanation for that and, if there is such or any other explanation, could we please be advised of that?

Mr. Brockington: You will note that there was a slight decline, you are correct. But on top of that, you will note that in 1987 there were 196,951 tonnes mined. I can tell you know that, GRN 1988, again we have mined in the order of a couple hundred thousand tonnes and 1988 year-end will show an increase. So in other words, we are continuing to replace the reserves mined and the geological potential at depth is still considerable. We have had some encouraging holes on that property in the last year.

You cannot put this in the proven reserve category though without further development work. We are now completing sinking of the shaft and lateral development work there that will give us exploration access to further define this ore depth. So we believe that the mine life for the Trout Lake operation will exceed the six years now indicated.

Mr. Minenko: What is the expected life then with respect to the new shaft that is going in. I guess perhaps the preliminary question to that question is, because we only have the report to the end of 1987, perhaps the Minister could advise us as to the progress of the shaft that they had indicated had gone down approximately one-third of its depth.

Mr. Brockington: The shaft is, in essence, completed with the lateral development now taking place. This will give rise to further exploration work over the next year or two.

Mr. Minenko: So has there been a determination as to how long the life of this particular mine will be extended by the extra shaft?

Dr. Wright: I think you have got to put a mine in perspective is what actually happens. When we went in and developed that mine, we had 2.8 million tonnes—this is total, not the 27 percent we are referring to here—reserves on which the decision was made. Between what is now on the books and what has been mined, we are crowding 10 million tonnes, and we expect this kind of mathematics to go on for some time but no one can guarantee it.

Part of this shaft project is twofold. It is to cut down the unit cost of the operation because we are using trucks right now and it is getting to an economic limit, and the second one is to continue the exploration at depth and keep this mine alive by finding more and more reserves. We have great confidence that will in fact happen based upon the history of this mine, which I mentioned started out as 2.8 million tonnes of total reserves. Between what is mined and what is now in reserve, we are crowding 10 million. The fact that the known ore reserve is what we call open at depths, it is still continuing but we have not explored beneath it, and also the history of the mines in the Flin Flon area, where generally the reserves ultimately prove to be two to three times greater than what was indicated when it was first started.

Mr. Harold Taylor (Wolseley): The Trout Lake Mine we are talking is six years of reserves. In many communities six years would be a bit of an alarm bell. They would feel a lot more comfortable with 10, 12 years of proven reserves. You have had this six-year reserve situation for some number of years, is that not correct?

Dr. Wright: That is correct and all mining communities live with this problem, particularly gold mining communities where very often the reserves are one to two years ahead and yet the darn thing goes for 25 or 30 years. It is the nature of the animal that you can explore from the surface so far and you cannot explore deeper than that until you get down to where you have explored previously and so on, and you keep on going unless you are fortunate enough to find another deposit out laterally. But that is one of the practical problems of trying to develop more ore.

There is also an economic issue here that you do not tie dollars up that you are not going to get returns

on for 20 or 30 years down the line unless you have to.

Mr. Taylor: The reason for my question is, given the situation of HBM&S where it has numbers of mines supplying that smelter which do not have reserves in the 10, 12 plus year proven reserve context, the anxiety level, if you will, in the community of Flin Flon itself—I hear some optimistic notes though from your answers to Mr. Minenko.

I wonder if you would be prepared to make a speculative comment about what you think 1989 might bring with this exploration continuing that you might be able to break out of the six year and be able to show categorically that proven reserves would be greater than six years.

Dr. Wright: I think the short answer to that is that it could be done if you are prepared to put \$5 or \$10 million in to prove the point. But we are not prepared to do that. Neither would our joint venture partners be prepared to do that.

It has been a struggle to get everybody on site to sink this shaft as it is. That has now turned out to be a \$25 million project, and it is only going to put us down to the 600-meter level whereas we have hoped that, and indications that the mineralization will actually go down to 900 meters, but to position yourself underground to do that exploration, to prove those reserves down to 900 meters or 1,000 meters or to wherever it goes, we are talking millions of dollars, which at the time they are spent you have got no return on them.

Mr. Taylor: Does your organization do any joint-venture exploration work on the Saskatchewan side of the provincial boundary or is it entirely contained within Manitoba?

Dr. Wright: No. Every dollar that is spent by Manitoba Mineral stays within the Province of Manitoba.

Mr. Taylor: At Trout Lake, can you mention that you were not satisfied with the trucking situation, did I hear you correctly? Are you looking at some other means of transportation such as rail or conveyor belt to get to the smelter?

* (1040)

Dr. Wright: Yes. This is the reason for the shaft. Again it gets back to the economics. If you have a deposit close to the surface, you can access it more rapidly through what we call driving a decline out to the ore and hauling up by trucks and that more rapid access, at a comparable or smaller capital cost, gives you better return on your money. However, you eventually get into the position where this decline is having to snake its way down and these trucks are having to snake their way back up that you get yourself in a financial box that your operating costs are squeezing you. That was the reason for the decision at the shaft. You sink the shaft, drop everything to the bottom of the mine instead of holding it up, convey it over to the shaft by rail and

just hoist it to surface. It is a much cheaper transportation method.

Mr. Taylor: The old main shaft at Flin Flon, from the briefing I had from the company about two months ago, they indicated that the ore-bearing capacity of that mine probably will be running out within the year. This is the one right in the town.

Now the other property here, this Callinan, is it viewed as coming on stream at about the time the other one runs out? Is there a relationship there or is there going to be a gap in local ore production that will have to be then substituted out of Leaf or Snow Lake?

Dr. Wright: There is over last year and 1989—there will be a decline in the total production out of that shaft. However, it should pick back up but not reach the former levels in 1990 when the Callinan comes on stream.

Now part of the impact of the total ore picture or production picture has been picked up by Trout Lake. We started this operation as of 450,000 tons a year and we are now crowding 800,000 tons. That is not the 27 percent; that is the 100 percent. The Trout Lake Mine now is contributing approximately 40 percent of the total production of the Flin Flon-Snow Lake areas. I do not know how many. I think there are seven or eight other mines involved, but Trout Lake is the mainstay, roughly 40 percent of that production. Now that excludes the Leaf Rapids, which is a bigger mine—Ruttan.

Mr. Taylor: Just for clarification here, did I understand you to say that you thought that the mine in town would resume a higher volume of production? Is that what you were saying in the first part of your answer? My understanding is that we are looking at a mine that is most likely to be right out of service within 12 to 18 months at the most.

Mr. Neufeld: I think if we should remember we are discussing here today the financial statements and the operations of the Manitoba Mineral Resources, not the Hudson Bay Mining and Smelting Co.

Mr. Taylor: Thank you to the Minister. I am well aware of that, and I know it is not the responsibility of this corporation to speak for, but in that this company is a significant partner in joint-venture mines in the Flin Flon area, I am trying to get a feel for what it is they are doing as it may beneficially impact Flin Flon given this impending event, and that was the reason for the questioning.

Mr. Neufeld: Which still brings us back to the operations and the conduct of the Hudson Bay Mining and Smelting Co. and not the Manitoba Mineral Resources. As a partner with Manitoba Mineral Resources, Hudson Bay Mining and Smelting, in my view, have met all the obligations and all the terms and conditions of any agreements we have entered into with them. They have never reneged.

Mr. Taylor: Mr. Chairperson, I do not see what the Minister has to object to. I put on the table the fact

that the old mine shaft in the Town of Flin Flon itself is about to be depleted totally, and I am trying to find out how the work of this corporation might then replace local supply for that smelter. It is directly related to the exploration and actual mining involvement of this corporation. It is not a case of getting into the examination of HBM&S activities directly, and I hope the Minister did not take that from my questioning. But if we do have a shaft that is about to be expended, there being no useful ore left, then possibly these people are partners to the replacement. It is important if that replacement is going to come locally or if that replacement is going to be coming from 200-odd miles away. This is the purpose of my questioning. I think the questioning is in line and I would hope I will be permitted to continue that questioning and get some responses, Mr. Chairperson.

Dr. Wright: The remarks were clear enough. The main Flin Flon orebody, as I understand it, from Hudson Bay's published reports is due to expire in 1989. It has been on a curve of declining production for the last couple of years. The shaft will still be operating in the years ahead through ore supplied from the Callinan deposit, at which we have contributed some funding or in the midst of negotiating a sale out, but the operation will be continuing on and taking up, in part, the slack developed by the closure of the main Flin Flon mine.

Mr. Taylor: I would like to get away from the direct supply to Flin Flon for a moment in these joint ventures and talk about the Farley Lake Gold Mine just east of Lynn Lake. When I was up there recently, mention was made by Lynn Lake gold people about this joint venture. In fact, I went by the entrance area to it.

Can the company give us a very up-to-date report on what has been happening other than what we have in the formal text here and any comments about when we might look at a producing facility because, as we know, the activity level at Lynn Lake is hardly what it was in years past.

