



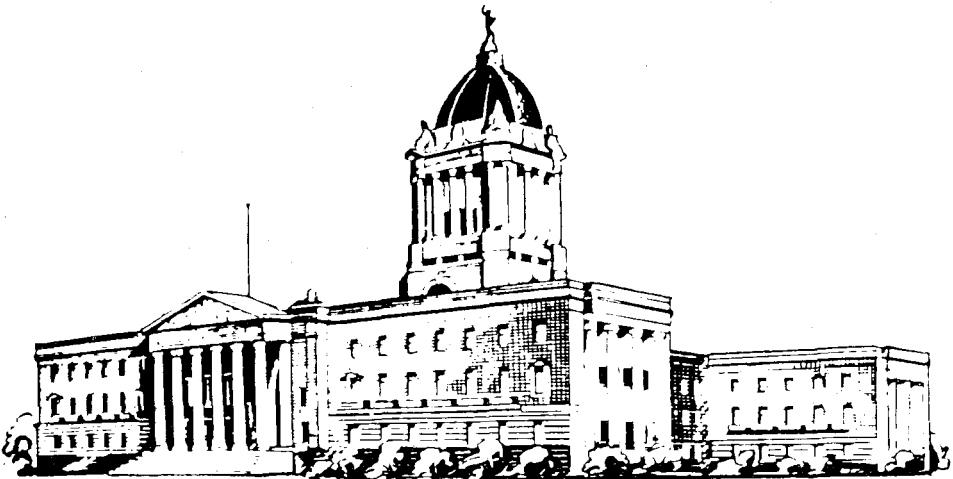
Legislative Assembly of Manitoba

HEARINGS OF THE SPECIAL COMMITTEE

ON

ECONOMIC DEVELOPMENT

Chairman
Mr. Harry Shafransky, M.L.A.
Constituency of Radisson



10:00 a.m., Thursday, March 20, 1975.

ECONOMIC DEVELOPMENT COMMITTEE

10:00 a.m., March 20, 1975

CHAIRMAN: Mr. Harry Shafransky.

MR. CLERK: Good morning, gentlemen. If I may have your attention. Your first item of business will be the election of your Chairman. Do I have any nominations?

MR. GREEN: Mr. Shafransky.

MR. CLERK: Mr. Shafransky? Are there any further nominations? Hearing none, I would ask Mr. Shafransky to take the Chair please.

MR. CHAIRMAN: The first order of business will be to establish a quorum for the Committee on Economic Development.

MR. GREEN: Mr. Chairman, we do that as provided by House rules. It's 50 percent, plus one.

MR. CHAIRMAN: That would make it seven, so the quorum for the Committee will be seven. Is that agreeable? (Agreed)

This morning we are to hear the Annual Report from the Manitoba Mineral Resources Ltd. and Mr. Koffman is with us. Before I call on Mr. Koffman I'll ask the Minister responsible, Mr. Green, possibly he might want to make some introductory remarks. Mr. Green.

MR. GREEN: Well, Mr. Chairman, ordinarily I would try to give the various attributes of a chairman to committee, but I think that any chairman who left an indelible impression and does not have to be re-introduced would be the Chairman of the Mineral Resources Corporation. The members met him last year, he's back with us, and I think I'll turn the meeting directly over to him for his report.

MR. CHAIRMAN: Fine. Mr. Koffman. Mr. McGill.

MR. MCGILL: On a point of order, I assume that the proceedings will be transcribed?

MR. CHAIRMAN: Yes, I believe that that has been an established rule for the committees here.

MR. CLERK: It should be moved again.

MR. CHAIRMAN: I see. Well, would somebody then move?

MR. MCGILL: I would so move, Mr. Chairman.

MR. CHAIRMAN: Moved by Mr. McGill that the recordings be transcribed.

QUESTION put, MOTION carried.

MR. CHAIRMAN: The recordings of the committee will be transcribed. Mr. Koffman.

MR. KOFFMAN: Can I sit or do I have to stand up?

MR. CHAIRMAN: You may sit.

MR. KOFFMAN: Oh that's good. Gentlemen, last night I watched a television program of humorist and philosopher Stephen Leacock. I guess most of you did also. As the philosopher recounted his theme, with glass in hand, I found myself having to pour a glass of brandy for myself and my wife while I was enjoying the program. I felt quite contented. I began philosophizing to my wife, as I have done in the past many years, about exploration, and one must continue to philosophize in the exploration business, the same as in politics, to stay rationally-minded. You can go on exploring, year after year, accomplishing apparently nothing, and have a hope of hitting the jackpot. Then, the final theme of the television program said, "Is it all worthwhile?" And the final words of the theme were: "I love to mix with millionaires and like the things they mix." By the end of the program I really felt like a millionaire after drinking this brandy, and I was really contented. But about 11:00 o'clock I realized that I had to appear here before the Select Committee of MLAs, and you have to be a select group to be elected, but I thought that an agenda for the discussion would probably be acceptable to the committee, for which I hope, Mr. Chairman, Mr. Minister, and members of the committee, we could follow for mutual convenience.

Before proceeding with the report, I would like to thank the Board of Directors of the Company for their help and advice and to the non-remittal member of the Board of Directors, Mr. Joe Sherwood, who is a member of the Attorney-General's Department and he's given me good legal advice and I hope he can stay on as a director for an extended length of time - and I wish to thank the Attorney-General, Mr. Pawley, for allowing him to stay as a director of the company.

In order to proceed with this, I have a proposed agenda which you don't necessarily have to follow but it might help us.

MR. CHAIRMAN: Do you have some material for distribution ?

MR. KOFFMAN: Yes. Here it is here.

MR. CHAIRMAN: Fine. Is it agreed we follow according to this proposed agenda ? It seems that there is no particular objection. You may pro . . . Mr. Axworthy.

MR. AXWORTHY: Mr. Chairman, I'm just wondering, when the agenda says "Exploration Report" is that different from the Annual Report ?

MR. KOFFMAN: I meant annual reports.

MR. AXWORTHY: That means that we can cover anything that's contained in the Annual Report, not just the exploration areas of it.

MR. KOFFMAN: Yes. As a matter of fact, if you read down further on the report I've said, "discuss the report" and I'm going to bring you up-to-date right up to today.

MR. AXWORTHY: Fine.

MR. KOFFMAN: Seeing everybody now probably has the agenda and the report, I am not going to repeat the objectives and policies of the company which we did, but I must mention this year that this year marks the company's entry into the field of oil and gas explorations - that was in this last fiscal year - which entails some participation of oil and gas companies. And I mention here in the Objectives and Policies, a company carrying out a substantial exploration program over a period of several years, staffed by competent, experienced personnel, can make the law of averages work for it and new mines will certainly be found. But a company offering only sporadic exploration and covering only a few exploration beds, is doomed to failure. Now I want to clear up that - some people may just take it the wrong way - that when the company was set up, we were assured which you have now, a three-year forward budget, so that it is not a sporadic exploration effort, it's a continual exploration effort. I hope that's quite clear.

MR. CHAIRMAN: Mr. Minaker.

MR. MINAKER: Mr. Chairman, I wonder if I could ask Mr. Koffman if that didn't mean also that there wasn't adequate funds, in your definition of "sporadic". In other words, you have indicated through your program, now do you feel the funds are adequate or would you consider it sporadic when there is a minimal amount of moneys available ?

MR. KOFFMAN: I would like to discuss it, if possible, towards the end of the thing I have, talking about financing, but I don't consider funding the way it is now as sporadic, because I know, or the company knows how much money we are getting every year and we can plan on that. Does that answer your question ?

MR. GREEN: Mr. Chairman, so that there be no misunderstanding on this point - I see that some people wish to, or at least indicates some misunderstanding. When you appeared before the committee last year, you were asked: is the amount that has been forwarded by the Manitoba Government of roughly half a million dollars a year, a substantial or a useful amount which could put an exploration company on its feet and which you would be satisfied as representing a good investment in exploration ? And your answer was, "Correct". Is there any change in your position at the present time ?

MR. KOFFMAN: The only change is with an inflationary spiral you will need a little more money.

MR. CHAIRMAN: Fine. Proceed, Mr. Koffman.

MR. KOFFMAN: Now, going along, I don't think many of you had a chance to read the report, the summary of the report, and I don't know if I should take your time, but maybe I should so then you can ask some questions if you have some.

On Page 1 of the Report, the objectives of the company, we have that. The financial part of the company, I think everybody's aware of it so I won't go along with that. On the next page, I say the company is in six joint venture exploration projects with four mining companies: Granges, Hudson Bay, Noranda, Selection Trust. Manitoba Mineral manages four of the projects, Granges manages one, Hudson Bay manages one - this is as of last year. These companies spent for their own account \$410,000 on joint venture projects in the fiscal year. In other words, in addition to our financial - we're at \$500,000 - we also spent jointly \$410,000, so roughly about a million dollars was spent. The company participated in a million dollars' worth of mineral exploration during the fiscal year at a cost of \$468,000 exclusive of oil and gas expenditures. This represents about the maximum leverage that can be anticipated and be consistent with retaining a substantial position for the company in joint venture projects.

MR. CHAIRMAN: Mr. McGill.

MR. MCGILL: Mr. Chairman, I'd like to ask Mr. Koffman: I notice that money that's being advanced to you by the Province of Manitoba is now being provided without any interest charge.

MR. KOFFMAN: That is right, sir. Mr. McGill, again on that part of finances, I would -- if it's all right with you, I'd like to bring that up at the end of the thing on the financial thing, but I . . .

MR. MCGILL: You have a comment to make on that, an explanation?

MR. KOFFMAN: Yes I have on this loans interest charged and loans interest not charged. Do you notice that on the -- is that all right, Mr. McGill?

MR. SHAFRANSKY: Item No. 5 on the agenda.

MR. MCGILL: Okay.

MR. KOFFMAN: The one million-odd dollars figure is composed of \$468,000 contributed by the company, \$410,000 contributed by mining companies, and there was \$106,000 contributed by the province, which was under the old system of grants to companies and anybody could have received that, but we participated on a 50 percent deal. We also got \$30,000 rebate on previously paid interest, which I will take up later. The company paid no interest.

In addition to mineral exploration, the company participated in drilling of 18 oil and gas wells in Manitoba at a cost of \$56,000. The most of that money was spent with Asamera Oil and Gas in the drilling of 25 wells -- 15 wells last year and 10 this year.

Now in Summary of Exploration, maybe the thing to do here is I have -- there's a map in the front of your book, gentlemen, but it is not a very good map. I have another one here. It's going to be hard to see, there's no . . . There's two here. Now I'm just giving you a Summary of Exploration Activities.

MR. CHAIRMAN: Mr. McGill.

MR. MCGILL: Is this up to date? To this date, not to the end of 1974?

MR. KOFFMAN: I've brought it right up-to-date. I felt that the reports we were giving you was a little bit late for the committee and it's bygone things and I'm bringing it right up-to-date. The financial part isn't up-to-date but it's right up-to-date in here.

Now Summary of Exploration. There were 14 projects of work during the year, as you'll see on the map there, and I'll eventually explain. Six were wholly-owned, six are covered by joint venture agreement, and two are held under option agreements. Now here they are here. (Mr. Koffman then stepped to the map and pointed out the various 14 ventures previously mentioned.)

MR. CHAIRMAN: What you are referring to, the red is wholly-owned?

MR. KOFFMAN: The red? No, not necessarily, sir. These are the years. The blue is stuff that we've worked and is dropped; it's gone. It's gone back to the mooses, as we say. Red is on projects that we are still working on. The blue here is projects we had, exploration was finished, and we gave it back to the mooses.

