

LEGISLATIVE ASSEMBLY OF MANITOBA
THE STANDING COMMITTEE ON ECONOMIC DEVELOPMENT

Tuesday, 5 May, 1981

Time — 10:00 a.m.

CHAIRMAN — Mr. Morris McGregor (Virden).

MANITOBA MINERAL RESOURCES LTD.

MR. CHAIRMAN: I call the Committee of Economic Development to order and we are dealing with the Manitoba Mineral Resources Ltd. I will call on the Honourable Minister of Energy.

HON. DONALD W. CRAIK (Riel): Mr. Chairman, thank you very much. I'll turn it over directly to Mr. Koffman, the Chairman of the Manitoba Mineral Resources and he might want to introduce his people that are with him.

MR. CHAIRMAN: Mr. Koffman.

MR. A.A. KOFFMAN: Ministers, members of the House, Mr. Chairman, I have with me today Malcolm Wright, Dr. Malcolm Wright, who is Vice-President and General Manager of the company. I have also with me Robert Bray, our Consulting Mining Engineer who spent many years as a mining engineer and now works for us as a part-time consultant on various projects.

The Ministers and members of the House, their job is not very easy as I know. The other day I was listening to a movie which was *The Seduction of Joe Tynan*. You people didn't get a chance probably. It's about a young senator who faces moral dilemma when climbing the potential ladder in Washington, but I see the members of the House here always have a moral dilemma. What they want to do for the constituents and what they want to do in committee and what they want to do may be entirely different, so I don't envy your jobs, gentlemen.

So without further adieu I am going to — you each have a report on your desk. Has everybody got a report? I don't know if I should stand or sit here.

MR. CHAIRMAN: No, sit down.

MR. KOFFMAN: All right. We have here at the front of your page a summary of what the company has done. Of course, again, we could say we spent your money; we spent the money you allotted to us and we found bugger-all. We could say that or we're going to spend more money. Now we can do it either way. Now we could just finish the meeting and it would be a cinch, but I guess that some of the members want to know how we spent the money. So we will say this, that we will look at the first page here where the objectives of the corporation that you all see there. The objectives of the company is to bring risk capital into the province and initiate mineral exploration which will attract participation by the private sector. Conversely, the company considers participation in exploration projects by others. The company will carry on its work within the

same framework, rules, regulations and normal practice in mining with the private sectors.

We are now managing the province's interest in mandatory participation agreements made pursuant to Regulation 328/74 and previously entered into with the Department of Energy and Mines.

We employ and train personnel resident in the province in all aspects of mineral exploration.

Now, the first thing we have here is Mandatory Participation Agreements and I don't know if you people had a chance to read it or not but on the end of the Mandatory Participation Agreements we shall refer to the Granges ore body under Trout Lake, which I mentioned last year and which we have now entered into a final agreement with other participants. As we mentioned before, again the participants in this Agreement we have entered into are Granges which is Interminex, which is a Swedish company; Outokumpu, which is a Finnish company; MMR; and Hudson Bay Mining and Smelting Company, which is the operator of the mine as we see it.

The percentage interest as you will notice there is 27 percent Manitoba Mineral Resources, 29 percent for the Swedish group, and 44 percent for Hudson Bay and Mining. We have found in doing this and coming to an agreement, it took us about two years. We find this is the best type of agreement we could bring to mine the ore body because of its proximity to the Hudson Bay Mining and Smelting Co. Plant. If there are there any further questions on that during the question period, our Engineer, our Vice-President of Operations will be glad to answer you.

We are now in the process of making a final agreement for the disposition of the concentrates to various smelters or zinc plants either in Canada or on the world depending where it shall be.

I'll just go ahead and I'll say that in our Mandatory Exploration Projects there were 79, there were 18 active agreements, which we will show you here, on this map here with all the pins in it. That's the various agreements that are Mandatory Agreements that we took over from the Mining Branch we're handling for the . . . The light red are the active, and the green ones are something that isn't going anywhere, and the blue ones, we've terminated agreement.

In bringing it up to date today, in 1981, I'll bring it up to date, there were 18 active in 1970; suspended were 21; further participation declined was 23, and terminated was 70, for a total of 79.

In 1981, 16 are active; 19 are suspended; 20 are further participation declined; and terminated, 24, which gives a total of again 79.

