



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

STANDING COMMITTEE

on

ECONOMIC DEVELOPMENT

42 Elizabeth II

*Chairperson
Mr. Jack Reimer
Constituency of Niakwa*



VOL. XLII No. 20 - 9 a.m., TUESDAY, JULY 6, 1993

MANITOBA LEGISLATIVE ASSEMBLY
Thirty-Fifth Legislature

Members, Constituencies and Political Affiliation

NAME	CONSTITUENCY	PARTY
ALCOCK, Reg	Osborne	Liberal
ASHTON, Steve	Thompson	NDP
BARRETT, Becky	Wellington	NDP
CARSTAIRS, Sharon	River Heights	Liberal
CERILLI, Marianne	Radisson	NDP
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CUMMINGS, Glen, Hon.	Ste. Rose	PC
DACQUAY, Louise	Seine River	PC
DERKACH, Leonard, Hon.	Roblin-Russell	PC
DEWAR, Gregory	Selkirk	NDP
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DOWNEY, James, Hon.	Arthur-Virden	PC
DRIEDGER, Albert, Hon.	Steinbach	PC
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EDWARDS, Paul	St. James	Liberal
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ERNST, Jim, Hon.	Charleswood	PC
EVANS, Clif	Interlake	NDP
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FINDLAY, Glen, Hon.	Springfield	PC
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GAUDRY, Neil	St. Boniface	Liberal
GILLESHAMMER, Harold, Hon.	Minnedosa	PC
GRAY, Avis	Crescentwood	Liberal
HELWER, Edward R.	Gimli	PC
HICKES, George	Point Douglas	NDP
LAMOUREUX, Kevin	Inkster	Liberal
LATHLIN, Oscar	The Pas	NDP
LAURENDEAU, Marcel	St. Norbert	PC
MALOWAY, Jim	Elmwood	NDP
MANNES, Clayton, Hon.	Morris	PC
MARTINDALE, Doug	Burrows	NDP
McALPINE, Gerry	Sturgeon Creek	PC
McCRAE, James, Hon.	Brandon West	PC
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MITCHELSON, Bonnie, Hon.	River East	PC
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PALLISTER, Brian	Portage la Prairie	PC
PENNER, Jack	Emerson	PC
PLOHMAN, John	Dauphin	NDP
PRAZNIK, Darren, Hon.	Lac du Bonnet	PC
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<i>Vacant</i>	The Maples	

LEGISLATIVE ASSEMBLY OF MANITOBA
THE STANDING COMMITTEE ON ECONOMIC DEVELOPMENT

Tuesday, July 6, 1993

TIME — 9 a.m.

LOCATION — Winnipeg, Manitoba

CHAIRPERSON — Mr. Jack Reimer (Niakwa)

ATTENDANCE - 9 — QUORUM - 6

Members of the Committee present:

Hon. Messrs. Downey, Driedger, Enns

Mrs. Carstairs, Messrs. Laurendeau,
Martindale, Penner, Reimer, Storie

MATTERS UNDER DISCUSSION:

Annual Report of Manitoba Mineral Resources
for the fiscal year ending December 31, 1992.

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Mr. Chairperson: Will the committee on Economic Development please come to order.

This committee will continue to consider the Annual Report for Manitoba Mineral Resources for the fiscal year ending December 31, 1992. For the committee's information, copies of the annual report are available on the back table.

I would appreciate some guidance from the committee. Will we consider the report in whole or otherwise?

Hon. James Downey (Minister of Energy and Mines): Mr. Chairperson, it was decided at the last meeting of the committee that we would deal with the report as a whole. Questions had been asked by opposition members, and we felt that the member for Flin Flon was here this morning and that—so we are dealing with the annual report as a whole.

Mr. Chairperson: Okay. We will continue questioning on the report.

Mr. Jerry Storie (Flin Flon): Mr. Chairperson, I expect to finish sometime this morning, hopefully early rather than later. I think the minister had a late night as well.

I had some specific questions that I wanted to ask about MMR's involvement in the Farley Lake project. I am wondering if this morning the minister can indicate where the discussions are with respect

to Cazador Explorations. He might give us an overview to begin with.

Mr. Downey: Mr. Chairperson, I want to try to provide as much information as possible. I think the member can appreciate that, because it is a commercial venture we are talking about and could have some implications as to share value and that type of thing, I do not want to try to in any way influence the marketplace and/or the decisions that are to be made.