MR. MCGILL: Mr. Chairman, is the term used here "completed" the same as "abandoned"?

MR. KOFFMAN: Yes. This is abandoned; these were abandoned -- I use that word -- the blue is abandoned. The others are all presently working. There's oil and gas business here, you have it in blue here, but I have other maps here which might help you better. This was the Asamera oil and gas fields and I'm bringing this up-to-date again. This is the various blocks. There was 25 blocks that would be a joint venture with Asamera Oil and Gas. They drilled that this year here, 1973-74. We have now completed the rest of these. There is very little showage of gas in this area here.

MR. CHAIRMAN: The area pointed out was the Sandy Lake area. Vista-Menzie-Sandy Lake area.

MR. KOFFMAN: Yes. There was just gas detection but nothing of commercial importance. So we'll get rid of that one for the time being.

Now, we have some other ones here that are not on your map, but they're blue coloured here where it shows all the oil and gas wells drilled. We have Bralorne working on oil and gas here. We have Berry Petroleum drilled here. One well is dry. We have Spruce -- another company that drills oil but they're dry. Bralorne has drilled but we haven't got the information on it yet, and Berry Petroleum have just completed four wells, three of which are now in production with roughly 100 barrels a day -- an aggregate sum of 100 barrels a day. But that's the production. The company owns a 20 percent interest in those three wells in

(MR. KOFFMAN cont'd) production now, and we're now getting a five percent over-riding royalty in lieu of the 20 percent carried interest until the wells are paid out.

These holes of Bralorne are still what we call tight wells, tight holes, and information is not forthcoming yet until they're finished the job. So I don't know really what the answer is there yet. I really know, but at this point in time I could not possibly give it to the committee because they're secret on that point - until they see if there's anything there.

MR. CHAIRMAN: The chairman was referring to various locations in the southwestern part of the province.

MR. KOFFMAN: Now that was a summary of the activities in here. I gave them to you instead of reading this, gentlemen, I gave them to you on the map. Now if you want me to read it I'll certainly read it to you.

MR. MCGILL: Could you perhaps take the map in our book and show us which of these projects have now been abandoned as of today, and which are new projects that we don't have on our maps?

MR. KOFFMAN: The new projects you have not on your maps - there's one right here.

MR. CHAIRMAN: Knife Lake.

MR. KOFFMAN: You have not on your map the Hayes River-Granges joint venture; you have not that on your map.

A MEMBER: Is that . . . ?

MR. KOFFMAN: That's about all, yes. That's the only ones that you have not on your map, Mr. McGill.

MR. MCGILL: Any abandoned areas here?

MR. KOFFMAN: No, we have not abandoned any of the ground at this point. There's nothing abandoned on here. No, just the ones I've shown in blue are abandoned. Shallow Lake, Bloodvein, and we did this ourselves. These are all abandoned.

MR. CHAIRMAN: Mr. Minaker.

MR. MINAKER: Mr. Chairman, I wonder if Mr. Koffman could advise all the oil and gas wells that are shown on this map, are they all abandoned now?

MR. KOFFMAN: No. The answer to that is, we've drilled all these, the agreement is still in force, and we don't know where they're going momentarily. We don't know whether they're going to drill more or not. But I have 25 wells programmed with Asamera Oil and Gas and is now completed. What they are going to do from now on we will negotiate with them, but the well program has been completed. Does that answer your questions?

MR. MINAKER: Yes. Well, we were trying to determine the definition of "well abandoned and completed" in the legend, you see.

MR. KOFFMAN: Oh, I see. Let me answer that question for you. I have an answer to that one. The abandoned areas - I haven't got them on there - the abandoned areas of these wells have been abandoned and the ground that was given returned to the Crown, and the freehold leases have been returned to the owner of the land.

MR. CHAIRMAN: The chairman was referring to San Clara, Gilbert Lake, Inglis, Sifton, and Ashville - the wells that have been abandoned.

MR. KOFFMAN: I think Otter Lake is abandoned too. No. No, it is not abandoned. I don't know if I have it in the report which have been abandoned. Remember, I'm bringing you up-to-date in this year at the same time.

MR. CHAIRMAN: Mr. Green.

MR. GREEN: Mr. Koffman, with regard to the Asamera program, my recollection is that the Crown corporation had roughly \$60,000 invested in that program.

MR. KOFFMAN: That is quite correct, Mr. Green.

MR. GREEN: Now let us assume that they are all abandoned . . .

MR. KOFFMAN: That is right.

MR. GREEN: . . . which may well be the case. That would certainly represent a loss for the Crown Mineral Corporation, but the geological information that is obtained from the digging of the 25 wells, would that in your opinion be a \$60,000 value to the province rather than to the Mineral Exploration Company?

MR. KOFFMAN: I believe that the money that we put in, the \$60,000-odd, and I think the Corporation, we don't know, probably spent a million and a half - I think that was the cheapest type of exploration that somebody did for us in the province that I've ever heard of.

MR. CHAIRMAN: Mr. Graham.

MR. GRAHAM: Mr. Koffman, on the Asamera project, did the Asamera submit cores of the wells that they drilled?

MR. KOFFMAN: According to the oil and gas rules of the game, all the information that is required by the Department of Mines and Resources is all submitted to them according to the terms of the agreement.

MR. GRAHAM: There were no cores?

MR. KOFFMAN: That I do not know. The Department of Mines and Resources are the people that look after that, sir. Whatever they say, goes.

MR. GRAHAM: Were there logs?

MR. KOFFMAN: Oh yes, there was electric logs.

MR. GRAHAM: Every hole was logged?

MR. KOFFMAN: There were logs and there was samples of the core, as required by the rules of the game.

MR. GRAHAM: Can you tell me how many samples were taken - core samples?

MR. KOFFMAN: I do not know at this point in time; I do not know, sir.

MR. GRAHAM: Those cores will be open for public appraisal in due course, will they?

MR. KOFFMAN: Yes, after the land lapses, or if it should lapse.

MR. CHAIRMAN: Mr. Minaker.

MR. MINAKER: Yes, Mr. Chairman, through you to Mr. Koffman. I wonder, Mr. Koffman, if private oil companies go in and drill on their own, what type of records are normally required to be presented to the Provincial Government in cases of that type. Are there certain geological records that are required to be handed over to the government?

MR. KOFFMAN: Yes. There are certain geological records, electric log records, certain samples that they must take as they go down the wells. These are all taken and handed over to the Department of Mines and Resources.

MR. MINAKER: Well would this not happen regardless whether we were partners in it or not?

MR. KOFFMAN: That's right.

MR. MINAKER: So that the \$60,000 spent on these records, while they're valuable, also we would get similar records if private enterprise was in there working the wells as well?

MR. KOFFMAN: There's the rules of the game that everybody must submit certain records to the Mines Branch.

MR. MINAKER: So if oil companies had gone in there on their own, these records would be available to us, as a province, whether we took part in the sharing of the cost or not?

MR. KOFFMAN: Eventually, yes.

MR. MINAKER: Thank you.

MR. GREEN: Mr. Koffman, there are certain records which are available to the Department of Mines, which are required, which the companies submit. There are certain records which the companies have which they are not required to submit.

MR. KOFFMAN: That's right.

MR. GREEN: You, as a company, would have those records available to you . . .

MR. KOFFMAN: That is right, sir.

MR. GREEN: . . . because you are a partner in that enterprise. Those things are available to you and would not have been available to the Crown were it not for the \$60,000 investment that the Mineral Exploration Company had in the company.

MR. KOFFMAN: That is quite correct, sir. Does that answer your question, Mr. Minaker.

MR. MINAKER: Yes, thank you.

MR. CHAIRMAN: Mr. Axworthy.

MR. AXWORTHY: I wanted to ask Mr. Koffman, while we're on the topic of oil and gas and such matters, whether there is any connection between the work of the Mineral Resources Limited and the loan that MDC gave to Occidental Petroleum Corporation, I think for about a million dollars. Is there any connection between the two of you? Are you working in tandem or in co-operation or anything?

MR. KOFFMAN: I've never heard of it so I don't know anything about it, sir.

MR. GREEN: Nor am I aware of it, Mr. Axworthy.--(Interjection)--Oh yes, but I have had nothing to do with that loan and there is no connection between my department and that loan.

MR. AXWORTHY: So you mean that MDC is therefore lending money to an oil, I

(MR. AXWORTHY cont'd) presume oil producer, without any particular reference to the activities of your own corporation. Would that be true?

MR. KOFFMAN: I didn't hear of the loan and I don't know anything about it, sir. Quite frankly, I don't know anything about it.

MR. AXWORTHY: That's the point I'm trying to make.

MR. GREEN: It might well be.

MR. AXWORTHY: That raises an interesting question, then, doesn't it, about whether in fact if you're in the exploration business and if another arm of government is also supporting or supplying money to someone who is also in the oil and gas business, are you in competition or are you working in separate fields? Well it's not free enterprise because you're all using public money, that's the point, and . . .

MR. GREEN: Mr. Axworthy's question is compounded ten times with our new regulations, because with the new regulations we will be . . .

MR. AXWORTHY: Mr. Chairman, I was going to get to those.

MR. GREEN: Well I'm just indicating that with the new regulations the department will be making direct investments with private companies without reference at all to the Exploration Company.

MR. AXWORTHY: Well, Mr. Chairman, I wanted to actually, at some point in these proceedings, question Mr. Koffman about the impact of the new regulations that were proclaimed, I believe, on January 15th. Is that right, Mr. Green?

MR. GREEN: Yes, well, Mr. Chairman, I . . .

MR. AXWORTHY: . . . if that now is the time or if Mr. Koffman would prefer to talk about . . . first.

MR. GREEN: Mr. Chairman, on a point of order. The Manitoba Mineral Exploration Company has nothing to do with those regulations, and if Mr. Koffman is going to be here to discuss the policy of the government with regard to those mineral regulations, then I am going to, with respect, advise Mr. Koffman that that is not his responsibility, and that as chairman of the corporation he can deal with matters related to his corporation but not with regard to the regulations as they affect all companies in the Province of Manitoba.

MR. KOFFMAN: Mr. Axworthy, I have to abide, as the company, by the same rules and regulations instituted in the House.

MR. AXWORTHY: Well, Mr. Chairman, I'm glad that Mr. Koffman clarified that, because the intent of my questioning on the regulations was how, in effect, it would have an impact or influence on exploration and development of which his company is one actor or participant in that exploration and development, and I think if someone as a company that's been set up under public authority to stimulate and provide for some public interest in the proceeds and returns from exploration, then surely this committee has a right to ask the chairman of that company how regulations by the government will have an impact upon his operation and upon exploration generally in the province. Because if we don't have that, then . . . So I'm simply asking him, as chairman of a corporation, what the impact of government regulations will be, which is what I think is certainly a legitimate line of questioning.

MR. CHAIRMAN: Mr. Green.

MR. GREEN: Well, Mr. Chairman, the honourable member may think it's a legitimate line of questioning. I suggest to you that what Mr. Koffman is here for is to answer for the activities of his exploration company, and not the general mining policy of the government.

MR. AXWORTHY: Oh. Mr. Chairman, I would really like to speak to that point, because I think Mr. Green in effect really defeated his own argument by that statement, because I don't expect Mr. Koffman to answer for the government. I will certainly have opportunity throughout the rest of the session to make the government answerable for its own acts. What I would be interested in, however, is what the impact of government regulation and policy is upon the activity of his company - of his company. And that is the line of questioning I would hope to pursue and I'm simply asking you, sir, if you would like to proceed with that line of questioning now or whether Mr. Koffman would prefer to finish his exposition on the report and then we can get into that question.

