Legislative Assembly of Manitoba

HEARINGS OF THE STANDING COMMITTEE

ON

ECONOMIC DEVELOPMENT

Chairman

Harry Shafransky, M.L.A.

Constituency of Radisson

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THE LEGISLATIVE ASSEMBLY OF MANITOBA
STANDING COMMITTEE ON ECONOMIC DEVELOPMENT
8 p.m., Tuesday, June 1st, 1976

Chairman: Mr. Harry Shafransky.

MR. CHAIRMAN: Order gentlemen. We'll proceed with the Annual Report, 1974-75 for the Manitoba Mineral Resources Limited. I call upon the Minister responsible, Mr. Green, to introduce the Chairman. Would you come forward, Sir?

MR. GREEN: Mr. Chairman, I would ask you to look at the first page of the report which gives the names of the Board of Directors of Manitoba Mineral Resources Limited. I believe that there is one change on this Board of Directors from those mentioned on Page 1 of the report, that is Mr. MacKay?

MR. KOFFMAN: Mr. Murdock MacKay.

MR. GREEN: Instead of Mr. Sherwood. Mr. Sherwood was there from the department and he has left, and Murdoch MacKay has replaced him. Of course Mr. Koffman is well known to the members of the committee, he has appeared here on several previous occasions and is back again, and therefore I don't think I need make any further introductions. Mr. Koffman.

MR. CHAIRMAN: Mr. Koffman, would you proceed with your introductory remarks, followed by questions.

MR. KOFFMAN: Mr. Chairman and members of the committee I don't know if you people want to stay here very long because you've been working hard, you're going on three shifts, and besides you're not getting paid for overtime.

So, I have a small can here of verbal diarrhoea, gentlemen, so what I'm doing now, just in case some people ask too many questions, all you have to do is spray this stuff and that fellow stops, you see. So, and if I do the same, you can just go ahead and spray me. It's known as verbal diarrhoea. It gives you the directions on this, see.

I did not prepare an agenda this year, gentlemen, because I didn't think the committee was in favour of it last year, so I thought I'd just give you a rundown roughly of what we have done during the year and I'll just take excerpts from the report.

During the year the company participated in eleven private venture projects with six private companies, and these were: Granges from Sweden, Hudson Bay, Noranda, Selection Trust, Home Oil, Ducanex Resources, and one with the Crown; Manitoba Mineral Resources managed eight of the projects, while Granges, Hudson Bay, Ducanex each managed one.

These six companies contributed $503,766, roughly a half a million dollars, to the joint venture projects in the fiscal year. The company also had one joint venture of the Department of Mines and Resources and Environmental Management which also contributed $365,900 - odd. So the company participated in a million and a half dollars worth of mineral exploration during the year - this is last year, we're a year late - at a cost of about half a million dollars roughly, which includes administration costs but exclusive of oil and gas.

The $1,455,000 - odd was composed of the $527,000 spent by the company, $503,000 - odd contributed by the companies to joint-venture projects; $367,000 contributed by the Department of Mines, Resources and Environmental Management to one project in the Farewell Lake area; and $58,000 was contributed by the province pursuant to the agreement under the Mineral Resources Act.

In addition, the company did some oil work. The company participated in the drilling of 17 oil and gas wells in Manitoba at a cost of $50,000. Oil royalties from producing wells was $4,325.00.

Now I don't know if you want to go into the detail of each of these projects, but I just have a rundown on the fourteen projects worked at during the year. Here is a map, gentlemen, that I have on the board here, these fourteen projects are coloured, the active are the ones in red, and you will see at the beginning at the first page of your report, the ones that we contributed to, and there's fourteen there.

There is Seal River, in this area, here, Seal River also in this area here; Seal River also in this area here; Syme Option which was in this area of Manitoba, was Shallow Lake; Rice Lake in this area here; Cook Lake was a joint venture with Granges, this is in

(MR. KOFFMAN cont'd). . . . . this area here, McClarty Lake joint venture, this is in this area here; Farewell Lake, this one here; this one we were on our own and the Crown participated with us.

Mitishto-Eye joint-venture in this area here with Granges of Sweden; Wekusko Lake, this was a joint venture originally with Noranda in this area, but Noranda's opted out and the Crown took the position and we have now completed the job; Hayes River joint venture with Granges, Sweden; Knife Lake, this is also a joint venture with Granges; Hudwin Lake, this is in this area in a joint venture with the Crown; and Rice Lake, this was a joint venture in this area with Granges Exploration.

We also worked together on oil and gas projects with Berry Petroleum in this area of Manitoba in the vicinity of Pierson; Bralorne Resources drilled an area in this area here for gas which was unsuccessful; Teck-Taurus worked in this area also, in this corner of Manitoba, to drill a well; and Asamera completed 17 wells in this area which is shown in blue here in this area in southeastern Manitoba.

During the year Noranda opted out and the Crown took the position; during the year also Hudson Bay opted out and the Crown took the position; at the end of the year the company held interests in claims, claim blocks and reservations and one permit totalling roughly half a million acres, which is equivalent to 13,950 claims. Of these 13,000 - odd claims were held under joint venture agreements, 17 are wholly-owned by the company and 69 are under option agreements; during the year interest was acquired in 1,685 claims and 2,000 claims have dropped, a net decrease of 1,200 claims.

Manitoba Mineral Resources Limited on its optioned properties and manager of joint-ventures responsible for airborne, totalling 1,206 linear miles; line cutting, 802 miles; ground geophysical totalling 664 miles, and 94 drill holes totalling 45,000 feet. We managed that.

On the Cook Lake thing, the Granges managed that and laid about 53 linear miles of ground geophysical work; drilled 25 holes totalling 5,472 feet. On the McClarty Lake venture before Hudson Bay opted out, they did 102 linear miles of line cutting and 13 diamond drill holes totalling 8,000 feet. Roughly there was 132 diamond drill holes drilled under various exploration jobs.

We reported last year that one drill hole on the Farewell Lake did some intersections of copper mineralization. I can tell you that we've continued drilling it and we drilled 25 additional holes totalling 25,000 odd feet. The drill-indicated mineral reserve to the 625-foot level of 283,000 tons of 2.03 percent copper. Drilling below this failed to increase the reserve, the reserve is NOT ECONOMIC. We did further exploration work in 1976 - I'm trying to bring you up to date - and we've practically completed this on this area, but it bombed out. There's not enough there to make a viable ore deposit.

On the gas and oil scene, the gas and oil exploration, Berry Petroleum has built four wells and Bralorne two, and I had before an agreement with Taurus for one and 10 for Asamera. Now we did get in the Berry Petroleum agreement dated March 7, 1974, Berry re-entered a shut-in well in the Pierson area and established commercial production. Subsequently Berry drilled three additional wells of which two are producing and one was abandoned. The three producing wells yielded about 100 barrels of oil per day, total production in 1975 was 15,000 barrels of oil on which Manitoba Mineral Resources received their full riding royalty of 5 percent which was $4,325.00.

Now that is roughly the summary of the work we have done to date for this year.

MR. CHAIRMAN: Thank you, Mr. Koffman. Mr. Minaker.

MR. MINAKER: Thank you, Mr. Chairman. I wonder if Mr. Koffman can advise on the explorations this year. There were 11 mineral joint venture projects with six companies last year, I wonder if Mr. Koffman can advise how many joint ventures are scheduled for this year in the mineral exploration and the value of the exploration.

MR. KOFFMAN: Yes, I can, Mr. Minaker. I'll just get the figures right here. Oh, here it is here. The projects for 1975-76, that's this year, we have a total of 7 working with the private sector - a report should be out in a couple of weeks - if the committee sat a little later we'd have it for you also. Joint ventures with the Department of Mines, six, there was a total of 13 projects. In the oil and gas also for this year, Berry Petroleum drilled three wells, had two producers, and they're probably going to drill another well or so this year. We have just signed an agreement with the Great Northern Oil and Gas which you've probably read in the papers, an agreement for two

(MR. KOFFMAN cont'd). . . . . wells plus two further wells. We have a 13 percent interest and Great Northern have the balance of the interest.

CDC Oil and Gas, we've signed an agreement with them, it's now completed. They're going to drill four wells plus three additional wells. We have a 50 percent interest and CDC has a 50 percent interest. We drilled two wells, both dry, for the province in 1976. We anticipate that the royalty from the Berry Petroleum at the end of this fiscal year would be about 10 or $12,000, from the three wells, additional producers. Does that answer your question, Mr. Minaker?

MR. MINAKER: Yes. Mr. Chairman, Mr. Koffman indicated that there was two dry wells drilled by the province. Were they an exclusive venture by the Minerals Corporation?

MR. KOFFMAN: In the oil and gas position we have a limited budget. What we do when we may get a deal with somebody - in this particular case the Crown advances the money to drill the wells. The Crown told us where they want to drill them and we drill the wells for the Crown.

MR. MINAKER: Mr. Chairman, I wonder if Mr. Koffman can advise, has there been any exploration that is done exclusively by the Mineral Corporation without any joint ventures with any private corporation?

MR. KOFFMAN: Say it again, I'm not following you.

MR. MINAKER: In other words, has Manitoba Mineral Resources Limited gone on its own exclusively and tried to find new oil wells or new mines without . . .

MR. KOFFMAN: In the mining sector, yes, we had two ventures last year, we optioned two; then we optioned one. We had two ventures that we had last year on our own which we optioned, one from Noranda and one from Syme, that was it. We spent some money on them and we dropped them. Now with regard to oil and gas, we are not budgeted for oil and gas exploration, we are budgeted for mineral exploration, Sir. So if we go into oil and gas exploration, we go to the Crown and they pass an Order-in-Council allowing us the money to do the oil explorations.