Now we come on the same page to the Company's Mineral Exploration Projects in 1979 with the mandatory exploration projects. There are no new mandatory exploration projects by the province, but there are projects that we are in business with the private sector. In the private sector we were in business in '79 with eight companies and the name of the companies are Hudson Bay Mining, Granges of Sweden, Esso Minerals, Shell, Selection Trust,

Riocanex Enterprise Exploration, which is an Australian company and Noranda. That was in 1979-80. In 1980-81, we are again, we have seven companies and we have a total of 14 projects. We had about the same number of projects as the year before in the private sector.

Now just coming down to here. One of the projects we are in partnership with Hudson Bay Mining, it's called the McClarty Lake project, Sylvia Zone, which there is proven now 1,320,000 tons of 2.08 copper and 1.6 zinc. This is new. On your report we have 875,000 of 2.3 copper and 0.7 zinc. Bringing it up to date, there is now 1,320,000 of 2.08 copper and 1.6 to the 1,800-foot level and I'll show you that. Turn that around here. You see in the upper right-hand corner we have a map showing the — it's a longitudinal section of the drilling that we did jointly with Hudson Bay and it shows there are two . . . with the tonnage I have given you, 1,320,000 but the project is not viable at present prices and present costs. So although we have found it, maybe with further work it will become a viable project but presently it is not.

That's probably a summary of the work we have done and if there are any questions we will be pleased to answer the questions with our expert staff beside us.

MR. CHAIRMAN: Mr. McBryde.

MR. RONALD McBRYDE (The Pas): Thank you, Mr. Chairman. We've had a summary of the exploration projects in this report. Could you bring us more up to date, what has happened since this report was . . .

MR. KOFFMAN: That's what I did do, Mr. McBryde. I did say that we had 16 projects; we had mandatory, 18; suspended, 21; 23, further participation declined; and terminated 17, for a total of 79. Bringing it right up to date now in 1981, we had 16 active; 19 were suspended; and we declined on 20 and 24. The other thing to bring you up to date was I also said that the same companies were in business with us in 1981 and the difference was about 7 companies in 1981, we have 14 joint projects with various companies right up to date. Does that answer your question, Mr. McBryde?

MR. McBRYDE: I heard that information in the section under Mineral Exploration, it lists the projects and I wondered if he could bring us up to date in terms of these projects listed here. What has happened with those now? What has happened with Russel Lake, Nichol Lake, Loon River, etc.?

MR. KOFFMAN: I think I'll turn that over to our General Manager, Malcolm Wright, he deals with details and he'll give you the details.

MR. CHAIRMAN: Mr. Wright.

MR. WRIGHT: If we skip on down past the Hudson Bay one on the Sylvia Zone and pass on to the Eldon Lake Joint Venture where we are in a venture with Granges Exploration. There has been further drilling on that property, which hasn't substantially changed the picture. On the Nichol Lake Project, where we had a joint venture with Noranda, Noranda declined

further participation and we spent another \$12,000 or 14,000 on an airborne survey which didn't make the ground any more attractive and we've since abandoned that project.

On the Russell Lake Project with Esso Resources we drilled 12 holes and found no mineralization of economic value. The project is now abandoned. On the Kamuchawie Lake Project, where our partner was Selco Mining Corporation, we drilled additional 38 holes and found no mineralization of economic value and the project is now abandoned.

On the Loon River Project, where our partner was Shell Canada, in the report before you, the project had just started, an airborne geophysical survey has been completed and the Granges physical work has now been completed and we anticipate answering the drilling phase, possibly 40 or 50 diamond drill holes in 1982.

On our venture with Riocanex on the South Russell Lake, they have one survey completed, the ground was acquired, the ground geophysical work and geological work was done. We are looking now at the program of about 12 or 15 diamond drill holes in 1982.

On the Notigi Lake project where our partner was Australia Mining and Smelting, the airborne geophysical survey was completed, the ground was acquired, the ground geophysical surveys have been performed and we are just compiling the results now and we expect to do that drilling this year. I expect there'll be somewhere between 20 and 30 diamond drill holes there.

On the Cook Lake project, we were in partnership with Granges Exploration. That one is currently on the shelf; no further work was done this year.

On the Cormorant Lake project, where we were in partnership with Hudson Bay Mining and Exploration, nothing further has been done. In fact, in the report we make note that no further work is recommended and the property is being allowed to lapse.

On the Moose Lake project, where we were in partnership with Shell Canada Resources, the only work that was done in the past year was to re-evaluate the results and we have a proposal for a small program before Shell right now.

In the Knee Lake project, which was done in conjunction with Selco Mining Corporation, we note that no significant mineralization was encountered and the project has subsequently been abandoned.