MR. CHAIRMAN: I believe that that would be the preferred way. Possibly by the end of that, we might not need to proceed along your line of questioning.

MR. AXWORTHY: Well, Mr. Chairman, I want to get this clear, though, because there is an agenda lined out and I would suppose it would be in the interest of the government and

(MR. AXWORTHY cont'd) members of this committee to stick to that agenda. But there are lines of questioning which may stray from that and I

MR. CHAIRMAN: Mr. Axworthy

MR. GREEN: Mr. Chairman, on a point of privilege.

MR. CHAIRMAN: Mr. Green.

MR. GREEN: That agenda was prepared by Mr. Koffman; I saw it for the first time at 9:00 o'clock this morning, and I told him that the committee members may not be interested in following that agenda. So for Mr. Axworthy to suggest that it's in the interest of these members to follow that agenda is a gratuitous insult which he should withdraw.

MR. CHAIRMAN: I was just going to state to Mr. Axworthy that this agenda, to my knowledge, it has been indicated by Mr. Koffman that he prepared it and he brought it forward and we agreed from the beginning to follow this suggested agenda. If you wish to change it, then you may so move, if you don't wish to proceed according to the proposed agenda by Mr. Koffman.

MR. AXWORTHY: No, Mr. Chairman, I just wanted to insure that, as Chairman, you would recognize that we would have, at some point early in the proceedings the opportunity to discuss the question of the impact of mining regulations even though it doesn't appear in the agenda, and I just wanted to really provide

MR. GREEN: I will move at that point, Mr. Chairman, that the committee adjourn. I will move - to give Mr. Axworthy notice of what my intentions will be, I will move at that point that the committee adjourn. I want to go through the Mineral Resources Corporation Report and then members will be able to do whatever they like. Somebody will be able to move that the committee continue; someone will be able to move that it adjourn; and we will do what the committee decides. But I want to give Mr. Axworthy notice that I will move that the committee adjourn.

MR. CHAIRMAN: Mr. Craik.

MR. CRAIK: Mr. Chairman, on the point of order. I thought we had it straightened out here a minute ago and now I'm not sure. I think Mr. Axworthy's request is really that we try and determine from Mr. Koffman what the impact of the new regulations will be on Manitoba Minerals.

MR. GREEN: On his corporation. That's fine.

MR. CRAIK: Yes. And I think Mr. Green is suggesting here that we're wanting to interpret what the impact is going to be on the whole industry, and that's not the case. But certainly there shouldn't be any question that we should be able to elicit from Mr. Koffman what the new mining regulations are going to do to his company.

MR. GREEN: Certainly.

MR. CHAIRMAN: Okay, let's proceed. Mr. Koffman, do you wish to proceed?
Mr. Minaker.

MR. MINAKER: Mr. Chairman, through you to Mr. Koffman. I wonder, getting back to this geological records that we've inherited from the exploration of the 18 oil and gas wells

MR. KOFFMAN: 25.

MR. MINAKER: Or 25 - I'm looking at the report and it says 18 for \$56,000.

MR. KOFFMAN: We haven't . . . all the records, sir.

MR. MINAKER: Mr. Koffman, how would these records, how are they different from records we would normally receive if, we'll say, Sun Oil went in and did the drilling and exploration? What additional information do we have now because we're partners, and if we weren't partners in the drillings and explorations? In other words, why are they so much more valuable and how do they vary from what normal records we would receive anyway?

MR. KOFFMAN: What really happens is, when you're working with an oil company in joint venture, you're working with anybody in joint venture, you get information that you don't normally get. We've just started in this oil business, but in the mineral exploration field what really happens is that if you go in a joint venture with somebody there's input from both sides of the fence. There's input from the company and corporation, the two companies, and everybody shares in this information. And a lot of that information, up to now in the mineral industry, has never been released to the government or the private sector. It's usually kept in the company's own hands. Now in this case of oil here, I quite frankly tell you at this point in time, at this point I do not know yet. So I'm answering the question: I do not know at this point in time.

MR. MINAKER: So if I understand you, Mr. Koffman, then, with regard to the oil geological data that we have shared in, you really don't know whether there's any difference, whether we would have had records from companies who were drilling in the area on their own or the fact that we shared the drilling costs. You don't really know what the difference is.

MR. KOFFMAN: At this point in time I don't know.

MR. MINAKER: You don't know whether there's additional value to them or not.

MR. KOFFMAN: But what I do say is that the fact that we made a deal with Asamera and put certain lands in, that we were able to arrange the drilling of 25 wells in the province which would have never been drilled for our measly \$60,000.

MR. CHAIRMAN: Possibly I should point out, Mr. Minaker, that the report we're dealing with is for the fiscal year 1973-74 and Mr. Koffman has indicated - which states, you say, 18 oil wells - but Mr. Koffman has indicated that he will be bringing it right up-to-date, everything with the exception of the financial report for the fiscal year 1974-75.

MR. MINAKER: Mr. Chairman, I appreciate and understand that. My main reason for questioning was to try and find out the additional value we were getting from these records, as it was indicated earlier in the meeting by the Honourable Minister that these were records that appeared to be worth more than what we would normally get. So I was trying to determine why they were worth more and what in fact we were getting in addition to what we would normally get if private enterprise just went in and drilled the wells on their own.

MR. CHAIRMAN: I believe that the question had been explained, that the information would not have been available if it was done privately, the fact that there is a joint venture.

MR. MINAKER: That's not the answer we got, Mr. Chairman.

MR. CHAIRMAN: Well, Mr. Koffman?

MR. KOFFMAN: I am not at this point able to tell you. When I get all the answers at the end of the fiscal year, next report, I certainly will be able to give it to you, Mr. Minaker and gentlemen.

MR. MINAKER: Fine. Thank you.

MR. CHAIRMAN: Mr. Axworthy.

MR. AXWORTHY: Mr. Chairman, I'd like to ask Mr. Koffman something of a more general question related to oil and gas exploration. It's my understanding that many potential gas and oil areas are not developed, simply because in previous years the return just didn't justify it; the price of gas and oil just simply didn't warrant the covering of production cost. The fact that you have now undertaken far more intensive activity and seem to indicate that private firms are doing that, does that mean that because of the major increase in gas and oil on the world level and the revenue that you can derive from that, does that mean that there is now a greater potential for the well areas in Manitoba? Does it indicate that up to this time they simply haven't been developed because their costs cannot be covered and has that condition now changed because the economic conditions have changed?

MR. KOFFMAN: Still I'm not able to answer that question, Mr. Axworthy, at this point in time. I really am not. I think I will be able to answer it next year but I am not able to answer it right now. I don't know.

MR. AXWORTHY: The point I guess I was raising, whether the limits of exploration and development in Manitoba, are they limited simply by the availability of gas and oil resources or are they limited by the economic costs that are required to bring them into production?

MR. KOFFMAN: That's the economic costs really.

MR. AXWORTHY: I see. So there is gas and oil there, it's just that it's too expensive to take out of the ground. Is that right?

MR. KOFFMAN: Well, the answer maybe to that is that the wells in Manitoba produce 100,000, 150,000, 500,000 barrels a day. Most of them are 40, 50, 60, 75 there - in the lower 20. This is what they are.

MR. AXWORTHY: Have you estimated in your company what sort of break-even point or what level, say, would have to be charged per barrel of oil to make these more productive or to bring them - make it more attractive to develop oil fields in Manitoba?

MR. KOFFMAN: No I have not at this point.

MR. AXWORTHY: Thank you.

MR. CHAIRMAN: Can we proceed with the summary of the Explorations Report?

MR. KOFFMAN: I don't know how far we got here.

MR. CHAIRMAN: Well we've been going all over.

MR. KOFFMAN: Well maybe what I'll do here - we talked about - I mentioned most of the things offhand to you as I talked of them.

The Rice Lake area in southern Manitoba, we worked with Granges here and we are, as of right now we have completed the project in that area, and we found as you would, bugger-all really. We're finished.

MR. AXWORTHY: How much is it selling for?

MR. KOFFMAN: We were joint-ventured with Granges and they put up 51 percent of the money, so they gambled with us, but we've explored the area and this is the name of the game.

A MEMBER: This is Rice Lake?

MR. KOFFMAN: Rice Lake and that area.

MR. CHAIRMAN: Mr. Jorgenson.

MR. JORGENSON: The holes that you drill, Mr. Chairman, I wonder is there no resale value? Could he not sell them to the farmers for post holes or something?

MR. KOFFMAN: They're too small, sir.

MR. GREEN: They have the same resale value as the private companies at present have.

MR. JORGENSON: The taxpayers don't pick up the tab, though.

MR. GREEN: They sure do. The taxpayers pay for everything, and Mr. Jorgenson knows that.

MR. AXWORTHY: We'll sell them to you. How about it?

MR. CHAIRMAN: Mr. Minaker.

MR. MINAKER: Mr. Chairman, through you to Mr. Koffman. Under Hayes River you've indicated a major mining company has . . .

MR. KOFFMAN: Oh I'm sorry.

MR. MINAKER: Are you able to indicate at this time . . .

MR. KOFFMAN: Yes, I am. When I wrote this report, Mr. Minaker, at that time we had just started and Granges is Granges of Sweden. That's a large area here. Does that answer your question?

MR. MINAKER: Yes, thank you.

MR. KOFFMAN: Now maybe at this point in time I think it would be well if I handed out the press release I have, which I'll give, so we'll - which we discussed somewhat. I thought in order to make it clear for everybody if we just put it right down on tape . . .

The reason I handed that out at this time is we talk about the Farewell Lake mineralized zone we picked up last year, under which further exploration was being done this year, and this is brought right up-to-date to December. Gentlemen, shall I read it into the record?

MR. CHAIRMAN: Yes. Proceed. I think it's a short . . .

MR. KOFFMAN: "Manitoba Mineral Resources Ltd., in a joint venture with Berry Petroleum Ltd., participated in the drilling of four wells in the Pierson area of southwestern Manitoba during 1974. Three of the wells are now in production. Aggregate production averages 100 barrels a day. The Company has a 20 percent interest in the wells." But we are now receiving a five percent gross overriding royalties until complete pay out.

"On its Farewell Lake copper prospect, ten miles south of the Snow Lake highway between the settlements of Cranberry Portage and the Town of Snow Lake, the Company completed, as of January 1st, 1975, 30 diamond drill holes totalling 26,207 feet. The diamond drilling program outlined a zone containing 283,000 tons of material grading 2.03 percent copper to the 625-foot level. Diamond drilling below the zone to the 1,200-foot level encountered lower-grade material. The mineral reserve is not economic without the discovery of additional tonnage and further exploration work is proceeding in this area."

This is a map we have prepared here to show you where this is and the red - can you see, gentlemen, there? The outline of the zone that's 283,000 is here. Now we've got mineralization here and all these areas here. But it doesn't appear to go to depth. This is the name of the game. This happens. And I told you at the last meeting when we had our first drill hole, you asked me when it was going to - I said I didn't know, and these things can bomb out or they can't, as most of you may know now. It could have been a big zone, it could have been nothing. But nevertheless we still think we're in a good area, and we are proceeding to explore in that area. We have now consummated with the Department of Mines and Resources a joint venture on this under the new regulations. You asked me what we were doing. Under the new joint venture with the Crown on a joint venture, and we have 51 and they have 49, and we're

(MR. KOFFMAN cont'd) proceeding to explore this area under joint venture with the Mines and Resources. Does that answer it?