MR. MINAKER: On your own?

MR. KOFFMAN: We do it with joint venture. We usually make a deal, like we have made a deal with Great Northern or CDC, but with regard to Waskada that was really on our own supplied by the Crown.

MR. MINAKER: So what would be the total dollar value in exploration that the Mineral Resources Limited has done on its own rather than on joint exploration, whether it be in oil or mines or mineral and with the Crown? If I understand you correctly, that on the oil ventures you have to get the Crown's permission before you. . .

MR. KOFFMAN: That's right.

MR. MINAKER: What would be the total value of exploration in the past year?

MR. KOFFMAN: Now, this year right now?

MR. MINAKER: '75-'76.

MR. KOFFMAN: I haven't got the figures, Sir, yet. I still haven't the figures. But I can tell you roughly in the oil exploration, it will be $353,000 plus 63, roughly $411,000 we plan on spending on oil exploration.

MR. MINAKER: What would be the value that the Mineral Resources Limited has/or is partaking in with private enterprise on a 50-50 or a participation basis?

MR. KOFFMAN: This year, you mean?

MR. MINAKER: Yes.

MR. KOFFMAN: In the Mineral - I haven't got the figures yet. But it won't be $500,000, it would be somewhat less than that. But we're still in joint venture as far as, Seal River, 1, 2, 3, 4, 5, 6, 7 projects, and we're in with the government for the Crown in 1, 2, 3, 4, 5, 6 projects. I would say - I just don't know - but I would say roughly in about $300,000 with the private sector.

MR. MINAKER: So then, Mr. Chairman, if I understand Mr. Koffman correctly, there's $411,000 that is done either on their own or with the Federal . . .

MR. KOFFMAN: No, that's for oil only, Sir. . .

MR. MINAKER: For oil only.

MR. KOFFMAN: That's with the Crown.

MR. MINAKER: With the Federal corporation or themselves with the Manitoba Environmental or Mining Branch?

MR. KOFFMAN: It's 411,000 we propose to spend this forthcoming year.

MR. MINAKER: But with government agencies, either Federal or Provincial?

MR. KOFFMAN: That's right.

MR. MINAKER: And with the private corporations, another 300,000?

MR. KOFFMAN: I would say something in that area.

MR. MINAKER: For a total exploration of some $711,000.

MR. KOFFMAN: I don't really know what it will be . . .

MR. MINAKER: I appreciate they're ball park figures.

MR. KOFFMAN: Yes, it's a very ball park figure, I haven't got the figures.

MR. MINAKER: I wonder, Mr. Chairman, if Mr. Koffman can advise, besides Great Northern and CDC and Doctor Berry or Berry Oil Limited in the past two years, are there any other proposed exploration projects for the oil industry in Manitoba for the coming year 1976-77.

MR. KOFFMAN: These are for this coming year I'm talking about. These are for the coming year, these seven wells, yes.

MR. MINAKER: So that they're not of the year ending March 31, 1976?

MR. KOFFMAN: No, I gave you the one for the year ending, I gave them to you previously.

MR. MINAKER: So that we're talking about 1976-77?

MR. KOFFMAN: I'm talking 1975-76, we signed the agreements, we're going to spend it in the following year.

MR. MINAKER: Yes, and '76. . .

MR. KOFFMAN: That's right.

MR. MINAKER: With regards to mineral exploration, Mr. Koffman, in the previous year there was 14 projects that were worked on a formal joint venture. I wonder if you could advise us how many joint ventures are scheduled for the coming year and who they would be with.

MR. KOFFMAN: For the coming year, we have seven with the private sector and six with the Department of Mines. Plus the oil and gas. Thirteen in the mining sector and one, two, three, actually with the oil people.

MR. MINAKER: I wonder if Mr. Koffman could advise why Noranda has opted out of their particular involvement in the exploration and why they have opted out?

MR. KOFFMAN: Mr. Minaker, I think I would rather not answer that question because they've decided to opt out, that's up to them now, at this point in time I would rather not answer the question.

MR. MINAKER: Well, Mr. Chairman, has Noranda indicated to Mr. Koffman or the company why they have chose to opt out? Have they indicated in a formal writing to you what this is about?

MR. KOFFMAN: Yes, they wrote us a letter and all they said to us, we are not going to do any more exploration with you, that's all.

MR. MINAKER: No exploration.

MR. KOFFMAN: No exploration.

MR. MINAKER: Could you advise then Mr. Koffman why Hudson Bay Mining has opted out?

MR. KOFFMAN: That question is an easy one to answer for me. They opted out to start with, they opted out because of what they thought certain regulations, certain tax laws. Now let me tell you what has happened now. Although they did opt out at that time on account of the various tax laws that they talked about, they've just opted in this year again and they've staked about four uranium prospects in northern Manitoba now, so it must have been a policy of the former government, the management is now changed. This is the only reason I can give you.

MR. MINAKER: With regard to the uranium exploration that is going on in our province at the present time can Mr. Koffman advise how many private companies are involved in the exploration and how many are taking up the option of the. . .

MR. KOFFMAN: I can't answer that question, that is for next year and I really don't know. They've staked some but I don't know the answer to that.

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

MR. GREEN: Well I'd just like to interrupt if I can be of help. I'm trying to help. Mr. Koffman is only giving you the activities that take place with his corporation.

(MR. GREEN cont'd). . . . . There are another range of activities which don't take place with his corporation which take place directly by the company which are then joined 50 percent, not by the Manitoba Mineral Resources but through the moneys that have been put in the Estimates for the Mines Branch which is under the regulations which is an entirely separate program. So Mr. Koffman would only be able to tell you about those programs which he is in contact with which would not include those that the mining company start on their own under the regulations.

MR. MINAKER: Well Mr. Chairman, can I ask Mr. Koffman is the Mines Branch in competition with the Manitoba Mineral Resources Limited?

MR. KOFFMAN: The answer is no. What I'd say happens is we go and acquire certain lands, and if we can't make a joint venture with the private sector we then make a joint venture with the Department of Mines. This is what actually happens in practice.

MR. MINAKER: I wonder, Mr. Koffman, if you could advise us how many situations occurred last year where you tried to make joint ventures with the private sector and you could not and you made joint ventures with the Mines Branch.

MR. KOFFMAN: Well, obviously. . .last year did you say, or this coming year?

MR. MINAKER: Well, I can't see that you would be able to visualize what you might have to adopt to in the coming year.

MR. KOFFMAN: I'm giving you the figure of '75. . .

MR. MINAKER: I'm talking about the 1975-76 ending in March 31st.

MR. KOFFMAN: Okay, I'll give it to you. We have six, we have still seven with the private sector, the private sector came in for three and we went for six with the Department of Mines.

MR. MINAKER: So that in a total of ten ventures that you proposed, three went with the private sector and seven went with the Mines Branch?

MR. KOFFMAN: Six.

MR. MINAKER: Six, so there was a total of nine.

MR. KOFFMAN: Yes. No, we have only six with the Department of Mines, we have seven on the joint venture. . .we have six with the Department of Mines and seven, a total of 13 for this coming year, sir.

MR. MINAKER: I see. And did the Manitoba Mineral Resources Limited propose these ventures, a total of some 13?

MR. KOFFMAN: Yes.

MR. MINAKER: These were all proposed by your department?

MR. KOFFMAN: We started the projects, that's right.

MR. MINAKER: And of the 13, seven. . .

MR. KOFFMAN: I'm sorry. We started all except two. No, we started five, we got two, somebody else proposed it to us, Granges proposed to us and we went with Granges.

MR. MINAKER: So that there was a total of seven projects of which you proposed five. . .

MR. KOFFMAN: And the private sector proposed two to us, so there's a total of seven we're going with the private sector.

MR. MINAKER: And how many of those seven did you go with the private sector and how many did you go with the Mines Branch?

MR. KOFFMAN: Now, we've gone six with the Mines Branch but there's a total of. . .

MR. MINAKER: There was only one of the seven that you went with the private?

MR. KOFFMAN: No, no, no. We've got one, two three, four, five, six, seven, seven with the private sector. We had three new projects really this year. See, I'm talking ahead of time because I haven't got the facts, I just got the sheet here. But we picked up three with the private sector this year that we haven't got a report for.

MR. MINAKER: Were those three initiated by the private sector or were they initiated by the company?

MR. KOFFMAN: Two were initiated by us and one by another company. What you want to know is is the. . . what's the expression, people doing. That's the question you're asking.

MR. MINAKER: Yes, basically. . .

MR. KOFFMAN: I know what you're asking, I say in the last paragraph of the report, Sir, from last year, and it hasn't changed yet but I believe that it's now changing. I think it's now changing. I will read the last part of my report and this is what we said. "Prospects for further joint ventures with the private sector are uncertain. During the past two years Ministers at the Canadian Ministerial Conference on Mineral Policy have been re-examining traditional governmental priorities in the non-renewable resource field and are moving towards reshaping Canadian mineral policy. Some of these changes are now being manifest in new regulation and taxation policies. This new Canadian thrust is being digested by the domestic and multi-national companies and their response to the changes will eventually be reflected in the ability of the company to form joint ventures." This is really what's happening. So a corollary to that, what you're asking, you are probably going to ask me then, and I have the answers for you now, is, what is the rate of exploration in Manitoba, this is what you're leading to, I can see that. But here let me give you. . .

MR. MINAKER: With all due respect, I don't think that far ahead. I'm not a lawyer, I'm an engineer like yourself.