On the other two projects which are mentioned at the bottom of that same page, no further work has been done on the Athapap Lake, joint venture, although two additional holes are warranted. That will probably be done in the 1981-82 winter.

On the Farewell Lake property, in which our partner is Hudson Bay Exploration and Development Company Ltd., some drilling is currently in progress.

Do you want an update on the oil and gas as well?

MR. CHAIRMAN: Okay, right.

MR. WRIGHT: On the oil and gas, the wells that we own jointly with Berry Petroleum, continue to produce but at a loss. We are probably down on that now about \$6,000 at a 20-percent interest and the National Energy Program hasn't helped that.

On the oil project with Copperhead Oil Company, the project was losing money and Copperhead sold its interest to Tundra Oil and Tundra Oil needed the

equipment from the five wells and we sold our interest to them for \$35,000.00.

MR. McBRYDE: Then besides the one listed in this report now are there are any new projects underway and could you summarize those for us? Since the Chairman is very interested in the gas and oil exploration I know and he can't ask too many questions I'll ask you for some more detail on those as well.

MR. WRIGHT: Well, we do have three additional projects under way at the moment. I'm not at liberty to disclose where these are because we're still in the process of acquiring land. One project will be a joint venture with Rio Tinto Canadian Exploration Limited wherein we will have a 40 percent interest and they will have a 60 percent interest and we will be the operator at the exploration stage.

We have another new project with Selco Mining Corporation Limited, which will be a 50-50 joint venture, that also we're acquiring the ground on presently.

We have acquired the ground on a project called the Limestone Bay Project, which is south of the Sylvia Zone, which Mr. Koffman referred to previously, and we have a joint venture on that with Hudson Bay Exploration and Development Company Limited which will be another 50-50 venture and which Manitoba Mineral will be the initial operator. We anticipate drilling two and possibly three holes this winter.

MR. McBRYDE: It seems to me not from the figures but from the description of projects that's there's actually a decline in what mineral resources are doing. I wonder if that misunderstanding, if it is one on my part, could be straightened out.

MR. WRIGHT: No, we haven't declined in what we're doing. There are in effect the same number of projects. We still have 14 projects this year. Some of the projects are somewhat larger than the projects we had going last year. In the year under review we had a budget of \$610,000.00. In the year just passed we had a budget of \$678,000, which in essence has been spent as of March 31st. For this present fiscal year we have a budget of 894,000.00.

MR. CHAIRMAN: Any other questions?
The Member for Brandon East — Mr. Evans.

MR. LEONARD S. EVANS: Maybe I could direct this to the Chairman or the General Manager. I had the impression that the province was scaling down Manitoba Mineral Resources Limited for various philosophical reasons, policy positions of the government, but I gather that isn't the case. In other words, Manitoba Mineral Resources Limited continues to operate as a Crown corporation, as a public sector being involved in mining exploration. Obviously I'm not criticizing that I just want to get that clarified.

MR. CHAIRMAN: Mr. Koffman.

MR. KOFFMAN: That is right, Mr. Evans. Originally there was anticipated it would be cleaned out — Manitoba Mineral Resources, but I guess they found

we were't doing too bad a job and I guess they just decided that good people have to be in place, that they're very hard to come by.

Let me tell you something, for your information, you know something, I have no pension with Manitoba Mineral Resources. Just to make it clear. —(Interjection)— Yeah, okay.

MR. EVANS: Mr. Chairman, is that a fair observation that Manitoba Mineral Resources Limited in effect, as far as the Chairman understands at least or from his experience, would reflect that you are proceeding more or less as you were proceeding under the previous government, and that there's really no let-up in your drive and your initiative and your effort to try to develop mining in the Province of Manitoba?

MR. KOFFMAN: That is correct, Mr. Evans. The only difference is now all these projects are voluntary joint ventures. In other words, let's look at the map on this side, that's all voluntary joint ventures. On the other side of the map we had a whole bunch of pins which is mandatory. Shall I turn it over for you? All those pins you see, those are mostly mandatory joint ventures. You see, the Province of Manitoba went in with the Department of Mines, which you really didn't understand last year. I discussed it with you. We are now doing the same thing, but it's all done under Manitoba Mineral Resources as a voluntary joint venture with the private sector. I found no difficulty in talking to the present government, What we are doing other than mandatory; we're doing voluntary and have no difficulty at all going along with this.

MR. EVANS: Well generally then, the private sector is quite happy it seems then. It would obviously be the conclusion to deal with Manitoba Mineral Resources Limited on a voluntary basis. In other words, they're quite happy it seems to share the risk with you, because risk money is risk money, sometimes very hard to find. So you seem to have been fairly well accepted by the private sector, I would gather. Is that a fair observation?