MR. CHAIRMAN: Mr. Minaker.

MR. MINAKER: Mr. Chairman, seeing we're dealing with proportions of interest, how was the 20 percent interest established, say, on the Berry Petroleum Ltd? Was it based on the amount of participation in the exploration costs or . . . ?

MR. KOFFMAN: No, what we really did on that, what we did there, sir, we are the Crown really; we are acting as agents for the Crown in oil, because nobody was doing very much in oil. What happens now is if somebody wants to do exploration they can go to us and we arrange to withdraw the land by Order-in-Council and we make a deal with them. They've put in as much freehold as they can and they've paid for, we put in certain Crown, and we strike a deal. You know what I mean? We dicker back and forth, same as us, so you get the best you can out of it. And this is the way it was done. This is what's happened on most of these deals that we've gone into.

MR. MINAKER: Further to that, Mr. Chairman, or maybe the question can wait until later. I'm wondering what happens when you develop 50-50 in the exploration costs. How do you establish who gets the additional one percent for control?

MR. KOFFMAN: What actually happens now is that when we've gone and worked with the private sector we've gone on a 49-51 deal and say, "You have the expertise; we're good exploration people. We'll do the exploration and if you have the expertise for mining you'll go ahead and mine and we'll be the junior partner." But even under the new regulations, that you asked, the Crown will always be a junior partner really. When I say "junior partner", a majority. They will never have 50 percent the way the regulations are. They will have maybe 49.98 or something like that.

MR. MINAKER: Is there a policy established now where, say the exploration and the development of a mine continues and you go into operation and production, the fact that we have 49 percent of the say or ownership of that mine, will that mean that you will, or the company will take a 49 percent decision-making power as well in the day-to-day operation of the mine?

MR. KOFFMAN: That's right, sir.

MR. MINAKER: In the actual day-to-day operations of the mine in production . . .

MR. KOFFMAN: We would have a board of directors of the company, same as anybody, same as any other . . .

MR. MINAKER: And have representatives in the mine operating on . . . Has this been laid out?

MR. KOFFMAN: No, what would really happen is you would make a deal with whoever's got the 51, that they would operate the mine on a such and such basis, which is normally done in industry. In industry you might get two or three companies, or four companies together. They eventually decide, by decision, who should operate and they get a certain fee for operating it.

MR. MINAKER: And your company wouldn't have representatives, management representatives making decisions with the . . .

MR. KOFFMAN: No, but we'd have members on the board. Yes.

MR. MINAKER: Members of the board.

MR. KOFFMAN: Yes, the same as in any normal company.

MR. MINAKER: But not in the day-to-day operation of the mine.

MR. KOFFMAN: You couldn't. There's no way you could do that.

MR. MINAKER: This is why I was asking, Mr. Chairman, because, you know, I was concerned how this would be feasible where a government-owned corporation would have a 50-50 say in the operation day to day, or I would think it would become very unwieldy in trying to operate a profitable operation if this took place. So I was trying to establish if, in fact, the policy has been laid out on this matter.

MR. GREEN: Mr. Chairman, I believe that I may be able to contribute to the discussion because . . .

MR. CHAIRMAN: Is this on a point of order?

MR. GREEN: No, it's just on the point that Mr. Minaker raised. There are two different circumstances. There are properties that Mineral Resources has 100 percent which they have then a right to develop and operate, or they have some that they could go 65-55. The circumstances that . . . 65-35. Well, you know, Mr. Koffman says you make any kind of a deal. (Laughter) The circumstance that you're thinking of isn't under the regulations. In that

(MR. GREEN cont'd) case the Crown - and it's not Mr. Koffman's company, it's the Crown itself - would be a 49 percent shareholder, in which case the conduct of the operation, with a sufficient protection for the minority shareholder, would be undertaken by the majority shareholder. But he, the Mineral Resources Corporation, could be the majority shareholder, as a matter of fact a 100 percent shareholder.

MR. MINAKER: Thank you.

MR. CHAIRMAN: Mr. McGill.

MR. MCGILL: Mr. Chairman, I want to talk to Mr. Koffman about the Farwell Lake property that is the subject of the second part of his press release. I guess it was about a year ago, on April 25th, 1974, that the press release that was made at this meeting was relating to the values you established in that property, and that, at that time, was the best prospect you'd turned up to that date.

MR. KOFFMAN: That is right.

MR. MCGILL: And you told me that it was about two miles distance from the old Copperman property that had values about the same. I notice that you proved up 283,000 tons, 2.03 percent copper. Mr. Koffman, what would be the minimum tonnage, do you think, to economically develop this prospect? What would you have to have in terms of tonnage at that grade?

MR. KOFFMAN: Just off the top of my head, oh, I would say about two million-plus tons. Two million, two and a half million. Just roughly.

MR. MCGILL: You've got about ten percent of what you need, eh?

MR. KOFFMAN: That's right.

MR. MCGILL: Now, you described the Copperman property, that's been known and developed and re-developed over the years, as a plug. Would you say this is looking like a plug at the moment?

MR. KOFFMAN: No, it's not the same type of mineralization as the Copperman, but at this point in time I really don't know.

MR. MCGILL: You'd driven down ten diamond drill holes, I think, at this time last year.

MR. KOFFMAN: No, we only had one into it at that time, Mr. McGill.

MR. MCGILL: Wasn't it ten holes, though, that . . . ?

MR. KOFFMAN: Ten holes in other parts. At that time we just had one hole into this property.

MR. MCGILL: You had two holes, I think, for values that you gave.

MR. KOFFMAN: That's right. That's it. Yes.

MR. MCGILL: Yes. And you thought that it would take a few months then to determine yes or no on the property, eh? And you're still at it.

MR. KOFFMAN: Still at it. That's right. Well I can give you - I can tell you we drilled 30 holes at 26,000 feet; that's what we did, and to develop this, this is what we did. This is the name of the game. I think you know, Mr. McGill, we could have been lucky, we'd have been real smart. Because it didn't go down, this is the name of the game. Right? It looked good, but now it isn't.

MR. MCGILL: What is your drilling program from here on? You've got 30 holes . . .

MR. KOFFMAN: What we're doing now, to bring you right up-to-date now, we're doing a teram sort of a job, you're heard of a ground survey, on the ground adjacent on strike of this zone, and we should have the answer of that survey by the end of this month and then we'll see what we're doing to do.

MR. MCGILL: Can you give me an approximate figure of how much it's cost you now?

MR. KOFFMAN: Oh yes. I have the figure right here. Total expenditures on the whole program, not on this particular zone, on the zone itself, the drilling is \$360,500 related to diamond drilling, and in the zone itself we've spent \$367,000. That's the figure. One the zone of \$367,000, of which \$360,500 related to diamond drilling.

MR. MCGILL: And that's the total investment in Farwell Lake to date?

MR. KOFFMAN: No, the total Farwell investment, this zone here was just on a group of claims, I just don't know how many right now off the cuff. But the whole area, we've spent it on the whole area to date, to February 1st, 1975, and I'm bringing it right there, \$590,900.

MR. MCGILL: And you figure another month you'll decide whether you're going to abandon or go ahead.

MR. KOFFMAN: No, we're not going to abandon. No, we're going to do more work.

(MR. KOFFMAN cont'd) The reason we would not abandon is that another company has done some work in the area and they have come up with about - well it's not public, but they've come up with sufficient tonnage it may be a mine, so at this point in time it looks a likely ground to explore so you don't run away from it. What is the use of going out in the hinterland and looking for something when something may be there? You have to go to the end . . . and find out if it is there or not.

MR. MCGILL: How many miles away from your properties?

MR. KOFFMAN: This other one? Five to six miles, maybe ten. I know it's five to six to ten miles in the same general area. Underneath . . .

MR. MCGILL: The same under the limestone?

MR. KOFFMAN: Under the limestone, under the limestone . . . This is a . . . Maybe I can answer that question, Mr. McGill, for you a lot better. I have another geological map here and maybe this will answer that question for you. Too bad I haven't got it all spotted on here. The volcanic belt, where all the mines are, is in this green thing here. Now because it's in the green there, we felt, all the other companies exploring felt that underneath the limestone in this area was a good bet. If you look at the geological maps today, or the staging maps today, all this ground is now acquired by one company or another and you are all working underneath the limestone, which everybody thinks is a good bet. Does that answer your question?

MR. MCGILL: Are you at liberty to state the name of the company that has this prospect?

MR. KOFFMAN: Yes, I think it's public. It's Freeport and Bethlehem Steel. Yes. They have this prospect and it's been public but I don't know what they're going to do right now. It's public, yes.

MR. MCGILL: Have you discussed with them any possibility of a joint operation of the two properties?

MR. KOFFMAN: Not at this point in time. Not right now.

MR. CHAIRMAN: Mr. Banman.

MR. BANMAN: Mr. Koffman, just for clarification. Joint petroleum ventures like Berry Petroleum, did they come to you, or do they have to come to you when they want to drill?

MR. KOFFMAN: No. What actually happens, they acquired some freehold land in the area and the Crown has certain lands, so we went to the Crown - the Crown and the company in terms of oil - we went to the Crown and said we have a man that wants to drill here and here. How much land? So they transferred the land to us by Order-in-Council and then we made the deal with Berry Petroleum. But what we did, we got an interest in their ground and they got an interest in our ground. Do you follow me? We threw the thing in - the whole thing into one deal.

MR. BANMAN: This means where the Crown is owning the mineral rights? Wherever the Province of Manitoba would own the mineral rights?

MR. KOFFMAN: Not all the places. The oil rights, we don't own those. The farmers own some, there might be some in freehold, and some is owned by the Crown. Do you follow me? So you have to throw them both together and try to make a deal.

MR. BANMAN: But wherever the Crown is involved you are the agency that . . .

MR. KOFFMAN: That is right.

MR. BANMAN: . . . that any company would have to deal with.

MR. KOFFMAN: That's right. There hasn't been too much oil exploration. By doing this we thought it would entice more exploration - and it has happened, more or less.

MR. BANMAN: Thank you.

MR. CHAIRMAN: Mr. Axworthy.

MR. AXWORTHY: Mr. Chairman, I wonder if I might now ask Mr. Koffman some questions related to the prospects of his company in the next year or two in terms of the joint ventures and partnership arrangements with private investors or explorers in the mining and exploration business, based upon the new regulations.

MR. KOFFMAN: Mr. Axworthy, could I just hold that a minute and then I'll go with it?

MR. AXWORTHY: Okay.

MR. KOFFMAN: I just want to now, I think we've gone through most of this report - oil and gas - and I think . . . Is everybody satisfied that they've gone through the report to this point in time? If they are, I'll bring another point up. Then we can bring this up.

What I would like to do now is I want to read to you gentlemen another company's

(MR. KOFFMAN cont'd) operating and what they have done with similar moneys, about the same as we have spent. And I am reading to you the report of a company and I want to read this to you so you

"Outside Exploration. Outside Exploration activity continued throughout the year at a level slightly above the 1942." (This is this year, 1974 report, of this company.) "Our airborne geophysical equipment was overhauled and" - this is '72 - no, it's slightly above '72, this was the 1973 report. "Our airborne geophysical equipment was overhauled and improved early in the year, resulting in increased operational effectiveness. Most of our airborne and ground geophysics and follow-up diamond drilling were done in northwestern Ontario. We believe we have developed a highly efficient exploration organization even though there were no discoveries of commercial value in 1973. The cost of outside exploration was \$798,000." So what I'm really saying to you, this is the name of the game. If you're going to go in it this is what you have to expect. I thought I'd just mention it.