As an overview, the Farley Lake project is, in my understanding—and I say it is limited. I could ask Mr. Haugh, who is with me this morning, to further elaborate. It is my understanding that the Farley Lake property is important to the longevity and to the viability of the start-up of the LynnGold project. MMR holds some 55 percent of the Farley Lake property of which there are two other owners and the balance of which we have no say or any control.

Cazador has come forward wanting to put forward a—have discussed how they could acquire the Farley Lake property so that it would be the other piece in the puzzle to the start-up of LynnGold. I can tell the member that there are active discussions currently taking place between Cazador and MMR as it relates to the Farley property.

It is I think my desire and the government's desire to see something succeed there but, again, the details and negotiations that are taking place are under the responsibility of the board and the management of MMR. I will say this as well, I hope within a very short period of time there is able to be a decision made that will in fact cause a positive decision to be made, but I cannot confirm that at this time because negotiations are still taking place.

Mr. Storie: Mr. Chairperson, I do not want to do the negotiating in committee either. I recognize that may complicate decisions that MMR and the government may have to make later. I am concerned, however, that the government generally has a history of, in my opinion, waiting too long, that opportunities have been missed in the

past, not specifically with respect to Cazador and the LynnGold property, but in other areas.

It seems to me that there is a window of opportunity here for Cazador. From discussions I have had with Cazador, I am concerned that the government does not appear to have made a commitment in its own collective mind to help out to try and bring this project to reality. The community of Lynn Lake looks at these 40 to 70 jobs as a new beginning. It is very important for the community.

I have talked previously about my concern that MMR has been stripped of monies that could have been used to support whatever initiatives were required on behalf of the government. In particular, I am aware of a proposal that Cazador submitted back in May to the government. I am concerned because despite having had the proposal for more than a month, Cazador did not get a response. It does not seem to me that is bargaining in good faith. It does not seem to me that is indicative of a government who is really concerned, that wants to move ahead, that wants to move ahead, that wants to succeed.

What I am looking for is a commitment on behalf of the government and MMR to put together a team to make this thing go, if it is feasible at all. I have seen a copy of the proposal and it does not seem to me that there is much that should separate the two parties. It seems to me that something could be worked out, that there has to be some sort of cost-benefit analysis and maybe some risks have to be taken. In this case, it will be risks taken with money that has come from mining communities and miners for the last five years. It is money that miners have earned and put in a fund to protect their interests. I cannot think of a community that could require that assistance more right now than Lynn Lake.

So my question is why did the government not respond? Why did MMR not respond to the proposal Cazador mailed to them or faxed to them on the 4th of May?

Mr. Downey: Mr. Chairperson, let me as well say that the government want to, as well, see the revival of the LynnGold activity as well. It is a ray of hope for that community that has seen devastation over the last few years when no activity has taken place. So at the outset I want to say that if at all viable, feasible, we want to see some activity take place there as well. Of course, with the recent

forest fire that has caused again havoc in the community, it is more important than ever to show, if at all possible, confidence that there is some activity that can be carried out.

* (0910)

It has to be done based on a profitability, and I think the member appreciates that. I do not agree with him that MMR has in any way been diminished in its abilities to negotiate with Cazador to participate. I can make a direct response to the May correspondence that he has referred to. I think there was a little bit of a lack of communication as to maybe directly between individuals and I think that has been resolved.

However, that correspondence has been responded to. There has been further communication since that particular time directly. That is what I said at the outset. It is not my place at this committee to delve into discussions and/or negotiations that are taking place that could, in fact, influence it. It is not my intention to do that, but I will assure the member that there are aggressive discussions taking place right at this particular time between MMR and Cazador as it relates to the Farley Lake, and I will not get into any detail as it relates to that.

Mr. Storie: Mr. Chairperson, I would like to know what the minister thinks his responsibility is. The minister is responsible for MMR. He is also responsible for setting mining policy in the province of Manitoba. He is also responsible for investing in the mining industry.

I do not think it is good enough for the minister to say, I will not get involved. If the minister is concerned, as he says he is, about Lynn Lake, about the opportunities there, then he should take a hands-on approach. He should involve himself in the discussions. He should assure himself, as Cazador has assured themselves, that this project is viable and will work, and that the viability of the project is significantly improved by the inclusion of the Farley Lake property.