MR. KOFFMAN: Mr. Evans, we are accepted by the private sector just as another company now.

MR. EVANS: Okay. How would you compare your success ratio with other exploration organizations? You said you've spent a helluva lot of money and you haven't found anything, or words to that effect, this past year. I don't want to put words in the Chairman's mouth, but I got that impression. Nevertheless, over the years, how would you compare your success?

MR. KOFFMAN: What we have found Mr. Evans — I've showed you one of these, the joint venture with Hudson Bay and we have roughly a million tons and we're working on other projects. What we're really doing is — mining exploration in Manitoba is gone from the point of view of the old prospector who used to put his feet up and down — we talked about that last year — that's gone. So nowadays we've gone to the geophysical exploration and it's quite common in the industry now. Our success ratio I would say compares very favourably with anybody else's.

MR. EVANS: Your success ratio compares very favourably with the purely private sector. That's very interesting. I congratulate you for your success.

You made the point that now the activity is on a voluntary basis rather than a mandatory basis. What difference has that made in your operation? In other words, I gather the private sector has accepted you, is accepting you and you're fairly active. What does this mean? Does it mean that we have as much activity going on through your corporation today through the voluntary approach as through the mandatory approach? If you had a mandatory approach, would you have a higher level of activity today?

MR. KOFFMAN: I don't think we'd have a higher level of activity. There was two funding propositions under the older system. There was the funding which was mandatory; we had up to \$2.5 million. Then there was funding which was voluntary, which we get from the Crown. Now the funding that's mandatory is gone, so all we're doing is voluntary. Let's put it this way, we're finding it very easy to sell projects to the private sector because people are looking for ideas. It isn't what people are doing, but people are looking for ideas. We have these various projects; we have broad ideas to work under the limestone, under 250 feet of overburden. We have ideas that we're working in the gneissic rocks which we didn't work heretofore. As a matter of fact, if we had enough ideas, we could sell another five projects or ten projects, but we just haven't got enough ideas. We can't generate enough ideas. Do you follow me?

MR. EVANS: Another question. I'm not clear on this. The Manitoba Mineral Resources will hold a 27 percent interest in the venture near Flin Flon. Does this mean that when this mine operation is active, when the company is engaged in the mining and presumably revenues are finally flowing in, will the 27 percent profit be paid to your company or is it paid directly to the treasury?

MR. KOFFMAN: It's paid to our company. I think probably to give you a detail of that and I said I would do it this year, I think we'll ask Bob Bray, who's our consulting engineer, who went into the financial problems inherent in a deal like this, he will explain to what this 27 percent means and why we went to the 27 percent, why we went for a joint venture with Hudson Bay. Do you follow me?

MR. CHAIRMAN: Mr. Bray.

MR. BRAY: Mr. Chairman, yes, I worked with Manitoba Minerals for the last two or three years on this project, which was a very involved negotiation. I don't suppose there's been a project in the country the last ten years more involved because it took two years to get the thing going. But essentially what has happened is this, or the agreement that is struck, in the original instance, the property was owned 48 percent roughly, I think it was 48.2, by Manitoba Minerals and 52 approximately by SMS, the Scandinavian Mining Syndicate. Now we had been looking for ways of bringing the thing into production and we looked at bringing it in ourselves, getting a partner to bring it in and we have decided that we would go the route of a third party.

So they've struck a deal with Hudson Bay Mining and Smelting and essentially we've given them 44 percent of the property which means that Manitoba Minerals now instead of having 48 percent has 27 percent. SMS instead of having 52 now has about 29. Now for this 44 percent interest Hudson Bay Mining are giving us a few things. First of all, we're getting the management, the engineering and the operation of the operation at cost. They're doing it but we are only paying cost. Secondly, they are putting up \$22,400,000 as of November 1, 1979 and this money is escalated monthly by 11 percent per annum. In other words we think that by the time the money is all spent we'll get about \$28 million from them.

At the present time the property is being developed by Hudson Bay and the money that's being used is this money that they put up. This money will put the mine into production but I think maybe Manitoba Minerals and the other partners may have to put up a little bit of money because the projection we've got right now is that it's going to be in production on this money but this is going to require at least three months of money to keep the thing going. We project we are going to be in production and we're going to be broke and we've got to have at least three months to carry on because it's going to take three months before we get any return.