What was your question now, Mr. Axworthy?

MR. AXWORTHY: Mr. Koffman, I just really wanted to raise with you some questions related to the proclamation of the Manitoba Mining Regulations which are numbered 328/74 and which I believe were proclaimed on January 1st, at least they are in the January 11th Manitoba Gazette. I want to go back to the original objectives of your company which, as I read them on the front page, say that "the company carries out exploration programs alone, but also actively develops exploration ventures designed to attract participation by the private sector, and conversely, the company participates in joint exploration programs proposed by others." So it would seem to me, Mr. Koffman, that the performance of your company, according to its own objectives, is to some degree dependent upon the activity or investment or exploration as conducted by private people; that in order to meet your objectives as you have set them out, you have to have the, in a sense, complementary work being done in the private field. Is that a correct statement?

MR. KOFFMAN: Yes, essentially. Go ahead.

MR. AXWORTHY: Okay. It would seem to me, then, that the climate which is created for the activity of private people is certainly set by rules and regulations set forward by all kinds of governments, including our own Provincial Government. Therefore, the question I would ask is that, as I look at those regulations which first set out from, what I can see, a very high front-end cost for small prospectors, I think to the point where there has to be something like \$250,000 expended over a certain period in order to maintain leases and then up to \$500,000 of work in a five-year period, that first it would strike me that that may be a major deterrent to small exploration companies or prospectors to get into the field, that if they have to cover those front-end costs they just may not get into it.

MR. CHAIRMAN: Mr. Axworthy, I believe you can use that argument at the appropriate time under the Department of Mines and Resources.

MR. AXWORTHY: Mr. Chairman

MR. CHAIRMAN: We are here to

MR. AXWORTHY: On a point of order, Mr. Chairman. I am asking

MR. CHAIRMAN: Mr. Axworthy, would you please let me finish. We are dealing with the Annual Report of the Mineral Resources Limited. That point that you're raising can be raised in the House to the Minister under the Department of Mines and Resources to deal with those specific points.

MR. AXWORTHY: Mr. Chairman, please, I have a point of order which I think

MR. CHAIRMAN: Mr. Axworthy on a point of order.

MR. AXWORTHY: Mr. Chairman, I have just asked Mr. Koffman a question which he agreed with, and that is that the performance of this company is in large part dependent upon the activity of people in the private sector, that in order for his company to obtain the objectives as set forward on this page, the first page of his report, it must require participation by the private sector and participation in joint exploration programs.

MR. KOFFMAN: I'll answer that question.

MR. AXWORTHY: I am therefore trying to determine, Mr. Chairman

MR. KOFFMAN: I can answer that question.

MR. AXWORTHY: . . . that we now have new regulations set forward in the province, I am trying to determine whether in fact those regulations will provide an incentive or a deterrent for the investment and exploration in this province by private prospectors and private

(MR. AXWORTHY cont'd) mining companies, which will have a very direct bearing and impact upon the performance of the Mineral Resources Limited, and I think it is totally and completely within the bounds of examination of this committee to find out and to anticipate how this company will perform and if in fact there are changes in the economic and regulatory climate that will provide for a poorer performance in the forthcoming year, because in that case it provides us with some basis for determining whether The Companies Act should be changed, we should change the objectives, new financing should be brought in. It raises a number of questions, therefore, about the operation of this company.

MR. CHAIRMAN: Mr. Green.

MR. GREEN: Mr. Chairman, on the point of order. The honourable member changed the nature of his question when he was making his point of order. He put in the words "substantially dependent" on private mining companies. May I say that the answer to the question was that some of the activities are dependent on private mining companies, and I also say, Mr. Speaker, that as a matter of government policy - and, you know, what Mr. Koffman feels about it is his personal opinion and I have never been able to inflict my opinion on him nor his opinion on me - but it is the policy of the government that this corporation can go into 100 percent enterprises, and that the further policy of the Government of Manitoba is that any slackening of private activity, which I don't assume will take place at all, will be supplemented by public activity whether through this corporation or through other means. Now I don't object to the question being answered, I am merely indicating that that is the public policy of the government.

MR. CHAIRMAN: Mr. McGill.

MR. MCGILL: Mr. Chairman, as this government becomes increasingly involved in the complex problems of mining, this committee becomes more and more concerned about getting information, and it's not very often that we have a witness who has some knowledge of the mining business, and I think, Mr. Chairman, it would be very helpful to this committee if we were permitted to use the knowledge and to examine Mr. Koffman, because he's about the only man at this table that knows anything about the business, as far as I can see.

MR. CHAIRMAN: Mr. Axworthy.

MR. AXWORTHY: Well, Mr. Chairman, I wanted to add a point that was raised by the Honourable Minister.

MR. CHAIRMAN: I think you can proceed with the question.

MR. AXWORTHY: Well I have a point that I think that he raises, which I think is very pertinent again to the answer that Mr. Koffman might supply, and that is Mr. Green raises the, I think, proper assessment that this company, Manitoba Mineral Resources Limited, has the option of either going into a 100 percent financing or into joint ventures. What I would like now is some assessment by Mr. Koffman whether he now has to re-orient the policy of his company, of Manitoba Mineral Resources Limited, increasingly into 100 percent ventures because of the deterrent that would be placed upon private investment and exploration according to the new regulations, and I cite the statement by Mr. Hawkins from Hudson's Bay Mining and Smelting, which I gather is already involved in a couple of joint ventures with your company, Mr. Koffman, that he is no longer going to invest in Manitoba, is going to Northwest Territories and Ontario. Therefore, does that mean now that your company will have to, in effect, eliminate its policy or certainly alter its policy trying to encourage joint ventures, and increasingly get into the area of 100 percent financing of exploration?

MR. KOFFMAN: Mr. Axworthy, I can answer that question for you.

MR. CHAIRMAN: Mr. Koffman.

MR. KOFFMAN: Since the regulations have come in, we have acquired this Knife Lake thing, we have acquired this as a joint venture with Granges about March 3rd and the . . . about April 28th. We got together both and we were going in a joint venture with this thing right here, this 25,000 acres. We have done that.

Now with regard to your other point of the other sector like Hawkins. Really the problem in Canada today, and I have stated this, the problem in Canada today is not one government in the west or east or Ontario, the problem really is a Dominion-Provincial share of the resources, and because they have gone to the Northwest Territories they own it all and they get 50 percent. That's why they're going to the Northwest Territories. Just one government. There's not two forms of government yet. There's no provincial so therefore it's all federal. That is why they are going to the Northwest Territories. But let me assure you, I've operated

(MR. KOFFMAN cont'd) in the Northwest Territories and it costs like hell, though, about four times what it costs, you know, in this area. As a matter of fact, there's certain areas in the province, in order to examine and push the frontiers back, this is why we've taken this area, belt right near Churchill, and that's a tough baby to work. But you just can't sit over here, you've got to go and find another area to work. Now when we worked this area, a joint venture with Home Oil there, when Home Oil wasn't partners with Selco, and eventually we'll probably go in with the Crown as partners, we're going to find out what there is there and maybe they'll be all right. You have to push back the frontiers, but it costs a lot of money to go there, and the Northwest Territories - it costs a hell of a lot more.

MR. AXWORTHY: Mr. Koffman, may I ask if you have had discussions or consultations with the Manitoba Prospectors Association, who represents many of the smaller prospecting units in the province, to determine whether in fact their activity will be affected by these regulations, because again, it seems to me that we have put through these regulations a significantly heavier requirement for financial capital in order to hold leases and to maintain those leases over a five-year period than was previously the case. Now, how is that going to affect the activity of the small mining exploration company or the small prospector? Or have you discussed that with them at this point?

MR. KOFFMAN: I haven't discussed this with them, but we have to be realistic in this day and age. I worked for the private sector for 37-odd years and I moved here because I felt somebody had to move within the right channels. Now we use the word "prospector" today and I say that is a misnomer in the Precambrian. If you take a map of Canada and you take the Precambrian Shield - it's an easy question to answer, Mr. Axworthy - I just have part of Manitoba. If we take the Precambrian Shield, now what has happened? Well a lot of people are not going to like me for what I'm going to say but it has to be said. It has to be said. The area in the Precambrian Shield, other than uranium prospecting, the prospector as you call it, the so-called prospector that people talk about, today is not a prospector. He is a land acquirer and re-sells land to the companies. Now I'm going to say that and I'm not afraid to say that to anybody. And they're in Manitoba in the last years, prospectors as such . . . I don't like to use the word "prospector". People shouldn't use the word "prospector". Use the word "resource explorer" or something like that. The word "prospector" is a misnomer. "Resource explorers" or something, I think resource explorers . . .

MR. AXWORTHY: It's like calling a caretaker a sanitary engineer.

MR. KOFFMAN: Yes, I know. But what I am saying to you is - and a lot of people are going to tell me I'm an SOB, but I'm saying this to you. Now, on the other hand, if you're operating in British Columbia, if you're operating in parts of the Northwest Territories now that hasn't been explored, or you're operating in New Brunswick, do you do prospects, do you do geochemical work, if you're operating in those areas? Yes. But prospectors today per se in the Precambrian do not exist. That's the word. They're land acquirers and they sell the land to companies.

MR. AXWORTHY: Okay. Well, Mr. Koffman, if we can maybe talk about these resource explorers who I also believe operate through smaller mining companies. I certainly don't pretend that there's a man out with a donkey and a pickaxe any more. One of the questions I had is that I understand that this particular period of time, February-March, is when a number of the programs of planned exploration activity are designed in order to take advantage of the spring break-up, which we hope will come in a month or so. Can you describe at this stage what degree of activity there is by the kinds of people that you would normally be associated with or hoping to develop joint ventures with? Is there an increase in activity? Is there a decline? Is it the same?

MR. KOFFMAN: Let me answer that question, Mr. Axworthy - Dr. Axworthy, isn't it?

MR. AXWORTHY: Doesn't matter.

MR. KOFFMAN: Let me answer that question to you. The programs that are designed are not designed now for the summer. I would like to mention, in the Precambrian of Canada, really, northern Saskatchewan, except for uranium, the programs are mostly airborne and geophysical ground, which has to be done essentially in the wintertime. So the activity in the summertime - nothing is really planned. Activity in the summertime is really not planned. Now in this corporation, our work or most of our work is done in the wintertime. We can walk over the lakes as everything's frozen, and this is what you really do.

MR. AXWORTHY: Yes. Mr. Chairman, I would just like to ask Mr. Koffman whether

(MR. AXWORTHY cont'd) he could carry on with the second part of the question and describe whether there is an increase, decrease, or status quo in the level of exploration activity that is now being conducted, and whether he can detect any changes or alterations in those patterns.

MR. KOFFMAN: I'll answer that question to you. The best record that I can get is the Diamond Drilling Association of Canada. In the Diamond Drilling Association of Canada - it's too bad I didn't bring it, Mr. Axworthy - there is the level of activity of diamond drilling in the provinces. This is the way it goes: Quebec No. 1, Ontario No. 2, and Manitoba No. 3. This has been the pattern. What it will be in the future I don't know, but I can tell you that's what it's been. One, two, three. So at this point in time yet - now I don't know what's going to happen. We must all remember much or all the legislation isn't in, and, you know, companies are humming and hawing. You don't really know. Does that answer your question?