I think MMR knows full well—the previous president said it unequivocally—that Farley Lake is not a stand-alone deposit. It is marginal. In other words, the investment that MMR has made in Farley Lake can only be used to support some other venture. My understanding is that the inclusion of Farley Lake in this proposal basically doubles the length of time that it would be feasible

to operate it, making it much more attractive to invest in.

But I do not want the minister to get off by saying that we responded. Mr. Chairperson, the bottom line is that on May 4 Cazador sent MMR a letter of intent, a proposal. On June 9 the president of MMR responded by saying, this will acknowledge your letter. Basically, that is all he said. Discussions will continue.

Cazador obviously was very concerned about the length of time these negotiations have dragged on, and I now understand why, because the minister said, well, it is not my job. Well, damn it, it is the minister's job. It is the minister's job to make sure that when an opportunity presents itself that the government is there to take advantage of it.

It did not take the government long to decide to rip \$16 million out of MMR. It seemed to be the minister was onside on that issue. The problem that MMR now has, and I think this is a legitimate problem for the board, is that there is no money left in MMR.

The minister has failed to tell us yet what the deficit is going to be for this fiscal year, but we know it is significant. The cash position of MMR is something like \$8 million. If MMR were to decide that the proposal that was before them was a legitimate one, if they took \$4 million out of the bank today, they would be broke or awful close to it. Another poor year in terms of the operating position of Trout Lake, and we would be in an even more serious problem.

Now that is not good management. It is not good politics and it is not good leadership for the minister to say, I do not want to get involved in this. The community's future is at stake.

What I would like to hear from the minister is a commitment that the province is going to do everything in its power to make this work, that they are not going to stand in the way, that they are not going to dilly-dally, that they are not going to procrastinate in terms of making a decision. That is what we want to hear.

Mr. Downey: I get concerned when the member for Flin Flon (Mr. Storie) worries about the politics of which I am involved in and whether it is good politics or bad politics. I am not so sure where he is coming from.

If he is trying to help my political position, then I thank—

Mr. Storie: I am trying to help Lynn Lake. That is what I am trying—

Mr. Downey: Oh, I see. Now he is trying to help his own political position. Well, anyway, I just wanted to put it on the record when he gets concerned about good or bad politics.

What is good is that if Lynn Lake were to see the start-up of Cazador and to use the Farley Lake property as part of it, I can assure the member—and the other point I wanted to make is that he says that the minister should get directly involved. We have a board of directors, we have management that know everything that the member put on the record, that Farley cannot stand alone, that it has to be part of another deal. That is known and, I am sure, will be taken and is taken into account by the board of directors and by the management in any decisions that are made.

I can assure the member and will make the commitment that government will not stand in the way. I will assure the member that as soon as possible I am asking for a decision to be made on a proposal from MMR and from the board, and, hopefully, it is of the nature that will make things happen.

I am not standing in the way. I am encouraging things to happen that are positive. But, again, Mr. Chairperson, it has to be done based on sound business planning. That, I am confident, is being put forward by MMR board and management. I am not second-guessing them, and I am not going in there and making the decision for them.

The member may want to get politically involved, and maybe did. That is not my intention to do so. My job is to make sure the process is carried out. If there are other decisions that have to be made that would involve government, then I will deal with it at that time. At this point I am satisfied that there is a process in place that is appropriate and that the people who are there know all the things the member is putting on the record.

I can assure him that I would like to see the Lynn property reactivated for jobs and for economic activities in that community.

Mr. Storie: I still do not think that is good enough, that the intent that the minister talks about is not willing to get involved. I can assure the minister that the board of directors and MMR did not make a decision to take \$16 million out of their bank account. It was the government.

So the minister got involved pretty quickly there and maybe jeopardized MMR. This is the minister responsible. He is the minister responsible for Energy and Mines. He is the minister responsible ultimately for whether this project goes or does not go. Certainly I am not asking the minister to ignore economic feasibility studies. I am not asking him to do that.

What I am asking him to do is to ensure that this process moves quickly to get hands-on. It is just inconceivable that a company with the reputation of MMR would receive a proposal and not respond to it, a proposal that was important to the community, important to Cazador's investors, for a month, and then have a "this acknowledges your letter" response.