Now the Hudson Bay Mill of course, that's the concentrator, is going to concentrate the ore. They're doing it at cost. We've had to put up some money to alter their mill — it comes out of this \$22.4 of course — so it can accept this joint-venture ore.

Now the property is not a corporation, it's a joint-venture and the joint-venture people are SMS Manitoba Minerals and Hudson Bay Mining. Each venture receives his own ore and each of the ventures have made a deal with Hudson Bay Mining to treat the ore and it's roughly at cost. That was one of the things they've thrown in, they're treating it at cost.

Now after the ore is concentrated and we have the concentrates, each partner has their own concentrates and they can do what they like with it. At the present moment we are negotiating to try and sell the concentrates to somebody or have somebody treat them. They may be treated in Flin Flon, they may not. We have negotiated with Hudson Bay Mining but we're also looking at other places. Essentially that's the way it sits right now.

MR. EVANS: I thank Mr. Bray for that interesting explanation. Could he advise what the market is like for the concentrates? He was saying they may be selling the concentrate or depending, but what is the market like now for your product? That's my first question. The other is related to it and that is, it may be difficult, but what are the profit projections? What are the projections in that income from this activity?

MR. BRAY: Well, the first question, yes. You can sell concentrates, there are different people around the world who will buy them. Really in Canada there are only two places. One of them is Hudson Bay Mining, the other one is the Noranda Group, they're really the only people that can accept it. In the United States, there's one possibility for selling zinc concentrates but I don't think that copper

concentrate is viable as far as the U.S. is concerned. There is a European market and also the Japanese market. Now we've looked at those and freight is one big item. I don't know just where it's going to go yet because they are looking the whole field over. We're looking at it strictly as an economic venture and we're going to go where we get the best deal and when we made this deal with Hudson Bay Mining we did it the same way; we looked at it going our own and going with them and we found going with them we're much better off so this is why the agreement was made that way.

MR. EVANS: I don't know whether Mr. Bray is in a position to answer this but my second question which he hasn't addressed is, what about projections of income? Now maybe your answer as well depends on world crisis, etc.

MR. CHAIRMAN: Mr. Koffman.

MR. KOFFMAN: May I step in here one minute? The profitability of adventure from our projections if we did it ourselves and a joint-venture with the Swedish partners, the profitability of the project the way we set it up was that 1.65 times better going with Hudson Bay than if we did it on our own.

MR. EVANS: Mr. Chairman, thank you. That is not my question. My question is and I don't dispute that you've made a rational economic decision, I'm not disputing that. I'm simply asking, now that you're going in this direction have you any idea what your return will be? You have this 27 percent interest. You have a certain amount of concentrate or whatever for sale and what are your projections? You must have some idea about your income . . .

MR. KOFFMAN: We have a projection, Bob Bray would you answer that?

MR. BRAY: Yes, we project to MMR about \$2.4 million in '83; \$3.6 in '84; \$3.8 in '85; \$3.7 in '86; \$4 million in '87; \$4.6 in '88; and about \$3.8 in '89 and that's as far as we go.

MR. EVANS: What is that total?

MR. BRAY: It's about \$30 million in that neighborhood, yes.

MR. EVAN: Well, Mr. Chairman, then the official Mr. Bray explains to us there is a projection of \$30 million which sounds pretty good to me and I compare that therefore with your total expenditures to date which are \$5.3 million. Is that correct? Well mind you that's as of March 31, 1980, I don't have your March 31, 1981 but all I'm doing is comparing what we're getting out of your efforts and activities to date and projecting also into the future. We don't know what you're going to be spending over the years ahead but thus far it would seem to me that if you are projecting roughly \$30 million worth of return, this has been a pretty good deal for the people of Manitoba, thus far, a very good deal and I want to congratulate Mr. Koffman, his staff and his board for their efforts. I think this is very very commendable.

MR. WRIGHT: I'd just like to correct one thing there. It's not quite fair ball to take just the numbers

that Manitoba Mineral has spent. The department expenditures on Mandatory Participation Agreements were in the \$10 or 11 million range, so you should add that to ours.

MR. EVANS: So you'd add \$10 or \$11 million to — I'm not trying to put numbers in anybody's mouth, I'm just trying to get the information — so what would you add it to then, Mr. Chairman? Could Mr. Koffman or Mr. Wright indicate, on Exhibit B Page 2, Statement of Exploration Expenditures, would you add it to the \$5.3 cumulative as of March 31, 1980? Of course then there are Estimates that you should perhaps plan to make estimates of expenditures in the future, but I can't do that and I don't know whether that's appropriate either.