* (1050)

Dr. Wright: Yes, I can address that, though I have to be a little bit circumspect because of confidentiality clauses in our joint-venture arrangements.

During the past year we have had Kilborn Manitoba Limited continue with a feasibility study. I think we have spent approximately \$5 million on site work in further exploration, further testing, and actually in taking out what we call a bulk sample of the ore to test the actual extraction of the ore against the indicated grades. The final feasibility study should be ready in the next couple of weeks. The numbers which I have seen to date would indicate that, as it stands at the moment, it is a borderline case.

There are other options to look at, as I say, to enhance it. We would have to look at whether it makes any economic sense to attempt to combine the operation with the MacLellan Mine in Lynn Lake. Over the past three or four years, we have almost exclusively focused our exploration work in that immediate area on the

deposit itself with the hope of developing something that would then provide the cash flow to explore the surrounding area. So the second option now is to shift our focus to the surrounding area and hope that we can find something to augment the economics.

Mr. Taylor: Is the presumption in either case, if there was to be an ongoing operation in that area, that the smelting would be done then at the existing facility at Lynn Lake?

Dr. Wright: Okay, I have to define some terms for you here. In a gold mine, you do not smelt. You extract the gold and pour the gold right there. I think you mean, will there be a mill which treats the ore to produce the gold.

Mr. Taylor: Yes, now I am aware of the process.

Dr. Wright: Okay. The current feasibility study is done on the premise that there will be a mill on site and this is, if the thing turns out to be too borderline, we would then look at the option of whether it makes sense to mine and truck the ore to Lynn Lake and have it treated in the MacLellan Mine. Again, the preliminary indications are that the low grade of the ore together with the indicated cost of treating in Lynn Lake, that it is not a very apparent good option but it has to be looked at more.

Mr. Taylor: Are there any other exploration initiatives? I am thinking particularly in gold exploration that your organization is contemplating in the Lynn Lake area.

Dr. Wright: We have huge blocks of ground up in the Lynn Lake area. I think we probably control in the neighbourhood of two-thirds of the belt from the Saskatchewan border through to Leaf Rapids. Now that we have reached this point with Farley Lake, we will be taking the money that was being spent on Farley Lake and going out in ever-increasing circles from Farley Lake as a centre. We have, this winter, serious gold exploration projects going on in the vicinity.

Mr. Taylor: I have a question for the Minister. Given the initiatives of the Filmon administration in divestiture of various types of Crown agencies and in particular Crown corporations, what is the intention of his administration with regard to the long-term involvement of the provincial Government in this corporation?

Mr. Neufeld: At this point in time, we think that Manitoba Mineral Resources has a place in the exploration work in northern Manitoba and, to this date, we have not ever discussed the divestiture of Manitoba Mineral Resources.

Mr. Taylor: Are there any studies under way at all by your Ministry or out of the Premier's Office that would examine whatsoever the sale of this corporation to the private sector?

Mr. Neufeld: We have not anything under way to examine the divestiture. We have about four projects that are operating mines or will be operating mines,

and we have a number of projects in the exploration area that would have to be looked at before we came to any decision to divest ourselves.

Mr. Taylor: So you are stating, Mr. Minister, that it is the policy of this Government not to be considering the divestiture of Manitoba Mineral Resources Ltd.?

Mr. Neufeld: I did not say it was policy. I said at this point in time we believe that the Manitoba Mineral Resources has a place in the exploration and development of northern Manitoba. If that place could be replaced by somebody else, then that would be another matter but at this point in time we do not see anyone else coming in to take the place of Manitoba Mineral Resources, should we get out of the exploration business.

Mr. Taylor: The last question in this is, have there been any initiatives from the private sector to acquire this corporation and its interests in properties and in mines to date? That is part A? Part B is, what would the Minister's reaction be to such an approach, should one come?

Mr. Neufeld: Yes, there have been approaches both to specific properties and to Manitoba Mineral Resources as a whole, but they have not come to the discussion point. As to what my reaction would be if a very serious and good offer came along, I think that is hypothetical and I would choose not to answer that.

Mr. Jerry Storie (Flin Flon): I think, just to follow up on the last question that was asked by my colleague from Wolseley, the Minister in his remarks said that he believed that MMR had a role to play in exploration in his first answer to that question. I guess the question is, does the Minister see a role for MMR investing in the resource assets of the Province of Manitoba?

Mr. Neufeld: I think I will answer it in this way. Manitoba Mineral Resources should act as a catalyst to develop Northern Manitoba. If that means that from time to time they may have to invest in developing properties, they should do so but only as a catalyst and not as a prime mover of development work.

Mr. Storie: I would be interested to know whether the Minister—and I assume he knows that in the last several years MMR has been self-sustaining to the extent that they have had sufficient revenue to explore without coming to the Government and asking for dollars to explore—is asking us to believe that without that revenue coming into the corporation that the province would be willing to set aside in some cases substantial sums of money to do exploration work? Does that seem like a realistic possibility to this Minister?

Mr. Neufeld: Mr. Chairman, I have not suggested that we should not retain the properties we have. I have suggested that the Manitoba Mineral Resources Ltd. is and should act as a catalyst in the development of northern Manitoba. If we can from time to time divest ourselves of some properties and use that same monies to finance a half-a-dozen new projects, that is something that I think we should consider.

Mr. Storie: My point is being exact and the Minister has made my point. If the corporation does not invest and have its own source of revenue, if it does not have mines which will generate revenue for the corporation, it makes it less and less likely that the Government will find the resources to do additional exploration. That is the point exactly. I just want to leave that area for a minute and go back and ask some questions about the total financial picture. I do not know whether the Minister wants to ask this or Mr. Wright.

In his opening remarks, Mr. Brockington suggested that 1988 also looked to be a successful year for MMR. Given that we are three months past the end of the fiscal year, could we have some preliminary numbers with respect to the financial picture of MMR for 1988?

Mr. Neufeld: The audited statements have not been prepared. I am not certain whether the Auditor has been in. We have some preliminary numbers which I will ask Mr. Wright to give you.

Dr. Wright: I guess the most important number is the bottom line on earnings. We are showing a net income of \$4.6 million, and that is after an increase in expiration of expenditures of \$1.6 million. So to be comparable to the previous year, you just add the two numbers together.

Mr. Storie: Perhaps Mr. Wright could give us the net income generated from Trout Lake Mine in 1988.

* (1100)

Dr. Wright: That one is not presented in the same way and I will have to work it out.

Mr. Storie: A ballpark is fine, Mr. Chairperson.

Dr. Wright: It would be about 8 million, 8.5 million.

Mr. Storie: Mr. Chairperson, in 1988 with the 27 percent interest in Trout Lake Mine, MMR had a net income from that venture of approximately \$8 million. Could Mr. Wright give us the average '88 price for copper and zinc?

Dr. Wright: Copper was \$1.44, this is Canadian; zinc was 70 cents, gold was \$527; silver was \$7.96.

Mr. Storie: I would like to move on to the Callinan investment. The province invested some—the total investment of Callinan was something like 15 million to 17 million, initially.

Mr. Neufeld: The province's investment to date is 7.5 million, and there is a requirement for another 2.1 million under the terms of the agreement.

Mr. Storie: And if the Minister could confirm, that purchased for Manitoba Mineral Resources a 49 percent interest in the mine?

Mr. Neufeld: That is correct.

Mr. Storie: At the time that the Callinan Project was reviewed by Manitoba Mineral Resources and its board,

what was the average price of copper in the year the decision was made?

Dr. Wright: I cannot recall what the average price of copper was, Mr. Storie. We did not look at the average price of copper in the year that we reviewed it. We looked at what we expected the price of copper to be, over I think it was a six- or seven-year period, using various forecasts by recognized forecasters.

Mr. Storie: To Dr. Wright again, perhaps if he could provide us with the figure that was used as an assumed price then, prior to the decision to invest was made.

Dr. Wright: I honestly cannot remember the exact figure. It would be somewhere between, I think in terms of Canadian, 85 cents to 90 cents copper. However, of course, that is nowhere near current but if you go back and look at historical lists of copper prices over a 20-25 year period, you have cycles of six to eight years in which for most of that period of time copper is stable and very low, and then from a period of time ranging from nine months to a year and a half it will double, maybe two and a half times, maybe three times, and then it will sink back to that stable level. Those cycles coincide with the general cycles in the economy, that the metal prices rise at the closing of a major boom and that is what we are in right now. In no way, shape or form would any mining company use current prices to forecast the returns on an investment and make an investment decision.

Mr. Storie: I appreciate that, and I thank Dr. Wright for the additional information.