MR. AXWORTHY: Well, just to clarify the answer, then, you're saying that at this stage it's really indeterminate whether in fact there will be an increase in exploration activity or a decrease.

MR. KOFFMAN: That's right.

MR. AXWORTHY: Thank you.

MR. CHAIRMAN: Mr. Minaker.

MR. MINAKER: Mr. Chairman, if I could get back to the Manitoba Mineral Resources Limited, I have a question to ask of Mr. Koffman. It's with regards to the balance sheet, Exhibit "A". There is a list there for field equipment of around \$25,000.00. I wonder if Mr. Koffman could briefly advise the committee what this equipment is and is it depreciated, the value?

MR. KOFFMAN: Yes, and according to this, it shows depreciation on this, if you look at this thing it shows accumulated depreciation \$19,000 in short. But the equipment - I'll tell you what the equipment is. What we have to date here, what they're showing here - but we have four geophysical pieces of equipment, we have magneto . . . we have transit, probably in field equipment, and we have one truck. None of the company employees have a car like they do everywhere else, we have no cars and we do pay the mileage for the fellows if they do or not, we pay them 17-1/2 cents the same as the government. But we have no cars, we have none of that stuff. Our equipment, we have, I think is probably, we have to add this next year, I would say probably \$30,000 in field equipment, \$35,000. You must remember some of this field equipment, you put a tent in the bush, we put it in, it's good for one or two seasons you know, you have to write it off against the property. Do you follow me? But we depreciate it, yes.

MR. MINAKER: Mr. Chairman, another question on the same subject. Where you are on a joint venture of exploration with a private company, how do you arrange the field equipment costs on something like that? Do you share in them, in the capital cost if there's equipment required?

MR. KOFFMAN: No, no. Either way we work it, what we do is if they are doing it, they supply the equipment, and if we are doing it we supply the equipment. This equipment is not . . .

MR. MINAKER: Yes, I'm thinking like in oil well drillings.

MR. KOFFMAN: No, that's all cockeyed, it is all cockeyed, the whole works.

MR. MINAKER: On the field equipment that we do own, do you pay provincial sales tax on that?

MR. KOFFMAN: We certainly do. Oh, yes, our accountant says, you bloody well, you pay.

MR. MINAKER: I'm very happy to hear that.

MR. KOFFMAN: We pay those taxes the same as anybody else.

MR. CHAIRMAN: Mr. Dillen.

MR. DILLEN: Yes, I want to follow up on that, on this . . . I'm like you I don't like to use the term prospector. But supposing I am an individual who finds out that certain pieces of land are available for exploration purposes at the present time, and I go out and I restake a section of land at a cost to me or whatever it costs me to get the people to do the staking. How long can I hold that land?

MR. KOFFMAN: You can hold that land for two years and you do assessment work for the second year only. You only do one year's assessment work.

MR. DILLEN: Okay. We'll use a hypothetical figure. Supposing I have ten claims, ten mining claims that I think are good claims, how much would it cost me as an individual to do the required assessment?

MR. KOFFMAN: In the first year you don't have to put any assessment work, the cost is zilch.

MR. DILLEN: And the second year?

MR. KOFFMAN: The second year you have to put up - it's now. Is it \$2.00 an acre Mel? Mel, what is it, \$2.00 an acre?--(Interjection)--What does he say?

MR. CHAIRMAN: \$1,000 a claim.

MR. KOFFMAN: No, not for one year.--(Interjection)--Oh well, but per claim. --(Interjection)--No, no, no, more than that, Mel. Oh, yes, it's \$100 a claim, \$100 a claim.

MR. DILLEN: A hundred - so that would cost me \$1,000 in the second year to hold on to that claim?

MR. KOFFMAN: That's right.

MR. DILLEN: What do I have to do in the third year in order to hold them?

MR. KOFFMAN: Do the same amount of work again.

MR. DILLEN: It will cost me an additional . . .

MR. KOFFMAN: You have to keep on doing work. The idea is that if I could sit on ground, if we could always sit on ground and do no work, the country would be all tied up and nobody would be doing any work.

MR. DILLEN: Okay. So, supposing that a company, either it's your company or International Nickel or Sherritt-Gordon or Hudson Bay or any other exploration company, wanted to explore on the land that I held, because they have some idea that there might be something there, would they negotiate with me for the sale of that land or the rights to . . .

MR. KOFFMAN: You say you staked the claim?

MR. DILLEN: I staked the claim.

MR. KOFFMAN: It's up north not in the south? You staked the claim?

MR. DILLEN: Yes.

MR. KOFFMAN: Now they would look at your land and they'd say, well, maybe I'll buy it or maybe I'll not; or else they might say, well, all he's doing is really staking the ground and trying to peddle it to us, and they'd say, go blow a kite. It all depends. Now if the land was close and there's of course some that would deal with you. But unless you had something to show them, something that was . . . they said some minerals showing or some minerals occurrence on it or if they had an airborne survey flown or something, I don't think anybody would deal . . . you only deal on ground if you think there's something there. You just don't deal on it because you staked it, otherwise everybody would go and stake all kinds of land and say, well you deal with me.

MR. DILLEN: Okay.

MR. KOFFMAN: Does that answer your question?

MR. DILLEN: Yes, it does. I want to follow it up even a little further by saying that, do mining companies at the present time hold large tracts of ground under claim?

MR. KOFFMAN: They hold large tracts of land but they have to do the work.

MR. DILLEN: And are they doing the work?

MR. KOFFMAN: You damn right, otherwise it collapses.

MR. DILLEN: Okay. Can you give me some indication of the amount of land in square miles that is held by International Nickel at the present time?

MR. KOFFMAN: No, I don't know, sir. You can get that sometimes from the Department of Mines. I don't even know for sure.

MR. DILLEN: Would I be correct in guessing that it is an area 10 miles by 80 miles?

MR. KOFFMAN: I don't know.

MR. CHAIRMAN: Mr. Dillen, I don't see the relevance. I think we're dealing with the Mineral Resources Limited, let's get questions out together.

MR. DILLEN: Then I'll withdraw that question. You're saying that an individual like myself or in concert with the whole group could really go out and stake all of Northern Manitoba and sit on it and wait?

MR. KOFFMAN: You couldn't now, no. Oh, no. You'd stake the ground but you would have to do so much work per year or else you would have to go back into the Crown, brought back to the public sector; you could not sit on it, you have to do work, you gotta spend money.

MR. DILLEN: Okay. Now that's the point I'm trying to make. In other words, you as

(MR. DILLEN cont'd) a manager of an exploration company are in favour then of the present system.

MR. KOFFMAN: That has nothing to do with me.--(Interjections)--

MR. DILLEN: Okay, I'll withdraw that one as well. I want to get back a little further.

MR. GREEN: That's my point, Mr. Chairman, and I make the same point to my colleague here, or the government backbencher, legislative assistant, I make to Mr. Axworthy. Mr. Koffman is running a company in accordance with the rules and really it is not his province to comment on government policy as to whether it's good or not.

MR. DILLEN: Okay, I'll change that then. I want to continue this. We have heard many reports coming out of the North and the Northern Miner, the Financial Post, the Financial Times, about mining companies curtailing their exploration activities as a result of "political climate". They don't say that it's federal or provincial. And I want to know, I don't know if I'm overstepping my bounds again here, but I want to know what your opinion is on that assessment by the mining companies.

MR. GREEN: This is a problem, Mr. Chairman, and Mr. Dillen and others might wish to get . . . you know, I've known Mr. Koffman for some years. He may be of the opinion that in order to have mining in Canada, you have to pay the mining companies to come in and take out the ore. Now that doesn't happen to be his opinion. But that is not a consideration for Mr. Koffman, nor a judgment that we ask Mr. Koffman to make when he is operating a mineral resources exploration company. We ask him whether he feels that he in conscience can do this and do a job of it; he says yes, and that's it. And he then operates in accordance with government policy. I rather suspect that Albert Koffman ran into arguments with the government before it was a New Democratic Party government. He doesn't like governments, he doesn't happen to like them, but the fact is that he is doing a job for the mineral resources corporation for the people of Manitoba.

MR. DILLEN: I want to follow up on . . . you're really curtailing my . . .

MR. GREEN: Yes. It is not a proper . . . You see, what people are trying to do here is to get an answer from Mr. Koffman as to whether he likes the government policy or he dislikes the government policy, and I say that that is not his province. His province is to report on the mineral exploration company, and I believe that he has given us a very good report. And the other considerations of trying to get him to agree to our policy considerations or the policy considerations of the Conservatives, you know, it may be interesting, but it can lead to all kinds of anomalies and makes his position as president of this company a problem as to answering for government policy.

MR. DILLEN: Mr. Koffman, have you ever been involved in exploration outside of Canada?

MR. KOFFMAN: Oh, yes.

MR. DILLEN: Can you give me some background in your 37 years of exploration where you have explored?

MR. KOFFMAN: Ten years of it, sir, I spent in the Dominican Republic, Haiti, the northern part of South American; in Jamaica, yes. Now, I'll answer his question very simply. I asked once before when I came here and took this job, I said - and when I took the job and I gave talks to the Mine Minister's Conference and to the Prospectors Association of Miners and they warned me, how in the hell can you, Albert, who's been in this thing for so many years, take this God damn job? And I said, very simply - listen, gentlemen, the world is changing, the world is changing and I saw what has happened in the countries like Peru and Chile. And I see what's happening there and I say, gentlemen, the world is changing. The people or the State or whoever they are, they want a piece of the action. And I say, I see nothing wrong, provided they go in on Day One and go along with the piece of action. And this is what this company is doing and that's what I am doing now. Does that answer your question?

MR. DILLEN: Right. I guess . . .

MR. KOFFMAN: And on top of the table.

MR. DILLEN: Okay, based on your experience, how would you compare from your experience, the political climate of the countries that you have operated in and . . . ?

MR. KOFFMAN: No, I can't answer that question.

MR. CHAIRMAN: Mr. Dillen, I don't see the relevance of your questions . . . I believe that Mr. Koffman has indicated that he has to operate the same as any other exploration company, and he is in no different position to any other company.

MR. DILLEN: Well, you know, that I don't of anybody else that I can ask in this room about . . .

MR. CHAIRMAN: Government policy you can ask the Minister.

MR. DILLEN: That is not what I want to ask. I don't know of anybody else who has operated in the mining exploration field in any other country in this world.

MR. CHAIRMAN: Order please.

MR. KOFFMAN: I'll answer the question. I was consulting geologists for eight years, for International . . . , Consolidated . . . in Haiti. I can assure you that I worked in that country and I brought some here - Jimmy Syme to be mill superintendent, he used to be at Bisset, and I brought another fellow to be manager there, and I was a consultant for the company. After we worked there for seven or eight years; at the end of the period, the government policy was so rough on us, you know what we did? We walked off and left the God damn mine to the Haitians and it's still sitting idle. This is what happened 2-1/2 years ago before I took this job.

MR. DILLEN: Thank you.

MR. CHAIRMAN: Mr. Axworthy.

MR. AXWORTHY: I'd like to ask Mr. Koffman, not for opinions, but for a description if he might, but on the same line. Has your board of directors or yourself had any direct discussion or provided any kind of representation to the Government of Manitoba concerning the impact of the new mining regulations upon money exploration?

MR. KOFFMAN: Well, gentlemen, that's an easy question for me to answer. With Mr. Green's approval, there's a consultative committee that meets regularly. And I tell you what has happened, that I sat on that consultative committee, and the mining companies sat there with me, and I can assure you I was the most adamant and the most rough on Mr. Green that anybody was. And you can ask him and you can ask the mining companies, I was rough.

