

**LEGISLATIVE ASSEMBLY OF MANITOBA**  
**THE STANDING COMMITTEE ON ECONOMIC DEVELOPMENT**

**Tuesday, October 3, 1989**

**TIME — 10 a.m.**

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**LOCATION — Winnipeg, Manitoba**

**CHAIRMAN — Mr. Helmut Pankratz (La Verendrye)**

**ATTENDANCE - 10 — QUORUM - 6**

*Members of the Committee present:*

Hon. Messrs. Connery, Neufeld

Messrs. Burrell, Mrs. Charles, Messrs. Evans  
(Fort Garry), Helwer, Pankratz, Rose, Storie,  
Taylor

**APPEARING:** Mr. Jay Cowan (Churchill)

Dr. Malcolm Wright, President of Manitoba  
Mineral Resources Ltd.

**MATTERS UNDER DISCUSSION:**

Annual Reports of Manitoba Mineral  
Resources, 1987 and 1988

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**Mr. Chairman:** Committee, please come to order.

The Standing Committee on Economic Development is meeting today and Thursday, if necessary, to consider the Annual Reports from Manitoba Mineral Resources Ltd. for the fiscal year ending December 31, 1987 and December 31, 1988.

\* (1005)

Previously the committee had met on Thursday, March 16, 1989, to consider the '87 Annual Report. As I have already indicated, the committee will be considering both items today.

I would invite the Honourable Minister responsible to introduce his staff in attendance and make a few brief remarks to refresh our memories about Manitoba Mineral Resources and the annual report, after which I guess I will ask the—

**Mr. Harold Taylor (Wolseley):** Procedurally, we would like to substitute for the Member for St. Norbert, Mr. Angus, instead Mr. Evans, the Member for Fort Garry.

**Mr. Chairman:** Order, please. In order to make these changes we have to have leave. Is there leave for Mr. Taylor to make these changes?

**An Honourable Member:** No, they should have been done yesterday.

**An Honourable Member:** Point of order, Mr. Chairman.

**Mr. Edward Helwer (Gimli):** These changes should have been made in the House yesterday. They know the rules. The only changes that can be made, they have to be made in the House. There cannot be any changes made this morning.

**Mr. Chairman:** Mr. Taylor, are you speaking to the same point of order?

**Mr. Taylor:** Yes, I certainly am. It can be done, as the Member for Gimli said, in the House on the day or days preceding. However, when something happens and a Member is not available, it has been the normal procedure of the committees, with leave, to make substitutions at a later date. It has been done numerous times. In fact I would suggest the substitutions have been done more numerous at the committee than in the House. I would ask for the co-operation of the committee in that it is impossible for Mr. Angus to be here this morning because of something that happened this morning. I am really a little taken aback with the Member for Gimli's comment.

\* (1010)

**Mr. Chairman:** Mr. Helwer, were you going to make a comment?

**Mr. Helwer:** Yes, Mr. Chairman, the Member is correct that sometimes changes can be made here. When the House is not sitting certainly changes can be made, but when the House is sitting the changes have to be made in the House. That is the rules.

**An Honourable Member:** That is not correct.

**Mr. Jay Cowan (Churchill):** On the point of order, Mr. Chairperson, the rules are that the changes should be made in the House. However, this committee in the past has allowed for changes to be made on the floor of the committee, by leave, because we all recognize that there are certain circumstances from time to time which make necessary changes in plans.

Of course when leave is being discussed, any one Member can deny such leave, and if what we are hearing from the Conservatives is that they wish to deny that leave and they wish to preclude a substitution at this point in time by invoking their right to deny leave, then so be it. There is very little we can do about it except to have very long memories.

**Mr. Chairman:** Any more comments on this point of motion? Mr. Taylor.

**Mr. Taylor:** Mr. Chairperson, thank you. Given those points from the table, I would ask you to ask the Member for Gimli (Mr. Helwer) if he would reconsider his objection.

**Mr. Chairman:** I would actually also wish that Mr. Helwer would reconsider because it has been done numerous times before in the past. I would wish that we would be able to go on with the meeting, what it is called for.

\* (1015)

**Mr. Chairman:** I would once again like to ask whether there is leave for Mr. Taylor to make committee changes. Is there leave? Granted.

**Some Honourable Members:** Leave.

**Mr. Chairman:** Mr. Taylor, would you please repeat the changes?

**Mr. Taylor:** Yes, thank you very much Mr. Chairperson. We would like to table the resignation of Mr. Angus, the Member for St. Norbert, and move instead his replacement Mr. Evans, the Member for Ft. Garry.

**Mr. Chairman:** Does the committee agree to the change? Agreed.

**Mr. Taylor:** Mr. Chairperson, before you go on with the item that was on the agenda this morning and introduce the Minister and his staff, I would like to resolve one matter which has been left unfinished since the committee last met. I wish to bring your attention to certain events which occurred in the Standing Committee on Economic Development on and subsequent to the first day of May, 1989.

Mr. Chairperson, on that evening the Government Members on the committee, the Member from Morris, the Minister of Finance (Mr. Manness); the Member for Arthur, the Minister of Northern and Native Affairs (Mr. Downey)—

**Mr. Chairman:** Mr. Taylor, I would like to call the attention of all committee members here. Before we go into any detail of the previous meetings I believe the Minister should be able to make his statement and introduce his staff, after which I will ask you, Mr. Taylor, to carry on.

**Mr. Taylor:** On a point of order, I am dealing with a matter that, yes, is old business, and you are quite correct. I am also dealing with a matter which was under advisement by the Speaker of our House and was dealt with I believe it was Friday, June 2, 1989. Now in dealing with that, I think the protocol of this House is that a matter left unattended to must be dealt with as early as possible. It was only on the basis of that that I bring it up now and not at some other later point in the meeting. I would hope that in following the normal procedures of the House—this is what I was trying to subscribe to—we could deal with this matter and put it aside and then get to the regular meet of

the agenda here. That is the reason for moving it at this time, Mr. Chairperson.

**Mr. Chairman:** What are you moving on?

**Mr. Taylor:** I will read it out for the record. In essence the need for there to be a report from this committee to the House on unfinished matters dating from the events of May 1 and subsequent to that, that is what is hanging there, and quite frankly that is what is souring some of the involvements at this committee. The attitude must be cleared up and this matter not left hang to fester. It was on the basis of that that we wish to bring a report (1) and to refer it to another standing committee of this House so that it is not on the table at this committee and we can deal with the other matters that this committee should be dealing with.

**Mr. Chairman:** What is the will of the committee? I would wish that we would first allow the Minister to make his statement and introduce his staff, after which Mr. Taylor would be the first one to be recognized to bring up his concern.

Mr. Taylor, do you have a motion?

**Mr. Taylor:** Yes, I do, but before reading the motion I wish to do the preamble and I feel that is important.

**Mr. Chairman:** Is it the will of the committee to carry on? (Agreed) Carry on, Mr. Taylor.

**Mr. Taylor:** I will recommence. Mr. Chairperson, on that evening the Government Members of the committee, the Member for Morris, the Minister of Finance (Mr. Manness); the Member for Arthur, the Minister of Northern and Native Affairs (Mr. Downey); the Member for Lakeside, the Minister of Natural Resources (Mr. Enns); and the Member for Gimli (Mr. Helwer), immediately following an adjournment motion which was proposed by the Minister of Finance and which was defeated, simply rose and left the committee room.

In doing so, Mr. Chairperson, I believe they acted in contempt of the committee. Very shortly thereafter the then Chairperson of the committee, the Member for Minnedosa, despite clear advice from the committee of which a quorum was still present, recessed the committee and left the room.

Mr. Chairperson, while it is common practice for a Chairperson to recess a committee to receive advice, it is extremely unusual for such a recess to continue beyond a few minutes without seeking additional advice from the committee or taking the matter under advisement and continue with the meeting.

\* (1020)

In acting in the manner he did, the Chairperson aided and abetted those Members whom I have already indicated acted in contempt of the committee. Mr. Chairperson, this has raised serious questions about his ability to act as an impartial Chair of a committee or of the House. Certainly no longer has he the confidence of the majority of the Members of the

Standing Committee on Economic Development, nor does he have the confidence of the majority of the Members of the House.

Mr. Chairperson, normally an alleged breach of privilege which occurs in committee would come to the floor of the House in the form of a report from the Chairperson of the committee. However, as the Chairperson of this committee is himself the subject of the allegation of contempt to the committee, it was raised to the matter of the Speaker in the House on May 19. The Speaker in ruling on the matter referred it back to this committee stating—and this is Hansard, Friday, June 2, 1989—"The Standing Committee is now able to meet and could be called, at which time it could consider the matter raised by the Honourable Member for St. Norbert (Mr. Angus) and could decide whether or not to report the matter to the House. That, however, is something only the committee is competent to address and which it may wish to examine."

This is, I might note, the first meeting of that committee since that time. The Speaker went on to state on the same ruling, "This does not preclude the matter from being raised in a another manner." That is exactly what I am doing at this point, Mr. Chairperson. I will continue and finish in a moment.

The actions of the Members of the Government of that evening were so extraordinary that the situation may be in the words of the Speaker, "without precedent in the Commonwealth." Mr. Chairperson, there are two specific issues: the first is the actions of the Minister of Finance (Mr. Manness) who, as senior Minister at the meeting and who was there to testify on the matter before the committee, walked out of the committee in defiance of a motion to adjourn which had been defeated.

Mr. Chairperson, contempt is defined on page 196 of Mr. Joseph Maingot's book on parliamentary privilege in Canada as "any act or omission which obstructs or impedes either House of Parliament in the performance of its functions or which obstructs or impedes any member or officer of such House in the discharge of his parliamentary duty." The Minister of Finance (Mr. Manness), by walking out of the committee aware as he was that a motion to adjourn had been defeated, acted to obstruct and impede the committee in the discharge of its duty.

The Chairperson at the time this contempt occurred did not act to protect the rights of the Members of the committee who remained. The committee was properly constituted, called by the Government, at the request of the Minister of Finance and proceeding according to accepted practice. A motion to adjourn was put, and defeated. In defiance of this, the Government walked out.

A quorum remained and despite its clear indication of a desire to discuss the matter, the Chairperson walked out. As a result, Mr. Chairperson, the remaining Members of the committee were deprived of their right to raise this matter to the House in the normal fashion. I believe that all the Government Members acted in contempt of this committee. However, the actions of the Minister of Finance (Mr. Manness) and the Member

for Minnedosa (Mr. Gilleshammer) are particularly serious given their additional responsibilities.

Therefore, Mr. Chairperson, given the seriousness of the situation, I move, seconded by the Member for St. Vital (Mr. Rose) that the Chairperson report this matter to the House at its next sitting, and that the report contain the following motion moved by myself, and seconded by the Member for St. Vital.

1) The events which occurred during, subsequent to and related to the May 1, 1989 meeting of the Standing Committee of Economic Development be referred to the Standing Committee on Privileges and Elections.

2) The Standing Committee on Privileges and Elections be instructed to meet within 10 days of the acceptance of this motion as frequently and as frequently thereafter as the committee may decide in order to review the matter and report to the House as soon as possible.

**Mr. Chairman:** Mr. Taylor, would you have a copy of the motion in writing?

**Mr. Taylor:** Yes, I would.

**Mr. Chairman:** Just one question for clarification: is this the earliest you could raise this matter?

Mr. Taylor, a question in respect to your motion, "The Standing Committee on Privileges and Elections be instructed to meet within 10 days to accept . . . ." I guess that should read, "It is recommended that the Standing Committee on Privileges and Elections be instructed to meet within 10 days in acceptance of the motion." Would that meet with your approval?