Certainly, when the decision was made to support HBM&S in the development of the Callinan Mine, the expected prices were relatively cautious. There was no assumption there would be significant increases into the future, and I simply point out that when the decision was made to invest in Callinan the price assumptions were realistic, perhaps in retrospect even low. It was assumed that would be a good investment for the Province of Manitoba. At current prices, it looks like an extremely good investment.

I wondered if Dr. Wright can indicate when first production will occur in Callinan, what time frame we might expect for it to be into full production, and at full production what kind of volumes we will be talking about. I am sorry if I missed that, I was out for a few minutes. It may have been asked.

Dr. Wright: Let me try to address the first part of it. I think it was a comment or a question on prices, I am not too sure which. The prices which were used in the original evaluation of Callinan are no different in substance to the prices which are currently being forecast for the next five to ten years. They are different in terms of U.S. dollars but not Canadian dollars.

Since two years ago, when the Callinan study was done, there has been a marked change in the exchange rate which has, if you want to isolate individual factors, copper price in isolation, zinc price in isolation, an exchange rate in isolation, the exchange rate has more

impact than any other single price because they are all cast in U.S. dollars so a change in the exchange rate affects every Canadian price. So the longer-term price forecasts are not any different in substance than they were a couple years ago, though we have been through the spike.

With regard to the second part of your question, Callinan is supposed to come on production, achieve full production in the first half of 1990.

Mr. Storie: Just for clarification of the last part of Mr. Wright's answer, it would be expected to be into full production in late 1990 at what volume?

Dr. Wright: I should have said the first half of 1990 at a volume of somewhere between 400,000 and 500,000 tonnes a year.

Mr. Storie: From Mr. Wright's knowledge, the expected grades have not changed, additional exploration has not changed our expectation in terms of the production from Callinan? We are not seeing an increase, a decrease, a change in what we see as the value?

Dr. Wright: Not of any substance, no.

Mr. Storie: The Minister made reference, or I should say Mr. Brockington made reference in his remarks, to the ongoing interest in divesting the Callinan property. Could we have an update on the discussions and whether there is a specific time frame for the potential sale of the Callinan property?

* (1110)

Mr. Brockington: As I said in my remarks, we are currently finalizing the negotiations, and this is as you can understand when you are negotiating any legal agreement. In all the terms and conditions, there can be some factors that take a while to be cleared up, but we are working towards that end at the moment.

Mr. Storie: Mr. Chairperson, I am disappointed. I am more than disappointed. I think I am disturbed by the suggestion that MMR is going to divest its 49 per cent interest in what looked to be a good investment for both the province and HBM&S, and I guess I would ask the Minister to explain the rationale for this decision, for this direction.

Mr. Neufeld: Well, we should say first of all, Mr. Chairman, that at the time that the investment was made in Callinan Mines, it was not a commercial decision. It was a social decision. Manitoba Mineral Resources were an investor of last resort.

The board came, I guess, to your Cabinet at the time and made its recommendations. The board has now come to us with a recommendation and we have again accepted that recommendation. I should say, and I said earlier, that if we can take the monies we realized from the Callinan sale and reinvest it in five or six different projects and in that way stimulate exploration and development work in the North in five or six different areas and at the same time continue the employment

and the operations of the mine in Flin Flon, I think we have done the things that the Manitoba Mineral Resources has set out to do.

Mr. Storie: I guess the Minister has not read the mandate of Manitoba Mineral Resources very carefully then if that is what he is suggesting.

The Minister is suggesting that we shoot the cow that is providing the cash to do the exploration. That is what he is suggesting. And he is suggesting that is the direction that he wants to take as Minister. Manitoba Mineral Resources has been putting every cent of profit back into exploration. If you sell off your investment, you have no cash flow. You have no profit to reinvest.

The Minister is saying, well, we could start four or five projects with money we get from cashing in on our investment. By selling our house, we can get some cash and we can do five or six exploration projects.

We have just learned this morning that \$5 million has been spent on Farley Lake and we may not have a development because the original projections to proceed to production were at gold values of some \$400 an ounce U.S. and the Minister is saying, well, let us sell the house and we will get some activity immediately, but we will have killed the cash cow.

Trout Lake at 27 percent is providing us income, income of more than \$8 million this year. That is more than the required investment in Callinan. I do not understand how the Minister can sit here and say that this is a logical, rational economic development plan for mining in northern Manitoba. Is that what he is saying, or is this a decision because he wants to present an image of doing something in the mining community?

Mr. Neufeld: Well, Mr. Chairman, we are not killing the cow. We are selling the cow and getting six calves. If we can do that, I think we are stimulating development in northern Manitoba. We are not suggesting we sell Trout Lake, we are suggesting we sell Callinan. If the projections show that the monies we can realize today for it is a decent return compared to the eventual cash flow, then I think we are doing a good job.

Mr. Storie: Mr. Chairperson, perhaps we should spend some time then looking at the potential of the Callinan over a length of time. If Trout Lake at 27 percent interest can create income of \$8 million or \$8.5 million dollars in a year, why can we not assume that Callinan, although it is not exactly the same kind of mine as Trout Lake, why can we not assume that it also will provide a positive cash flow to Manitoba Mineral Resources?

Mr. Neufeld: Well, Mr. Chairman, I think that if the Callinan property was as valuable as Mr. Storie would have us believe then the Hudson Bay Mining and Smelting would not have come to us for help in financing. For details to his question, however, I will turn it over to Dr. Wright.

Dr. Wright: Mr. Storie, as I understand the logic of your argument is that you would take Trout Lake, set it up as an example of the mine and, therefore, it follows that all mines in Manitoba should act in a similar

economic way. There are many mines in Manitoba, particularly the new gold mines which have come on stream, which have been economic disasters.

There are mines which are better than Trout Lake in Manitoba and I would point up to the Inco Mine at Thompson right now. I think you have to look at every one of them on an individual basis. The initiative to propose a sale of the Callinan originated in Manitoba Mineral Resources and it was pursued. On the basis of sound economics and business judgment, it was decided that it was better to attempt to sell it under the terms which we are getting close to, rather than retain it.

Mr. Storie: Well, I appreciate the fact that Mr. Wright wants to take the credit or the blame for making the decision. The fact of the matter is that this is a Crown corporation and direction can be set by the Government. We certainly know the Government's direction. The Minister has made it quite clear.

My concern is that—and Mr. Wright referenced it in his remarks. The fact is that when HBM&S—and we all recognize that this is needed in terms of stabilizing the copper/zinc industry in northwestern Manitoba. HBM&S had to start developing new mines. They needed to prove up some reserves. Manitoba Mineral Resources was there prepared to take a risk, and I categorically reject the Minister's suggestion that it was not a financial decision.

We certainly knew when the decision was made to invest in Callinan that at those prices it was no bonanza, but it was still a worthwhile investment and certainly at prices today it is more than that. The fact of the matter is that Manitoba Mineral Resources was available to act as a partner in investing in Callinan mine at a time when HBM&S required it and the Minister is right, they did look.

That is also part of the role of MMR. It has been quite successful and the credit for that is not due in large measure to the politicians but the people who run MMR. I have nothing but respect for Mr. Wright, Mr. Briggs and Mr. Brockington. They are exceptionally capable people, but the fact is MMR also has a role to play, a policy role to play in developing and ensuring the stability of the mining industry in Manitoba and it was used in that fashion. The end result has been positive for both the North, for Manitoba and for mining. This Minister seems to be setting a course to allow or perhaps encourage the divestiture of our assets.

The question was asked, are we going to divest MMR? Believe me, if you eliminate the assets that MMR has, you have, in effect, divested yourself of the Crown corporation because then it will be beholden to the Government and this Minister to provide funds to do the exploration work, and that was never the intent of MMR. It would be a backward step. It would be the ultimate end of MMR and its role in mining in Manitoba, in my opinion. The Minister, I think, has to provide an explanation for where he is going with MMR. Is he going to allow this to happen? Who is going to stand up for the mining industry and the stability of the mining industry in northern Manitoba, in the Flin Flon region in particular?

Mr. Neufeld: Mr. Chairman, I think we have to remember that the sale of Callinan by Manitoba Mineral Resources, or 49 percent thereof, will in no way affect the continued operation or the start of operations of Callinan Mine. Hudson Bay Mining and Smelting will operate that mine, which will give employment to the Flin Flon residents. It will do all of the things that Manitoba Mineral Resources and Hudson Bay Mining and Smelting, in partnership, decided they wanted to do. If we can now take the monies from Callinan Mines, which incidentally is providing no revenues at this point in time, and use it to stimulate the exploration and development of other properties, I cannot see how Mr. Storie can find fault with it.

The income-producing mines in which we are in partnership with developers and with operators are continuing to generate cash flow. Those monies, as well as these monies, will be used in Manitoba Mineral Resources operations and continued explorations. I think that is what the intent of the company was, that is what the mandate of the company was and that is what we are continuing to do.