MR. WRIGHT: You have to actually look at the figure of about \$17 million or \$18 million total expenditure in exploration to generate this \$30 million that's your projected cash flow. I would point out that the \$30 million is calculated only on the known reserve and we hope that there will be additional ore found on the property.

MR. EVANS: So that you'd say the \$30 million was a conservative figure, a relatively cautious figure?

MR. WRIGHT: The \$30 million is a conservative figure, both in respect of the metal prices used and in respect of the ore reserve known.

MR. EVANS: Mr. Koffman or Mr. Wright, are you satisfied with this anticipated revenue? I know that we're talking about future flows now. I agree that it's very difficult to project in the future because you don't know what happens to copper prices. Copper prices are very volatile. I think we all understand that, eh? But nevertheless one has to make projections. You can't operate an organization otherwise, you have to do some crystal-ball gazing. But would say that this was a fair return having spent \$17 million or \$18 million yourselves plus the department and looking at a \$30 million payoff in that period of time.

MR. CHAIRMAN: Mr. Koffman.

MR. KOFFMAN: I think maybe you should look at in a little different light than that, not only the payoff but we've created work, we've created exploration in all the province, we've created other than just this project. We are creating other projects that may eventually become viable. You must remember that it takes 10 or 11 years from the date of inception to make a project viable sometimes — it's not like the baby bonus where nine months is enough.

MR. CHAIRMAN: Mr. Evans.

MR. EVANS: Mr. Chairman, what Mr. Koffman is saying of that \$17 million or \$18 million spent both by the department and the company, there may be some potential payoff in the future for some of the work and for some of that expenditure. In other words, you can't relate your total expenditures just to one successful development. I think what Mr. Koffman is saying, well there may be some other potential developments there that none of us know

of yet but may occur in a year or two based upon these past exploration and development type of expenditures.

MR. KOFFMAN: That is correct, Mr. Chairman.

MR. CHAIRMAN: Mr. Ferguson has been trying to get in.

MR. JAMES R. FERGUSON (Gladstone): I haven't very much to say. I was just going to ask Mr. Koffman if he's been approached by the people involved in the iron ore deposit east of Neepawa to do any work there or is there any inclination to participate at all?

MR. KOFFMAN: We discussed the Neepawa project last year and advised you at that time that their zone, I don't know if it's an iron ore bar but it's down at roughly 3,000 feet. With present ore available from iron ore companies around the world, I say this quite emphatically, an iron-ore project of 3,000 feet hasn't got a God damn chance of being viable. I'm very firm about that at this point in time.

MR. FERGUSON: That's about what you said last year, Mr. Koffman. I wonder if you could change.

MR. CHAIRMAN: Are you finished Mr. Ferguson? Mr. McBryde.

MR. McBRYDE: I wanted to get back to the report that Mr. Bray gave us on the negotiation with HBM&S and that development. I didn't quite catch — what was the share in that joint venture by SMS originally and what is their share now?

MR. KOFFMAN: Maybe I'll ask Dr. Malcolm Wright to answer that question.

MR. CHAIRMAN: Mr. Wright.

MR. WRIGHT: Actually that was 48.12 percent and the SMS group had the balance at the time we started the negotiations with Hudson Bay Mining and Smelting.

MR. McBRYDE: So the share of SMS went from 52 to 29?

MR. WRIGHT: To 29, and our went to 27. There was a pro-rata dilution. We didn't give up more than they and they didn't give up more than us.

MR. McBRYDE: In making the decision that that's the way it would be proceeded with, was that a decision entirely made by the corporation or was it made in consultation with a Government Minister or . . .

MR. WRIGHT: That was a decision that was made by Outokumpu and the Granges and Manitoba Mineral together and alone.

MR. EVANS: And alone?

MR. WRIGHT: It was strictly a business decision.

MR. CHAIRMAN: Mr. Koffman.

MR. KOFFMAN: The Government of Manitoba had not input into that decision. We at Manitoba Mineral Resources made the decision.

MR. CHAIRMAN: Mr. McBryde.

MR. McBRYDE: One other more general question. One of the company's mandate objectives is to employ and train personnel resident in the province in all aspects of mining exploration. Has that objective been dropped from the objectives or is it just an objective that has not been met or carried out? Could Mr. Koffman explain to us exactly what's being done to meet that objective?

MR. KOFFMAN: I'll get Malcom Wright to answer that.

MR. CHAIRMAN: Mr. Wright.