You know, a day after receiving a letter like this, a responsible approach would have been to sit down, to phone them, to call them, to go and visit them, to say, how are we going to make this work? What other guarantees do we need? The obligations, even in this proposal—and I understand and I think everybody understands that this is a first proposal—do not seem to be particularly onerous for MMR.

I am certainly not privy to all of the details of either MMR's position or Cazador's position, but certainly the tone of the letters leads me to believe that the minister has to grab hold of it because this, too, can slip away.

As the minister knows, this project is held together by a whole series of agreements with differing deadlines, including one that has just passed with Trans-America. I mean, there are all kinds of problems holding this together while the government gets its act together.

* (0920)

If this week or next week or two weeks from now this falls apart because of the lack of diligence on the part of MMR and the part of the government, then they have to be held accountable.

I want the minister not just to leave this to MMR but to agree to carry this to make sure that a decision is made in a timely fashion and a decision which is in the long-term best interest of Lynn Lake and the province of Manitoba. This mine would not have to operate very long for the government to recoup whatever investment it makes even should it be the proposal that is before us.

Mr. Downey: Mr. Chairperson, I will give the member the assurance, without getting involved politically in the decision, I will press to the extent possible that I feel is responsible to make something happen that is responsible, but I will not get directly involved in the final decision making. That is up to the board and the management. I will encourage the decision to be made and, if at all possible, of a positive nature, but I am not going to walk in and tell them that I want this, this and this to happen.

I think that the member is asking me to be responsible, and I am trying to be responsible. I am not trying to go in and second guess people that are there. There are people who are professional, people who that is their business, and I will not override that decision unless new evidence—and if the member has some new evidence or somebody has new evidence that would cause me to take that forward to the board for discussion with them, then that is a different matter. I will not leave a stone unturned as it relates to trying to make something happen from the position that I am as a minister.

Mr. Storie: Mr. Chairperson, the new evidence that I have, of course, is the concern at Cazador that negotiations are not proceeding the way they should. That is the evidence. That has been relayed to me through a couple of different sources, and I relay it to you that it is a genuine concern.

This does rest on the minister's shoulders. For the minister to continue to say, well, I do not take responsibility—can the minister tell us, should MMR decide that this is a viable project, that this will require an O/C to spend \$4 million or \$2 million, will it not come before cabinet for a decision?

Mr. Downey: Mr. Chairperson, as I said earlier, I am not going to get into the numbers or the details of what the negotiations are that are taking place between MMR and Cazador. All I am urging to take place is a decision as it relates to the Farley Lake, and that I am sure will happen sooner rather than later.

Mrs. Sharon Carstairs (River Heights): I would like to take a look at some of the supplementary financial information on page 22 of the annual report. According to the annual report, the shareholders' equity is \$35 million. The working capital is \$27 million. With the amount of money which the government has now taken out of MMR,

can the minister tell us what is the working capital left in MMR at the present time?

Mr. Downey: Yes, between \$8 million and \$9 million.

Mrs. Carstairs: Can the minister tell us what negotiations, if any, are going on with regard to the sale of MMR?

Mr. Downey: I answered at the last committee report, Mr. Chairperson. At the time of that committee report I had indicated that in the overall review of the activities of government we would be looking at the position of MMR. That has not changed from that particular time, and if it is deemed in the interests of the taxpayers, the owners of the province of Manitoba, then it will be considered.

I will leave it at that, Mr. Chairperson.

Mrs. Carstairs: Well, would the minister explain what kind of review is going on?

Mr. Downey: Well, Mr. Chairperson, let us look at the discussions that are taking place currently with Farley. I think we have to be conscious of the fact that there is a property there that is valuable to Cazador and to the start-up of LynnGold. There are other properties that whether or not they would be best activated or held by MMR, or whether there are other individuals who could use them—there are certain questions as to the long-term position of MMR as it currently sits.

I will not sit here and tell the committee that I would not consider it. What the future of MMR is, I am considering, and the role that it has played and will play in the future of the mineral development in Manitoba.

When we get, and if we get, to the Department of Energy and Mines Estimates, I will have some numbers to bring forward that show that there are some positive activities coming forward from the private sector. We may be able to further discuss the overall mining activity at that time.

Mrs. Carstairs: One of the major assets of MMR is the number of properties that she or he—whichever one one wants to call it—has in her/his possession. Presumably, if MMR was sold, then anybody would be free within that corporation to take the leasing arrangements over.

What impact does the minister think that would have on the long-term development of the mining industry in the province of Manitoba?