MR. AXWORTHY: But, Mr. Koffman, could you describe more precisely what you were rough about?

MR. KOFFMAN: Well, when certain regulations came out, and certain rules, we changed them around, we changed them around back to something which came out now, much better. I got representations . . . I tell you, now you can believe it if you will, but I arranged with the Minister to bring in other people of other 15 companies to meet with him. And he said, yes, I'll meet with them, and we came out not too bad. The other exploration companies, there's Mining Association, there's the Prospectors, and there's about 15, 20 companies that were not represented, so I went to the Minister and asked him . . .

MR. AXWORTHY: May I interrupt? Just who was represented on this? You said that Prospectors were not represented.

MR. KOFFMAN: The prospectors were.

MR. AXWORTHY: They were represented.

MR. KOFFMAN: And so were the mining associations, but none of the non-operating exploration companies were represented.

MR. AXWORTHY: None of the non . . . they were not represented.

MR. KOFFMAN: No, nobody was representing. I arranged, I personally arranged with some - I didn't know if I was doing the right God damn thing or not, but I did - and phoned him up and says, let's have this meeting, let's now arrange with the Minister, I have to arrange with the Minister. They came in, about 14, 15 companies, and they talked to him. Of course I buggered off, I went to Hawaii for a holiday, and I didn't . . .

MR. AXWORTHY: It sounds like a good idea.

MR. KOFFMAN: I sent my right-hand man.

MR. AXWORTHY: It must have been a good year.

MR. KOFFMAN: No, no. After all, you've got to have some holidays sometime. I went in December when there was a strike there.

MR. AXWORTHY: When the price is cheaper. I know . . .

MR. KOFFMAN: No, they're not that cheap. But they're okay.

MR. AXWORTHY: Actually, I would like to talk to you about the rates you get on your travels, after the meeting. But could you again just describe or explain whether in fact your board has in any way formally adopted a set of policy directives or guidelines based upon these new regulations that will affect the operation of the company or change its direction or alter its programs.

MR. KOFFMAN: Well the answer to that, I just told you, that since the new regulations have been in force, we've got a joint venture with Granges just now.

MR. AXWORTHY: I understand that, presumably that would have been negotiated and arranged . . . I mean that that just didn't happen . . .

MR. KOFFMAN: Oh, I tell you what. As a matter of fact the claims didn't come open till March 3rd and we were both going to go and acquire it, so made a deal under a Letter of Intent and we acquired the ground, a joint venture with them, and the Granges didn't sign; we had a Letter of Intent that was the deal. We did this. Now how much in the future, I don't know.

MR. AXWORTHY: But you're saying that your board has not then sort of made any formal representation to the government or hasn't established any set of guidelines for . . . This has all been done informally to the Consultative Committee, is that right?

MR. KOFFMAN: Well that is where the input is. That's the input, and the input was . . . I was rough, I'm going to tell you that. If I was the Minister, I would have - just . . . and go can him.

MR. GREEN: I was rough too.

MR. KOFFMAN: You were rough too, yeah.

MR. AXWORTHY: That we doubly expect. Thank you, Mr. Chairman.

MR. CHAIRMAN: Mr. McGill.

MR. MCGILL: Yes, Mr. Chairman. I'm not sure where we are on Mr. Koffman's . . .

MR. CHAIRMAN: Well, we're on . . . actually No. 5. We've finished with the ones up to No. 4.

MR. MCGILL: I think I would like to put these questions now, there are two or three of them. On the last page of the statement there is a note by the auditor saying that the deferred expenditures include cost of projects abandoned by the company, and they total \$290,655.00. Was that for the one year?

MR. KOFFMAN: That was that year, yes.

MR. MCGILL: And the previous year was \$217,000.

MR. KOFFMAN: That's right.

MR. MCGILL: Can you give us a figure for the current year? I know it's not over until the 31st, how does it look for this year?

MR. KOFFMAN: I can't, I have never, I didn't, I just didn't think about that figure.

MR. MCGILL: I see.

MR. KOFFMAN: The reason I didn't think about this figure because I wanted to bring up the other point.

MR. MCGILL: Yes, well you're going to deal with that then.

MR. KOFFMAN: Yes.

MR. MCGILL: Okay. Now, just going back to your first page of your report, Objectives and Policy, that little bit of editorializing in the last paragraph of that page, is that your own personal . . . ?

MR. KOFFMAN: Yes.

MR. MCGILL: I see.

MR. KOFFMAN: But I can tell you this, I talked to Ken Corp of Noranda about it and this is the same idea, I used to work for Noranda about six years.

MR. MCGILL: Now once before you told us, at this committee, that as time goes on it gets harder and harder to find mines in Manitoba or any place.

MR. KOFFMAN: Right. I have to agree with you.

MR. MCGILL: That, you know, the easy ones are all gone and it becomes less and less a probability. Now, Mr. Koffman, don't you think that interferes a little bit with the free working of the law of averages?

MR. KOFFMAN: I didn't get the question, Mr. McGill.

MR. MCGILL: Well, you talk about the law of averages and I assume you mean that when you spin the dice or throw the dice that the law of averages makes it come up a winner every once in a while. What about the law of averages in relation to an area that has been prospected and re-prospected and re-explored. Does the law of averages still apply?

MR. KOFFMAN: Maybe the best example I can give you, the same example I gave you last year, two years ago. When I worked for a company I spent about a million and a half dollars on an area in the vicinity of Ruttan(?) Lake. And we flew to it and everything else and there was one little piece of it that wasn't mapped too well. And I didn't work it, and eventually

(MR. KOFFMAN cont'd) all the maps were in, Sherritt Gordon come along, more power to them, and they worked the area and found the mine. Now it was in a most unlikely area. But I would agree with you, it's tougher and tougher to find mines. I'm not going to disagree with you at all. But I would like to make another point while we're at it. Really in Canada per se, in Canada per se if it wasn't for political climate in places like Peru, in Chile, in Ecuador and those countries, I assure you there would be no exploration being done in Canada per se today, due to the federal position, there'd be none. Because there's at least ten, fifteen ore bodies sitting there with hundred and two hundred millions of tons. You don't have to look for it. Does that answer your question?

MR. MCGILL: Well, I'm . . .

MR. KOFFMAN: I'm not blaming any provinces, I say it's the federal position.

MR. MCGILL: I'm just questioning your use of this suggestion that the law of averages is going to work for you even though the amount of exploration has diminished the possibilities of your . . .

MR. KOFFMAN: I still hope so, Mr. McGill, working in northern Quebec, people have put a lot of money in, Selco they come out with a mine in an area where there wasn't supposed to be one found so I don't know, when we work in a northern area here where it's not been explored, maybe we'll come up with an area, I don't know.

MR. MCGILL: Let's hope so.

MR. KOFFMAN: The best example I can still give you is the Snow Lake area which I'm very well acquainted, there was bugger-all there, you know, one company was dying, and they said there was nothing there.

MR. MCGILL: You mean the gold prospect.

MR. KOFFMAN: Yes. There's now about 7, 8 operations there. You know who can look further than the ground. None of us can look further than the ground, just the top of it. None of us.

MR. MCGILL: One final question, this is on another subject. Since World War II there's been a known anomaly in the Neepawa area and since that time in more recent years there's been some drilling done on that and there has been some discussion about whether or not this tonnage is going to provide a mine, whether it can be economically mined and so on. Has your company had a look at this, have you had any interest in the, I think it's called Trudale exploration. Have you looked at that, had any . . . ?

MR. KOFFMAN: What I did, I did look at it and I took some core and sent it to . . . to a Swedish company, that we joint venture with them, and the Swedish company, said well, no I think there's enough bloody iron ore in the world yet that we don't think we're going to go down that many feet, down 3,000 feet that, 3,000 feet to look for iron ore as we can still get it a hell of a lot cheaper in the world. But there's another thing that comes into play. There's a . . . people call mineral reserves and mineral resource. Now, if the Dominion Government wants to come, as they do in Saskatchewan and want to pluck down holes to look for the iron ore for the steel plant in Saskatchewan which, however if they advance money for this as an exploration bet, fine and dandy but I wouldn't ask our company to go and invest in that type of venture, at this point in time. No.

MR. MCGILL: Have you had any discussions with Ottawa about this property?

MR. KOFFMAN: No, I didn't but that's not in my realm. That's not in my realm sir.

MR. MCGILL: But you feel that it's not economically viable at this time.

MR. KOFFMAN: Somebody came to see me a couple of days ago and he said to me, he says, look, we got this one hole down in so and so, what do I do. Look, tell you what you do, you go to a consulting firm and find out with this one hole, if you have certain grade, assume that you got fifty million tons there, see if that grade is viable by sinking a shaft down through the, through the water and everything else and see if it's viable, then come back and we'll talk about it. Fair enough?

MR. MCGILL: Okay.

MR. CHAIRMAN: Mr. Green.

MR. GREEN: Mr. Chairman, with respect to the availability of resources Dr. Bruce Wilson, and I hope I'm not misstating what he has told me and if I am then Mr. Koffman, you can let me know and I will correct it. He said that not only is there future resources in the province but that they increase expedientially and by this he said the following: That let's say ten years ago, or fifteen years ago or twenty years ago the only thing that you could mine was,

(MR. GREEN cont'd) let us say, 2.5 percent copper. There is lots of 1 percent copper around, even much more than there is 2-1/2 percent as is obvious. He says once the scarcity makes 1 percent copper drillable, just like the Athabasca Tar Sands, not only is there mines but there is more than there were before. Now, how do you react to that. I hope I am properly interpreting Dr. Wilson. In other words, that as the price goes up or scarcity increases, that the availability of mines, which you call the law of averages, becomes greater because what used to be not a mine, becomes a mine.

MR. KOFFMAN: Mr. Green, I can answer that question for you. I can't refer to Manitoba, I can refer to Canada. I was involved, not to a very great extent with a mine that was now known as Endaco Mine in B.C. which is owned by Placer Development. At that time when they started to look at the property it - nobody seemed to think it was worth sweet bugger-all. It was run about .18 molly, or .104 molly. With the advent of large open-pit mining and they are very capable, the management of this large company, Placer, it turned out to be today one of the second largest molybdenum mine in the world and the largest mine in Canada. It's by open-pit methods. Now, to answer your question, Mr. Green. If you could find an open-pit mine and mine it from the surface, yes, that is quite correct, that the lower grade mines which were 1 percent you can probably go down to half a percent. But the only really large open-pit we've found today in Manitoba is the Sherritt mine. That doesn't mean to say that is the only one there is. Hudson Bay had an open-pit and Sherritt and International Nickel has an open-pit. But the answer is I don't know. This is the name of the game. Maybe yes, maybe no. I don't know, I don't know the answers. Gee, if I would know the answers I'd be a millionaire. I wouldn't be here at all.--(Interjection)--Oh I can eat, Mr. Green. I say I can eat two meals a day and get a little bit of loving, but God help me if I don't get that loving.

MR. CHAIRMAN: Mr. Axworthy.

MR. AXWORTHY: Mr. Chairman, I just have two questions for Mr. Koffman, although his last remark prompts almost a third one but I don't think it's in the rules of this committee. One is just a small question that was prompted by Mr. McGill's inquiry into the possible consideration of your company moving into the Dauphin area. It has come to my attention that one of the companies that we presently finance through the MDC the Tantalum Mining Corporation which is a subsidiary of the Chemalloy Corporation which is now bankrupt or in bankrupt proceedings. Have you had any negotiations in terms of taking over the development work that they are undertaking around Bernic Lake, or would you expect to anticipate taking over their operation . . .