Mr. Storie: Mr. Chairperson, the fact of the matter is that the revenue that has been generated from MMR from mining has been, in large measure, 80 percent, 90 percent, I do not know, from Trout Lake. We have an opportunity to invest to the extent of 49 percent in another mine that certainly appears to be in a position to make money for MMR.

The Minister is saying we are going to sell the assets that we own in Callinan now and we have no intention of divesting ourselves of Trout Lake. The Minister appears to be ready to accept the proposition though if someone came forward and said, let us get our cash and let us get out of Trout Lake, that would be acceptable. Then he is prepared to say, let us take the money and let us gamble it away, which exploration, quite frankly, is. MMR has not gambled anything above which they have received in revenue from their mining operations in the last few years. They have been able to cover it without going to the province cap in hand and saying, please give us some money so we can become joint partners so we can do some exploration in areas that need it desperately, whether it is Lynn Lake or in the last few years the Flin Flon region.

* (1120)

Mr. Neufeld: Mr. Chairman, I am certain that Mr. Storie's constituents in Flin Flon will be interested to know that Mr. Storie considers the future exploration as a gamble. If it was not for the gamble, there would be no future in Flin Flon. Somebody has to gamble. New exploration, new deposits must be found or else there is no Flin Flon.

Mr. Storie: That is exactly my point. In 1982, the province took a gamble and invested in Trout Lake Mine. It was a successful gamble; it paid dividends to the Province of Manitoba and MMR and Flin Flon and the people who worked there. In 1988, we took another gamble and we took a calculated risk and said, let us invest in the Callinan Mine because it was important

to Flin Flon and copper and zinc mining in the province. Because it was important to the people of Flin Flon, we took another calculated risk. It looks today that it will be successful, more successful than we originally anticipated.

Part of that is due to the fortuitous circumstance of increased prices for copper and zinc. We now have an investment that appears to be worth millions of dollars. It also is important to the people of the region to know that the Government is going to be there as a partner to invest, be a part of the stability of the region and the industry.

The Minister is saying, well, you know, it is a gamble. Well, yes, it was a gamble but it paid off. We should keep that investment as part of our heritage and reap the rewards of taking a joint risk with HBM&S because we are going to use those profits, those monies, from Trout and Callinan and any other investments that are successful to keep mine exploration alive in Manitoba.

Is the Minister saying that is not what he wants to do? Is the Minister saying he wants to go year after year to the Minister of Finance (Mr. Manness) and take money from Health or Education to invest in mine exploration, which he acknowledges is a gamble? That is not good business sense. It certainly is not good news for the people of Flin Flon who want to know that the Manitoba Government has an interest in its stability and its longevity. Where are we going?

Mr. Neufeld: Mr. Chairman, Dr. Wright has already explained to Mr. Storie and I guess he will have to explain again that the success of Trout Lake need not necessarily be repeated in Callinan. Callinan is a property which is marginal, was marginal. With an expected base metal and prices into the future, it is still marginal. If we can today get the present value of the anticipated cash flows or close thereto out of the mine in advance and use it for exploration now, I think we are better off and Flin Flon will be better off for it.

Mr. Storie likes to leave the impression that the monies that we are going to get out of Callinan will not be used. That simply is not so. Those monies will be used just as though a cash flow out of Callinan might be used in the future. But if we can use it today instead of 1995, why should we not do so? It is for the betterment of the North and Flin Flon in particular.

Mr. Storie: Mr. Chairperson, the assumption is that we are all guessing when it comes to what the long term, in terms of copper, prices are going to be or zinc or gold or anything else. The fact is that even at the prices that existed at the time and the assumptions that were made, looking historically at where copper prices and zinc prices have been, a decision was made that this was a worthwhile project.

At these prices, at the prices today, we have a better than fair prospect of making a return. The point is that the Minister is saying, well, let us take the money and run. That has been the approach of the Government since it assumed office.

Maybe the Minister can tell us how much mining money has come in from the mining tax in 1988. How

much are we anticipating in 1989? What are we prepared to put back in? How are we going to put it back in? Is the Minister saying he is going to go back and develop the Mining Community Development Fund and put 5 percent of mining tax revenue into a fund so we can use it for MMR to explore at some time in the future, for other mining company projects, to assist in the event of down-sizing? Is the Minister going to do something like that?

If he is not, then the vehicle that we have used quite successfully to support mining communities and to assist mining companies when others were not prepared to provide the capital is MMR. We should leave it in place. We should leave its investments in place because it does provide a measure of stability to those communities.

I had another question. The Minister said we are going to take that money and we are going to explore. We are going to gamble with it. Can the Minister indicate then in general terms what kind of value we might receive for our share in Callinan Mine?

Mr. Neufeld: Mr. Chairman, I think I must first answer Mr. Storie's first allegation that we are going to take the money and run. We will not take the money and run. The money will stay within Manitoba Mineral Resources to be used as any cash flow from mining properties is used and has been used and will be used. There will be no change except that we will be able to accelerate the use of the funds.

It is true the prices of base metals are rather high right now but we have not got anything to sell right now out of Callinan. We will not have anything to sell until the mid-summer or maybe late fall of 1990. That is a year to a year-and-a-half away.

We have to use our best judgment, and our best judgment at this time is that the present value or the price we are negotiating is a good present value of future cash flows. That is a judgment decision, that is a commercial decision, judgmental call, and we may be right or we may be wrong, but we will have the monies to spend now.

Mr. Storie: We may have the money to spend now but, Mr. Wright, I am sure the Minister would be the first to acknowledge that no one can predict how valuable in the final analysis the Callinan Mine is going to be. We know that values in an orebody change from time to time. We do not know the extent of the reserves. We have had reserves of copper and zinc mines in Manitoba that have lasted for decades. Certainly the potential here is, from what I hear from other people who are familiar with the Callinan property, that this is an extremely lucrative property and they expect great things from it. I know that MMR was cautious in its approach to this project but there is no doubt that if prices stay anywhere near where they have been in the last few months, in the last year, that Callinan is going to produce significant returns for the province.

Dr. Wright: Mr. Storie, you were present when we were negotiating this deal with Hudson Bay, and I think you realize from those negotiations I am not the kind of

guy who likes to leave a dollar on the table. I can assure you that in our negotiations with Hudson Bay this time around, I do not intend to leave a dollar on the table.

As to where future funds might be needed, as I have mentioned, we have not yet made a decision on Farley Lake but in broad numbers, if that project proceeds as envisaged now, we have got to ante up somewhere between \$16 million and \$17 million, if we are going to maintain our interest at that level.

Mr. Storie: I am sorry, what was the number? Sixteen to 17 or 60 to 70?

Dr. Wright: Sixteen to 17 would be our share at current levels, if the project proceeds. In my view, you quite correctly say nobody can be sure of the value of a property, of a mining asset, because of the unknowns with regard to future ore and the unknowns with regard to future prices, costs and all the rest of it. Every day, deals are made on properties on the basis of what one's best judgment of those future elements of the economics are.

I will go back to my opening remark to you that I do not like to leave a dollar on the table and, as far as a business deal is concerned, it is our judgment that this makes sound business sense and it frees up money for potential development elsewhere.

Mr. Storie: I appreciate Mr. Wright is and MMR staff are shrewd negotiators in many senses. I am a little concerned though that Mr. Wright has said that we are simply not a broker. MMR is simply not a broker to buy and sell stocks, buy and sell the futures of communities or the potential securities of communities. I hope that is not what MMR has become.

I can tell you without a moment's hesitation that the people in Flin Flon, Snow Lake, the area, welcome the investment of MMR into the Callinan project because it represents stability. They know that they are not going to be sold out in an instant because it looks like you can make a dollar. It even disturbs me more when Mr. Wright suggests that, well, let us take the \$16 million or \$17 million from selling our assets in a productive and potentially profitable mine in Flin Flon and invest it in gold mines which have a history of instability in Farley Lake. I hope that is not what is being suggested, that there is some kind of trade-off here, because we are trading off a project that might be with no community around it for a project that is in Flin Flon, the workplace of 2,500 people.

I am not sure whether this is the Minister's interpretation or the Minister's direction. It seems to be that the Minister is saying, yes, let us take the money and gamble it away.

* (1130)

Dr. Wright: I think I would like to respond to two parts of the comment. One is the stability in the Flin Flon area. I believe the greatest stability in the Flin Flon area has in the past and will in the future continue to be the efforts of Hudson Bay Mining and Smelting, with Government assistance where necessary.

We are not, as it were, selling our interest in Callinan to some outfit that is going to cream off a fast buck and run. That is part of the reason that we are back there with Hudson Bay.

With regard to the second point, I was only using as an illustrative example a potential use for the kind of money that can be realized out of Callinan through this sale. I am not suggesting that would necessarily go there. All that I am saying is that if that project does turn out to be economically feasible, and we all know the fragility of those communities in Lynn Lake and Leaf Rapids, we will somehow or another have to come up with \$16 million or \$17 million to make the thing fly.