\* (1025)

**Mr. Taylor:** This is on point (1)?

**Mr. Chairman:** On point (2).

**Mr. Taylor:** No, they can be instructed by the—if that is the will of the House, the House can instruct the committee to meet. That is quite clear, and that is what the intent is here, Mr. Chairperson. Your point back, I am not quite clear on.

**Mr. Chairman:** Mr. Taylor, the committee would be reporting to the House and requesting that the action be taken.

**Mr. Taylor:** Your reading of the thing would be point "(2) The Standing Committee on Privileges and Elections be requested to meet." Is that your suggested change?

**Mr. Chairman:** Yes, or be recommended, Mr. Taylor, that it shall be a recommendation.

**Mr. Taylor:** I would suggest, Mr. Chairperson, that changes the intent of the motion. It cannot be left at a whim, as is the call of committees in a normal context.

**An Honourable Member:** Shall the rest of us come back the next time, because we are going to be talking about this till twelve o'clock?

**Mr. Taylor:** I hope not, as an aside to the Minister of Energy. (Mr. Neufeld), it is not ridiculous. It is an issue that must be dealt with, and I would like it dealt with before we get on to the meat of the meeting here today, which is his report. To say that this is ridiculous . . .

**Mr. Chairman:** Mr. Taylor, I am being instructed to request that you make the change, that "It is recommended that the Standing Committee on Privileges and Elections be instructed to meet within 10 days of acceptance of the motion and frequently thereafter."

**Mr. Taylor:** Could you just read that again, please?

**Mr. Chairman:** "It is recommended that the Standing Committee," actually just before that you would fill in: "It is recommended that the Standing Committee on Privileges and Elections . . ."

**Mr. Taylor:** Yes, Mr. Chairperson, it is that this committee strongly urge that, and that I would accept that amendment from the Chair.

**Mr. Chairman:** Mr. Taylor, that is going to be put in, I will read it out to you. "This committee strongly urges that the Standing Committee on Privileges and Elections be instructed to meet within 10 days of the acceptance of this motion and as frequently thereafter as the committee may decide in order to review the matter and to report to the House as soon as possible."

Is there any debate on this motion?

**Mr. Helwer:** Mr. Chairman, I feel the motion is not warranted. I think, I can speak on this motion now, can I?

**Mr. Chairman:** Yes, Mr. Helwer, you can. Order, please; order, please.

**Mr. Helwer:** I feel that the committee at that time did deal with the business at hand with the report of Repap at that particular time.

The Minister did answer all questions to the best of his ability. I think he answered them actually more than—he went out of his way to get the Opposition Members the answers that they required to the questions. The Minister at the time, Mr. Manness, was certainly fair and obliging and did release this information to both Opposition Parties. We did spend the time that was necessary, I believe. I do not remember exactly the hour that we adjourned or the hour that we had walked out. In fact, I am not even sure if there was majority left on the committee after we walked out. So I do not really feel there is any need at all for this type of motion.

\* (1030)

This Government has been more than fair, more than honest and open with both Opposition Parties, especially in committees such as this.

**Mr. Chairman:** Mr. Helwer, would you please continue?

**Mr. Helwer:** In comparison to what we have had in the past and other years and other committees, I think this committee had dealt with that question very fairly and openly, and we have done everything we possibly could. Therefore, I do not believe there is any need for such a motion. The Chairman at the time, Mr. Gilleshammer, did what he could and we acted in the best interests of Manitobans, Mr. Chairman.

**Mr. Chairman:** Thank you. Mr. Storie.

**Mr. Jerry Storie (Flin Flon):** I appreciate Mr. Helwer's comments, but really we do not need revisions of history at this committee. I think the facts have been put on the record rather clearly, and the fact of the matter is that the previous Government, nor the Government before that, ever walked out on a committee.

Mr. Helwer's suggestion that the questions were answered satisfactorily or that the information that was requested was provided, is quite erroneous. Nonetheless, that is not at issue here. The issue is whether a Member of the Government can frustrate the work of the committee, whether the actions on that evening by the Chair and the Minister were in fact in contempt of the committee. The motion is asking for the committee on Privileges and Elections to explore that question. I believe there is a prima facie case for a contempt charge, but that is for the committee to decide.

If the Member for Gimli (Mr. Helwer) wants to prolong the debate at this meeting on the merits of recommending that the committee be called to study the question, then we can certainly get into that. I do not really appreciate the comments from the Member for Gimli with respect to the facts of that particular evening or the need for this question to be investigated. I am not interested in delaying the proceedings. I know the Minister has his own schedule for later on today. We want the committee to deal with the question of MMR. We are prepared to debate this if the Member for Gimli wants to.

**Mr. Chairman:** There is a motion on the floor. Does anybody else want to make any comments to the motion? I will read the motion.

Therefore, Mr. Chairperson, given the seriousness of the situation, I move, seconded by the Member for St. Vital (Mr. Rose):

That the Chairperson report this matter to the House at its next sitting and that the report contain the following motion: moved by Mr. Taylor, seconded by Mr. Rose.

- (1) The events which occurred during, subsequent to, and related to the May 1, 1989 meeting of the Standing Committee on Economic Development be referred to the Standing Committee on Privileges and Elections.
- (2) This committee strongly urges that the Standing Committee on Privileges and Elections be instructed to meet within 10 days of the acceptance of this motion and as

frequently thereafter as the committee may decide, in order to review the matter and to report to the House as soon as possible.

That is the motion. All those in favour of this motion, please say Aye. The Nays. I would like to have the Members indicate by raising their hand. All those in favour, please indicate.

I believe the Nays have it.

**An Honourable Member:** Let us raise hands and make sure the Members are here.

**Mr. Chairman:** Mr. Taylor calls for a recorded vote, very good.

All those in favour please indicate, and only committee Members can vote. All those in favour of the motion please raise your hand.

Five in favour of the motion.

Against the motion? Four against.

I declare the motion carried.

I would invite the Honourable Minister responsible to introduce his staff members in attendance and make a few brief remarks to refresh our memories about Manitoba Mineral Resources and the annual report.

**Hon. Harold Neufeld (Minister of Energy and Mines):** Let me say, first of all, what a colossal waste of a half an hour.

**Mr. Chairman:** Please let us pay attention to the committee.

**Mr. Neufeld:** It seems to me, Mr. Chairman, that this motion could have been introduced at that very meeting because there still was a quorum by the Members. They can appoint a Chairman and still raise it. Because they did not have the political smarts, they . . .

**Mr. Chairman:** Mr. Minister, please make your report at this point.

**Mr. Neufeld:** Thank you, Mr. Chairman. Let me first introduce members of the Manitoba Mineral Resources. I have Dr. Malcolm Wright on my left, the president of the company, and Mr. Neil Briggs, the vice-president of the company.

Secondly, let me refresh your memories that this is a two-year report we are going to review. The reason that the 1987 report was not passed, or the principal reason at least, was that the Callinan property sale was hanging in the balance. The offer had been made and the conditional offer had been accepted but Mr. Storie (Flin Flon) wanted to wait until the offer had been either completed or had been denied.

I want to say at this point, Mr. Chairman, that the offer was accepted and that Manitoba Mineral Resources has sold the Callinan property for a price equivalent to its investment, plus interest.

The reason we have decided on the sale is that the original decision to invest in the property was as an

investor of last resort. The risk since that date has not materially changed and since an offer was received from Hudson Bay Mining and Smelting, Manitoba Mineral Resources decided to accept the offer and have sold the property. The monies will be collected by the end of 1990.

I expect also, Mr. Chairman, that some questions will come with respect to the LynnGold situation. I might say at the outset that this is a political decision and if the Members wish to question the president of the company, they will get an answer as to the commercial viability of such a decision.

At this point I would like to turn the mike over to the president, Dr. Wright, for him to make his remarks.

**Mr. Malcolm Wright (President of Manitoba Mineral Resources Ltd.):** Highlights of the 1987 report were summarized by Paul Brockington, our chairman, at the March 16 meeting. I now propose to summarize the 1988 highlights.

In 1988, we reported record earnings of \$4.6 million after record exploration expenditures of \$4 million. Trout Lake continue to be the major source of the company's revenue and earnings. In 1988 record earnings reflect increased production from Trout Lake in exceptionally strong copper and zinc prices, record capital expenditures of \$11.9 million, of which \$9.9 million was financed by issuance of shares to the province.

The Trout Lake Shaft project, financed out of operate and cash flow, continued during the year and should be completed in 1990 at an estimated cost of \$25.2 million, of which our share is \$6.9 million. This investment ensures that Trout Lake will continue to be an important source of future ore for the Flin Flon metallurgical complex.

Manitoba Mineral contributed \$7.5 million to the development of the Callinan mine near Flin Flon in a joint venture with Hudson Bay Mining and Smelting. Development of that mine was one of the ingredients essential to sustain the longevity of Flin Flon. Subsequently, Manitoba Mineral sold its rights in debenture to Hudson Bay for \$47.5 million under a loan agreement provided for repayment at the end of next year.

\* (1040)

Manitoba Mineral also purchased the province's interest in Tantalum Mining Corporation for \$1.8 million. The purchase consolidates the previously fragmented administration of the province's interest in this operation. TANCO restarted tantalum production in 1988 following five years of no production due to lack of markets. TANCO is in a turnaround situation and expects to return to profitability in 1989.

Manitoba Mineral and Mingold Resources continued exploration on the Farley Lake Gold project 24 miles east of Lynn Lake. The feasibility study completed, subsequent to the year end, shows the deposit is not viable at current prices on a stand-alone basis. Manitoba Mineral continued its longstanding policy of directing the bulk of its exploration expenditures to

areas containing communities threatened by declining ore reserves.

Exploration activities continued to focus on the Lynn Lake area where 82 percent of the company's exploration funds were spent. Much of this was on the Farley Lake joint venture where Manitoba Mineral contributed \$3.1 million of the \$5.6 million spent.

The Flin Flon area attracted 17 percent of the exploration funds. Manitoba Mineral continued to leverage its exploration expenditures through joint ventures. The company participated in 51 exploration projects on which a total of \$7.6 million was spent. Manitoba Mineral's share of the \$7.6 million was 53 percent.

This concludes my summary of 1988 highlights, and I welcome any questions the committee might have on either the 1987 or the '88 report.

**Mr. Chairman:** I would like to ask the Opposition Critics whether they have any comments at this point in time.

**Mr. Storie:** I do not think we have any lengthy comments about the introduction. There are some specific questions I think Members have, and we might as well get to them.

**Mr. Chairman:** Very good. With that, I would open it up to Members to ask questions.

**Mr. Cowan:** Thank you, Mr. Chairperson. I take note of the Minister's suggestion that the decision on—

**Mr. Chairman:** Mr. Cowan, may I interrupt at this point.

Is it the will of the committee to go through the report on a page-by-page basis, the 1987 Annual Report, or how is it, the will of the committee to go about this?

**Mr. Cowan:** On that point, it has generally been that the committee has a wide-ranging discussion around all the issues, and then we close off the committee by passing the reports. I think that is probably, given that we are dealing with two years here and dealing with the number of complex issues, the best way to go.

**Mr. Chairman:** Is there a time limit that you are setting for today's committee meeting?

**An Honourable Member:** Until 12:30.

**Mr. Chairman:** 12:30?

**An Honourable Member:** If that is acceptable to others.

**Mr. Chairman:** Is that the will of the committee? 12:30?

**An Honourable Member:** Agreed.

**Mr. Chairman:** Agreed.

**Mr. Neufeld:** We had thought twelve o'clock, but from my part, I can stay until 12:30 if Dr. Wright and Mr. Briggs are prepared to stay.