Mr. Downey: Well, first of all, it is a hypothetical question. At this particular point, I cannot give the member an answer.

Again, let us remember that MMR was established 20-odd years ago, and I think it was reported in the press, and I had talked about it, that we really have not seen a major, major find or development by MMR. It has participated in some, for example Trout Lake, that have been beneficial. But it has spent considerable amounts of money in exploration activity and has never really had a significant find as it relates to the development of a mine.

It does own properties, which I think are certainly good properties, for example, the position it has in Farley Lake. It has spent a considerable amount of money, but it still is a piece of property that fits in with another company's plans. So, yes, there are properties there.

Those are the kinds of things that would have to be assessed, not only by the province, but if there were to be discussions as it relates to what the future is, those properties would be part of that. I cannot speak for mining companies that are out there that may be interested in part or in whole of the properties that MMR has, but I am sure that there is value there.

Mrs. Carstairs: Well, the minister says there has not been a significant find by MMR since its inception in 1977, but can the minister point to other significant finds in the mineral industry in the province in the private sector in that same period of time?

Mr. Downey: Yes, I can. Namew Lake is one that was discovered. Can I also say that we are seeing a substantial interest and increase in activity in exploration and staking by the private sector this last year. I am encouraged by that.

That really is the name of what we are after, to try and get private sector investment into Manitoba to explore and to develop resources that they find.

I must say I am encouraged by the numbers that are coming forward showing that there is a turnaround in the mining industry in Manitoba as it relates to the exploration and staking of claims.

Mrs. Carstairs: I think that obviously anybody who is interested in the mining industry would think that is a positive indicator if there is in fact increased activity, but surely that is the whole purpose of MMR that it can be a lending hand, if

you will, to the exploration industry when it wants to stimulate the exploration market and that additional exploration can be encouraged by the presence of a corporate entity solely owned by the province that has some assets, limited though they are now, since they have had a \$16-million cash departure, but all the more reason for MMR being a player on the scene. Is that not the purpose of MMR?

Mr. Downey: Again, I believe so. I do not disagree with the member that there was an intended role for MMR to participate, to find new mine deposits and to carry out the activities as it relates to the mining industry. That I do not argue.

* (0930)

I guess it is not unlike—and I can tell you that it is different because it has experienced some positive activities in certain areas—the philosophical decisions behind the development of the Manitoba Oil and Gas Corporation which was precisely to do the same thing. It was to develop the oil industry, to be part of it and to pay great dividends to the province.

Unfortunately, that never happened. In fact, the reverse happened. The taxpayers of Manitoba contributed \$16 million—it is funny that number \$16 million comes back again—to the other side of the ledger. It cost the taxpayers \$16 million for the venture that we toured into in the oil patch.

I give credit to the management of MMR. They did not get us in that position. In fact, they were able to develop a cash reserve and been able to do some work that I think has been of a positive nature. So I think in all aspects, one has to give a fair assessment, but I am not going to sit here and say that I am not considering the future of MMR as it relates to our position as a taxpayer.

Mrs. Carstairs: Well, with the greatest respect, there is a fundamental difference between the oil and gas industry in the province of Manitoba and the mining industry in the province of Manitoba. There has never been a significant oil and gas find in the province of Manitoba. Yes, there have been some small ones, and I can name the wells. In fact, having had a husband who has spent his entire life in the oil and gas industry, I have some knowledge of the oil and gas industry as it pertains to the province of Manitoba.

If you are comparing oil and gas industry finds with Manitoba and oil and gas industry finds with Alberta, I can assure you that we are not looking at

significant finds in the province of Manitoba. It is not the case with regard to the mining industry. There have indeed been significant finds in the province of Manitoba. One only has to look at a few years back when the incredible revenues accruing to a provincial government were coming from those very finds in northern Manitoba that led to a mining tax revenue which was enormous. We have never had that kind of oil and gas tax revenue in the province of Manitoba in any significant way, shape or form.

So to compare MMR with Manitoba oil and gas, I think, is not an appropriate comparison. However, the corporation in its own supplementary financial information shows a tremendous growth potential for this company from 1987, where the shareholders' equity was \$9.6 million to a shareholders' equity of 1992 of \$35 million. Now we know it is no longer \$35 million because the government chose to take \$16 million out, but that was not because of any inadequacy in the operations of MMR. It was because MMR was highly successful, and the government saw it as a cash cow and something that it could rob. The reality is that MMR has been a successful corporation.