Mr. Storie: Then the more direct question to Mr. Wright or the Minister is, if MMR did not expect to require significant cash for a production decision at Farley Lake, would they be looking at divesting Callinan?

Dr. Wright: Yes, because it makes a good business deal. It provides us with the capital that if some other opportunity comes along it is there in place.

Mr. Storie: First of all, Mr. Chairperson, I am getting more concerned that Mr. Wright refers to a good business decision and Mr. Wright knows that MMR's mandate is also to provide stability to mining communities and the fact is that HBM&S turned to MMR when no one else would support them.

Mr. Wright knows as well as anyone around this table that six months from now the Callinan project could be iffy again. HBM&S may be back to the table saying can you support us for further development costs? Those kinds of turnarounds in the mining industry are possible.

We are then going to have divested ourselves of the asset that we have. We are going to have invested it in some other projects which may or may not bear fruit. We have a project that has significant potential to bear fruit. I do not think the idea of being a broker, of selling it today because it looks advantageous, is very good news or very heartwarming news to the people of Flin Flon who welcomed the investment as a Government commitment, a provincial Government commitment to mining and to Flin Flon and to the copper and zinc industry.

I hope we are not going to get to a position where MMR deals in a callous or frivolous way with the security that investment on the part of MMR represents. I think that is the wrong direction. Maybe the Minister can ask whether that is the direction we are heading, that MMR is going to be the stockbroker for the mining industry, buying and selling at whim.

Mr. Neufeld: By your own admission, Mr. Storie, you said that this is a significant project. In the next breath you said if they drop it, Hudson Bay drops it in six months, because they do not have the same interest that Manitoba Mineral Resources may have in the project. We think that it makes good business sense for us to sell at this time.

We think that over the years, over some 60 years, Hudson Bay Mining and Smelting has been a good

citizen of Flin Flon. We have no reason to believe that they will not continue to do so with the Callinan project. If it makes good sense for us to sell it at this point and if, as you have admitted, they have been good citizens and will continue to develop that project, it does all the things necessary, social things necessary for Flin Flon, so we do not have to worry about the social problems of Flin Flon. We can then use the same monies and reinvest them somewhere else. I think that is a good decision.

Mr. Storie: I thank the Minister for that answer. I think the point he misses is that if we remain a partner with HBM&S—and I was not suggesting that HBM&S was going to pull out of Callinan. I am suggesting they need additional ore and they are going to develop mines to make sure that they have sufficient reserves to continue their operations. That was the whole point of us investing with them in Callinan. They could not find their partner. Now, we did make a business decision to invest. As it turns out, because of price increases, it looks better than it did at the time that the investment was made, but it was still important and it still is and I hope the Minister is not discounting the degree of comfort that exists in the Flin Flon-Snow Lake area because of the involvement of MMR because they know that if push comes to shove an additional investment is needed. If the province has to take a rate of return of 10 percent rather than 20 percent, we will still do it whereas other investors will not, and that is one of the reasons why it is not simply a business decision.

The second point is that the Minister seems to be saying we need, for some reason, a large chunk of capital, a large chunk of operating money now, today, to operate MMR. We are recording a profit this year. Clearly we could have done another, in 1988, \$4 million worth of exploration if we would have wanted to. Why do we have to sell off an asset to get a chunk of money? The Minister says, well, we could do some more exploration. Well, I hope we are not suggesting that we are going to do this in a haphazard way. We are going to start gearing up for a major exploration program in one year to get rid of this new cash that we have.

We know that the investment that we have in Trout and Callinan pay dividends and they will, albeit in smaller amounts, pay dividends year over year over year perhaps for the next 20 or 50 years. So why the urgency? Why the willingness to take money from the North and run? That is becoming an all too familiar theme with this Minister. We have got a chance to sell off because metal prices are good, sell off and get out of the North. That is not acceptable and the Minister had better change direction because it is not acceptable to the people in northern Manitoba either.

Mr. Neufeld: Well, again Mr. Storie says we will take our money and run. We have said before and it has been repeated time and time again that the money will stay in Manitoba Mineral Resources to be used as they see fit, but in the North in exploration and development work.

Callinan has not produced any profits; Callinan has produced costs. It is not the intention of Manitoba

Mineral Resources or the Manitoba Government to hang Flin Flon out to dry. By your own admission, Hudson Bay Mining and Smelting will continue to operate as good a citizen as it has in the past. For 60 years, they have not run away from Flin Flon and they have probably no intention to run away now, so I do not see what concern you might have about Hudson Bay Mining and Smelting operating the Callinan Mine.

Mr. Storie: The Minister misunderstands. I have no concern with HBM&S operating Callinan Mine. They operate other mines in the area. They have been a good company and a good corporate citizen and supported the community in an admirable fashion.

The question I am asking the Minister is why does he feel that we have to divest ourselves of an asset in the community that provides a sense of stability for the community. Certainly in the case of Trout Lake, our 27 percent interest in Trout Lake provided us with substantial sums of money, more money in fact in the last fiscal year than our total investment to this point in Callinan Mine. In one year, we have more revenues from Trout Lake than the total investment required to date in Callinan Mine, another significant venture.

The problem is that even with HBM&S being a good corporate citizen, if they cannot raise the capital to do additional exploration, either in Callinan or anywhere else, they may turn to the Government. They may turn. After we have taken the risk as we did in Trout Lake and as we did in Callinan, why should we then forego the long-term potential? Why should we then turn our back and say, "Well, if you get in trouble, come and see us, boys." Why should we do that? What do we need? The question still has not been answered. What does MMR need an infusion of capital at this point in their history for? Why the undue haste to expedite the sale of this asset that belongs to the people of Manitoba? Why the undue haste? The Minister has to answer that question.

* (1140)

Mr. Neufeld: Mr. Chairman, if there is even the remote possibility that Hudson Bay Mining and Smelting will run into trouble with the Callinan project and have to come back to the Government for help, I think it is a wise decision today to sell it before they run into trouble, I would think. Is it not?

Mr. Storie: For who? The Minister is just saying, well, he is not concerned about the stability of the company. He is not concerned about the longevity of the copper, zinc industry in northern Manitoba. He says, if we have a chance to make a profit today, sell it. I think that is, even for conservative philosophy, rather short-sighted.

The fact is that Callinan may be profitable for 50 years. We may reap significant reward over the long term, never mind the short term, and it certainly is not an understandable policy position coming from a Minister who is supposed to represent the mining industry and certainly the mining interests of the people in Flin Flon, Snow Lake, Leaf Rapids and so forth. It is not a comprehensible position.

The question remains, why is the Minister—what need does MMR have of this lump sum of an infusion of revenue? What is the motivation?

Mr. Neufeld: I think it has to be said still that Hudson Bay Mining and Smelting will continue to provide stability to the Flin Flon area. I do not think we are going to argue that. Our divestiture of the Callinan Mine will not in any way affect the stability of Flin Flon.

As to your question why would we want to sell the property if in our opinion it is a good business deal today, we will do it, and that is what it is in our opinion. It is a good business deal, and we are no longer needed. The property will be developed without the help of Manitoba Mineral Resources. The town will continue to exist and the stability will be retained and, if at the same time it makes good business sense to sell without affecting the social or affecting the area socially, why should we not do it?

Mr. Storie: So the Minister is telling me that we are selling an asset that could return, and we cannot predict at this point over what period of time but, significant dollars.

I mean, Trout Lake in the last three years has contributed something like \$18 million in revenue to MMR, something like \$18 million in three years. We are going to sell this because it looks like we can make a buck on it today, never mind the long-term implications for MMR and their cash position, because those things over the long term would hopefully be providing revenue to MMR to continue mineral exploration.

The Minister says well, it does not affect the stability of Flin Flon. Of course, that is assuming (a) that we do not see a dramatic turnaround in the prices of copper and zinc, in which case it might, because they would not have the money and they did not have the money in 1988 to do Callinan a loan and they turned to us as last resort. That is assuming, and maybe the Minister has got a call from this, the Minister responsible for Western Diversification, maybe you can get Charlie Mayer on the phone over this one. Maybe we know something about the Hudson's Bay modernization. Maybe he knows something that I do not. Believe me, there are still questions that have to be answered about where HBM&S and the copper and zinc industry is going. Has the Minister finally got a call returned from Charlie, his friend, or is the modernization on? Are we going to get some investment?

Mr. Neufeld: Well, I will answer your last question first. I talked to Mr. Mayer yesterday, but it is refreshing to know, Mr. Chairman, that Mr. Storie is not concerned about the stability of Flin Flon. He is concerned about the future profits which may be derived from the Callinan property.