**An Honourable Member:** We will go till 12:30.

**Mr. Chairman:** Okay. With that, Mr. Cowan, proceed with your questions or comments.

**Mr. Cowan:** Thank you, Mr. Chairperson. I have taken note of the Minister's comments, that a large part of the Lynn Lake decision is a decision that is vested in Cabinet and the Minister. To use his words, he said a political decision, but I hope that it is based on more than just politics, although I know that politics will enter into the decision-making process. I do not believe that precludes us from asking the Minister today questions about his perception of that issue and what he will be recommending or bringing forward to his colleagues.

Before doing that, I would like to ask from Dr. Wright an overview of the situation now with respect to Mingold and the Farley deposit, and any relationship to Lynn Gold from the technical perspective of MMR.

**Mr. Wright:** As I mentioned in the report, we completed our study of the Farley Lake deposits and it shows, at the current gold prices, it is not a commercial venture. We have investigated a proposal by LynnGold that would see them custom milling Farley Lake ore. Under the terms of their proposal, it also was not a commercial venture and we would lose half of the ore reserve. There is an independent study currently in progress by a company called Strathcona Mineral Resources. That study is not yet completed and is in the process of amending the work which has already been done.

Briefly the results so far of the study, and these are preliminary, support our conclusion which we have held for the last two months, that no business plan which has been presented by LynnGold, and there have been two of them in the past three months, is commercially viable. They will work with rather massive subsidization and then you get into the area of the politics and who provides the subsidy.

**Mr. Cowan:** Is the MMR prepared to make available to committee Members copies of those reports which they have undertaken on the Farley Lake deposit which they show, or they say show, that it is not a commercial venture at this time?

**Mr. Wright:** We have provided a copy of that particular report to LynnGold Resources for their own information, and they have incorporated those results in their studies. I have a problem providing it to the committee under the confidentiality terms of the agreement that would require the consent of Mingold Resources since it is a joint venture, and this is a commercial document.

However, I would assure the committee Members that no amount of studying of that particular report is going to change the basic conclusion that it is not viable on a stand-alone basis, and what is being talked about by LynnGold has nothing to do with a stand-alone basis. It is a merged operation, a study of which is not contained in that report.

**Mr. Cowan:** Did Mingold authorize the release to LynnGold Resources?

**Mr. Wright:** After a considerable time, yes.



**Mr. Cowan:** Perhaps Dr. Wright can clarify what a considerable time is.

**Mr. Wright:** I think it took about six months of talking to get that authorization, because Mingold was of the opinion that they were probably wasting their time, that they were quite familiar with the operations of LynnGold and did not think that there was a commercial possibility of merging the two things.

**Mr. Cowan:** I am going to suggest, Mr. Chairperson, that not only do we require that report as legislators to gain a better understanding of the situation, but that report having already been given to LynnGold Resources would suggest to me that they should not have a more preferred position than Members of the Legislature. For that reason alone, we should get a copy of the report. So I would ask the Minister if he is prepared to release that report now to the committee, given that they have already released it to a private sector corporation which is making decisions which are going to affect hundreds and thousands of individuals on the basis of that report.

\* (1050)

**Mr. Neufeld:** Mr. Chairman, the report is the property of Mingold and LynnGold now. If those two companies wish that report released, then they can release it, but we cannot arbitrarily, unilaterally release that report without the consent of the people affected by it—the people affected by it I mean the two corporations.

**Mr. Cowan:** I would suggest there are more people than two corporations affected by that report. I would suggest that there are more people who are much more affected in terms of their daily lives, in terms of their future, in terms of their families, in terms of their careers, than are two corporations. I would suggest that if that report is important to anyone in this province, it is important to the residents of Lynn Lake. It is important to those in the mining industry who rely upon the continued operation of our northern mines. It is important to the general province who rely upon taxes that come from those northern mines, and it is important to us.

I quite frankly find some offence in the fact that the Minister is prepared to hand that report over to LynnGold but is not prepared to hand that report over to legislators in this province. I would ask him if he would rethink his previous answer. Again, is he prepared to release the report which MMR has done under taxpayers' money with respect to the operation of the Farley Lake deposit to the taxpayers of this province through this particular committee and not just to private sector corporations.

**Mr. Neufeld:** Mr. Chairman, I am not arguing about the importance of the report to other people. I am discussing the importance of a report to two people or two corporations who must make a commercial decision. That report is subject to an agreement. Without breaking that agreement, it cannot be released and that is the reason it cannot be released.

**Mr. Cowan:** The Minister said something interesting in his previous answer. He said that this report is now the property of LynnGold and Mingold. I would just like him to clarify that a bit. Is this not still the property of the Manitoba Mineral Resources, the organization which completed the report in the first instance? Is he suggesting that because they have turned a copy of that report over to LynnGold it is now their property and not our property?

**Mr. Neufeld:** Mr. Chairman, when I say it is the property of Mingold, it is the property of Mingold and Manitoba Mineral Resources, the owners of the Farley Lake deposit. But inasmuch as there is an agreement dealing with the development of that deposit, it is the property of—and inasmuch as Mingold is going to be the developer of that deposit, it becomes the property by agreement of Mingold although Manitoba Mineral Resources is a co-venturer of that property.

**Mr. Cowan:** Perhaps if I could just continue on this line for a bit, and it may take a few minutes with the indulgence of Members opposite, because it is an important issue and one which is urgent in my mind. The Minister has indicated the reason he does not want to release the report now is that it is being used for the basis and the framework of a commercial decision by the other parties involved. Can I ask him how he sees the release of that report as affecting the commercial decision that others have to make? I have always based my general philosophy on the fact that if you have more people more knowledgeable about issues trying to reflect and review those issues, you probably get better solutions than you do if you have less people. I can tell him that there is a real sense, particularly by residents in the Lynn Lake area, that this Government has not been forthcoming with information that affects them directly, and information that has such a profound impact on their own lives.

The Minister knows that to be the case right from the very first time that this issue was made public. I just quote to him from the latest edition of the Northern Breeze, in case he has any question as to whether or not that perception still remains, the September 27 issue, and the headline is, "Not enough information from the Premier." The article is very short and I will just read it into the record. "At its September 14, 1989, meeting the Lynn Lake Citizens' Committee passed the following motions:

"We, the Lynn Lake Citizens' Committee, strongly feel that at the September 4 public meeting of the citizens of Lynn Lake and the Premier and part of his Cabinet, not nearly enough information was forthcoming from Premier Filmon.

"The general feeling was that Filmon knew much more than he was saying and that as the Premier he was in a position to give Lynn Lake citizens more information about the Farley Lake negotiations upon whose outcome the future mining in Lynn Lake depends."

So it is not just I who is frustrated by the lack of information from this Minister, his Government and the Premier, but it is the residents of Lynn Lake who have

had the opportunity to meet directly with the Minister and the Premier, and have walked away from that meeting feeling not yet satisfied that they are hearing the straight goods.

If the Minister continues to refuse to provide information, no matter what excuse he uses, he can say it is commercial, confidentiality, he can say that it will impact upon a commercial decision. The fact is that by refusing to release that information he is making circumstances much more difficult for the residents of Lynn Lake than they need be.

So I would ask him again on behalf of the citizens of Lynn Lake, is he prepared to release that report which MMR, Manitoba Mineral Resources, did, using public money, to determine whether or not they were going to proceed with the Farley Lake deposit and the operation of the Farley Lake deposit, but since that time has been turned over to LynnGold to be used in their deliberations? Can he not turn it over to the people so that they can use it in their deliberations about their own future as well?

**Mr. Neufeld:** Mr. Chairman, well, Mr. Cowan leaves a lot of information on the table, some of it bordering on not quite accurate. I think the Government has been very open with the people of Lynn Lake. We have been down there discussing it with them. We have met with the citizens' committee which he quotes. We have kept the union right up to date on all our negotiations. We have kept the town up to date on all our negotiations.

He speaks of public money being used, yes, 55 percent of the Farley Lake deposit is owned by Manitoba Mineral Resources. Manitoba Mineral Resources you might say is public money, although it used money that it had earned in the past; 44 percent, or 45 percent of that deposit is, however, owned by LynnGold, a corporation publicly owned.

We have an agreement under which we operate and we cannot live outside that agreement or else we must face the consequences. Mr. Cowan indicated that there would be others, and the more people you have involved in the decision making the better decision you can come up with. However, you must remember, Mr. Chairman, that it is those who have to pay the money who are the ones who will in the end make the decision and they are the only ones that should be a party to that decision making, and will be a party to that decision making, and the people that would pay the money would be MinGold and LynnGold. They have been given that report and we will not release it without the prior consent of Mingold. We will not release it without the prior consent of Mingold. No matter how much the Member asks, we will not release it.

**Mr. Cowan:** Well, perhaps we can find something else that the Minister might be able to release then. He says that they are operating under an agreement which precludes the release of that information. I assume that agreement is with Mingold. Is he prepared to release the agreement between Mingold and the Manitoba Mineral Resources which precludes them, which has in it a prohibition on the release of information which has been garnered at the expense of Manitoba taxpayers?

**An Honourable Member:** I bet you it is confidential.

**Mr. Neufeld:** Mr. Storie says I bet you it is confidential, and he is very right. The agreement itself is confidential and cannot be released without the consent of both parties.

\* (1100)

**Mr. Cowan:** Would the Minister commit now to indicating that the provincial Government is prepared to release that information, given it is part of the agreement, that it has objections to the release of that information?

**Mr. Neufeld:** I believe I said it is releaseable only with the consent of both parties, and the provincial Government is only one part of that party.

**Mr. Cowan:** Let me rephrase the question. Is the Minister prepared to state publicly that they are prepared to release the information if Mingold is prepared to recommend the release of that information as well?

**Mr. Neufeld:** You are asking me to state publicly whether or not we would be prepared to release the agreement we have with Mingold, provided Mingold was prepared to release that agreement? I think I would say, yes, I would be prepared to release that if Mingold were prepared to release it.

**Mr. Cowan:** Mr. Chairperson, I will be moving later in this meeting a motion requesting Mingold to release that information. I want to work with my colleagues to make certain that the motion is appropriate, but I just want to give notice now that we will be assisting the Minister to put pressure on Mingold, and assisting the Minister to put pressure on LynnGold, to release all the pertinent information. The reason we are doing that is that I tend to disagree with the Minister on some very basic principles about how he should operate in this situation, and I disagree because I think he has a wrong perception of what is actually transpiring.

He says there is an agreement under which they operate. Indeed there is an agreement. Then he goes on to say that those who have to pay the money are the only ones that should be a party to the decision making. In other words, he clarified that to say that Mingold is a party to the agreement and they will have to pay the money, and LynnGold is a party to the agreement and they will have to pay the money, and of course the inference there, the only inference one can draw from that, is those are the only two that should be involved in the decision making.

Well, I would suggest to the Minister that there is probably going to be another party that is paying the money directly with respect to this particular situation, and that is the Manitoba Government, the public of Manitoba. If the Government does in fact serve on behalf of the public, if the Government is sent here to serve those who elect them, then those who elect them should also be a party to the decision making, and if they are going to be a party to the decision making they should have full access to information.