MR. KOFFMAN: I thought maybe you were going to go that way, so. . . I'm thinking ahead. What I'm saying to you now, and let's take, how much exploration is done in Manitoba, this is what we really want to know about, I think that the committee wants to know. I'll give you by provinces, the only way to tell how much work is being done in the province, the number of feet of drilling. In other words, Manitoba Mineral, we're the only company that gets money and puts it down a hole. In other words, it's gone down a hole. It's gone.

Now in 1973, Manitoba was third with 293,000 feet of drilling, 1973. I'll give you these figures and they're factual figures. This is taken from the CDC, Canadian Diamond Drilling Association and they give out these figures. Now they may be a little less or a little more, they all don't belong to the CDC, all the drilling companies. The majority do. Now in 1974, Manitoba was third again - no, I'm sorry, in '73, we weren't third, in 1973 we were fourth with 293,350 - is that the figure I gave you? B.C. was above us. Ontario was the highest at 757. In 1974. . .

MR. CHAIRMAN: That's in the thousands.

MR. KOFFMAN: Feet of drilling, we talk about feet of drilling. In 1974, Quebec was first, Ontario was second, Manitoba was third at 364,369 feet. In 1975, Manitoba was fourth with 216,000 feet of drilling. --(Interjection)-- This is total drilling.

Now I can give you the first three months of this year, January, February and March, if you want to know what's going on. Ontario and Quebec and Manitoba, I'm giving you in those rates. In January, Ontario was 41,000 and Quebec was 40,000, Manitoba was 33,000. In February, Ontario was 63, Quebec was 57 and Manitoba was 48,000. In the Month of March 1976, Ontario was 75, Quebec was 58 and Manitoba was 45,000.

MR. MINAKER: What was the total?

MR. KOFFMAN: Well I haven't added them, I just give the first three months, do you follow me. But what I am really saying to you, Manitoba is still third in the exploration business in Canada. This is what I'm trying to say. Does that answer some of your questions, sir.

MR. MINAKER: Mr. Chairman, my last question, What was British Columbia's drilling in the last three months?

MR. KOFFMAN: Last year?

MR. MINAKER: Last three months.

MR. KOFFMAN: Last three months. I haven't got that. I didn't pick it up. I can tell you what British Columbia's diamond drilling was in '75, all of '75. 201,000 feet in '75. 252,000 in '74, and in '73, 384,000. They really went down to pot, they have very little drilling done there. --(Interjection)-- Pardon?

MR. MINAKER: Mr. Chairman, thank you Mr. Koffman for your answers.

MR. CHAIRMAN: Mr. Johnston.

MR. G. JOHNSTON: Mr. Chairman, through you to Mr. Koffman. I begin by repeating the statement that you just made. You said that your company is the only

(MR. G. JOHNSTON cont'd). . . . . company that gets money and puts it down a hole.

MR. KOFFMAN: The other mining companies do. I mean in the government area.

MR. G. JOHNSTON: Yours is "the" only company, if all the money that goes down the hole is taxpayers' money.

MR. KOFFMAN: That's right.

MR. G. JOHNSTON: On the first page, in the first financial paragraph, it's stated, "the Province has now advanced 2,125,000 to the Company since its inception in 1971." And on a quick perusal of the book, I note that you have oil royalty income of $4,325.00. I don't see any mining income other than joint venture money that has been put up by other companies. Is that correct?

MR. KOFFMAN: There again Mr. Johnston, I didn't get. . . You don't see any money put by other companies?

MR. G. JOHNSTON: I don't see any mining income other than money that has been put up by way of joint venture from mining companies. Is that correct? In other words, there's no income.

MR. KOFFMAN: No, well you have to find something to get some income, you know.

MR. G. JOHNSTON: That's right. Now two pages later there is mention of a diamond drill hole on the Farewell Lake project and you have indicated, or a drill indicated a mineral reserve of 283,000 tons grading 2.03 per cent copper. Is that. . .?

MR. KOFFMAN: That's not viable, sir.

MR. G. JOHNSTON: That's what I was going to ask you.

MR. KOFFMAN: Not viable. It isn't worth a damn.

MR. G. JOHNSTON: Now I come to other questions that are not in the report, but supposing you find ore bodies that are worth mining, how would you go about this? Would the company then go wholly, full blossom and with provincial moneys into a mine, if necessary, a smelter or crusher or a refinery, whatever is needed, would this be the next step if you found sufficient ore bodies.

MR. KOFFMAN: The answer, if we found something we'd assess the position and say, look, maybe we'll go alone, go with a bank loan go with some sort of loan or go with some notes or go with some type of financing with government, I don't really care. If it's viable, you can always get the money. But if it's not viable you can never get the money. --(Interjection) I'll go with Hudson Bay, sure, I'll go with anybody. No, I'm not fussy.

MR. CHAIRMAN: Order please.

MR. KOFFMAN: Maybe you should use some of this.

MR. G. JOHNSTON: Then I ask Mr. Koffman if by your statement you precluded any working arrangement with existing mines that have smelters and facilities in the north. Is that correct?

MR. KOFFMAN: Oh, I would think, I'll answer that question. It cost X number of dollars to put up a smelter and you've got to go to a hundred million dollars, 125 million dollars. A guy would be stupid to go and build this himself when there's already one sitting there, it costs a hell of a lot less to go and make a deal with him than it would be to go and build one on your own. No, you go and make a deal with somebody, if you can't make a deal with Hudson Bay, you would make a deal with Noranda, you'd make a deal with somebody, some of the smelters in the country. --(Interjection)-- Oh I've never given anything away in my life yet.

MR. G. JOHNSTON: I was hoping, Mr. Chairman, some of the northerners would be interested to ask some serious questions here. They sort of think it's a joking matter.

MR. KOFFMAN: It's not a joking matter. Mr. Johnston, I'm going to read you something from two large companies. I've done this before. Here I have outside exploration by our friend Sherritt-Gordon, good friends of ours, here's the report. "During 1975 exploration efforts were concentrated in northwestern Ontario with an expenditure of $1,082,000, about 25 less than in 19. . . no significant oil. . . were located. You know, this is the name of the game. I'll read you another one. Aretta Nuclear continued an aggressive search in 1974 for new uranium mines and directly and in

(MR. KOFFMAN cont'd). . . . . collaboration with others spent a total of $4.5 million and we found bugger all. I use the word. Now this is the name of the game, you know. Expenditures for exploration expect to be $8 million in this coming year. The reason I know, a friend of mine is General Manager of exploration. . . nuclear. So everybody does this and it's the name of the game, you hope to hit the jackpot. Now if you do or not I don't know. . .

MR. G. JOHNSTON: Another question I'd like to put to Mr. Koffman on joint ventures with established mining companies, particularly established mining companies in northern Manitoba.

When your company in conjunction with them capital-wise and your staff start searching for promising areas, do you run into difficulties with your joint venture partners who may not be that willing, shall I say, to share their knowledge of previous explorations in the north. In other words, would it be possible that they might be leading you down a rocky garden path, in other words, keeping you away from the areas that they may be interested in?

MR. KOFFMAN: I have an answer. . .that's an easy one, Mr. Johnston, oh it's a shame. Here is a map of Manitoba, the areas you try to explore are the areas you see in green, there's where the Sherritt area is . . . here's where the nickel people, this is in the brown, here is the other area in green. Now as most of you know, the area in this part of Manitoba I'm more acquainted or know more about the area that was explored or were explored, practically I spent my entire life in this area. So nobody leads me down the garden path. I know more about it than most of the people that come in the area to explore, so nobody leads me down the garden path. I'll assure you some people try it, you're right, Mr. Johnston, you're absolutely right, but I'm not going to be led down the garden path. No way. Does that answer your question?

MR. G. JOHNSTON: Yes.

MR. KOFFMAN: In regard to that, we were talking about ore. I don't know - where's that Ken Everett? The thing is in order to just bring the things up to date, you know, we have to talk about a little bit of ore, and if you have about five minutes of your time. . .

A MEMBER: Lots of time.

MR. KOFFMAN: No, no. People are working at double time here and I don't really want to keep you fellows overtime. Time and a half you don't get paid for it.

A MEMBER: We're not union men, we don't get paid overtime.

MR. KOFFMAN: You're not union men? Neither am I. People classify ore bodies. . .so I just want to give you a little bit of insight into an explorationist, There's all kinds of explorationists. There's geologists and there's mineralogists and there's all kinds of people in this business. But I'm an explorationist, I don't call myself a geologist, I don't call myself an engineer, I call myself an explorationist. It's a new term.

A fellow by the name of. . . he's a consulting geologist, I knew his Dad, he's a consulting geologist very well-known, very well known, I knew his Dad quite well. He has now decided to classify ore instead of. . . there's all kinds of ore. Now there is these kinds of ore. There's the geologist ore, or there's a geophysicist ore. These are people. Or, a metallurgist ore, and there's engineer's ore, there's a miner's ore and there's assayer's ore and there's a lawyer's ore. And believe it or not, there's a politician's ore. And as there's a prospectors bar room ore, I'll just give you just a rundown on what the. . .

A geologist ore is, a geologist he goes along and he studies the rocks and does everything but he never drills a hole. He never finds any ore really if he doesn't drill a hole, he's a theoretical geologist.

Then there's the geophysicist ore, he finds ore. There are many more geophysicists. . .than I know about but he finds ore, the geophysicist he finds ore. There's a metallurgist ore, you find all kinds of ore bodies and you can't mine them, see the metallurgists and after many years he does experimental work like originally the Flin Flon deposit they made ore of it, so that was a metallurgist's ore.

We have the engineer's ore, like there was a man by the name of Jackling who used copper in the early days when the grade of ore was about half percent, there was mountains of it. Everybody thought he was crazy. So an engineer he made ore out of

(MR. KOFFMAN cont'd). . . . . the . . .copper, the low grade ores.