He has already been told that Callinan is not necessarily at Trout Lake and probably is not at Trout Lake. If in our best judgment or in the best judgment of the people who operate Manitoba Mineral Resources, it is a good time to sell and use our monies elsewhere, we will do so without affecting the stability of Flin Flon.

Mr. Chairman: Mr. Storie, in all fairness to you, there are other people who also would like to ask questions. Is this pertaining to the same issue?

Mr. Storie: Yes, Mr. Chairperson. I believe I allowed several of my colleagues more than an hour to proceed with their questioning. I ask to be given the same accommodation.

Mr. Chairperson, the question is stability. The Minister may know, or the Minister will not, that I just conducted a survey of my constituents, probably 2,500 households. The support for MMR's investment and continued investment in Flin Flon, in Callinan, in mining in the Flin Flon area is 90 percent. I can tell you without a moment's hesitation that the investment that was made back in 1988 in Callinan and the previous investment in Trout Lake is seen as providing stability. This move by the Minister to say well, sell it because there is a dollar in it does not bring anything but uncertainty in those communities.

The fact is that Trout Lake may not be the same mine as Callinan and no one can predict and even Mr. Wright and the geologists and those who have studied the potential of Callinan cannot predict what 10 years from now brings, what the value of new ores that may be proven up are going to yield. But we do know that the potential for generating revenue for MMR is there and there is no obvious need apparently from the Minister for a large infusion of cash for MMR, unless we are going to sink it into a maybe gold mine. Why the haste?

Mr. Neufeld: Well, any decision has not been entered into in haste. I have to repeat that the future of base metal price is in no way assured and, if the prices stay up and Callinan Mine makes an awful lot of money, I will be extremely happy because they can then do things or Hudson Bay can then do things for the North that we do not have to assist in. We can then turn our attention to other projects in the North and to other communities in the North and that is why, in one sense, it makes good business sense to sell.

The forecast—and the forecasting has been done by the Manitoba Mineral Resources people and they feel it makes good business sense to divest at this time. It does not affect the community at all and there will be no change in the operations, and I fail to see why you, as a Member for that area, would object to a sale. I cannot believe that constituents would favour Manitoba Mineral Resources as a participant in that one particular project over and above investing in other projects in the North, which may help the continued existence of Flin Flon.

The monies that have come out of here may well be used to help the continued existence of Flin Flon, and I cannot believe that your 2,500 people voted 90 percent to retain the money in Callinan. I can believe that they voted 90 percent for a Manitoba Government to continue to invest in the North, but do not leave the impression with us, Mr. Storie, that was 90 percent in favour of the Callinan project, because I do not believe that.

Mr. Storie: Well, the Minister may not believe it, he may not want to believe it, and the fact is that the

community and communities that are affected by the operations of HBM&S felt good, wanted Manitoba Mineral to be involved and are happy that they are. The Minister keeps saying that we can take this additional money that we get from the sale of this asset and use it for exploration.

I point out that there is additional money available from the operations from this 1988 year available to MMR to do additional exploration. Just because MMR has an ongoing obligation to explore and assist in joint ventures to explore for minerals in northern Manitoba does not mean that we have to sell the assets.

The Minister has at his disposal, and I am just guessing here—the Minister can correct me if I am wrong—\$150 million additional mining tax revenue coming from northern Manitoba this year, probably five or six, seven times the mining tax revenue this year over last, and he is not prepared to spend \$1 of that, not in terms of the Community Mining Development Fund or additional exploration and support to MMR.

* (1150)

The fact is that this Minister has millions of dollars at his disposal from northern mining ventures coming from the resources of northern Manitoba to do some of the things he says MMR needs this money to do from selling an asset. You do not sell your assets. You do not sell your assets to go out and speculate.

Mr. Neufeld: Mr. Chairman, I think it is important to note that it is not a bad idea in good times to set up a reserve of cash so that when the bad times come you still have some monies to spend in the North. I think Mr. Storie will remember five, six years ago the times the northern mining communities went through and the mining companies went through. I do not think it is a bad idea at all to keep some in reserve for the next time the cycle takes a downturn.

Mr. Storie: One last question, Mr. Chairperson, I agree with the Minister. The Minister had an opportunity in his 1988 Budget, had an opportunity to continue with a proposal that was in the previous Budget, to establish a Mining Community Development Fund, to put in 5 percent of the total of the mining tax collected in Manitoba. Today that fund would have been, over the two years, multi-million dollars. The Minister chose not to do that. Now he is saying, let us sell the farm so we can have some money to do those things.

The fact is that farm, those mines may make us money well into the future, maybe for 10 or 20 years if the history of orebodies in Flin Flon is any indication of the possibilities. There is no need for doing it. The Government has at its disposal money that comes directly from mining if it really wants to set aside a fund, and I would encourage them to do that. It is a great idea. We have the Mining Community Reserve Fund; we need something that is better, more flexible. The Minister says he would like to do it. He can do it and he does not have to sell the assets that the people of Manitoba invested in, that have been good assets, profitable investments for the people of Manitoba to do that. He does not have to do it.

Mr. Minenko: A couple of final questions, Mr. Chairperson, we are looking at the Act again. There is provision here that the cost of the audit to be done by the Provincial Auditor is to be paid by the corporation. Where is that reflected or is it reflected in the balance sheet and where would it be set out?

Dr. Wright: If you look at Schedule 1 to the financial statements, it shows that accounting and audit fees paid in 1987 were \$17,740.00. Two-thirds or more of that is the audit fee.

Mr. Minenko: Does the corporation involve itself in long-term planning? What time period does that corporate planning encompass?

Dr. Wright: We have a three-year plan which now needs updating in the light of certain activities which have gone on in this past 12 months.

Mr. Minenko: On one of the first pages in the report, I guess it is various exploration areas, is there exploration going on in any of the other areas, other ones that have been discussed? If so, which ones are they?

Dr. Wright: I would refer you to—it is a section on exploration operations in the report. It follows the mining operations that you are looking at under Trout Lake, and it shows where the money was spent in the areas which are outlined on that map at the front. So as you can see, most of the money went into Lynn Lake, Flin Flon, with a little bit down in what is called the southeast section and none in the balance, in this particular year. In other years, there has been money spent in all of those areas except possibly not in the southwest.

Mr. Minenko: Has anything been done in the southwest or planning to be done with respect to any potential potash reserves?

Mr. Neufeld: That has nothing to do with the Manitoba Mineral Resources. That is the Manitoba Department of Energy and Mines.

Mr. Minenko: So this corporation then does not involve itself in some specific areas then? I presume potash should be a mineral.

Mr. Neufeld: None.

Mr. Minenko: I am not quite sure the Minister really answered the question we were referring to. So there are no other minerals that are excluded? Are there any other minerals that are excluded from the mandate of the MMR?

Mr. Neufeld: There is nothing that is excluded, but the involvement in the potash development was the involvement of the Department of Energy and Mines and not by the Manitoba Mineral Resources Ltd.

Mr. Minenko: Why was that then MMR was not involved in potash?

Mr. Neufeld: While it is not, it has nothing to do with what we are discussing today. I can tell you that the potash development was one in which the Government became involved when the developer came to the Government and asked if they wanted to participate in equity in the project.

I suspect the reason was that the developer needed more money, but that is why, and you would have to ask Mr. Storie because he was the Minister at the time, or his predecessor, but the Manitoba Energy and Mines Department became the investor in the project.

Mr. Minenko: So, if another company were to come into Manitoba and say, well, we want to only work with the Government, we do not want to work with MMR, would the Government then enter into separate agreements with them to deal with other minerals as well?

Mr. Neufeld: I think you have to remember, Mr. Minenko, that Manitoba Mineral Resources Ltd. works primarily in northern Manitoba. It does manage some other properties like TANCO for the Minister of Finance (Mr. Manness), but primarily it concerns itself with northern Manitoba.

If somebody were to come to the Manitoba Government with a proposal, we would have to discuss that at the time. It may well be that it would be a proposal that Manitoba Mineral Resources could involve itself in, but it is not necessary. It would depend entirely on what that proposal was and how the Government wished to deal with it at the time.

In summary, more often than not Manitoba Mineral Resources comes to the Government with a proposal if they are going to go and enter into something. In some instances, I suppose, the mining companies come to Manitoba Mineral Resources with a proposal. Other times, Manitoba Mineral Resources may go to another company for a joint-venture proposal. It works both ways.

* (1200)

Mr. Minenko: It certainly is not excluded in the act for this corporation to be involved anywhere else in the province. So, unless that is a Government policy, it is certainly not necessarily restricted. So is it Government policy to restrict the operation of this corporation to simply the North when it clearly indicates in the report that it certainly considers other parts of the province as exploration areas and has spent actually money in some of the other areas as well?

Mr. Neufeld: We would expect that Manitoba Mineral Resources would involve itself in areas in which it has expertise and not restrict it as to area and geography.