Having been successful, unlike the oil and gas equivalent that the minister likes to compare, then why is the minister seriously reviewing it, and I would suggest reviewing it for the purpose of sale?

Mr. Downey: Just to help the member out a little bit, and I agree that we do not have any comparative position as it relates to the oil and gas industry with Alberta, but let me just put a couple of numbers on the table. The oil and gas industry in Manitoba, the oil industry produces over a hundred million dollars in gross revenues for the province, for the industry, which is 1 percent of the national production, which is not big in the national picture, but a hundred million dollars in total output from the oil industry is significant.

I think if one were to look at the—I know that when we came in in 1988 there was a significant mineral tax from the mining sector. The last couple of years there has been continual royalty taxes from the oil industry. There have not been any, to speak of, direct taxes from the mining sector. Yes, there is a difference in size, in magnitude. One also has to take into consideration the fact that we have spent, and it has gone into jobs and employment opportunities in drilling in the mineral

sector of some \$50 million into the economy as well. I do not disregard that, and that is also an important consideration to be looked at.

Again, it is one of what is the right thing to do, and I am confident that the information that is available, the discussions that will be had, will benefit the taxpayers of Manitoba when the decisions are made.

Mrs. Carstairs: I am sure the minister knows full well that most of the major oil companies' holdings in the province of Manitoba are for sale and have been for sale for a significant number of years. All one has to do is get in touch with a company like Chevron that owns a number of properties, and they will send you out a listing of their oil wells that have been capped and the value of those wells and the properties that those wells are for sale at. In fact, I can bring him a list of them if he would like since they are sitting on my husband's desk.

In terms of the MMR situation, there seems to be a great deal of concern in the community, and we have received some calls in the last little while in the caucus with respect to the selling of MMR and the impact that sale will have on the properties that MMR is holding and the feeling that whomever bought these would not, quite frankly, stimulate the exploration. That is the strength of MMR, that there is still the capacity in the hands of government to provide that stimulation. What I am hearing from the minister, and I do not want to put words in his mouth, is that he does not consider that stimulation to be an important asset to the province of Manitoba. If that is not what he is saying, then let him repudiate that.

Mr. Downey: Mr. Chairperson, yes, I do consider any activity as it relates to the stimulation of the mining sector to be important to the province of Manitoba, whether it is through MMR or whether it is in fact through the private sector. I think the member wants to check a little bit further before she puts on the record the negative approach of the oil industry in Manitoba, particularly Chevron.

Chevron, we have had several meetings with them. In fact, they are expanding and looking for new opportunities and have a drilling program that we are very pleased with in Manitoba this year, and yes, I guess if someone came along with a substantial amount of money, would probably sell. But the last meeting that I had with the people from Chevron, right from the top end, is that they are

very confident that they can continue to expand and have a very profitable operation in Manitoba. I do not think Tundra Oil and Gas, which is a Manitoba-owned company, are for sale. They are doing a very good job. I do not believe that Home Oil and the Pierson field that are developing and have put down a new horizontal well—yes, I guess if somebody came along with a substantial amount of money to buy them out.

The oil fields of southwestern Manitoba—and I know, Mr. Chairperson, I am out of order. We are not talking about oil, we are talking about MMR, but I have a little different information than what the Liberal member, the former Leader is putting on the table as it relates to the oil industry, and I think it is important that I correct her. Again, I can elaborate more when we get into the Energy and Mines Estimates.

* (0940)

Mrs. Carstairs: We will get into it when we get into the Energy and Mines Estimates.

With respect to the corporate directory of this company, when I look at the directors, am I correct in assuming that not a single one of your directors is a woman?

Mr. Downey: Mr. Chairperson, that is a point well taken and something that I would like to move to change.

Mrs. Carstairs: Has there ever been, in the minister's knowledge, a female member of the board of MMR?

Mr. Downey: Not to my knowledge. I can tell you, many of the boards that I am responsible for have women appointed, but not on this board.

Mrs. Carstairs: Can I assume that the next time there is a director to be appointed to this board the minister will look favourably upon the appointment of a woman to this board?

Mr. Downey: Mr. Chairperson, I am not so sure whether the member herself is lobbying for a position on this board, but I can assure her that every consideration will be given to her request.