So we are going to try our damndest to get that information out of the Minister and out of anyone who tries to deny that information to us, but I want to tell him that there is another party that is probably going to pay the most if the decision is not to continue the operation of the LynnGold mining and milling operations in Lynn Lake. That party is the collective group of families who have made a commitment, many for generations, to that area of the province, to the company, to their own families, to their own livelihood, through the development of their own careers in the area. They have worked through the booms, they have worked through the busts, and they have not broken faith with that area of the province, with LynnGold, with Sherritt Gold before it, with the different operations in the area, and they are going to be the ones that pay the most, because if LynnGold walks away from that operation, that is a decision that is not going to affect very many people.

If the Government does not involve itself in that operation, that is not going to mean any more money out of the pocket of the Minister, or any more money out of the pocket of the staff of MMR, or any more hardship for any individuals involved in that part of the decision making. If Mingold decides not to involve itself, that is not going to impact on individuals either. The only individuals who are going to suffer as a result of this directly are the individuals in Lynn Lake who are now employed there. They are the ones who have most at stake.

I was in Lynn Lake and I talked to individuals. We had a public meeting there as well. I can tell the Minister that there were miners, more than one, who came up to me after the meeting, probably I would guess in their late 50s, early 60s, who cried. I worked with these people before—and I am not going to mention names because I do not think they would want me to mention names—but they cried. They said, what are we going to do with our lives now, if LynnGold does not continue operation. Their entire savings are tied up in their house. Their house is now valueless, worthless, not worth a penny, because you cannot sell a house in a mining community when the mining community shuts down. So all their savings, or all that we normally as individuals, the average working person has as savings, is equity in their house and perhaps a bit of money in the bank. In some instances you do not even have that. One miner who was in his 50s told me that his wife required medical care, that they travelled out of the community every year to provide that medical care to her. For that reason they had never been able to save. Although Medicare is free, the travel costs are not. They have to spend time away from their home, take time off work, and all they had was their house. Now it was going to be worthless. What was he going to do, he said to me, at age 50 or 55?

You do not become a tramp miner at age 50 or 55. You do not go looking around to find a new job, because companies do not hire you at age 50 to 55 if all you know is working on the drill face, if all you know is working as a timber, if all you know is working as an operator in the mill, the sampler or one of the operators on the machinery there. You are just not going to get another job. Your life is ruined. Right then and there

your life is ruined. All you have worked for, all you have given into, all you have tried to make out of your future for your family and for yourselves, is down the tubes. Those are the people who are paying. That is not an isolated story. I bring out the point that these individuals were crying, not to make this any more emotive a situation than it need be, but to point out to the Minister that his earlier statement, that the miners were not going to be in trouble because of any closure because they could find work elsewhere, applied to a relatively small portion of that workforce, and that the bulk of that workforce was not going to be able to find jobs elsewhere, and that their lives were going to be destroyed.

They are the ones that are going to be most affected, they are the ones that are going to have to pay the money, really. They are going to have to pay the money in lost jobs, they are going to have to pay the money in lost equity in their house, they are going to have to pay the money in the fact that they will not have another job. They will end up on unemployment for awhile. Then they will end up on welfare. Then they will end up on a pension perhaps later on if they make it through that.

They were desperate people. I mean, one person was telling me, you might as well go and shoot someone, throw a rock through a window. I said, why are you saying that? Because at least then someone will take care of me. At least then I will know what my future is going to be. Now that person is not going to do that. I am not suggesting that people are at that stage. I am suggesting that people are very, very frustrated by the fact that they do not know what is happening with them for the rest of their lives. These decisions are very important to them for the rest of their lives.

So for the Minister to say that in his mind it is more important what LynnGold is thinking, and in his mind it is more important what Mingold is thinking, and MMR is thinking, than it is what the public are thinking there, I think shows a very wrong, very—I will leave it at wrong—a very wrong approach to this problem.

He says that my information is not quite accurate, that they have been very open, and they have kept the union up to date, and they have kept the town up to date, and he feels that they have satisfied their responsibilities. Well, it is not my perception alone. The reason I brought this paper here today is because there is a motion. The motion very clearly states that what I have said is accurate, that they feel that the Government has not provided them enough information. Now when we have a committee meeting where that information should be provided, the Minister refuses to provide that information, hiding behind the cloak of corporate confidentiality. That is just not going to wash. That is just not going to do.

So having made those statements, I hope I have been able to share with the Minister some of the real frustration that individuals are feeling, and also convince the Minister that it is not the companies that have the most at risk here or the most at stake, but it is the individuals in Lynn Lake.

Having said that, he has indicated and Dr. Wright has indicated, the study that they did show that the

results so far support the conclusion that no business plan by LynnGold is commercially viable, that the mine will not work as a stand-alone mine on a commercial viability basis, and that it will work only with rather massive subsidies. I would ask Dr. Wright what the range of subsidies he believes is required in order to make that commercial operation work commercially, and secondly, I will ask him what conditions would have to change in order for the mine to be made operational by MMR and LynnGold?

**Mr. Neufeld:** Mr. Chairman, Mr. Cowan has left a lot of information on the table some of which I should speak to. The decision when it comes, or if it comes, to not support the company would not be an easy one. Let me tell you that, first of all. If it were a commercial decision alone, it would be quite easily made. But, we too, feel for the people of Lynn Lake. I would not want the closing of Lynn Lake on my shoulders alone; that would be more than I could take. I do believe that we have as much concern, we have as much caring, we have as much thoughtfulness for the people of Lynn Lake as anybody does. We have met them and we share the concerns you have put on the table. Let me tell you also that it is a decision that may cost the taxpayers of Manitoba a great deal of money, and we have to consider them as well.

You indicated that there would be other people involved. There will be other people involved, but the decision will be made by those who have money involved. If it is a money decision, it will be made by those companies who have the money involved. It will not be the people of Lynn Lake who make the decision. It will not be us sitting around this table. It will be LynnGold that makes the decision whether or not to close, first of all, and it will be the Manitoba Government making a decision whether or not they can support the operation of LynnGold to the extent necessary for it to keep operating. Those are the decisions that have to be made. When I talk about the Manitoba Government or Manitoba Mineral Resources involvement, they will be involved to the same extent as LynnGold is involved. If we are talking about the closing of Lynn Lake, we are not talking about Manitoba Mineral Resources. We are talking about a Manitoba Government decision.

We are here today to discuss the Manitoba Mineral Resources Report for 1987 and 1988, which is not the same as discussing the future of Lynn Lake. You can discuss the future of Lynn Lake with the Manitoba Government, but I do not think it is a decision of Manitoba Mineral Resources to discuss—it is not their decision—on the future of Lynn Lake. So let us keep the discussions to Manitoba Mineral Resources Report and only the Manitoba Mineral Resources Report. The question was asked of Dr. Wright and I will let him answer the second question.

\* (1110)

**Mr. Wright:** I am not too clear what the question is that I am supposed to answer, perhaps you would clarify that for me.

**Mr. Cowan:** The first question is: what conditions will have to change in order for this operation to be

commercially viable, that is the Farley Lake deposit? I would ask Dr. Wright to answer it using two different frameworks. The first framework as a stand-alone operation; the second framework within the context of an agreement with LynnGold and MinGold.

The other question is: he had indicated in his earlier comments that the independent study had shown that this mine would only work with rather massive Government subsidies. What is the range of those Government subsidies?

**Mr. Wright:** I think it is easier to address your second question first. I did not say Government subsidies, I said massive subsidies, without naming the source of those subsidies.

That operation right now is approximately \$25 million in debt, and any projections I have seen do not indicate that the interest and principal on that debt can be repaid out of any operation at current gold prices.

They require about \$4 million to \$5 million of capital investment which is not available to LynnGold at the moment. There is also a purchase price to be determined for Farley Lake to integrate the operation.

I think that, somewhere along the line, if you add all these numbers together, and I am not saying this is Government subsidy, I am saying someone has to put up somewhere and somehow between \$40 million to \$45 million to keep an operation alive for an order of magnitude of three to four years.

The other side of the coin is gold price. Gold prices have been in the decline for seven years. No one knows what the future gold prices are going to be, but at today's prices you are looking at someone, somehow, putting \$40 million to \$45 million into this operation for a possible three- to four-year life.

**Mr. Cowan:** The other part of this question is: what conditions have to change?

**Mr. Wright:** The gold price has to go up; it is financial. It is not technical in the sense that we have reasonable handle on the ore reserves, although there is some question about some of them which are incorporated in the plan. It all boils down on the bottom line to dollars and cents. The costs versus the revenues, plus the existing debt.

**Mr. Cowan:** The Minister has indicated that a decision, when it comes and then he quickly added if it comes, to continue the operation and close down the operation will not be an easy one. He said that they too feel for the people of Lynn Lake. I have no doubt that he, as a human being, feels for the people of Lynn Lake. I am not reflecting upon him as an individual, although I think he has made some rather harmful statements in the past that did impact upon the people of Lynn Lake. I do not think he did so intentionally to hurt them—(interjection)—name them, he says name them.

I think when he suggested that this problem was not a serious problem, in that experienced miners could always find work elsewhere, he did very much harm to the residents of Lynn Lake. He cast doubt over their

future. He set this whole debate off on a negative tone and a wrong tone because, in fact, only a few of the experienced miners will be able to find that work. If they do find that work it will mean a disruption of their lives at the very least. As well, there are others in the community. There are school teachers, business owners, workers at the hospital, LGD workers, workers in the small businesses in the community that will also be affected. They will not find it easy to find work elsewhere.

There will be people that have grown up their entire lives and are now young adults and middle-aged adults in the North in that community who will be forced to leave, and they will not find it easy to leave. So I think that one was an unintentional but a very illustrative comment from the Minister which betrayed a lack of understanding of the circumstances confronting individuals up there. I think it did harm. I know it did harm because people told me they were very upset and very hurt by that sort of an approach.

Notwithstanding that, the question I have of the Minister, he has said that this is a decision whether to continue or not continue the operation that may cost the taxpayers of Manitoba a fair amount of money. I would ask him, what range of money does he believe it may cost the taxpayers of Manitoba to continue the operation? I will also ask him if the Government has done any studies with respect to what it will cost the provincial Government and the federal Government if this mine does not continue operation.

What will it cost for relocation? What will it cost for increased unemployment? What will it cost for retraining? What will it cost for increased welfare, because there will be increased welfare required? What will it cost to redirect those individuals who are using Lynn Lake as a centre now from the outlying communities to other communities for services? What will it cost to maintain the roads up there when you do not have a community that is using those roads to the extent that is required? What will it cost to maintain the hospital there? At what level will the hospital be maintained? What will it cost to maintain the school there? What level will the school be maintained? What will it cost to maintain the infrastructure, the water and the sewer and the streets in the community, and what level will they be maintained? What will it cost for the socioeconomic cost, because we all know that when you have closures of this sort it is well documented that you have increases in all sorts of socioeconomic problems. You have increases in abuse. You have increases in alcoholism. You have increases in cirrhosis of the liver. You have increases in admissions to mental hospitals. Those are all well-documented results of closures of this sort. Has the Government compiled for their own information a list of those costs?

**Mr. Neufeld:** Dealing first of all with the comment that I made about experienced miners could find work elsewhere, it is true. I was asked a specific question about experienced miners. I said experienced miners will have no difficulty finding jobs, and that is true. I have always said that we care about the people of Lynn Lake. We care about the community and this is why we are working at it. This is why we have not said no to any subsidy that may be necessary.

We are waiting to see what the cost of that is and that is why we are awaiting the Strathcona Report. The Strathcona Report we asked for some time ago and the company agreed, after the closure date was announced to engage Strathcona. It is because we did not agree with their proposals that we wanted an independent review, and it is because of that need for an independent review that we engaged Strathcona, and we paid for half of the cost of that.