MR. WRIGHT: We try insofar as possible to staff our people with graduates of the Manitoba universities and in the last couple or three years that's become increasingly difficult because we're not in the business of competing with the oil companies which take just about all the graduating geologists out of Manitoba.

MR. CHAIRMAN: Mr. McBryde.

MR. McBRYDE: So then I would have to ask Mr. Wright, where are you getting your staff from then?

MR. WRIGHT: Right now we're getting them from wherever we can.

MR. McBRYDE: So that's in the area of hiring or employment of people with mineral resources; that is, if the market is such that there's no need for you to hire those people because they're already hired.

In terms of the training, what is the company doing in terms of that objective, of training Manitoba people in the area of mining exploration?

MR. CHAIRMAN: Mr. Koffman.

MR. KOFFMAN: If you can't hire them and they're not available, how in the hell can we train them? If they're not there and they're not available. I would love to hire them. I'm from Manitoba myself, so I would love to train them but they're not available. The oil companies and the mineral industry in Canada is very vibrant now and it's just impossible to hire anybody, just impossible.

MR. WRIGHT: I would just add to that about one-third of our budget goes into staff salaries. The other two-thirds is basically taken up by contracting, claim staking, line cutting, to a lesser extent ground geophysical surveys and airborne physical surveys. Most of that money is spent through Manitoba contractors.

MR. McBRYDE: Would the corporation then have any idea of the percentage of Manitobans that were employed as a result of their expenditures through contractors?

MR. WRIGHT: All I can say is that there are larger numbers employed by the contractors than employed by us but it's been employed on a seasonal basis.

MR. McBRIDE: I would take it then, there's been no specific effort or no specific program to do training in terms of some of the other jobs aside of geologists, there's no specific program undertaken by the Corporation to train, since a lot of the exploration takes place up north to train northerners, for example, in those specific functions.

MR. WRIGHT: Yes there has, in the sense that we have got contractors started and helped them train their people on line cutting and claim staking.

MR. McBRIDE: I wonder if I could have some more detail on that effort.

MR. WRIGHT: Well, it's simply of employed contractors and place their own men on the site at times to supervise the work that's going on and to help the contractor train his people.

MR. McBRIDE: How many contractors and where, then, Mr. Chairman, if I can get more specific?

MR. WRIGHT: These have been all over the map in Manitoba and there have been contractors out of Flin Flon and out of Winnipeg here and in the Flin Flon and Lynn Lake areas, the Churchill area, Churchill. We were not successful in hiring any people in Churchill incidentally; we had to bring them in from Lynn Lake and from Flin Flon.

MR. CHAIRMAN: Mr. Koffman.

MR. KOFFMAN: I think I see what you're driving at, Mr. McBryde. I think I see here where you're going. You are trying to ask us if we are trying to train the natives in Northern Manitoba in mineral exploration, that's what you're really driving at. Is that right?

MR. McBRIDE: That's part of the question.

MR. KOFFMAN: Yes, let me put it to you another way. We've done our best along those lines but I can tell you corporations like Hudson Bay who employ about 3,000 people, they now have a program of training the northerners to work in their mines. We hope that as this mine, the Trout Lake Mine, is going into operation that some of those northerners will be employed. I think now, Mr. Bray, Hudson Bay has trained 180, is that right — 180 northerners to work in the mines? So, do you follow me? We're working in that direction.

MR. McBRIDE: Okay, since Mr. Koffman puts it that way, those programs have been under way for a long time with Inco, with Sherritt-Gordon, with Hudson Bay Mining & Smelting as the most recent one but it was started a number of years ago. I guess my question would be more specifically, Manitoba Mineral Resources being a Crown corporation and having an objective set out for it — like it's good that those mining companies are doing that. But the question is still, what are you doing?

MR. KOFFMAN: You must remember we have a total staff of nine in the Corporation. As Dr. Wright has pointed to you, their technical people work in the office or in the bush; a total of nine, that's including myself and there's a secretary. The people we

employ in line cutting and doing geophysical, maybe with contractors with contracts or work for himself. These northern applied as part-time workers for us. Does that answer your question, Mr. McBryde?

MR. McBRIDE: I understood from Mr. Wright that the major employer is contractors hired by Manitoba Mineral Resources and that some of that work would be very skilled, some of it would be semi-skilled and some of it would be unskilled or requiring very little training. Most of it would be part-time as on a needed basis but with all those inconsiderations — you have the power to hire the contractors. You pay the contractors for doing this. Mr. Wright outlined that there's been an effort to use local contractors and to assist them to get their operation off the ground which seems to me to be a good start and a good approach to doing it. Within that approach I think that there's probably leeway to assist the areas of high unemployment, mostly native communities to get involved in the mining exploration aspects.