Mrs. Carstairs: I can assure the minister that if asked I will decline.

I will pass to the member for Flin Flon.

Mr. Storle: Mr. Chairperson, I would just like to continue for a few minutes on the exploration side. I am wondering whether perhaps we could have sort of an update on the exploration program and

maybe expand on some of the comments that are made on Woosey and Wellmet, Eldon Lake. I gather the Bur zone has been fairly thoroughly explored and it has been decided that it is not of significant value to warrant further exploration. I would just like an update on where these projects are going.

Mr. Downey: Mr. Chairperson, to elaborate, I am unable to do because we are bound by confidentiality agreements with all our partners. All that can be said about what is taking place is put in the annual report. I would hope the member would respect that.

Mr. Storie: Well, I realize these are joint ventures. I guess I am not looking for some sort of detailed discussion of the mineralization that is found in every hole that has been drilled, just an indication whether there are some positive signs. We are looking for ore particularly in the Snow Lake area. Obviously HBM&S has spent a good deal of money and MMR has spent considerable exploration money. I am wondering whether they are currently pursuing some positive mineralizations in the area.

Mr. Downey: Mr. Chairperson, again I will be able to elaborate a little bit more when we get into the Energy and Mines Estimates as to what is in fact taking place. I have some very positive news as it relates to the exploration and to the staking in that Flin Flon-Snow Lake area in a general way and the numbers of hectares that are now under exploration compared to last year. There is a general overall influx of activity as it relates to the base metals but also as it relates to the diamonds, which the member I guess—I hope he thinks that is important. I think, again, just to deal with the MMR activities, that we would desperately hope to find new mineral deposits so that the North can in fact see activity.

I am encouraged; I say this genuinely. As all the industry is depressed with the prices that they received, particularly in the base metals, I am encouraged by the activities that the private sector particularly and the joint ventures are carrying out in the exploration field. For example, when one hears of the negative reports coming out of B.C. and you hear the negative reports coming out of Ontario and what is happening in the mining sector, we are, I think, well positioned to see a lot of increased activity in Manitoba.

I made reference the other day to the CANMET meeting that was held in Flin Flon, in his own community, where we were expecting something like 50 to 60 people to come out to look at the new mapping technology and identification of mineralized areas. There were 179 or 180 people registered for the program to get updated. We are targeting this new program right in that Flin Flon-Snow Lake area. That to me is a clear sign of some renewed confidence and hope that there are some resources there that will be found.

Mr. Storie: Well, I am encouraged to hear that, and I know that the minister may have already had discussions with individuals from Greenstone community futures group or the town itself, both Flin Flon and Snow Lake, who are anxious to see perhaps that kind of a project expanded. Because of the importance of the region to the province's economy and because of the potential of the Greenstone belt generally, it is perhaps appropriate that we have additional staff from the department, from Energy and Mines in Flin Flon.

Perhaps the more appropriate place for doing all of the geological mapping and surveying and having the results is in a community like Flin Flon. Certainly the fact that you are able to attract 170 people is astounding and indicates that there is a lot of interest in the region. I do not know how much of that is due to the diamond rush of '93. It is certainly encouraging. I guess the more important question though is whether we are going to be able to find some ore, particularly in the Snow Lake area, in the next little while.

I am wondering whether MMR continues to target the Snow Lake area for exploration in the coming year and whether they have a longer-term drilling program for Snow Lake.

Mr. Downey: The answer is yes, they are targeting the Snow Lake area. I as well would hope that we could have some success. I should as well, and again we could discuss this more broadly, I guess, Mr. Chairperson, seeing as you are not bringing us to order. I recently received a public communication from Pioneer Metals where they have in fact just done an update study on the Puffy Lake mine at Sherridon in anticipation of reactivating that mine.

So with that and with the Cazador work that is taking place, I am not discouraged. Of course, the thing that is driving it, I guess, is that not only do

they believe the reserve is there, but to see the gold price somewhat higher than what it was in the past year is encouraging.

Just to make sure the member is clear, the numbers of people who were at the Flin Flon event were not those who their first desire was that of base metals. It was a base-metal activity, not diamonds. Some, I am sure, are dual but mainly base-metal people.

Mr. Storle: It would please me to ask whether MMR, given its interest in base metals, has done any kind of projections, whether they are projecting what kind of a year we are going to have for copper and zinc prices. Is there any prospect for improved prices?