Mr. Chairman: Any more questions, Mr. Minenko?

Mr. Taylor: I would like to say that it is interesting to note that now that Alumax has said that there are no further negotiations with Manitoba and that the negotiations ended without so much as a whimper that

the federal Minister responsible for western diversification deems that he can now call back our Minister on that matter.

The question before us here about the sale of one of the properties, I find, is very interesting. This corporation is operating in the black. It says it has after the fact revenues of \$3.9 million from the '87 fiscal year. We have not got before us the '88 fiscal year, but it looks very, very promising on preliminary figures as well.

Is it, given that the corporation has liquid reserves that it could use directly in partnership with others, given that it could use those reserve monies to borrow other money, I am still at a loss to understand why the sale of the property involved, given that it in itself could become a source of revenue for future years, recognize the context of in the world market may be not a bad time to sell, but that is not necessarily the only motivation that can be brought to bear.

I am still not clear in my mind why this necessity at this time. I would like to understand more the thinking at the top levels of the corporation, why should it be. What other ways is this corporation going to get into exploration in the North? Let us assume for the moment it is only in the North. What other ways have they operated on a financial viewpoint with lenders, etc.? The necessity of the sale may be there, but I do not think it is on the table though at this moment. I would offer a chance for the senior people here to make themselves maybe a little more explicit.

Dr. Wright: The emphasis of this discussion has been on the assumption that the Callinan Mine is going to spin off an ounce of money, large, mediocre or small.

There has been no emphasis put on the fact that it may run in deficit at times of poor metal prices. This is a situation which, I think, has been clearly indicated before. The Hudson Bay came to Manitoba Mineral or to the Government as a court of last resort and that is the kind of a project this is. It now makes sense under the proposed terms that we are negotiating with Hudson Bay to sell it if we can at those terms and let them carry on with it now that they have more financial strength.

Mr. Taylor: Dr. Wright, given the '87 report that is before us now indicates significant dollars sitting in the corporation, the preliminary figures for '88 would indicate significantly more.

The impending sale, at what is said to be at a very good price, indicates more dollars again in the corporation. Can Dr. Wright then tell us what the intention is of this corporation to do with these rather large amounts of money and if it is the intention to transfer some of these millions of dollars out of the corporation and into the general revenue accounts of the Government as a whole? Is that what the intention is, to look at this corporation as a revenue source for other general purposes of the provincial Government?

Mr. Neufeld: The last part of your question, I think, is up to me to answer. No, it is not the intention of the

Government to transfer monies out of Manitoba Mineral Resources. It is the intention of the Government to allow Manitoba Mineral Resources the flexibility to operate in a manner in which they have been operating.

I think we have to remember too, Mr. Taylor, that it is not guaranteed that Callinan will throw off any profits. It may well not throw off any profits. I think we have to respect the judgment of those people who know more about mining than I to recommend what we do with properties, whether we continue development or whether we dispose, given that there are no social fall-outs on it. The recommendation of the company has been accepted. Is there anything else, Dr. Wright, that—

Mr. Taylor: Recognizing that a particular mining venture may not necessarily return profits in all years, certainly that is a fact of life of the mining industry. In the case of most minerals, maybe not all, but most, that can happen.

However, it is also a fact of life that the private sector is not involved in this activity in the economy for its philanthropic purposes. It is there to generate revenues for its shareholders and, therefore, the assumption is, if there is going to be a mine there, that there is some potential for there to be a recouping of investment and profits thereafter. I think one has to assume there must be some viability to the exercise or we would not be talking about it. The base question, I guess, is with these revenues, net revenues, to the corporation in the '87 and, it would appear, '88 fiscal years and the revenue from this impending sale.

What sort of concrete plans has this corporation got for further exploration in this part of the province that we are talking about or elsewhere, other than just to say we will do more exploration. I, for one, am not reassured as to where these dollars are going. I would like to hear something rather more concrete. If there are these sorts of dollars available, then there also should be, I think, given the fact that our level of economic health in the North is hardly what one would say it should be in northern Manitoba, in marked but sad contrast to what it was, say, 25 years ago, what is going to be the initiative of this corporation as an economic instrument of this Government to see an improved economic situation in northern Manitoba? Let us hear the plans.

Dr. Wright: There were a number of items touched on that I would like to address. First was the reference to the economic viability of the Callinan situation. I think it is important to recognize that there are two different sets of economics at work. When you are in bed with Hudson Bay Mining and Smelting, they have an integrated operation. This is a joint venture to mine, where each partner takes its share of the ore and then does with it as best it can. We, as a joint-venture partner in that, pay the cost of getting the ore, get the ore, then turn around and make a contract with Hudson Bay to mill it, then further take around in another contract and sell the concentrates to Hudson Bay and they have profit levels all the way along.

So there are two different sets of economics involved in any financial analysis of a joint venture in the Flin

Flon-Snow Lake area with Hudson Bay Mining and Smelting. In short, they can afford to run a poorer mine than anybody else in that area because they are an integrated operation.

With regard to the use of our cash, I can—if we had not had this meeting in the last couple of years but you had sat in on all of these previous meetings, you would have seen that this corporation had been a drain upon the Province of Manitoba until the last three years.

What we are trying to do and have done in the past with the assistance of the Government is to maintain a steady level of exploration, rather than have our exploration costs go up to 5 million one year and 1 million the next, which you cannot properly plan ventures that way. You cannot get joint-venture partners interested if you are going to be spending 5 million one year, 1 million the next year. You must have stability. So we do need, in the good years, to conserve some money to cover exploration in the poorer years at a reasonable level. Now a reasonable level is a judgment call and you can spend too little, in which case you are pissing it away—

An Honourable Member: Unparliamentary.

Dr. Wright: Excuse me, piddling it away.

An Honourable Member: We understood the first one.

An Honourable Member: The Hansard staff will note the difference.

Mr. Chairman: Go ahead, Dr. Wright.

* (1210)

Dr. Wright: Or you can go spend \$5 million or \$10 million out there annually and you have the dog chasing the cat or the tail, rather than the other way around. You have too much money trying to follow up too few exploration bets. It should be the other way around. You should have the exploration bets competing for the money and then you are going to get the best play. That comes into the equation of what do you do with all of this money when you are having a good year. I say that we try to maintain a level of exploration which is consistent over a long period of time, and the money in the good years goes into maintaining that in the bad years.

Mr. Taylor: I guess the question, Dr. Wright, is what is a good level of investment, and he himself put it on the table. I would suggest that what was a good level in one year, keeping that in absolute terms only allowing for inflation, is not necessarily what should be for subsequent years if the corporation is in a reasonable position and able to do more exploration. I recognize that one wants to set aside certain amounts of reserve money for lean years but, given the situation now, does he not see that it is time for somewhat of an increase in level of exploration or is there some other use for this money, such as is there a requirement, given the relationship between the provincial Government and the way that this corporation was set up, that it must

pay back monies that it drew from the provincial Government in the past, and is that what some of these monies are to be used for?

Mr. Neufeld: I have said before and I will say again, Mr. Chairman, that no monies will be withdrawn from the corporation. If you look at the balance sheet of the company, you will notice that the Minister of Finance (Mr. Manness) holds in trust. We do not owe them any money. The Minister of Finance has some \$7.4 million in shares that they have purchased, but there is no policy for the redemption of those shares. There are no loans, so there cannot be a policy for the repayment of loans.

I believe that in 1988 there were some additional shares issued, but to answer your question again, there is no policy of the Government to redeem any of those shares at this time.

Mr. Taylor: Thank you for that clarification from the Minister. But the point was that if this corporation was a draw on the public purse in previous years, was there any method that required a pay back and this is other than in a share context?

Mr. Neufeld: There was a drain on the Government in previous years, yes, but the monies that were advanced by the Government to the corporation were turned into shares, and I—it says in Notes 1 and 4—will have to check what that says—no, it does not say anything.—(Interjection)— Yes, would you, please? Yes, it is on Note 4.

Dr. Wright: The initial funding of Manitoba Mineral all the way through from '71 to 1982 was by way of grants, conditional grants, which over that period of time totalled some \$8 million-and-some odd.

That was predicated on the exploration level of half-a-million dollars per annum in the early years which gradually built up to about a million dollars and this was before we had any income. So that continued on the books, and in 1982 it was decided to fund this in an ongoing way through the purchase of shares. The conditionality remained on those grants and the conditionality was that they would be repayable in the event that exploration projects on which those monies were spent became profitable. None of those ventures became profitable and those grants in—I think it is 1988, the condition attached to the grants was revoked and therefore they are no longer repayable.

Mr. Neufeld: Mr. Taylor, if you will look at Note 9, which is the second last note to the financial statements on the last page, it is under contingent liabilities, explains the grants that were made at that time and it is still sitting here as a contingent liability but not as a liability of the corporation.