Then there is the miner's ore. The miner what he does, he works in the mine, he follows it and he eventually finds some ore, he just follows the vein, just along the mine he finds some ore. They are simply enlargements of the known ore bodies, such as northern miner's ore.

Then there's assayer's ore, an assayer comes along he might assay gold .03 or .04 depends on the assay. So the .03 gold is not ore, .04 might be ore because the price of gold went up in price, you might get ore out of that.

Then there's a lawyer's ore. That's a good type of ore because that lawyer you might have some ground and the lawyer, we used to have in the early days a fraction hiding here he used to go and survey the land, this lawyer survey the land get a little fraction in and he'd charge you to beat hell. And he used to be lawyers ore and he made some money.

Then of course there's ore found through negotiations are also classed as lawyer's ore.

Then there's the politicians ore. . .found and developed in foreign countries where investment has recently become is about to become saleable. That's the politicians... but then there's the prospectors ore. These are different ores that change to ore from waste. The prospector's ore is really called the bar room ore. You go with the prospector and you learn about it and then you go and have a few drinks before settling on the term prospector's ore, bar room ore, you discuss with the prospector. . .as you stay in the bar longer and longer it becomes an ore body. So I thought I'd just tell you this kind of ore is found, but really in our company we try to be all of these things in one and we call ourselves an explorationist group, and we hope to find some, whether we will or not I don't know.

But really to end it up, the question is, in the words of this fellow. . .or geologist, it ain't not knowing that adds so much to the colossal sum of human ignorance as in knowing so much that ain't so. Any other questions, I'd be glad to answer them.

MR. G. JOHNSTON: Mr. Chairman, I thought we were dealing with a President of a mining company, not a promoter. I take it. . .

MR. KOFFMAN: I tell you what you have to do.

MR. G. JOHNSTON: . . . Mr. Koffman can handle both phases of the operation.

MR. KOFFMAN: You only have to handle the whole works, you know if you want to be an explorationist. But to be an explorationist you've got to be sort of a promoter really.

MR. G. JOHNSTON: I can see you're doing a fantastic job.

MR. KOFFMAN: I tell you, I did this all my life. Can't stop now.

MR. G. JOHNSTON: This leads me to a question. In the final paragraph, and I quote, "New mines will surely be found in Manitoba by those willing to make sustained financial commitments over a number of years and pursuing geophysically-orientated programs. The sustained financial commitment must be matched by an expert team of dedicated explorationists. We thank all of our staff, etc. over the past year." So my question is, that's a very optimistic statement to be made by the President of a company that's operating in a very chancy and difficult field. What are your assessments of the next two or three years. I'm not talking about five or ten or a rosy future when. . . as the world exhausts its mineral supplies the low ore bodies become more valuable, this is bound to happen I guess, but what is your assessment of the future of the company that you're President of, the next two or three years. Will you return part or all of the money that has been your grub stake?

MR. KOFFMAN: I think I answered that question last year and it comes up to a $64 question. Everybody asks that question. I think I answered that once before. I'm no magician. We do the best we can with all the knowledge we have, we know, we've told the committee, we've told the board it's going to take anywhere from five to 25 million dollars to find an ore body, I don't know if we will then, but we may or may not. This is the name of the game. The only thing I can say, god damn it, it's gotta be successful, otherwise the mining companies that are in the business wouldn't be there. I mean, they wouldn't be there. What would they be there for. They would go and

(MR. KOFFMAN cont'd) . . . . . manufacture steel tubes or do something else. They must be otherwise these companies stayed, everybody started with an embryo and they build up. If you find the first one, and we nearly did, but it went down the drain, if we find the first one and you can develop some running capital then you can, if you don't, this is the name of the game. Does that answer your question, Mr. Johnston?

MR. G. JOHNSTON: Yes, partly, it's not satisfactory but it's an answer. Then I refer you to your map where you're pointing out certain. . .

MR. KOFFMAN: This one, you mean or the. . .

MR. G. JOHNSTON: The one where you have good ideas where the interesting ore bodies are. The companies who are there and have had a 25 or 40 year head start, like Inco and HB & M, Sherritt-Gordon, have they tied up the choice areas and are you sort of lurking on the fringes hoping to find something?

MR. KOFFMAN: Well let me mention this here. I was the guy that was the head of the group that found every bloody mine of Hudson Bay. And I worked all theirs so they're not any more on the fringes than we are, or Sherritt-Gordon was in this area. Nobody's on the fringes because if I didn't know the country, if it came in solid green you could tell me, bugger off, you know, but I know the country, it's tough, I tell you it's tough, let's not fool around. It's tough business. But if the province and the people want to put up the money we're going to do our best, there's no question about that.

I would like to mention to you what is happening today, what's happening today in the mineral industry. It's a peculiar thing, really, because many of the very, very capable people who worked in the private sector are now moving into the public sector. Why? They know now that the state or the provinces, I don't care who they are, want a piece of the action, want to do it. I'm going to give you an example here. A friend of mine, Dave Mitchell, President of Great Plains Petroleum, very successful with Great Plains - who has he gone to? He's gone to be President of Alberta Energy Oil. Here is another one. Don . . . a friend of mine, Vice-President of the oil company of, not Texaco but Vice-President of Mobile Oil. He's now taking a job as Vice-President of Petrocan. It's a good thing that these people who were in the private sector are taking these positions and not people that don't know the business and waste the taxpayers money for him. My friend M. J. Moreau is now General Manager of Exploration for Eldorado Nuclear, formerly President of Gulf Minerals in Canada now has taken a job as President of Eldorado Nuclear. A great many people who were in the private sector are now moving into the state companies. Now why? I think they've started finding out the private sector just hasn't got enough money to do it. This is what's happening, they say, well the money is there, I guess we have to go. It's a good thing at least that the capable people are going into the private sector, at least the money is not going to go down the drain. It's not . . . Public sector, what they call public sector.

I don't know if I've helped you in it but I am trying to tell you what's happening in the world. I don't say it's right or wrong, it has nothing to do with me, I'm just saying what's happening.

MR. CHAIRMAN: Mr. Craik.

MR. CRAIK: Mr. Koffman, just a few questions. First of all I wanted to ask you, I don't know your board of directors, or I know two or three of them and I don't see any of them here with you tonight.

MR. KOFFMAN: Pardon me.

MR. CRAIK: I don't see any of your board of directors here tonight.

MR. KOFFMAN: I don't think there are any here.

MR. CRAIK: It would seem to me that presentation of an annual report that the board of directors might. . .

MR. KOFFMAN: You're right. I agree with you. I should have told them to bloody well come here. You're right.

MR. CRAIK: Which brings up the question, how often a year do your directors meet?

MR. KOFFMAN: Four times a year, a minimum of four times a year, sometimes six.

MR. CRAIK: Do they pass judgment on the decisions that are made with regards to your different ventures or. . .

MR. KOFFMAN: Yes, they approve the ventures.

MR. CRAIK: They approve them, I see. So you operate in a very efficient manner then.

MR. KOFFMAN: Oh yes. Well if you look at our administrative costs, you don't see very much money going down the drain there. We're not really spending it. We're putting it in holes in the ground, you know. All the money is going into the holes in the ground, diamond drill holes.

MR. CRAIK: You make the comment here that you have more people shifting into the public sector because you assume it might be that there's not enough money in the private sector.

MR. KOFFMAN: I don't know but they are. All the very capable people are moving in. I know of another fellow by the name of Hutchinson from. . .are going into the public sector. I don't know why but this is what's happening.

MR. CRAIK: What sort of yardstick do you use in terms of deciding how much money that you plow into a venture. You're in the public sector now. Do you use the same yardsticks you used when you were with M & S?

MR. KOFFMAN: Yes, sir, exactly the same.

MR. CRAIK: Or do you use the yardstick of comparing Manitoba mineral resources to another Crown corporation like Saunders Aircraft or. . .

MR. KOFFMAN: No, say, we got no aircraft, no deal. No, I work exactly like I did in the private sector. I haven't changed one iota.

MR. CRAIK: How do you decide eventually if you were the one and only exploration company, if more and more people are going into the private sector and eventually, not in your lifetime or mine or perhaps the next, what yardsticks do you use what goes into holes.

MR. KOFFMAN: Diamond drill holes?

MR. CRAIK: Yes.

MR. KOFFMAN: Well actually what we do, first we fly an area. After we fly an area, we might acquire the land before. When we fly there then we get a certain number of anomalies in the ground in base metals. Then we do line cutting on the ground to limit the anomalies. Then we look at the anomalies and then we do diamond drilling on it. Now you might drill two, three, four hundred holes and you're going to get sweet bugger-all, but you might drill that one. . .as I told you last year what happens in many, many occasions, the last hole should be drilled first.

MR. CRAIK: Your airborne surveys though this year have dropped 90 percent.

MR. KOFFMAN: I'll tell you what happened.

MR. CRAIK: . . .over last year.

MR. KOFFMAN: Yes. The reasons for that is that we drilled when we just started we spent a lot of money on airborne. We had enough airborne ahead that we didn't have to do it then. Do you follow me? We didn't have to do it, we had enough left over, we had enough. So our money is going into drill holes instead of flying.

MR. CRAIK: But your drilling is only up by ten to fifteen percent over the year before. 79,000 compared to 600 the year before.