I would like to recommend and ask you, you know, if you're making any extra special effort to do that or whether you're just hoping that will happen somehow.

MR. KOFFMAN: Mr. McBryde, your thoughts are noted; your thoughts are noted.

MR. McBRIDE: It's nice, Mr. Chairman, that my thoughts are noted duly. The other question, in terms of the three new projects, it sounds like they are all mineral projects as opposed to oil and gas projects. Is there any new oil and gas ventures that you are undertaking?

MR. KOFFMAN: Manitoba Minerals are not now involved in oil exploration. The oil exploration is handled now by the Department of Mines and they are selling their rights to various private sectors. We are not now involved in any further oil exploration other than the projects that we have on hand.

MR. McBRIDE: I'm assuming that as the way you described your operation that if you made a decision, as Manitoba Mineral Resources to get involved in oil and gas exploration, you could do that . . . if you made a decision not to do that or has the government said that they prefer you not to get into that?

MR. KOFFMAN: I'll answer that. If you want to get into oil and gas exploration, you have to have a bundle of money and we haven't got that bundle of money, but getting into mineral exploration is a lot easier. Does that answer your question?

MR. CHAIRMAN: Mr. Evans.

MR. EVANS: Well, how much money does Mr. Koffman have to operate with this current year? I guess this is in our Estimates but I don't remember.

MR. KOFFMAN: In the current year, we are going to have \$894,000.00. We have for the fiscal year, 1981-82, we have \$894,000 for our own, \$894,000; and we also have in the mandatories, we have roughly a million dollars in our mandatory scheme that we are running on.

MR. EVANS: Is that new money as well?

MR. KOFFMAN: That's also new money, yes.

MR. EVANS: So you got about 1.9 or . . .

MR. KOFFMAN: That is correct, sir.

MR. EVANS: I should know but I had forgotten if I ever did know. You say there were \$17 million to \$18 million probably spent in total on exploration and development by yourselves and the department. Your portion would be something in the order of \$5 million or \$6 million of that. What was the expenditure of the Department of Mines? Was that directly for exploration or was it for support work? It seems to me the Department of Mines gives support work to the entire industry and always has. I mean the taxpayers of Manitoba do provide all kinds of materials, map, all kinds of basic information to the mining industry. (Interjection)— Well, whatever, it's sort of a framework within which the industry has to work. I mean, for instance, if you didn't have any surveys, you wouldn't be getting very far. I mean I'm using a very simple example but I was wondering whether that was exploration money you're talking about or whether that was the general support money.

MR. CHAIRMAN: Mr. Wright.

MR. WRIGHT: No, that included none of the general support money. The \$11 million expended by the Department of Mines was spent on direct payments to the companies under the mandatory participation agreements at the time that those agreements were administered by the department.

MR. EVANS: Okay, I just have two — one last question, really. Is there anything and maybe you're not in a position to talk about this but are there any areas of your activities of your work that are most encouraging to you at the present time? In other words, what, if any — obviously there are some efforts have more potential than others because you've worked them a bit so you must have some idea where you're a little more optimistic than pessimistic, but I'm not asking any state secrets here, but do you have reason to be encouraged about your present work?

MR. KOFFMAN: Well, I think probably the best way to answer that to you is if we weren't encouraged, if we didn't think it was worthwhile, I'd come to this committee and say, "Don't give us any more money, let's . . . Does that answer your question?"

MR. EVANS: Okay, so hope springs eternal and happiness. I have no further questions I just want to say again that I'm very pleased with what Mr. Koffman has told us this morning and his staff. I think here is an example where public investment, although it be in a joint venture way, that it has paid off and I look forward to further payoffs in the future. I think that this is an appropriate area for the government to be in, because we know, as we should all know in this room, having had experience of government it's very vital to get more revenue, as much revenue as we possibly can to run the

Government of Manitoba. I would hope in the years ahead that there'll be more revenues coming to the Crown from the minerals that are owned by the people but are extracted by companies and sold in an economic fashion by the industry. But I certainly believe that this was a good move to set up the Manitoba Mineral Resources Limited and I want to wish you all the success in the future.

MR. CHAIRMAN: Committee, I probably need some guidance here. Would it be proper to say, to pass your approval of the letter of transmittal that would take us up to, because these are not pages marked, or it would be . . . —(Interjection)— Agreed the report of the committee be received? (Agreed)
Committee rise.