With respect to the range, I think Dr. Wright has indicated that the subsidy requirement would be in the \$40 million range. He indicated that would not be necessarily Government but somebody will have to inject that kind of money. That is for a three- to four-year period, after which we go back to the same position we are in today. Do we want to do that or do we want to ensure that we have an ongoing operation? I do believe we have said repeatedly that we will not support a proposal that will not ensure the ongoing operations for the mining community of that area.

As far as relocation, retraining, roads, infrastructure is concerned, yes, we do have a committee that is working on that, but again we are getting off the subject of the Manitoba Mineral Resources.

We are here to deal with the report of the Manitoba Mineral Resources and not the kind of aid that would be necessary for the people of Lynn Lake if there were no longer a mine there. That is a governmental problem and not a problem of the Manitoba Mineral Resources or the report which we are discussing here today.

\* (1120)

**Mr. Cowan:** The Minister indicated that there is a committee working on that. Can he describe to me what committee that is? How often has it met? What decisions has it taken? What research has it mandated to ensure that it can make informed decisions?

**Mr. Neufeld:** The committee is composed of somebody from the Department of Labour, somebody from our department, the Department of Energy and Mines, somebody from Employment and Immigration, somebody from the community, someone from the mine, and somebody from the union. They have met on numerous occasions but I am not privy to their discussions, but they have been meeting on the very issues that you have asked about in your latest question.

**Mr. Cowan:** Is there a ministerial committee or Deputy Minister committee that has been struck or any other provincial Government working committee that has been struck to deal with this issue?

**Mr. Neufeld:** We have a ministerial committee that has met. We have an officials committee that has met, but we have to determine first of all what we are trying to accomplish. We have to determine first of all if the Government is going to support or is the company going to come up with a proposal that we are prepared to support. If that happens the actions of our Government are totally different from that which might happen if the Government decides not to accept a proposal that may be made by the company.

**Mr. Cowan:** Has that committee met? If so, how often has it met—those two committees, please?

**Mr. Neufeld:** The ministerial committee, Mr. Chairman, has met once. I am not sure how many times the officials committee has met, but I must remind Mr. Cowan again that the action that these committees must take are totally different if we are to support the proposal of the company, or if we are not to support the proposal of the company.

If we are going to support the proposal of the company, if we can get agreement from the company to support our proposal if you like, then the committee will have to act totally different. It would be a matter of dealing with it in terms of support to the company and not in terms of support to the community.

Again, we have to deal with the report of the Manitoba Mineral Resources and not with what the Government might do in the event of closure of the mine at Lynn Lake. All the questions so far have dealt with the closure of Lynn Lake and what the Government might do. I ask again, Mr. Chairman, to deal with the report of Manitoba Mineral Resources for 1987 and 1988.

We will leave the questions on the closure of Lynn Lake to another department. The Energy and Mines Department is not what is going to—there is no provision in Energy and Mines' budgets, nor in their mandate, to supply socially. That is another department and that will come from Government, but it will not come from the Manitoba Mineral Resources.

**Mr. Cowan:** I feel a bit pressed for time. Every time the Minister speaks he provokes new questions, but I am going to ask two more and then this issue will be pursued again, if not at today's meeting it will be pursued at Thursday's meeting. We are going to pursue it because it does come within the purview of Manitoba Mineral Resources.

The two questions I have specifically are: the closure is now weeks away, it started out being months away. The Minister has begged for time all along saying, well, we cannot make the decision, we need more information. People I think have been pretty willing to accept that, but we are now at a point in time where people have to make decisions about their own futures in a very short number of weeks.

When is the Minister going to indicate whether or not the Government is going to provide the type of assistance that is required to ensure the continued operation of the LynnGold mining and milling operations in the Lynn Lake area?

**Mr. Neufeld:** Mr. Chairman, we are five weeks away from the November 6 closure deadline. I have never begged for time. I have said from the start that we will not make a decision on the LynnGold proposals until such a time as we have the report from Strathcona Mineral Resources. We have engaged a consultant to give us a report, and we would be foolhardy to make a decision before having received that report and studied it.

**Mr. Cowan:** A preliminary report has been provided. Can the Minister indicate when the final report is due?

Can he please give us his response to the preliminary report, and can he provide us with a copy of the preliminary report by Strathcona?

**Mr. Neufeld:** The preliminary report has been received. We expect to have the final report by the end of this week. Our response to the preliminary report is that it changes very little from the results of our own assessment, if it changes at all. Insofar as releasing the report is concerned, I think that inasmuch as negotiations are underway and that LynnGold's whole future lies on the strength of the outcome of that report, it would be premature for us to release it at this time.

**Mr. Cowan:** Does he feel that the release of that report to parties outside of LynnGold, or Mingold, or the Government, would jeopardize the possible agreement? Is that what he is saying?

**Mr. Neufeld:** I believe, Mr. Chairman, that it might jeopardize the position of the Lynn Lake community.

**Mr. Taylor:** Mr. Chairperson, the report of this corporation indicates an ownership of 52.5 percent in the Farley Lake gold operation, or exploration I should say. Being that this is a Crown corporation, the Minister can make direction as to what happens to that asset. The question that I have for the Minister is: has he agreed, in principle, to the sale of those interests to LynnGold?

**Mr. Neufeld:** I have always said that if all that lies in the way of a successful operation at Lynn Lake—we would do our utmost to get the control of the deposit and turn it over, but we must be first assured that the mining operation will be ongoing for the foreseeable future and not just a two or three year postponement of what we are facing today.

**Mr. Taylor:** The Minister is answering the question, Mr. Chairperson, but I would suggest in what is a circuitous fashion. Is the Government in the position to sell its 52.5 percent of its Farley Lake operation to LynnGold without the concurrence of its partner Mingold Resources Inc.?

**Mr. Neufeld:** No.

**Mr. Wright:** There are two problems with this particular agreement. They are both fairly standard actually in joint ventures. The first is that no sale can be made without first offering it to the other party. So there is a right of first refusal. The second thing is that even though we have a 55 percent interest, and it appears on paper there is a control, there are certain key decisions which require unanimous agreement. One of those is a production decision. So although you have 55 percent, you do not have the control of that kind of a decision.

**Mr. Taylor:** Yes, thank you. I wonder if Dr. Wright could explain that? I am not quite sure about his linkage here of the decision on the production aspect as it relates to the decision to sell or not to sell. Could you elaborate on that please?

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**Mr. Wright:** No, I was not attempting to make a particular linkage. They are two separate things. One is, if the Government or MMR wants to sell its interest to LynnGold, it must first give Mingold the opportunity to buy it at the same price. That is one scenario. The other scenario is that if Mingold stayed in this whole thing and there was accommodation reached with Lynngold, we would require Mingold's consent to proceed with production from Farley Lake.

\* (1130)

**Mr. Taylor:** Mr. Chairperson, what Dr. Wright is saying, I think, is that if Mingold was agreeable first of all to the transfer of the provincial ownership to LynnGold, a decision to go into production at Farley Lake would—in other words it would require both Parties to say yes, the new partner LynnGold plus Mingold, I understand that.

What is the ability of the Government, either directly or through Manitoba Mineral Resources Limited, to purchase out the 44.8 percent that Mingold holds? What rights does either public body have?

**Mr. Wright:** Mingold has clearly indicated that its share is for sale at the right price. It is a matter of them determining the price.

**Mr. Taylor:** Mr. Chairperson, was a price context put into a potential sales arrangement when this partnership was originally set up? That also can be a norm in industry, not necessarily, but can be. Are there criteria there that would give us an indication of that?

**Mr. Wright:** There are none whatsoever because that would be a very abnormal arrangement in an exploration joint venture. An exploration joint venture is designed to put two people together with gambling money to try to find something on which would be commercial. Until you have found it and know what it is, you have no idea of what its value is.

**Mr. Taylor:** Mr. Chairperson, from what I hear Dr. Wright saying, Mingold is in the controlling situation here and can hold out for any price, even on an unreasonable price, to make this deal come to fruition. Would that be a reasonable interpretation?

**Mr. Wright:** I have had dealings with the Mingold people and their related companies over 15 to 20 years, and I have never found these people to be unreasonable when it comes to making a deal.

**Mr. Taylor:** My question was not as to what was the temperament of and the track record of the officials of Mingold. The question was purely from a contractual viewpoint. So that I understand, an earlier answer by Dr. Wright is that Mingold in the present circumstances is in an absolute position to say yes or no.

**Mr. Wright:** Yes, I think that would be fair from a purely legalistic point of view.

**Mr. Taylor:** Has the Minister explored any other options to encourage Mingold's reasonable participation in any endeavour of this nature?

**Mr. Neufeld:** Mr. Chairman, I have discussed with the Mingold people the possibility of our purchasing their share. They have indicated at all times that they would be co-operative, and I do believe they will be. Nothing has happened in our discussions that would lead me to believe otherwise.

**Mr. Taylor:** To the Minister, has he and his staff prepared recommending reports to Treasury Board for either the purchase of the Mingold shares or the sale of the provincial ownership of the Farley Lake operations? Have either of those been prepared to that stage yet?

**Mr. Neufeld:** We have prepared an information document for Cabinet. We have not included in that the recommendation to transfer any property to LynnGold. Before we do that, and I said this earlier and I will say it again, we must be assured that this will ensure the continuing operation in Lynn Lake, the mining operation, and not just a stopgap thing that will come back two or three years from now with the same problems we have today.

We will not transfer any property—and I guess that is our ace—unless we are assured that the mining operations will continue into the future.

**Mr. Taylor:** Has the Minister any preference on how he sees this whole matter being resolved vis-a-vis the longevity of the LynnGold operation in Lynn Lake?

**Mr. Neufeld:** Of course I have a preference that the parent companies of LynnGold inject enough cash to keep the operation going. What we have not discussed to this point is the ongoing exploration activities that must take place if we are going to find new orebodies, and for the mining operation to continue beyond the three- or four-year period that Dr. Wright has indicated. So we have not even discussed that, so this is necessary and there would have to be sufficient amounts of money generated from the operations to permit the ongoing exploration activity. Those are all part and parcel of the negotiations with the parent companies.

**Mr. Taylor:** Mr. Chairperson, is it the view of the Minister then that this matter could be largely resolved through injection of private capital by the present, or present and new, or new owners of LynnGold as opposed to large monies coming from the public sector?

**Mr. Neufeld:** Yes, a large amount of capital injection would solve all our problems, not beyond the four-year period, but for the present and we would hope that in the four years or three, four years we would have sufficient amount of exploration work to find new orebodies.

**Mr. Taylor:** Mr. Chairperson, I am well aware that large private monies would solve the problem. The question I asked is to the Minister: is that the appropriate route or would he see a solution of, if you will, a joint participation partnership between private and public sector funds in this context? What, after being into this for some months now, is the Minister's view as is the most appropriate, given the real-life circumstances

facing those people in Lynn Lake, the age of the refining capability, the degree of resources known, the amount of exploration that has been carried out, the amount of exploration that will be required, the potential of tying in with the Farley Lake mine, and other ways of getting gold production going there? What is his feel as is the most appropriate general approach?

**Mr. Neufeld:** Mr. Chairman, we have to recognize that LynnGold's share of values has dropped from around \$1.50 a year ago to 60 cents now, so that the injection of public money is probably not a practical answer. I would like to think that a combination of investment from the parent companies and from the public sector or the Government, would be appropriate, would be something that we could negotiate and bring about.