MR. KOFFMAN: I have an answer, Mr. Craik. It's a very simple answer for you here, I have the figures for you here. The unit cost in 1972-73 diamond drilling a foot was $8.80. The unit cost of drilling in 1974-75, is $16.00 a foot. We drilled, I can tell you how many feet we drilled, the total we drilled. We drilled 59,000 feet in 130. Now, in this year, I have the figures already, in this year we drilled roughly 120 holes, ending 1976. . . It's $20.92 a foot. So therefore I couldn't drill as many holes, if . . .is that many feet. I would like to have, but this is what has happened.

MR. CRAIK: You mentioned earlier, if you divide 45,000 into $725,000, it works out to about $16.00 a foot. You say your costs have doubled for drilling in the period of a year?

MR. KOFFMAN: Yes. They've doubled from 1972-70, from 880 to 1974-75 to $16.00, and we have put all our things out on bid with different companies. I'm not going to be caught here putting a bid with one company and somebody is going to say, Oh, oh, you've got somebody in your pocket, we've got bids with three or four companies that are here, and we take the lowest bid. Now, we don't care if that fellow can't perform now we won't give him a bid to up north territories; we gave a man a bid last year

(MR. KOFFMAN cont'd). . . . . at $12.00 a foot, the next was $17.00 in February of this year, they went busted. We didn't really care, we gave it to the next contractor.

MR. CRAIK: Is the airborne survey that was doneby the Federal Government in this joint Federal-Provincial program that has been announced on the uranium work further north. . .

MR. KOFFMAN: I'm not acquainted with that, Sir. That's in the Department of Mines and the Federal Government.

MR. CRAIK: Yes, that's not much further north than where your. . .

MR. KOFFMAN: I don't know where they did it, somewhere around this corner here.

MR. CRAIK: Yes.

MR. KOFFMAN: But they just flew for uranium; they didn't fly for base metals.

MR. CRAIK: Is Manitoba Mineral Resources interested in doing exploration work on uranium in that area too?

MR. KOFFMAN: When the maps came out, we decided momentarily as a company to not acquire ground, I wanted to see the private sector come in, I still have a chance with the private sector when they come in. I wasn't going to go and acquire, either compete with anybody else, but what was the use of me coming along and taking ground and then the private sector can't come in. We decided as a Board, we decided no, we won't do it, we'll let the private sector come, then we'll go joint ventures, because they have to come to one, they either have to go to the Department of Mines or to us. So we decided not to do it, and I think it was the right thing to do, because all the ground was acquired on by various companies. Does that answer your question, Mr. Craik?

MR. CRAIK: We have no way in judging - in a way where your second Board of Directors here once a year, the others meet four times, we meet once a year - we have no way of judging whether the move to set up Manitoba Mineral Resources was a good move or otherwise. So far your statement hasn't shown, and we have to go by your final paragraph pointed out here earlier, that you've got to have faith maybe, sort of thing. Can you tell us whether in your experience, which isn't a short experience, whether the Province of Manitoba is on the right investment track as far as investing in the exploration work is concerned, as a public venture rather than a private venture?

MR. KOFFMAN: The only way I can answer that question, Mr. Craik, can say, if the mining group, if I was associated with it, I would be going yet. So if the Crown wants to go or the province wants to go, that's your decision, not mine. I'm just an instrument here. That's all I am and I'm trying to do the best job as an instrument doing the job. So this is the means of the legislature, it's up to you fellows, not me. I'm just doing the best job I can do for you. That's all I'm doing.

MR. CRAIK: Out of the total drilling that's being done, the exploration drilling, if you drilled 45,000 feet. . .

MR. KOFFMAN: Say it again. Go ahead.

MR. CRAIK: This last year if you drilled 45,000 feet, you drilled perhaps 12-15 percent of the total footage in the Province of Manitoba as far as direct exploration is concerned.

MR. KOFFMAN: What did I give you? I did give you the figure, I'll look it in. . .

MR. CRAIK: . . .45 out of 30, 300,000, or in that order - 260,000, that's more than. . .

MR. KOFFMAN: When we did the drilling with joint ventures we were partners you must remember, it's not all ours, it's joint venture with the people or the private sector. But I can give it to you next year, I'm just giving you rough figures here. We're talking this year, 1975, roughly. We drilled 216, 216 was the total in 1975 and we drilled - no I can't give it to you because we work on a different fiscal year. I would say with the joint venture we probably drill a quarter of it, or maybe 30 percent, with other joint ventures, not ourselves. I could get the figures for you anytime you want, Mr. Craik. If you want to come down I can give you the figures, the office is always open, you can come anytime, we'll show you. . .

MR. CRAIK: You mentioned earlier that the reason that your airborne survey was off by so much as it is, and it's only roughly one-tenth of what it was the year before, and that leads to your actual exploration drilling this is actual background to your drilling program. Was your drilling program or your exploration airborne survey program satisfying enough the previous years to justify the same drilling program roughly, or is it just that you're tight on - are you tight on your expenditures or what is the difference?

MR. KOFFMAN: What you really do, I have the figures here 74--75 fiscal year-end, April of this year. You can do a lot of flying in one month or two months and it costs you a lot of money. When you've done the flying, completed the flying in certain areas, like this area, or this, when you've completed the flying in certain of these areas, the big job and the big money is spent in doing the ground geophysical work, and doing the drilling and cutting lines. So, it's no use doing a whole bunch of flying if you are not going to follow it up. Do you follow me? So what we do, we do a certain amount of flying. . . now next year we'll probably, this summer probably do some flying again, because we're caught up.

MR. CRAIK: Do you do the same level of flying as you did the year before?

MR. KOFFMAN: Well, it depends on our budget, depends on our money. This is what you do, depends on your money, you work out your budget and your flying, your ground. . . in order to spend your money intelligently.

MR. CHAIRMAN: Mr. McGill.

MR. McGILL: Well, let me change courses here.

MR. CHAIRMAN: I'm sorry, Mr. Craik.

MR. CRAIK: You've geen in the business a long time and partly being strictly in exploration, we've seen a pretty rapid change in the picture of fossil fuels as far as availability is concerned. Do you have any comments or thoughts regarding the future of the mineral industry in Canada, not Manitoba alone, but in Canada? I'm thinking here particularly of the major areas, iron ore, nickel, and some of the other more prominent areas for production in Canada. Do you see in a relative time from the same source of change in attitude happening with regards to our minerals as has happened to the fossil fuels in the last six year, five years?

MR. KOFFMAN: I don't really get your question, but I think what you're really asking is, are we going to find any more mines in Canada, vis-a-vis other countries, is that what. . .

MR. CRAIK: No, I'm thinking in terms of production. You know, six or seven years ago the popular Canadian attitude was that we should be exporting as much oil as possible out of the country and just about as much natural gas. We've shifted now, we're trying to back out of natural gas exports, we're trying to put a hold of some sort on oil exports, and I'm trying to determine whether you have any thoughts about whether we're facing the same sort of thing at some point in the future with regards to our minerals.

MR. KOFFMAN: I don't think the minerals. . .we must remember this, I have to take the Precambrian Shield, I haven't got a map of Manitoba, the Precambrian Shield of Canada, vis-a-vis the Cordilleras Region of British Columbia, in that area. Now I can assure you that there will be many more ore bodies found in the Cordilleras area of Canada, that is B.C. and that type of thing, that is for sure, because we're dealing in the same type of environment, the same type of thinking as we are in South America, down in Peru and Chile where there's probably 25 to 30 mines are now in what I would term politician's ore. And there are large ore bodies there, there's ore bodies there that are 100, 200, 250, 300 million tons, but they're politician's ore now, nobody can get at them momentarily. So the world supply of these minerals, I am not worried about being exhausted.

Now if we got the Canadian supply, I think we're going to keep finding but it's going to cost more and more money. That is why you can notice in all the federal legislation and all the tax positions, the cost of exploration, the cost of exploration, gentlemen, of minerals in Canada, now, is really put up, most of the cost, whether we like it or not, is put up by taxpayers' dollars one way or another. It's all taxpayers' dollars, because you're allowed a certain return on your investment, and the tax position in Ontario and Quebec, Manitoba, B.C., Ontario, they're all in such a position that the governments allow people to explore with the excess profits where they're not. And the people of

(MR. KOFFMAN cont'd). . . . . Canada really are the people that are really putting up the money for exploration. This is what is really happening.

Maybe I could give you a little point - I better maybe use that stuff there, I may be going too far here. I just don't know. But I think I have to point out to you what is happening here. I had a piece of paper here that was going to. . .anyway, generally speaking, most of the exploration in Canada today is really tax dollars one way or another. It's a surprising thing to say. The taxation in Manitoba is generally if you're operating in Manitoba, I might be a little wrong in this, but if I'm working in Manitoba and I get more than my return, more than 18 . . .return on investment, all that money, if I put up a hundred bucks for exploration, it is not one cent further out of the shareholders pocket. Maybe it might be 15 cents on the dollar, but it is all tax dollars. . .if you put $100 in for exploration and you work in Manitoba you get it all back. It's paid by the state or the federal government to the companies. In the oil exploration this is happening too now, enough tax dollars there to go back and explore. This is a fact of life.

MR. CRAIK: Isn't it, Mr. Koffman, a condition of whether you refer to the consumer dollar as being a tax dollar or some other kind of a dollar, isn't this a question of whether the consumer dollar goes to the entrepreneur who has the carrot hanging out in front of him by way of a potential return or whether it goes to the government and is deferred by some tax legislation, and isn't it really a consumer dollar rather than a tax dollar or a . . .dollar?