MR. KOFFMAN: They have made no contact of me and I have made no contact.

MR. AXWORTHY: No contact with them, so there's just nothing going. Fine. Mr. Koffman, the question I'm coming at goes back to your remark about the climate changing, and I notice that you didn't say whether it was changing for the good or for the bad but it is changing, to which I'll agree. It seems that we are opting for and one of the things that has to happen is that the government wants a piece of the action. The question is how you achieve that piece of the action and we're choosing the method here of using a Crown Corporation to undertake exploration and development. That's one of the methods.

MR. GREEN: The other one is the regulations.

MR. AXWORTHY: Regulations. Yes. That's right. I'm sorry. Plus the new mining regulations. The kind of approach followed by other levels of government or other governments themselves, in this case I am thinking of the Federal Government, which tries to provide an incentive for exploration and development by giving major tax depreciations and write-offs for exploration and development under the last budget. And I also notice just recently that the British Government, the Labor Government in Britain is moving in the same area of providing 175 percent write-off for oil exploration and having very heavy taxation once the field matures. Which is an approach which lends itself to some, I think, interesting speculation. But the question I am asking: In comparative terms of using the Crown Corporation method that we use as opposed to using the tax incentive method that the Federal Government is trying to develop, do you have any basis for making a comparative estimate as to which is the more effective at this stage.

MR. KOFFMAN: Right now I couldn't tell you, maybe in a couple of years I'll be able to tell you.

MR. AXWORTHY: Is that something that, in terms of your own company, is part of your assessment of the operation of the company?

MR. KOFFMAN: That doesn't really, that doesn't really affect us at this point, no.

MR. AXWORTHY: I take it also, Mr. Koffman, that as a Crown Corporation you don't have any of the federal benefits available to you, in terms of their write-offs and so on.

MR. KOFFMAN: That's right.

MR. AXWORTHY: That's true. So in effect, what we would have to consider as legislators is whether the advantage of trying to give incentive to a private company which has the benefit of federal tax write-offs as opposed to financing a Crown company as a legitimate kind of area of comparison.

MR. KOFFMAN: That's out of my range really, Mr. Axworthy, I don't know.

MR. AXWORTHY: No, I'm just asking. I'm not pursuing a line of argument, I'm pursuing more a line of inquiry.

MR. KOFFMAN: I don't know.

MR. GREEN: So there'd be no misunderstanding, Mr. Chairman, the federal benefits are write-offs against profits on income tax. If you're saying that we don't have that benefit, right now, as the law stands if this company made money it wouldn't need write-offs, it would pay no income tax. It has the best incentive, it has a total incentive if the law doesn't change.

MR. AXWORTHY: Well, Mr. Green, we got into this discussion last year if I recall in terms of - because the public also acquires benefits by having a mining exploration or a mining company pay tax because that means the tax they pay is less tax than an individual homeowner has to pay.

MR. GREEN: No, but you indicated that there was an incentive that he is not entitled to and that he is not going to get a federal write-off. But he won't need a federal write-off because he doesn't have to write off anything. Whatever . . .

MR. AXWORTHY: I'm just saying, that there is . . .

MR. GREEN: There may be disagreements as to which one produces more for the public but he is not losing a federal incentive.

MR. AXWORTHY: No. I realize that but he's . . .

MR. CHAIRMAN: Mr. McGill.

MR. MCGILL: I think we're getting off the track here. We're here to talk to Mr. Koffman essentially.

MR. CHAIRMAN: That is right.

MR. KOFFMAN: Mr. McGill, I wonder now, if you'd bring in the last thing because it's time, the last point here and, I . . .

MR. MCGILL: Number 5.

MR. KOFFMAN: Number 5, re: company financing. I believe there was a question you asked me Mr. McGill and I have here a table that I prepared about a cash-flow. There's a ten year forestruck capital and authority requirement. I just have this, but I'm bringing this up again so the Minister and everybody else, and I brought this up last year and I'm bringing it up again. All I'm asking, after you get the copy of this, that the financing of the company maybe should be done in a slightly different way, maybe I'm wrong, maybe I shouldn't interfere with things but I still say what I think on top of the table, whether I'm right or wrong, Mr. Green.

MR. GREEN: It's a change in bookkeeping.

MR. KOFFMAN: A change in bookkeeping.

MR. GREEN: Why don't you write-off your interest charges.

MR. KOFFMAN: No. Now you ask me . . .

MR. GREEN: Or just take it in share capital then you won't have interest charges. Mr. Spivak has said that that's the way we can make money and having given us that lesson, maybe we will do that kind of thing.

MR. KOFFMAN: No. The thing is . . .

MR. GREEN: If it's all share capital you won't have interest charges, then you'll make money.

MR. KOFFMAN: No. The point is, what I'm saying, if you look at this. What I am saying and I'm suggesting now that the Crown has said now to us, "You don't pay any taxes because we can see under this ten-year forecast at the end of the tenth year our interest charges would be greater than - even with inflationary budget we just took 5 percent - it would be more than our budget. So . . .

MR. GREEN: Albert that assumes you don't make any money.

MR. KOFFMAN: Yes. We hope we will. Knowing the game I'm hoping that . . . But what I'm just trying to help here and I'm saying really . . . somebody still has to pay this interest. I don't know who pays it. But I'm just trying to change it around.

MR. MCGILL: Ever heard of the taxpayer?

MR. MINAKER: We all do.

MR. KOFFMAN: Tax. We all do. What I'm really saying now is the taxpayer has to pay the interest to some department. What I'm saying now what we really should do with this company, I'm asking, that what we really should do is, we've changed now the point where we, the ten year finance we don't pay the interest. Now I'm saying that we should, the Crown Corporation should take down stock in the company for money advanced yearly on a three-year forward basis. Something like Soquen does. Now people will wonder why I'm thinking. Now if you take down stock at the end of every fiscal year you say, boys we gambled this money it's down the drain nobody has to pay interest on it because then you say I'll write it off and it's down the drain, you're finished. And assuming nobody or no company or no government would have to say, I got to write off \$20 million dollars or 15, I think we should write it off every year on the projects that are dead. I'm just making this suggestion.

A MEMBER: Agreed.

MR. KOFFMAN: So this is what I'm really asking. And the value of the investment to the Crown at the end of each year should be written down by the expenditures incurred on all properties explored and dropped by the company. Then at the end of a year you say this is gone, it doesn't exist. In other words, you can't build up.

MR. CHAIRMAN: Mr. McGill.

MR. MCGILL: I'd like Mr. Koffman to tell us why he thinks he should get money from the government interest free?

MR. KOFFMAN: I don't state. The answer is very very simple. Very simple, Mr. McGill. Anybody that is in the exploration business, we know it takes from 5, maybe to 25, to find a mine and maybe never, I don't know. But all companies operating on an exploration, they write this thing off, and really the taxpayer of Canada is really paying that write-off anyway. What is the difference? The taxpayer of Canada is paying for this write-off.

MR. MCGILL: Mr. Chairman, Mr. Koffman has asked me what the difference is. It seems to me the difference is that there's a voluntary participation in terms of the private enterprise. Somebody makes a free choice that he's going to put his money in your hands and hoping that you will find a mine, and when you don't find a mine he loses his money?

MR. KOFFMAN: That's right.

MR. MCGILL: He's happy about that. Right. The difference here is that it's an involuntary situation.

MR. KOFFMAN: I had nothing to do with that, that's not my problem. I'm just saying . . .

MR. MCGILL: You're suggesting, Mr. Koffman, that somehow or other a mining company doesn't have to pay a charge for that money they get because it's given to them by people who buy their stock. Is that right?

MR. KOFFMAN: They gamble the money and . . . it's gone down the drain . . .

MR. MCGILL: But you don't think, Mr. Koffman, that that money is achieved by sale of stock without any cost to the company, do you? You can't go out and sell stock and promote and do all these things without having a charge against it, eh? In other words, the total amount recovered is not going to be the amount invested, there is 10 or 15 percent, the cost of the money in other words. So whether it's interest or whether it's the cost of raising the money it's still a cost.

MR. GREEN: It's not so. Not so. That is not so.

MR. MCGILL: So if you get your money free from the Province of Manitoba at the taxpayers' expense, then you have an advantage over every other private exploration company. Right?

MR. GREEN: That's not so.

MR. KOFFMAN: What I am saying to you is, if the company's set up and we had to pay interest all along, we may as well fold it up, because there's no way, because you'd build up as I was showing you if you'd look at the Table - you'd pay more interest . . .

MR. MCGILL: No, you could still write it off in your losses. This is part of your losses. You said a moment ago that you thought every abandoned project should be written off and shown as a loss, and I agree. I think that's right.

MR. KOFFMAN: But I say it on a year to year basis.

MR. MCGILL: Yes. And since you don't have to go out and sell stock, why not write off the interest as well at the same time?

MR. MINAKER: Every year.

MR. KOFFMAN: Every year. I say write off the interest every year and write off the losses every year.

MR. MCGILL: That's part of your loss.

MR. KOFFMAN: As part of your loss. In other words I'm saying to whoever the people in power are in the government, I say: gentlemen write it off, you really got \$3 million - you really haven't got \$3 million. We dropped half of these properties - there is just a million and a half dollars net worth left. That's all I'm saying.

MR. GREEN: Mr. Chairman, I would just like to test the validity of Mr. McGill's thesis insofar as the contributor is concerned. Now he doesn't like a compulsory contributor and of course I don't say that there is a compulsory contributor because the people of Manitoba have a right to not have the government on whose behalf this contribution is made. But as far as the contributor is concerned, when I buy shares in a company I pay full value for the shares and get no interest and no dividends unless there is a profit. So that that money goes to the company to use for selling stocks and what have you but I get no interest.

MR. MCGILL: Mr. Chairman, on a point of order.

MR. CHAIRMAN: Mr. McGill, on a point of order.

MR. MCGILL: This meeting is going to degenerate into a debate between Mr. Green and myself. We are both here for the same purpose, to ask questions of Mr. Koffman. And this would be a very ridiculous way for the meeting to end up.

MR. GREEN: Well, Mr. Chairman . . .

MR. MCGILL: If Mr. Green doesn't like my positions that's fine, I'm not expecting to convert him during the course of this meeting, so he simply has a different position.

MR. GREEN: No, Mr. Chairman, I will put exactly the same question . . . Really it wasn't a question you know, it's what one of the so-called poor little farmers who didn't know how to answer questions and were therefore taken advantage of suggested that we were doing. We put a position and then asked Mr. Koffman if he agrees with it. I will now put a position and ask Mr. Koffman if he agrees with it, since that's what Mr. McGill wants to do. Insofar as the contributor is concerned, the person who buys the share; he pays value for his shares, he gets no interest, he gets no dividends unless the company makes money. Isn't that correct, Mr. Koffman?

MR. KOFFMAN: Correct. That is right.

MR. GREEN: Thank you, Mr. Koffman. I'm glad you answered my question.

MR. KOFFMAN: This is normal business in exploration. This is why I'm bringing the point up Mr. McGill. We have to be prepared, when that money is spent in the year forget about it and go on to the next deal.

MR. CHAIRMAN: Is that agreed? Can we then move that the . . .

MR. GREEN: I move that the report be received, Mr. Chairman.

MR. CHAIRMAN: It is moved that the report be received. (Agreed)

MR. GREEN: I move that Committee rise.

MR. CHAIRMAN: Committee rise.