**Mr. Taylor:** Mr. Chairperson, is the Minister aware that in the last year senior officials of LynnGold were making comments publicly as to the viability of that mine, that they, amongst themselves, shared an optimism for the potential of that mine beyond a year or a two-year horizon, and that is in marked contrast with that which came out this summer from the president of the firm in an announcement from Toronto?

**Mr. Neufeld:** Yes, I read those same comments in the newspapers and I probably have the same questions about those comments that you have.

**Mr. Taylor:** On the 30th of January this year, myself and the Member for St. Boniface, Mr. Gaudry, met in Lynn Lake in the presence of the Local Government District Council, other Government officials, officials of private groups, and before that body was a representative of the mine, in fact, the senior engineer and operations manager.

At that time, he indicated that while there was a shortage of reserves in the present mine itself, exploration had been going on and the expectation was that more exploration was going to go on. The hope was, that through a linkage potentially with Farley Lake and other type developments in the area, and through the potential of reprocessing their own waste from decades of operation, that the future was relatively bright for LynnGold. That was on the 30th of January, only eight months ago.

I wonder how those comments brought before us in a public forum jive with the sort of things that have been told to him by the company officials a little more recently.

**Mr. Neufeld:** I cannot account for what the company officials may have told Mr. Taylor, Mr. Chairman, and I have no comment on it.

\* (1140)

**Mr. Taylor:** I am asking the Minister what he is being told by the company officials and comparing that to with what we were told. I do not expect him to make comment on what we were told itself. He was not there, obviously, but what is it that he is being told by LynnGold as to their reserves, what solutions they might have

from a corporate solution viewpoint, aside from any public activity, public funding. What sort of a sob story is he being told by the president of LynnGold?

**Mr. Neufeld:** It is because we did not agree with some of the projections that LynnGold had made that we asked for a review of those projections by Strathcona and it is because we too received glowing reports of what could happen. We found that the projections that those reports were based on did not stand the test of scrutiny that we put to it. It is because of that we asked for a Strathcona Mineral Resources report. For greater detail, I will asked Dr. Wright to make comments.

**Mr. Wright:** I have talked with several of LynnGold's officers and officials and have read the same newspapers that you have read. I have been quite skeptical of some of the reports. That skepticism goes back five years. This is nothing new with Lynn Lake or this particular deposit. This deposit was brought to Manitoba Mineral for participation five years ago when it was held by Sherritt Gordon. There was at the time a study by Kilborn Engineering, a feasibility study which we reviewed and we did our own study. We did not think it would fly unless gold was in excess of \$500 U.S. and we did not think there was much of a prospect of that. That is five-year-old information.

If you want to really get the story of LynnGold and try to get the full story without getting bits and pieces from different officials, I would invite you, as we have done to pick up all of the annual reports which have been issued in the past three to four years. You will find that there was a financial disaster in the making, and it is quite clear in the annual reports, in the financial section of the annual reports, SherrGold and LynnGold.

When the deposit was owned by Sherritt Gordon and we were approached to participate, we were given a very strong sales pitch, did our homework and declined. The Government then put in \$2 million by way of a loan, and it was my expectation that Sherritt Gordon was then going to put it into production. However, I do not believe that Sherritt Gordon, who were then the owners, had the courage of their own convictions because they did not put up any money. They went and made a public company, at that time called SherrGold, and spun off that asset and raised the money from Joe Blow public on the market to put it into production. There is something of the order of magnitude of \$40 million to \$50 million poured into this thing in the last four years or five years and there is not a dime come back. The citizens of Lynn Lake can really thank Joe Blow investor public and the organizers of SherrGold and LynnGold for their continued existence on a deposit which, in my view, should never have been put into production in the first place.

**Mr. Taylor:** A further question to Dr. Wright, Mr. Chairperson, the reference a number of times by Dr. Wright about the deposit and about the necessity for \$500 per ounce world gold price to make it fly—to use his own quote—what is the nature of that deposit now? What was the nature of it five years ago that gives him the reservations that he brings forward? I think that might help eliminate the situation.



**Mr. Wright:** The deposit is erratic and of low gold value for a ground mining operation and you can only compensate for those grades by having a very strong gold price.

I mentioned earlier, we have seen gold prices in the decline for seven years. I do not know where the bottom is, it might go up next year, who knows, but there is nothing in the cards to suggest it will. When I quoted you, the in excess of \$500 U.S. gold, that was, I am referring to a five-year old study. I am not referring to anything about Farley Lake or anything. This was just the LynnGold operation by itself.

I believe that original Kilborn Study has been fully supported by the events which have happened. We have not had the \$500 gold. The people who put up the money in this thing, they put it up, they bought that stock at \$6 a share. They are now looking at their stock at 60 cents a share. They have not had a nickel returned.

It really comes back, is there any way that you can combine the Farley Lake with this operation? Both of which on a stand-alone basis do not work. Can you combine two things that do not work and make something that works? That is the question we are trying to answer. I think the information we have so far is very clearly it does not work unless, as I mentioned before, there is massive subsidy without saying where the subsidy has to come from.

**Mr. Taylor:** Just before we leave it, I would like to clarify one more thing on the orebody itself, Mr. Chairperson. Dr. Wright has indicated that the nature of the orebody at Lynn Lake is erratic. It is low value and that is in the incidence of gold in the rock itself, and it is underground which makes it more expensive than an open pit context. I understand that. What is the issue of the scale of the orebody, how large is that? Is that a factor or is it just the other factors you mentioned?

**Mr. Wright:** The scale at which you can do a mining operation, in terms of tons per day, then definitely affects the economics. The nature of this ore reserve and its distribution does not lead itself to what we call bulk large scale mining. It is a small number of tons per day which is technically debatable somewhere between maybe 400 tons a day and 800 tons a day.

**Mr. Taylor:** Mr. Chairperson, I understood that aspect but the question I put on the table is: is there a further limitation, or is that limitation not there, in the sense that notwithstanding it, it is not a continuous orebody, it is not of high value and it is underground? Are there limitations to the scale of it, in itself? In other words, is there potential? I am not just running into a blank zone, but then back into a productive zone again, but the fact is the overall scale of the reserve is such that in itself is a limitation. I had heard it was not, but I wanted that on the table from an expert.

**Mr. Wright:** I think that there is considerable potential for finding more gold mineralization in that mine. Given the history of the mine, I think it most probable that you are going to find material of similar gold content.

I also think that the best place to be looking for additional mineralization of that kind is a depth which is going to impact upon your costs. Your costs, in other words, are going to go up as you would go down. It is my understanding that the bulk of the ore is now being developed over to the bottom of the shaft, so that if you find any significant amounts of ore at deeper depths, where I think you will—I use that term “ore” loosely because I prefer to call it gold mineralization—you are going to have another very large capital investment in sinking that shaft and developing the lower grade ore. That type of ore at today's operating costs, and today's gold prices, just does not work.

\* (1150)

**Mr. Taylor:** Yes, the last question on the ore itself is: has there been any exploration that Dr. Wright is aware of that would confirm the existence of a deeper significant gold ore one and two? If there has been, could it not be accessed by existing shaft systems, as opposed to the capital cost of a brand new shaft?

**Mr. Wright:** There has been some indication of deeper ore, through drilling, below the level of the existing shaft. Some of that ore is currently being accessed by means of driving a ramp downward from the lower level of the mine which in itself increases your operating costs. I think, as I said, there is an excellent potential for finding more material of the same grade at deeper depths. Having said all of that, your costs are going to go up, you are going to need additional capital, and the only thing that is going to make it work is a better gold price.

**Mr. Neufeld:** Inasmuch as we are talking gold prices now, and Mr. Taylor is interested in that area, I should mention to him that 50 percent of gold produced in the free world is produced at \$250 an ounce or less.

**An Honourable Member:** In South Africa.

**Mr. Neufeld:** In the free world. The large deposit at Marathon, Ontario, Hemlo, the gold is produced at about \$125 an ounce.

**Mr. Taylor:** We would all wish to have a Hemlo in our back yard.

**Mr. Neufeld:** But at the same time we have to remember that the cost of production elsewhere effects the price around the world.

**Mr. Taylor:** The point the Minister makes on this issue is well taken. I wish to go on into a different area of questioning if I might, here. There was comment earlier in this meeting, Mr. Chairperson, to the effect that there is an operating agreement between Mingold and MMR. I would ask whether that operating agreement is registered with the Manitoba Securities Commission or any other public body?

**Mr. Wright:** No, that agreement is not registered with anyone. Mingold is not a public company. Mingold is a joint venture.

**Mr. Taylor:** Right, but the corporation whose annual reports we are reviewing for '87 and '88 is a public corporation, is it not?

**Mr. Wright:** Not with the Securities Commission.

**Mr. Taylor:** Not in the sense of shares, but it is a public body, and as such, I am a little surprised that this agreement is in no way accessible.

**Mr. Wright:** As I have tried to explain before, it is not uncommon in joint venture agreements to have a confidentiality clause which precludes that. We would be in legal breach of the agreement to unilaterally release a copy of it. I have no problem in going back to Mingold and asking their permission to release it, but I cannot legally do it without their consent.

**Mr. Neufeld:** Mr. Chairman, I would just add that it is not necessary for public corporations to file with the Securities Commission every commercial agreement that they enter into.

**Mr. Taylor:** Mr. Chairperson, further to Dr. Wright, if on your initiative you release the document you said you would be into a legal problem, what problem are you in if your Minister orders the release of that document? Does that not mean then that the corporation would be not guilty of breach of that agreement, it would be ministerial discretion?

**Mr. Wright:** The agreement is between Manitoba Mineral Resources and Mingold and therefore does not involve the Minister and, with all due respect from a legal point of view, he has no jurisdiction in what happens to that agreement. If I got into that bind, I would probably have to quit.

**Mr. Taylor:** Mr. Chairperson, under what Government was that agreement put in place?

**Mr. Wright:** The agreement has changed hands. The basic agreement was put into place in 1978 under the NDP Government.- (interjection)- Okay, '77, it was just about the changeover. However, having said all of this, I would remind you that we have dozens and dozens of these kinds of agreements and there is nothing special happened to this one that has not happened to the others.

**Mr. Taylor:** You are saying, Mr. Chairperson, or Dr. Wright is saying, that it was put in place in 1977 by the then NDP Government. You indicated something else?

**Mr. Wright:** No, no.

**Mr. Taylor:** I want to know what Government was in power, therefore, what overall direction this corporation may have received from that Government, and then you indicated that something else had happened to the document. Maybe you could elaborate on that.

**Mr. Wright:** There is nothing special about this agreement, as it was originally conceived. The only thing

special is that something was found in a politically sensitive area. This is one of dozens of agreements which were put in place. You asked me the question, when it was and under what administration? It was in '77-78, in the then last days of the NDP administration. We were simply following a normal mandate of entering into joint venture agreements.

Now, what has happened with it since is that the original agreement was with Hudson Bay Mining and Smelting and it sold its interests in the agreement to Mingold.

**Mr. Taylor:** One of the factors in looking at Farley Lake is to talk about its potential orebody and what we could expect, as Manitobans, for that location to produce, and possibly Dr. Wright could give us a little more information on that.

**Mr. Wright:** I am assuming that we are talking about a stand-alone operation, is that correct?

**Mr. Taylor:** Pardon me, I did not catch that, would Dr. Wright please repeat what he just said?

**Mr. Wright:** Are you asking this question in the context of a stand-alone operation?

**Mr. Taylor:** No, I would ask it in the context of stand alone, one; and two, joint operation with this being an orebody supplying Lynn Lake.