MR. KOFFMAN: No, it's really a tax dollar. It's really a tax dollar. It's pretty hard to say . . .I have an article it's not mine, it's by E. K. O'Brien from the International Nickel Company of Canada, and here is what it says, this is the fact of life and it's pretty hard. I'll give you Quebec. If you explored in Quebec, if your company explored in Quebec, you would get a tax relief of 104 percent. In other words, you get 4 percent more for exploring. If you explored in Ontario, you'd get a net tax credit of also 4 percent, if you want. If you were working in Manitoba, in a Manitoba company, you'd get a total tax relief, federal, provincially of 100 cents on the dollar. This is pretty hard to, this is a fact. . .and I didn't make this up. I mean this is what's happening. --(Interjection)-- Pardon? I'm not saying whether it's right or wrong. I'm just giving you the facts. I'm not going to say they're good or bad, I'm just going to say these are the facts of life.

MR. CRAIK: Well, Mr. Koffman, I think you're in a field now of sort of philosophical debate. Mr. Chairman, my question was whether or not the mineral resources of the country were headed down the same path as the fossil fuel resources and I asked you the question because I know you've been in the field a long time. I didn't ask you the question of whether our tax dollar was a consumer dollar. . .

MR. KOFFMAN: My answer to that is, the politicians of yore, of 15, 16 years ago, I remember them stating this story, the un, what's the word, "the untapped mineral resources of the world, of Manitoba, of Canada, they're inexhaustible." That was a bunch of crap. I used to tell the politicians that, I was in politics and I used to tell them that. I tell them, a bunch of crap. But there's never a finite thing, because what happens is, as the price goes up you take lower and lower grade oil. This is what happens.

But the fossil fuels, let's turn to the fossil fuels, the question you asked. The fossil fuels in the line of coal. I would say momentarily for coal I can pretty well use this, it's inexhaustible, I think in Canada, I think there's sufficient fossil fuel for the next 200 years. I'm not too concerned. But we'll have to get the environmental. . . back and we'll have to use coal again. We'll have to start working instead of sitting on our. . .preheated gas furnaces, we'll have to get the kids to haul coal and take out ashes, this is all we'll have to do. It's there. It's what we'll have to do.

MR. CRAIK: You mean we should become hewers of coal again?

MR. KOFFMAN: Yes. We'll have to come back to coal whether we like it or not. There's only one question, you asked me the question, you talk about resources, I have something for you, if you like, it's an educational thing anyway for everybody, including myself. Now I can tell you here where they got uranium. Here's a comparison of fossil fuels and what we talked about. If you have to mine energy, say a good size electrical energy plant or say hundred thousand megawatts would consume annually

(MR. KOFFMAN cont'd). . . . . 2.3 million tons of coal, the entire output of a mine. This is a plant of 100,000 megawatts. Or, it's ten million barrels of oil, or 64 billion cubic feet of gas. But the coal is still there. But here is the nicker. A nuclear power plant of the same size, 100,000 megawatts, would require 130 tons only of U308; approximately one month's supply of a good sized uranium mine. Now if we can solve the problem of what we do with the uranium and the bad effects of it then you've got the problem licked. So really if we find. . .it's pretty. . .you take these words, if you take 130 tons of U308, that's all, and that's equivalent to 10 million barrels of fuel oil or 64 billion cubic feet of gas or 2.3 million tons of coal. The reason I bring this up to you is that recently I just came from a trip for one of the other companies I work with - I saw the largest uranium mine in the world. This happened to be in South Africa, where they're producing 5,000 tons of U308 they're going to be producing, which is probably one quarter of the free world's supply of uranium. And they have 20 years supply in this. A friend of mine went down and they found another mine in the area. In other words, uranium will be the fuel, we're not going to go cold but again we have the environmental problem to look after. Does that answer some of your questions?

MR. CRAIK: Ver definitely. There's only one last question here. I notice that your advertising budget has dropped drastically.

MR. KOFFMAN: Pardon, I just didn't. . .

MR. CRAIK: Your advertising expenses. . .

MR. KOFFMAN: Oh yeh. . .

MR. CRAIK: . . .have dropped all the way from $1.68 to zero cents.

MR. KOFFMAN: You know what we did there? --(Interjection)-- No, I'll tell you what happened. We had an office and we had advertised for a garage to put our field equipment in, so it cost us that $1.60 for that ad for that garage. That was our big advertising cost.

MR. CHAIRMAN: Mr. McGill.

MR. McGILL: Mr. Chairman, I notice that Mr. Koffman signed this statement on June 16th, 1975. When was this statement first made public, Mr. Koffman?

MR. KOFFMAN: Right after. . .What happens then - June . . . the law of the company is that immediately, on June 16th we hand it over to the Minister, on June 16th. I probably gave it to the Minister on - let me see, June 16th, June 6th - I probably gave it to the Minister June 30th or thereabouts, I handed him a bunch of booklets after it was printed, and it's up to the Minister then to make it public as he sees fit.

MR. McGILL: I presume then the Minister mailed them out to the members of the. . .

MR. KOFFMAN: Pardon?

MR. McGILL: I presume the Minister then mailed them to the members of the Legislature.

MR. KOFFMAN: I don't know what he does.

MR. GREEN: I don't know whether I did that, I think I tabled them in the House.

MR. KOFFMAN: The House was not sitting by the time we got the report.

MR. GREEN: I have given them out to the House.

MR. McGILL: They have been distributed?

MR. GREEN: I gave them out to the House. Mr. Chairman, there's been no reason, except that I feel that that's when I make them public is when we get to the House. There is nothing in this statement that you would think that I would want to hide or sit on.

MR. McGILL: Or nothing that you were particularly pleased about that you would want to. . .

MR. GREEN: I think that Mr. Koffman has given you today what is in the next year's statement. This statement is the kind of statement that I see from many mining companies.

MR. McGILL: Mr. Koffman, in the four years that the company has been operating, I guess the best prospect, the best values you turned up were at Farewell Lake.

MR. KOFFMAN: That's right.

MR. McGILL: And we talked about that a year ago, and at that time you told me you had drilled 30 holes about 26,000 feet and you had about 283,000 tons of ore. . . And that was about 10 percent of what you needed to make a mine.

MR. KOFFMAN: That's right.

MR. McGILL: What additional diamond drilling did you do?

MR. KOFFMAN: We did additional drilling, I can give you that. We did additional drilling this year to try and increase the reserves, the mineral reserve - I didn't say ore reserve - the mineral reserves - no I haven't got it - wait a minute, maybe I have it totalled here. 1974 to '76.

MR. McGILL: You gave me the figures for January 1st, 1975, last year.

MR. KOFFMAN: Yes. We did to April, we drilled 11,000 further feet; we drilled another 11,000 feet from what I gave you originally last year. Total, May 31st, 46,000 feet. We have now drilled it and we couldn't find any further ore depth and as far as we're concerned, that's it.

MR. McGILL: You've abandoned the property?

MR. KOFFMAN: We still have the property, I don't know what we're going to do with it, I really don't know what we are going to do with. You get what you call, at this stage, you get a developed area lease. I don't know what we're going to do with it yet.

MR. McGILL: What was the total cost of Farewell Lake exploration?

MR. KOFFMAN: The total cost - I haven't got that yet, no. I haven't got it. I haven't got the total cost. Mr. Wright, have you figured what it's cost us? We haven't it up to date so --(Interjection)-- A total of $700,000.

MR. McGILL: Do we have any other values in the four years, in all your diamond drilling in terms of copper and nickel or lead or zinc?

MR. KOFFMAN: No, no. We got sulphide, Mr. McGill, we got sulphide. . . growing out of our ears but no values in them.

MR. McGILL: I was going to ask you about the Cook Lake property. That's in a pretty good area.

MR. KOFFMAN: Yes, its a good area so we went in a joint venture with Granges. We had a few smells in it and we're still working on it but there was a few smells of copper. Yes that's right, there was a few smells of copper. We're still working jointly with Granges on that but it's really. . .oh it's just near Woosey Lake, I think you're acquainted with that area, aren't you?

MR. McGILL: You're on the west side of Cook Lake and between Cook Lake and Woosey are you?

MR. KOFFMAN: That's right. We're on the east side of Woosey, between Circle and Woosey.

MR. McGILL: In that area, yes. And how much drilling have you done in that area?

MR. KOFFMAN: I can't tell you what we've done this year, but I can certainly tell you from my report how much has been done last year. Just a minute, I have it here, I have it right here. In 1974-75, Cook Lake, we drilled 5,000 feet jointly and in this year we've just drilled 305 feet. . .roughly 6,000 feet.

MR. McGILL: What depth have you gone to in that area?

MR. KOFFMAN: Pardon?

MR. McGILL: What depth?

MR. KOFFMAN: We just drill shallow holes, the maximum is up to 250 feet. There was some small values in it, say one percent or one and a quarter percent over five to six feet but really nothing worthwhile so far. But we're still working with our joint venture company.

MR. McGILL: Of the projects that you have under way at the moment, which in your view offers the best possibilities?

MR. KOFFMAN: I hope every one does. This is what you hope, but I really don't know. That's the $64 question again, Bill. I don't know. Sometimes the worst is the best, who knows.

MR. McGILL: The last statement we have here was March 31st, 1975; can you bring us up to date in the advances from the Province of Manitoba? I think they were around 2.2 million up to March 31st, 1975.

MR. KOFFMAN: Two million two - well what have I got now here? I have two million two now. . .just a minute.

MR. McGILL: That was March 31st, 1975.

MR. KOFFMAN: Malcolm have you got the figure, what we took down this year here? --(Interjection)-- It would be a total of 2.9, yeh.

MR. McGILL: Mr. Koffman, you said that probably it would cost somewhere between 5 million and 25 million to find a mine. Have you based that figure on any kind of experience?

MR. KOFFMAN: Pardon?

MR. McGILL: Do you base that figure on any kind of experience?