Mr. Downey: Mr. Chairperson, I am not speaking for MMR. I am only speaking from some reading that I have done and some of the discussions I have had. I guess the first thing we have to give credit to is to the employees and the workers of our Incos and our HBM&Ses for their ability to continue to introduce efficiencies into their operation, which has not totally solved the problem but has certainly helped when you compare what their cost of production is to other parts of the world. They have certainly done everything, I think, to try and maintain their operations in this country.

The longer term, any reading I have done is that like everything else, as the economy starts to improve, the longer term would be for improved prices. In the short term, there is nothing, I am told, from MMR that would give you reason to believe that there will be any major search but hopefully we have seen the bottom of it and we are now hopefully going to start digging our way up, but it will be a slow recovery.

There are many things that can influence the marketplace, and we will see. The gold is an example of six months ago at \$330-odd dollars an ounce U.S. and today, I believe, it is \$386. Whether it will stabilize at that is another question but, if it is doing this, if it were to break \$400 an ounce, you would see, I am sure, again increased activity. It is not unlike when I referred to the oil industry earlier. We have recently issued some horizontal drilling permits that will bring in new technology to the oil fields of southwestern Manitoba. If they in fact pay off and they produce out of fields that have been traditionally more difficult to produce out of the traditional vertical

holes, it would just in fact catch fire. That, of course, will depend on the success of those holes that are being put down now.

Mr. Storle: Just another, perhaps, possible encouraging sign would be the reactivation of Inco Gold's interest in their property in Snow Lake. I guess first, has the minister had any indication from Inco Gold that they are going to reactivate that project?

Mr. Downey: I am told that they have sold their gold interests in TVX. I cannot report anything more than that.

* (0950)

Mr. Storle: Does MMR have any other gold property interests besides Farley Lake?

Mr. Downey: Not specifically gold, no.

Mrs. Carstairs: You touched on diamonds. Obviously MMR is not directly involved, at least not that I can see in their report. Have there been any proposals to MMR on—

Mr. Downey: Yes, MMR has some ground staked in what is considered the diamond area, which is anywhere right down to the oil fields of southwest Manitoba. They are staking all over the province.

Mrs. Carstairs: But have any exploration companies made any specific proposals on diamond exploration with MMR?

Mr. Downey: Nothing concrete in that area.

Mrs. Carstairs: In the settlement prices on page 23, are those the settlement prices for MMR or are those the actual prices on average that was received in '92?

Mr. Downey: They are MMR's.

Mrs. Carstairs: What is the break-even point on those metals for MMR?

Mr. Downey: We will try and get the answer for the member, but I cannot give it to her right now.

Mr. Storle: Mr. Chairperson, just one other question. I have forgotten what it was—yes, I remember.

The question was whether MMR has ever or is currently involved in an quarrying projects.

Mr. Downey: No, Mr. Chairperson.

Mr. Storle: Just a question to the minister then. Would it be within the purview of MMR to get involved in quarrying projects?

Mr. Downey: I am not aware of any demand for that type of activity by MMR. I suppose if it were seen as a needed and profitable activity then I would not discourage it, but I have not seen the demand that has been needed for it.

Mr. Storle: Well, there are a couple of quarrying projects in northern Manitoba. One of them is commercial, one of them is in the exploratory stage. It seems to me that MMR, given its vast geological expertise, may be of assistance to some of the individuals, some of the companies who are currently looking for both granite and forms of limestone that are suitable for polishing.

I am wondering whether I could undertake to have individuals who are involved in these exercises contact the minister or MMR with a view to perhaps sharing in some of the exploration and perhaps even development of quarrying products.

Mr. Downey: Let me assure the member that I will leave not a stone unturned as it relates to the activities of quarrying.

Mr. Storle: Just one final question. We spent a great deal of time talking about the potential losses for this fiscal year. Certainly it has been some weeks now since the committee last met. I think that it is an important question.

Can the minister indicate whether now MMR can indicate where it expects to end up, in fiscal terms, at the end of this year?

Mr. Downey: Mr. Chairperson, in the \$2- to \$3-million range.

Mr. Chairperson: Shall the Annual Report for Manitoba Mineral Resources Limited for the fiscal year ended December 31, 1992, pass? Pass.

The time being 9:55, committee rise.

COMMITTEE ROSE AT: 9:55 a.m.