**Mr. Wright:** On the stand-alone basis, the work that we have done indicates that a capital investment of the order of magnitude of I think it is \$32 million to \$33 million would be required, and that in order to generate an acceptable rate of return on an investment of that order of magnitude you would require a gold price of approximately \$425 to \$450 U.S. You would also require an increase in your confidence level of the calculated ore reserve. The thing rises or falls on ore reserves, estimations and price estimations.

Since we are not at that kind of a gold price, the question has become somewhat academic with regard to the quality of the reserve estimate.

However, we are continuing a study which is currently in progress to try to upgrade the quality of the reserve estimate. All of the information will be ready and available on a stand-alone basis to take this thing off the shelf and make a decision if gold hits \$425, \$450.00. That is what we have tried to do.

\* (1200)

**Mr. Taylor:** Mr. Chairperson, I did not quite understand that last point that Dr. Wright was making about confidence level and quality of ore. My understanding was when you see an orebody and have done some fairly extensive explorations, you probably know the percentage of the gold that is within that orebody within a certain range; but you can say it is generally this-and-this percent.

Is he talking on the lines that they would expect to with more exploration find richer parts of that same

orebody that they have not yet found, or is he talking about in effect, quantity, total gold ore that they know?

**Mr. Wright:** I am talking principally about the gold content of the known mineralization. Although we have drilled it off extensively, half of that deposit is erratic, and gold is notoriously difficult to estimate the quantity of gold through diamond drilling.

We took an 11,000-ton bulk sample which is mentioned in here and, depending upon how you interpret the geology of the drilling, we realized a gold value which was about 60 percent to 75 percent of the estimated value. At those prices, at those kinds of values, you can forget my quotation of \$425 or \$450 gold. You need an even higher price of gold.

There is a real problem with the certainty of the reserve estimate on 50 percent of the Farley Lake deposit. This is common with gold deposits. We have only got to go and look at the MacLellan Mine which has been operating now for three or four years and in which they are into the ore. Those fellows have a hell of a time predicting within 20 percent, or no, I would say within 15 percent of the gold grade that they are going to get out of it. Most of the time they predict the wrong way. They are overly optimistic. There are times when it goes the other way, but they are rare.

**Mr. Taylor:** I have a question for the Minister. This Minister is not only responsible for mines but also has responsibility for energy. My understanding is that there is an electrical energy problem at Farley Lake today and is one of the reasons why it is not yet beyond an exploration stage, that there is not a high-tension power line accessing that site.

If that operation was to go either as a stand-alone or as a full development mine supplying Lynn, in either case beyond the exploratory stage that it has been at, a major power line and transformer system would have to be added. Given that circumstance, what consideration has the Minister given as this being one of the ways that Government may aid a solution to the whole Lynn Lake problem that we face today?

**Mr. Neufeld:** First of all, it is true that there is a lack of power for Farley Lake. At this point in time, LynnGold has the exclusive right for the power that comes into that area, but until such a time as a development decision is taken, that shortage of power becomes academic.

If indeed we are going to tie in the Farley Lake deposit with the LynnGold operation, again it becomes academic because the need for power will be in Lynn Lake and that is where the mill is.

**Mr. Taylor:** I find it interesting to hear that the Minister says the whole look at this thing is academic. My understanding is that any scale production at the Farley Lake site, whether stand alone or in conjunction with Lynn, does require more power. It is not just power at the refining end but it is power at the mining end as well, is what was told to us in briefings.

I would like: (1) a clarification on that; and (2) ask the question: has this solution of putting in a high-

tension line with transformers into Farley been explored in "the academic context" i.e., knowing the possible solutions to the sources of power, the routing of power and the attendant costs for: (1) installation and (2) operating?

**Mr. Neufeld:** I can tell you that LynnGold has the exclusive right. That right would disappear I suppose if LynnGold went into a joint venture with the Manitoba Government. For a greater explanation of the power situation, I will let Dr. Wright explain it to you.

**Mr. Wright:** There are two scenarios. One is the stand-alone operation which requires a high-tension line be put into Farley Lake. The other one is a combined operation with LynnGold in which the ore from Farley Lake is milled at Lynn Lake. That does not require power. All that requires is that small generators provide some lighting, that is all that is. Those can be on-site generators, diesel generators. You do not need a large amount of power. The basic thing that takes the power is the mill.

We have explored the different options of bringing the power from Lynn Lake, although we do not have a right to it without LynnGold's consent. We have also looked at the cost of bringing in an additional line from down in the Leaf Rapids area. We have these numbers, but the numbers become academic with the gold prices we are looking at.

If we start hedging gold prices up to 425, 450 then we can start to get serious about these two kinds of numbers, the cost of bringing the power from Lynn Lake and the ability to do it, given that LynnGold has a lock on it and the cost of bringing the power from Leaf Rapids.

**Mr. Taylor:** As I understand what Dr. Wright is saying in the contingency aspect of world gold prices, the point I was trying to find out was, has the work been done? He appears to indicate that it has been, although I am not sure if he tied in with Manitoba Hydro to produce those or not. I would hope that because the exercise is academic at the moment, given world gold prices, that therefore the numbers are not fuzzy, hazy, whatever, that the numbers, in order of scale, are relatively accurate and up-to-date and can he confirm that?

**Mr. Wright:** Those numbers are accurate and up-to-date and were developed between Kilborn Engineering and Manitoba Hydro.

**Mr. Chairman:** Mr. Taylor.

**Mr. Wright:** My understanding is that Hydro did the bulk of the work.

**Mr. Taylor:** Thank you, Mr. Chairperson, to Dr. Wright, for that clarification.

**Mr. Wright:** I understand further that we paid Hydro \$20,000 to do that.

**Mr. Taylor:** Maybe they are in the wrong business. They should be in the power business.

Mr. Chairperson, can Dr. Wright share with us what the costs were for, first of all, the smaller operation which is just power generation on-site by a local generation, and the other one being the more expensive, running in lines, not withstanding the issue of whether they are allowed to, and I will get to that in a moment? Can he share those costs with the committee?

**Mr. Wright:** There were three options that have been looked at. Basically there is the on-site generation, which I have told you is, if you are shipping the ore to Lynn Lake the number is so small I do not have a number for it. You are talking, I do not know, \$10,000 or \$20,000 to buy some on-site generators to provide the lighting and that is all.

Now the big dollars come in, in putting a line into there. These are the order magnitude, I do not have the exact numbers at hand. As I recall, to bring the line from Lynn Lake was going to cost about \$1.5 million. To bring the line from Leaf Rapids was going to cost about \$4 million, I think was the number.

**Mr. Taylor:** Mr. Chairperson, I am rather taken aback. We are talking \$10,000 or \$20,000 for local generation having, in the past, to purchase generators. I know they generally come a little more expensive, but in any case the more important aspect is the cost of the high-tension generation line.

I wonder, we are getting well on into this meeting, if Dr. Wright would agree to an undertaking to bring the more accurate figures to the subsequent meeting of this committee on Thursday? I think that will solve the problem, and I will move on in my questioning.

**Mr. Wright:** Yes, will do.

**Mr. Taylor:** Thank you very much. A question to the Minister is: could he explain the lockup of power that LynnGold seems to have in that area of the province? What is it? How did it come about? Who put that in place, and for what purpose?

**Mr. Neufeld:** The power to Lynn Lake comes from Laurie River Generating Plant. Laurie River Generating Plant was built many years ago by Sherritt Gordon Mines. I suppose many years ago, when they turned it over to Manitoba Hydro, they took an exclusive right to all the power that generated from Laurie River. I am assuming that.

**Mr. Taylor:** I think this is fairly critical, Mr. Chairperson. Whether the company has the ability to take, from what is now Manitoba Hydro dam, all the power it needs for its operation, is one thing. It is quite another thing if it has an actual lockup of all power generated for its own business purposes, which might be to the detriment of the public interest in that part of Manitoba, in fact, given the involvement potentially of taxpayers as a whole to the detriment of Manitoba taxpayers as a whole across the province.

I would like if we could get a little more information. Does the Minister have that to share with us this morning?

**Mr. Neufeld:** I will let Dr. Wright answer that question.

**Mr. Wright:** My understanding of the principle of that transaction was that the plant was turned over to Hydro, in return for which one of the considerations was LynnGold would have first call on all power feeding in through that line up to Lynn Lake. That is a little different than a total lockup. They have first call.

We had approached LynnGold on this and got the numbers of what power was being used and what was surplus. We identified there was sufficient surplus being delivered to Lynn Lake to serve our purposes at Farley Lake, if we wished to bring a line across that way.

However, LynnGold decided to establish a negotiating position early in the game, and developed a plan for all kinds of additional electrical needs and informed us of it. Those needs did not materialize.

I think you can understand the position of a couple of companies looking at putting in a \$30 million investment at a place called Farley Lake and doing it on the basis of interruptible power from Lynn Lake. When you have LynnGold sitting there telling you, well, we are not using it now but we are going to, you will be out to lunch once you get operating.

**Mr. Taylor:** Mr. Chairperson, I think the group that is out to lunch on this, to use it in Dr. Wright's term is quite frankly, LynnGold. Now this is the company that makes all sorts of optimistic statements a year and two years ago. This is the same company though, a few months later, that comes to our Minister here and says, boy, you better dig deep into that public purse because we have a hand here that is going to take a lot of those dollars out of the public treasury or we will close up shop. Here is this same company saying, by the way because we have inherited this right and we have a first call on power, we will concoct or delve into our imaginations for potential uses of power in the Lynn Lake area for company purposes. Quite frankly, what I have just heard here sounds like fantasy land in Lynn Lake.

I am not prepared as a Member of this Assembly, quite frankly, to accept this sort of nonsense from a gold mine that changes its positions, first of all, from one year to the next—although the real life situation does not seem to change—and says we are going to hold the people of Manitoba and those living particularly in Lynn Lake to ransom, then says, and by the way you cannot have the power.

I would like for this meeting on Thursday, Mr. Chairperson, to have that document presented here on the rights that this successor company has, LynnGold, to the power generated at Laurie River Dam, and I would like a legal opinion brought with that by the Minister. I think it would be edifying. I think it would possibly even be reassuring to him to know that hopefully this company does not have a very strong bargaining chip in this case that there is so much hokey and huffery and puffery that they do not have a leg to stand on, and that we would not necessarily then be considering a context of interruptible power to a Farley Lake development which would be just, as far as I am concerned, nonsense.

\* (1210)

If there is a cheaper solution obviously to supply power to Farley through Lynn Lake, as opposed to bringing it all the way from Leaf Rapids, then that cheaper solution must be explored. Just the same, in all fairness, if a company does have a need for power on a first call basis, fine, but not on the basis that we will just take everything that is there and we will concoct a story to make sure that we can do that. Therefore, we can preclude development by a potential competitor at some 24 miles down the road. So I would like the Minister's undertaking to do that for Thursday's meeting.

**Mr. Neufeld:** Well, we can certainly bring that in for you, Mr. Taylor, but I should remind you that at this point in time, we are not considering a stand-alone operation at Farley Lake, which is the only time in which we would need power over there. We recognize that LynnGold's position at this point in time is not all that great. It is not something that has missed us completely.

If we were to require the power today for Farley Lake as a stand-alone operation, I am sure we could make arrangements. In answer to your question, we will bring the document in, although I am satisfied that LynnGold has first call on the power that comes out of Laurie River.

**Mr. Taylor:** I thank the Minister for that comment, however, Mr. Chairperson, I would ask that he also bring in a legal opinion, or bring with him a solicitor for his department, or a solicitor for maybe preferably for Manitoba Hydro, who can speak to the issue of first call.