MR. KOFFMAN: Yes we base that on a figure experienced from the number of mines that were found over the last ten years. We had a group of us that went together and said what each company spent for a certain number of years and then we come up with a figure between 5 and 25 million. In the . . . Lake mine, that one was about three million, that was one of these things. But the average is about 25 million. Like Noranda, I don't know what they spent this year but they did find one ore body in British Columbia this year but the expenses were. . .they spent about $11 million a year.

MR. McGILL: I just wondered what years of experience that figure would be based on.

MR. KOFFMAN: Oh, I see what you mean. In other words, you're saying is it greater than that really now.

MR. McGILL: Well I think it would be a very great deal higher now because of the. . .

MR. KOFFMAN: Yes, that's right. I would say you'd have to add maybe another 10 million to it. On the other hand, you know it might be tomorrow. I mean this is something I don't know.

MR. McGILL: I think we got into this last year, but . . .

MR. KOFFMAN: Yes we did.

MR. McGILL: . . .aren't mines harder to find now that the years go by, your methods are more sophisticated, your methods of aero-geophysical work are far superior to what they ever were before. . .

MR. KOFFMAN: Hmhm.

MR. McGILL: . . .everybody's had the benefit of that kind of sophisticated equipment. What are the chances compared with. . .if it cost 5 to 25 million in 1950 to find a mine. . .

MR. KOFFMAN: The figure I gave you is for 1972, didn't I, '72-73, yeh. I would say you'd probably add another $10 million to it, possibly.

MR. McGILL: So it might cost the Province of Manitoba $15 to $20 million to find their first mine?

MR. KOFFMAN: Well it might be more than that, might be 30. . .

MR. McGILL: Might be more than that?

MR. KOFFMAN: I don't know, I don't know.

MR. McGILL: Mr. Koffman, do you get much pressure in your job? You've been there what - four years?

MR. KOFFMAN: Four years going on to five pretty soon.

MR. McGILL: As the years go by and you don't have a great deal to show, what's the kind of pressure you work under in that job? Is the government on your back all the time?

MR. KOFFMAN: No, no. No, they've never bothered me one bloody bit. They've never said here's your dough do. . .the Board of Directors. But no they haven't bothered me.

MR. McGILL: Was it that good at Hudson Bay?

MR. KOFFMAN: At Hudson Bay? Oh they bothered me, too, they bothered me. . .

MR. McGILL: They were after you at Hudson Bay?

MR. KOFFMAN: Oh they were after me, oh yeh sure. But I gave them the same answers I've given you here.

MR. McGILL: So it's a little easier working for the government is it than. . .

MR. KOFFMAN: No, I'm not saying it's easier. It's in yourself, Mr. McGill. You know, how can you go home and sleep when you've spent this much money and you haven't got anything with it. It's the same deal.

MR. CHAIRMAN: Order. Mr. Green.

MR. GREEN: Mr. Koffman, would it help you find a mine if I phoned you every day and said have you found a mine yet?

MR. KOFFMAN: Well if you kept phoning me every day. . .

MR. GREEN: Do you know any explorer who will find a mine quicker if somebody phones him every day and says have you found a mine yet?

MR. KOFFMAN: No, no, no.

MR. GREEN: Mr. Koffman, you know you've been referred to by Mr. Johnson as being a good promoter. I recall that when I called you you were privately working in the mining industry as a private consultant.

MR. KOFFMAN: That's right.

MR. GREEN: You were financially independent.

MR. KOFFMAN: I still am.

MR. GREEN: You had no need of working for the government?

MR. KOFFMAN: I don't need the job right now, really, Sid.

MR. GREEN: You did not ask me for a job.

MR. KOFFMAN: No, no, no, no, you asked me.

MR. GREEN: You are one of the few people in the private sector that has not asked me for a job. You did not ask me for a job, we asked you the following question: If you were working for the public, would you find that you would work any less diligently than you work for Hudson Bay? What was your answer?

MR. KOFFMAN: I said it would be the same deal. I see no difference.

MR. GREEN: Do you find that it is the same deal.

MR. KOFFMAN: I find the same deal.

MR. GREEN: Do you find that you have become lazy and indolent and unconcerned with what you are doing because you are now working for the people of Manitoba?

MR. KOFFMAN: Oh hell no. I worked in the private sector too long, Sid. Can't do it.

MR. GREEN: Mr. Koffman, the Member for Brandon West has said that it might cost us $35 million to find a mine. Now the fact is, Albert, Mr. Koffman, that we might spend $35 million and not find a mine.

MR. KOFFMAN: That's right.

MR. GREEN: That's right. So the fact is that in the mining industry, the fact that you say that the average cost of finding it is $35 million, one must know that they could spend $35 million and not find a mine.

MR. KOFFMAN: That's right.

MR. GREEN: . . .in your next drill hole after spending two million it is possible that you could find a mine.

MR. KOFFMAN: That's right.

MR. GREEN: So that is the nature of the industry.

MR. KOFFMAN: That's right.

MR. GREEN: And members of the opposition are continually saying that we should make it attractive for private industry to go into the mining business in Manitoba. I presume that they are not trying to fool these people into coming in here and spending money and not finding anything; the private industry that has done this have done this because they think it is a good idea. And you have indicated in your report that those who are willing to make the investment and have the patience will be the ones who will bear the fruit.

MR. KOFFMAN: That's what I've told the private sector I worked with, I'm telling you the same thing. I don't see no difference.

MR. GREEN: The statement that you have presented with regard to the Manitoba Mineral Resources, do you consider that an unusual statement for a mining exploration company that has been involved for four years?

MR. KOFFMAN: No, no, no. When I worked with the private sector I worked for five and six and seven years and found, as I told you before, found bugger-all you know, and then some years I find something. This is the name of the game.

MR. GREEN: And that patience, perseverance and willingness to invest in what was then our property, the property of Manitoba, didn't do any harm to Hudson Bay Mining and Smelting Company?

MR. KOFFMAN: I didn't follow your question, I didn't hear . . .

MR. GREEN: I said that that perseverance and that willingness to go for several years and not find anything, and risk and continue to have patience, didn't do any harm to the Hudson Bay Mining and Smelting Company.

MR. KOFFMAN: No, but you see the man in charge had to keep prodding them to spend money too, don't you kid yourself. I had to prod them the same as any exploration that's working for any private company. Unless you prod the exploration people, and the dollars out in it, if you haven't got a fairly good exploration man there and he's prodding them, you're going to come out with bugger-all because they're going to blow hot and blow cold and away they go.

MR. GREEN: So you have to prod them.

MR. KOFFMAN: Oh I have to prod them.

MR. GREEN: They weren't the ones who were prodding you, you were prodding them.

MR. KOFFMAN: Oh yeh.

MR. GREEN: Now, Mr. Koffman, it has also been suggested that you're going to be led down the garden path by some of your joint ventures. Do you suppose that Granges Exploration - you have some ventures with Granges where they are putting up $100,000 and you are putting up $100,000 . . .

MR. KOFFMAN: Along these lines, or pretty . . .

MR. GREEN: Do you suppose that Granges Explorations would pay $100,000 for the pleasure of leading you down the garden path?

MR. KOFFMAN: No, they're not going to lead me down the garden path, no.

MR. GREEN: Do you suppose - you had joint ventures with Hudson Bay Mining and they have put into those joint ventures from time to time, well as much as 150 to 200 thousand dollars . . .

MR. KOFFMAN: . . . 250 I think it was.

MR. GREEN: You worked for Hudson Bay Mining, and I'm not going to ask you for any company secrets, but do you presume that any mining company would pay $200,000 to go into a joint venture with you for the pleasure or the thought that by spending that $200,000 they would lead you down the garden path?

MR. KOFFMAN: Nobody is going to down the government. The point is, when mining companies are making a profit, when they're spending money exploration dollars - gentlemen, you must remember that - they are not spending full dollars. At one time when I was there it was 33-cent dollars, the rest of it was tax, 60 cents tax on each dollar, so they were really only spending 33-cent dollars. You had to force them to spend the money --(Interjection)-- in the private sector. They had to spend the money because it was cheap exploration dollars. Now it's even better in the resource industry the way the tax is, I'm not saying the taxes are right or good or bad, but there's four streaks going on because the money they're putting up is not really shareholders' money now, it is tax money, so they've got to explore whether they like it or not.

MR. GREEN: Now, do you think that they would take that money which is available for exploration and put a $100,000 into a joint venture with you for the purpose of putting you off the trail.

MR. KOFFMAN: No, no, no. I don't think Mr. Johnston really meant that. I think he just didn't understand the business, and I'm just trying to explain it to you Mr. Johnston I know you didn't really mean it.

MR. CHAIRMAN: Mr. Johnston.

MR. G. JOHNSTON: I believe that Mr. Koffman said that he had experienced the experience of being led down the garden path.

MR. KOFFMAN: Of trying to be led down . . .

MR. G. JOHNSTON: And it's interesting to note that if a mining company has zero cent tax dollars, that they might be tempted to do that, if it's not costing them anything to do it.

MR. CHAIRMAN: Mr. Green.

MR. GREEN: Mr. Johnston says it is not costing them. Again I'm finding great difficulty with his mathematics. If they can spend $100,000 on what they consider useful exploration, would they rather spend $100,000 on trying to fool the President of the Manitoba Mineral Resources Company?

MR. KOFFMAN: You must remember, anybody working for any private company is the same he's a human being. He wants to find a mine. That's his deal. He wants to find a mine, he wants it to be known he found one. He's not going to put anything in anything that isn't worthwhile, you know, he's not going to do that. He's human. He's an engineer or geologist of some type in exploration.