Mr. Taylor: Thank you very much, Mr. Chairperson. That does clarify it for me.

The last question on the exploration to Dr. Wright, can he indicate to this committee on a comparative basis the level of exploration that Manitobans can

expect to see from his corporation? I would prefer to see it on just the 1989 year. Normally mining firms and exploration firms have three- and five-year plans, for example. Given the corporation's better financial picture now to the previous years, on a comparative basis what does he see as the level of exploration, 10 percent more, 20 percent more, whatever, and what is it we can expect from this corporation?

Dr. Wright: On the longer-range plan that you are alluding to shows exploration expenditures of our share only in the order of two and a half to three million per annum. That does not account for any additional exploration funds that are needed in the event of a discovery such as Farley Lake, in which we have spent more than that kind of indicated level. These are exploration funds, just what we call grass roots up to the point of discovery. Once you have discovery on your hands, it is a whole new ball game and you need substantial amounts of money quickly all in one year. By substantial, I am talking maybe 2 to 5 million additional in one year.

Mr. Taylor: Just picking up on those first figures that Dr. Wright mentioned, are those the same sorts of figures in comparative terms that we have had in previous years, or is that a greater degree of exploration activity? That is what I am trying to nail down here.

Dr. Wright: We started in '71 at half-a-million. By 1982, we were at a million. Then, because of problems which were developing in the North, we escalated that to the \$2 million to \$3 million range. So we are still at the end of the escalated range. I am talking it would have to be adjusted for inflation and what the cash flow of the company is, but taking into consideration a need to maintain a reasonably constant level of exploration.

Mr. Taylor: I think I am understanding him as that Dr. Wright is saying the increased level of activity post-1982 will be maintained at roughly the same level allowing for inflation. However, they do have some monies that they can put in if they come on a hot find and have to do more detailed exploration. Is that what I am hearing?

Dr. Wright: That is it.

Mr. Taylor: The other question I wanted to raise, and it was raised to some extent by the Member for Flin Flon (Mr. Storie), was the fact that we are dealing today with a 1987 annual report. This corporation, following the calendar year not the fiscal year of the provincial Government—we are 2.5 months passed the end of the 1988 fiscal year. My question is, when will there be a formal tabling of the 1988 year-end report for this corporation?

Mr. Neufeld: That will have to be some time after the Legislature goes back into Session.

Mr. Taylor: Well, given that I have heard from his Cabinet colleagues that we are not looking at potentially even this spring and we may be looking at September 15, I do not know that that sort of an imprecise answer

is acceptable to the committee. Could the Minister make another try at a response, please?

* (1220)

Mr. Neufeld: The report will be tabled as and when we feel it is necessary to table it.

An Honourable Member: In due course.

Mr. Neufeld: And that too.

Mr. Taylor: I would suggest to the Minister that it is incumbent upon he and his administration to table a report in not when he deems it fit but in an as timely fashion as is practicable. Given that, I would like to see something closer on a target. Are we talking one, two months away? Are we talking June? Are we talking in the fall? This report here that we are looking at is virtually 15 months old now. I hope we are not looking at the '88 in the same fashion. Could the Minister expound, please?

Mr. Neufeld: This report was dated March 11 and this is not the tabling date that the report had been tabled in the House. I think if Mr. Taylor looks back he will find that all the reports for which I have responsibility have been tabled in very short order after they have come to my attention. That includes the quarterly reports for Manitoba Hydro that have been coming in. They will be tabled in a timely manner, but I cannot give you a date now because I do not know when I will get it.

Mr. Taylor: Then a question to Dr. Wright is, does he expect to have the 1988 annual report ready within the next month?

Dr. Wright: The board is meeting to review the draft of the annual report next week and then it takes about three weeks to get it printed, so prior to the end of April, yes.

Mr. Angus: Well, in light of the Minister's suggestion that he does not unnecessarily hold up the reports, and I respect that in light of the chairman's suggestion that the board is meeting and should be able to deal with the printed statements by the end of April. Perhaps we should be holding this committee meeting open and passing both reports at the same time. I wonder if that would cause any undue concern to either the Minister or the members of the board.

Mr. Neufeld: It would cause me no concern at all if you can get your colleague across the table from you to agree to that.

Mr. Angus: Certainly, we will ask him to vote his conscience on this issue.

I would like to ask a question and I bow, Mr. Chairperson, to the knowledge and expertise of the Minister in terms of accounting principles and practice. Have you had the corporation value their shares at all in any way, shape or form?

Mr. Neufeld: No, I have not. I do not think it is necessary inasmuch as the corporation is not for sale. It is necessary to value the shares of the corporation.

Mr. Angus: I see. Mr. Chairperson, just through you and through the Minister, I was concerned about the grants and the accumulated grant deficit system that you had mentioned. I believe you used the figure of \$8 million accumulated. That was subsequently written off as shares or was it forgiven or was it converted to shares?

Mr. Neufeld: The grants were forgiven. They amounted to \$8.239 million, on the last page on Note No. 9. Since that forgiveness, the funding has been done through the issuance of shares.

Mr. Angus: Fair enough, and that is another 8 million.

Mr. Neufeld: That is 7.4 million to the end of December 1987.

Mr. Angus: Through you, Mr. Chairperson, Mr. Minister, have there been any, I think the term in accounting circles is, "calls to the table," since the \$7.4 million accumulated?

Mr. Neufeld: By calls to the table, I take it you mean have there been calls for funds. There have been new shares issued in 1988 for specific purposes, one being the takeover of TANCO, I believe, and the other one being for additional monies needed for Callinan. For the exact details of the amounts, I will ask either Mr. Brockington or Dr. Wright to answer that.

Dr. Wright: Yes, in round numbers there was another 10 million taken down. It was a combination of approximately 7.5 million in the Callinan and 2 million for TANCO.

Mr. Angus: Mr. Chairperson, just through you to the Minister or the executive staff, then that brings the accumulated outstanding debt load in terms of shares to what figure?

Dr. Wright: Seventeen.

Mr. Angus: Seventeen.

Dr. Wright: Yes.

Mr. Angus: Okay. Is that all the debt that the corporation is carrying at this particular time?

Mr. Neufeld: The \$17.4 million are shares issued. That is not debt. The only debt the corporation has are the current payables that were not paid, which stood at the end of 1987 at \$400,000.00.

Mr. Angus: Can I get a bit of an explanation as to the—I think you suggested you were self-sustaining. In my mind, self-sustaining means balancing my budget, my revenues cover my expenses.

Mr. Neufeld: You are kidding.

Mr. Angus: No, that is exactly what it means, but unfortunately in my household I do not have an unlimited reservoir of shareholders to contribute unlimited funds. I guess if I had that type of a reservoir and I could mask it by calling it another name, I would feel a lot more secure. How do you justify being self-sustained with that type of bankroll to work with?

Mr. Wright: Okay, the additional infusion of the 10 million, let us deal with the simple one first, which is TANCO. The Government had it on its books at about \$2 million. To consolidate the administration, it was brought into Manitoba Mineral and we issued shares of our shares for their shares, but it shows up in the financials as a \$2 million transaction and an additional infusion into Manitoba Mineral.

With regard to the Callinan, which was \$7.5 million, at the time that money was called and the projections were being made, there was a pool set aside for that investment given that it was not regarded at the time as a normal commercial investment. That pool was set aside for that. Now we have ceased to draw on that pool. We drew the \$7.5 million. We are no longer drawing any money on that.

Mr. Angus: Did you reach the cap in the pool, as it were, and there was no more funds to draw, or there were additional revenues available?

Dr. Wright: On that particular pool, there was another \$10 million to go.

Mr. Angus: The loan after 1987, is that . . .

Mr. Neufeld: On the notes to the financial statement, Note No. 4 gives you the loan authority with a maximum of \$27,962,000 and that is what Dr. Wright meant, I guess, when he said there is approximately \$10 million still available under the authority.

Mr. Angus: I was concerned about the drain on the province statement that you made earlier. Could you enlighten me as to what you meant by that?

Dr. Wright: I am not sure which . . .

Mr. Angus: I was not sure, was it TANCO?

Dr. Wright: The province was carrying its total involvement in TANCO on its books for \$2 million. We made a paper transaction, took the \$2 million into Manitoba Mineral in return for issuing \$2 million worth of shares to Manitoba Minerals. So there was no change really on the province's books. The change was reflected on Manitoba Mineral having issued \$2 million worth of shares.

Mr. Angus: I am not sure if I heard accurately, but are you not doing any work in relation to potash at all, potash exploration and/or mining?

Mr. Chairman: Mr. Angus, if I may interrupt at this time, it is actually after 12:30. What is the will of the committee? Is it the will of the committee to pass the report? Committee rise.

COMMITTEE ROSE AT: 12:30 p.m.