My understanding having worked on documents, legal contracts, over the years, is that a first call on something is not an absolute right to demand something. They are quite different and I think we should clarify that. I mean, this is really something. What about if there were any other form of industrial development potential for Lynn Lake that did require large amounts of power. LynnGold could say no to that and that would not necessarily be a competitor, but just some other industrial development. That bothers me and I hope the Minister can have that clarified for us on Thursday morning.

**Mr. Neufeld:** Yes, I will attempt to get that agreement from Manitoba Hydro. They are the ones that should have it. I should remind Mr. Taylor that the agreement was entered into at a time when Manitoba Hydro took over the generating station at Laurie River. The generating station at Laurie River was built by Sherritt Gordon back when Lynn Lake was first a mining camp. It was built for the express purpose of supplying Lynn Lake mining operation with the power it required. At that time, all the power that was generated by Laurie River Generating Station went to Lynn Lake, and at this point in time all the power that is being generated still goes to Lynn Lake, but I will get the agreement for Mr. Taylor to satisfy him.

**Mr. Taylor:** One last area of concern I have is comments that might have been made to the Minister or his staff

regarding an initiative by LynnGold to clean up its own waste products that are in huge piles in Lynn Lake and which tends to blow around the whole of the town when there are strong winds and is a potential source of further gold. What did they say to him in this regard in these latest negotiations?

**Mr. Neufeld:** If Mr. Taylor is asking whether or not I have discussed with LynnGold officials the disposal of the slag, I have not. If there is gold to be found in there, I am not aware of it. It may well be. I am not saying there is not, but there may well be. It is the cost of extracting that gold that would be a factor. I have not discussed specifically with the LynnGold officials the gold content in the slag.

**Mr. Taylor:** In that this has not come up in discussions, would the Minister agree to ask the mining company for a position on this in that their senior engineering and operating people have said this is a major source, a potential source, of gold for them. They made statements that were very positive to us on the 30th of January this year. It was at their initiative. We brought it up not at all. They said that this is a potential source of a significant amount of gold that was not taken out because of the inefficiencies of processing in earlier decades and that it would achieve a source of gold, particularly in the short term while other exploration went on and other shafts were opened up in later years. It would also clean up what is a potential environmental problem in that there are materials in those slag and tailings piles that should not be left out in the open and should not be blowing around in the air. I would ask that in further discussions with the company that he ask for their position on that and see if there is not really a source of revenue that is not being put on the table by this company.

**Mr. Neufeld:** I will certainly undertake, Mr. Chairman, to obtain that information from the company, but I believe that Dr. Wright may have some information with respect to gold to be found in the slag piles.

**Mr. Wright:** I just would like to have some additional information if you have any, because this is all brand new to me. Do you know which tailings were being referred to? There are two sets of tailings up there. One is the tailings derived from the MacLellan Gold Mine, the other is the tailings derived from the previous nickel mining. Do you know which set of tailings were being talked about?

**Mr. Taylor:** The senior engineer mentioned there were tailings from a gold mine, not from a nickel operation, and he said that they felt that they could safely, using today's technology, reprocess that waste material, eliminate an environmental problem on the surface, get some gold out of it and put a less toxic material back down unused shafts. That was the proposal that was put to us.

**Mr. Wright:** We will have to explore this further, because the only gold mine in the area is the MacLellan Mine and it is the only one which has ever operated, and it has only been in operation for about four years. So I

am completely at a loss as to what the story is about. If it is about the other tailings, I do know that there is a problem. Yes, those tailings are blowing around. Those tailings were for a nickel mine, virtually no gold in them from a practical point of view. Yes, there is a bit but there is virtually no gold in them. Thirdly, it is my understanding that those tailings are not owned by LynnGold. I believe those tailings are still owned by Sherritt Gordon.

**An Honourable Member:** Mr. Chairperson, I will just clarify to Dr. Wright—

**Mr. Chairman:** Mr. Minister wanted to make a comment on the same point.

**Mr. Neufeld:** You can perhaps clarify a point for me at the same time, Mr. Taylor. I wonder if you were discussing environmental issues at the time this suggestion was made by the LynnGold engineer or were you discussing mining operations.

**Mr. Taylor:** Yes, I can clarify that to the Minister. It was in a presentation, by the mining official involved, to us. We were not even yet in discussion. In fact, we had brought up no environmental issues at all. This was an initiative by the company as to saying how viable or not viable—and in this case they were quite optimistic—as how they were as far as the longevity as being on the scene in Lynn Lake. It took us by complete surprise. For Dr. Wright's clarification, I will dig up my notes and those of Mr. Gaudry. They are not exactly what I would call extensive, but I will dig those notes out and refer them to him because I did take a few points down on that, but I did not have a map. He did not indicate which sets of waste material, and he did not say if they were from which mine, he just indicated that there were valuable metals involved that they felt they could extract and gain revenue and solve an environmental problem. So we were very surprised but very pleased if there was some substance in it.

**An Honourable Member:** January of '89?

\* (1220)

**Mr. Taylor:** January 30.

**Mr. Chairman:** Did you want to respond, Dr. Wright?

**Mr. Wright:** No, I just wanted one additional question. If you could give me the name of the individual who told you this, I could go direct to the source and find out.

**Mr. Taylor:** I am sorry, I missed that one.

**Mr. Wright:** If you can give me the name of the individual, that is all I need, really.

**Mr. Taylor:** . . . I will give you the name of the official as well.

**Mr. Storie:** We are moving quickly to the close of the committee's sitting time. I have a couple of questions.

I would just like to ask the Minister, first of all, if he can indicate to the committee what the final figure for the province was with respect to revenue from the mining tax in 1988. Can he give this a ballpark figure?

**Mr. Neufeld:** Well, the mining tax, of course, is collected by the Minister of Finance but I would say it is in the area of \$150 million, \$180 million.

**Mr. Storie:** Could the Minister give us a guess at what 1989 will bring to the province?

**Mr. Neufeld:** I would say it would be somewhat less because nickel prices have come down. We have to remember that the mining tax comes almost solely from Inco; very little comes from other sources. I would guess it would be probably in the area of \$100 million to \$120 million.

**Mr. Storie:** I presume the Minister is adding in, when he says \$120 million, the additional 1.5 percent tax that had been applied to the 1988 taxation year for mining companies.

Mr. Chairperson, that means that something like \$300 million has been taken out of mining in northern Manitoba in the last two fiscal years. We have heard today from Dr. Wright that some \$2 million was put up in 1986, some \$2 million which levered an additional 10 times that amount to maintain the operations at Sherritgold and LynnGold. Yet every time the Minister talks he spits out the word "subsidy" as if it is some kind of dirty word. It is ironic, as well, that we see some change, or perhaps not ironic, but hopeful that we see some change in the Minister's attitude. His first comments were, well, when LynnGold was threatened when Puffy Lake disappeared, another mine is on the verge of making a decision to stop production and that is Tartan Lake, Granges operation north of Flin Flon. The Minister says, well, mining communities come and go, which was indeed a slap in the face to the . . .

**Mr. Neufeld:** I never said that.

**Mr. Storie:** Well, Mr. Chairperson, the Minister was certainly quoted as saying that. We have a serious question about whether the Minister believes that. The Minister is also quoted as saying at the present time he believed that the people of Lynn Lake were being emotionally riled by a couple of Members of the Legislature, and this was not helping the situation.

It is also quoted in the Thompson Citizen, August 11. Mr. Chairperson, we in the Legislature, no Members on this committee, no Members of the Legislature are trying to rile the people. We are concerned about their future and we are concerned about the actions the Minister has taken to date, to set a course which is going to support the people of Lynn Lake and other mining communities. One of the issues which is of great concern is the whole question of whether we as legislators have access to information which will help us be accountable.

My colleague, the Member for Churchill (Mr. Cowan), indicated that we need access to both the reports from



Strathcona, the reports from Manitoba Mineral Resources, the final report from Strathcona, to make informed decisions, to be informed Opposition Members, with respect to Government actions. The Minister was trying to indicate that somehow the confidentiality of these documents was paramount that nothing else could matter. Well, I think the truth matters more. I think having access to appropriate information to help us make appropriate decisions is more important, and the Minister's fear that somehow giving Members access to this important information, when the province is considering an investment of potentially millions of dollars, hopefully millions of dollars, to support this if it seems to be feasible, I cannot understand why the Minister would then say we cannot have access to the information.

My colleague has had, through other sources, access to the preliminary report from Mineral Services. It has not been abused. It was useful information.

Mr. Chairman, in light of the fact that the Minister has not been forthcoming, and in light of the fact that this committee wants access to those materials and that information, I would like to move, seconded by the Member for Wolseley (Mr. Taylor):

THAT the Standing Committee on Economic Development request the Minister to provide to this committee, before its next sitting, all working papers, documents and reports produced for or by the Government of Manitoba, or on behalf of the Government of Manitoba, or with the use of public funds, that relate to the Manitoba Mineral Resources ore deposit at Farley Lake, the commercial development of that orebody and/or the LynnGold mining and milling operations at Lynn Lake.

**Mr. Chairman:** We have a motion by Mr. Storie. Could we please have the motion in writing? Thank you. Is there any debate on this motion?

I will read out the motion:

I move that the Standing Committee on Economic Development request the Minister provide to this committee, before its next sitting, all working papers, documents and reports produced for or by the Government of Manitoba, or on behalf of the Government of Manitoba, or with the use of public funds, that relate to the Manitoba Mineral Resources ore deposit at Farley Lake, the commercial development of that orebody and/or the LynnGold mining and milling operations at Lynn Lake.

\* (1230)

**Mr. Neufeld:** I would like to say, Mr. Chairman, that the solution at Lynn Lake has nothing whatsoever to

do with this committee, and the committee should not involve itself in requesting documentation that has to do with the continuing operation of Lynn Lake, or the continuing existence of a community at Lynn Lake. I see nothing wrong with the committee requesting information with respect to the Farley Lake ore deposit and, to the extent that we are able, without breaching confidentiality, without breaching an agreement with Mingold, we will do so. Insofar as the continuing operations at Lynn Lake is concerned, that has nothing to do with this particular committee, and we are dealing here with Manitoba Mineral Resources and it has nothing whatsoever to do with Manitoba Mineral Resources. There is no reason to bring forward information that is not pertinent to the subject which we are to discuss.

**Mr. Chairman:** Any more discussion on the motion? Mr. Helwer.

**Mr. Helwer:** I do not feel it is necessary to have this motion at this time here because we are dealing with the reports of Manitoba Mineral Resources mainly and this has not really to do with that. These things can be answered by, I believe when the Minister's department comes up for, when its Estimates come up, or when the Minister of Finance (Mr. Manness) when his Estimates come up for discussion, these questions can be answered. I do not think these really should be dealt with when we are dealing with the two reports '87 and '88 of the Manitoba Mineral Resources.

**Mr. Neufeld:** Furthermore, I do not think we should deal publicly with information that has not yet been brought forward to the community of Lynn Lake. No decision has been made and you are expecting us to bring forward information that is pertinent to the making of that decision. I do not think that is fair to the community of Lynn Lake.

**Mr. Angus:** I disagree with it.

**Mr. Chairman:** This motion was moved by Mr. Storie, seconded by Mr. Taylor. All those in favour of this motion, say aye. All those against, say Nay. I see the Ayes have it. Is it the will of the committee that the 1987 Mineral Resources Report be passed? The report is not passed at this time. Is it the will of the committee that the 1988 Manitoba Mineral Resources Annual Report be passed? The report is not passed at this time. The time being around 12:30, is it the will of the committee to rise?

**COMMITTEE ROSE AT:** 12:34 p.m.