MR. GREEN: Mr. Koffman, it's been indicated that some people have indicated that they don't want more joint ventures with you. Noranda backed out of one; Hudson Bay Mining backed out of one. Have you also had people coming to you who you have refused to go in joint ventures with them?

MR. KOFFMAN: Oh yes. I wouldn't go with a lot of them.

MR. GREEN: Well I'm glad to hear it.

MR. KOFFMAN: Oh no.

MR. CHAIRMAN: Mr. Minaker.

MR. MINAKER: Thank you, Mr. Chairman. I wonder if Mr. Koffman can advise how many geologists are employed or prospectors are now employed by Manitoba Mineral Resources.

MR. KOFFMAN: We have a total staff of 10. No matter if we spend a million and a half or we spend a half a million, we still have a total of 10. Seven of those are geologists or geophysicists and there's three - if you want to call executives - myself and Dr. Wright and his secretary that are total office people. We have a senior geologist in there also.

MR. MINAKER: You have one secretary.

MR. KOFFMAN: One secretary.

MR. MINAKER: What is she paid?

MR. KOFFMAN: What did you say again?

MR. MINAKER: What is he or she paid per year?

MR. KOFFMAN: I don't think I want to give you that answer because I don't think she's paid enough.

MR. MINAKER: Well what's the ball park figure.

MR. GREEN: I don't think the president has to deal with the salaries of all of his staff. There's a salaries figure in the arrangement and I don't think that the president has to deal with the salaries of each of his individual staff.

MR. KOFFMAN: You want to ask me what I'm paid? I'll tell you. I'm paid roughly $30,000 a year. That's all I'm paid and I can show you I can get $45,000 any time tomorrow.

MR. MINAKER: Mr. Koffman, I wonder if you can advise do you own any shares in the Manitoba Mineral Resources.

MR. KOFFMAN: I owned one share which was transferred back to the Crown and I own none. I don't own a share, it's just in trust.

MR. MINAKER: Would the president of a mineral or mining corporation own any interest in the company shares normally?

MR. KOFFMAN: Say again.

MR. MINAKER: The President of INCO or President of Hudson Bay Mining and Smelting, would they normally own shares in the company?

MR. KOFFMAN: Pardon?

MR. MINAKER: Would they normally own shares in the company?

MR. KOFFMAN: Oh some of them do and some of them don't.

MR. BARROW: Anyone can own shares in a mining company.

MR. KOFFMAN: I'm a managing director of another small company and I own 20 shares of it.

MR. MINAKER: When you were with Hudson Bay Mining Company did the President of Hudson Bay Mining Company own shares?

MR. KOFFMAN: Yes, he owned some shares, yes. Not very many, he didn't have very much money.

MR. MINAKER: It's listed here Mr. Koffman that you're the consulting geologist as well as the President. Are you the chief geologist?

MR. KOFFMAN: No. Dr. Wright is the chief geologist of the company.

MR. MINAKER: Dr. Wright is the chief geologist. Does he own any shares in the company?

MR. KOFFMAN: No. He's not a director of the company.

MR. GREEN: Mr. Chairman, to put it on the record. All of the shares in the Manitoba Mineral Resources Limited are owned by the Crown. There are no individual shareholders. The individual shares are there held by these people in trust for the Crown.

MR. MINAKER: Mr. Chairman, again to Mr. Koffman. I would refer you to the notes to the Financial Statements. It indicates that the president and chief geologist are to receive twenty percent of any bonus that would be on a discovery, whereby 2 - 1/2 percent of the company share and would not exceed $400,000. That would mean if we discover a mine or an oil well or . . .

MR. KOFFMAN: Not oil wells, this is just for minerals.

MR. MINAKER: . . . that you would be in receipt of $80,000 and Mr. Wright would be in receipt of $80,000. My next question is: is this a normal bonus that is offered to presidents of companies?

MR. KOFFMAN: Under normal conditions a person takes a job for less money and he's going to gamble with the people.

MR. MINAKER: Can I ask - well it's none of my business I guess.

MR. KOFFMAN: Yes, go ahead.

MR. MINAKER: What was your position at Hudson Bay Mining?

MR. KOFFMAN: When I was there? I was their chief geologist, exploration.

MR. MINAKER: Was your salary $30,000 a year?

MR. KOFFMAN: That is none of your business, sir, as to what I was getting.

MR. MINAKER: That's fine. I accept that. Did you have a similar arrangement with the Hudson Bay Mining Company? Twenty percent of whatever . . .?

MR. KOFFMAN: I didn't have any arrangement with Hudson Bay. That's eventually why we parted company. I went to work eventually for Noranda and I did make an arrangement.

MR. MINAKER: Can I ask you: is this a normal offer to both the chief geologist and the president of a company, 20 percent? That's 40 percent of a certain percentage of the discovery.

MR. KOFFMAN: It's 2 - 1/2 percent of the share of the company up to $400,000. Now this is negotiable. There's nothing really solid that says we're going to get $80,000 on this. The deposit might not be worth $400,000. You wouldn't get that. In other words you might get 20 or 25.

MR. MINAKER: My question is: would you normally have an offer like this from a private company?

MR. KOFFMAN: I had the same type of offer when I was working for Noranda.

MR. MINAKER: Would the chief geologist have the same offer?

MR. KOFFMAN: Yes he would have.

MR. MINAKER: Would they normally have shares in the company?

MR. KOFFMAN: What they would do, if they didn't have that they would be able to buy what they call stock options. This normally gives them extra money, they get stock options.

MR. MINAKER: My next question: is this a one time thing. In other words, if you were to discover three discoveries hypothetically next year and all of them were great discoveries which we would like to see for our province, would that mean that if each one had exceeded the $400,000 mark or 2 - 1/2 percent of the discovery that potentially you could have $240,000 and the chief geologist, Dr. Wright could also have $240,000.

MR. KOFFMAN: That is possible.

MR. MINAKER: It's not a one time thing.

MR. KOFFMAN: No it's not.

MR. GREEN: I hope it happens.

MR. MINAKER: Can I ask you, does this exceed 2 - 1/2 times your lowest salaried employee?

MR. KOFFMAN: Say it again.

MR. MINAKER: I'd like to ask you, do you feel this exceeds 2 - 1/2 times the lowest paid salary.

MR. KOFFMAN: I can tell you this, Mr. Minaker. I can tell you that none of us get more than 2 - 1/2 times . . . We're pretty close to that 2 - 1/2 times the lowest paid employee. I can tell you that.

MR. MINAKER: If you were to receive this would it be 2-1/2 times or more?

MR. KOFFMAN: No, no. Why do you think we're beating our brains out? I've always said that. Mr. Green when I talked to him he says, go ahead if you find out I'm happy. --(Interjection)-- Taxes are going to take it away anyway.

MR. MINAKER: Mr. Chairman, I was very happy to hear Mr. Koffman say earlier that he did not feel like he was being led down the garden path by people that came in that thought they had ideas of finding minerals in our province. I would hope that this particular carrot would not entice him in that way and I know that he wouldn't being a professional engineer myself. We have ethics and I'm sure that what Mr. Koffman said is correct.

MR. CHAIRMAN: Mr. Johnston.

MR. G. JOHNSTON: Mr. Chairman, on the same subject. Notes to Financial Statements on the last page, the last item. Mr. Minaker covered part of it. The statement that the Board has approved a staff bonus arrangement whereby 2 - 1/2 percent of the company's share of any discovery is to be allocated under staff bonus purposes. Does this mean that if you find an ore body but it's not sold or developed in any way, it's still a discovery, are you entitled to that bonus?

MR. KOFFMAN: No. An ore body is something you can mine at a profit.

MR. G. JOHNSTON: Well the wording of it says, "of the company's share of any discovery." --(Interjection)-- Well you can evaluate a discovery.

MR. KOFFMAN: It's a mineral reserve. This is what we talk about as mineral reserves today.

MR. G. JOHNSTON: Then I take it the bonus arrangement would not come into play until the ore body was developed . . .

MR. KOFFMAN: That's right.

MR. G. JOHNSTON: . . . and profits are shown. If the first one or two or five years the company was producing at a loss, there would be no 2 - 1/2 percent arrangement. Is that right?

MR. KOFFMAN: Maybe I could answer this question. I'm now 66 going on 67 and if we don't find an ore body I'll never live to see this anyway, Mr. Johnston.

MR. G. JOHNSTON: Anyways you clarified that the bonus arrangement would not come into play until the ore body was developed and was paying. The other question I have relating to Notes to Financial Statements on the last page: up until 31st of March, 1975, 2.125 million was drawn down. You stated a few minutes ago that in the past year, 1976, another 2.9?

MR. KOFFMAN: No, it would be a total of 2.9.

MR. G. JOHNSTON: Oh that's the total.

MR. KOFFMAN: Yes, it would be another 750,000 or 700,000, something like that.

MR. G. JOHNSTON: So your budget for the year 1977 . . .

MR. KOFFMAN: 658,000 I think. Is that right?

MR. G. JOHNSTON: 638,000, which is mentioned in one of our bills before us now.

MR. KOFFMAN: Yes.

MR. G. JOHNSTON: So that's your budget for this year. One other question I have. Article 5 on the same page is an agreement with Berry Petroleum. Is Berry Petroleum a Regina based firm?

MR. KOFFMAN: No, it's an American company. Dr. Berry has quite a few small oil wells in Manitoba and in Saskatchewan. With Saskatchewan's oil problems and so on, he moved down to the States and he operates out of the United States but he still works in Manitoba and Alberta now and he's working part in the United States.

MR. G. JOHNSTON: The reason I asked the question, about two years ago I was approached by some Virden businessmen who had an oil exploration or an oil drilling company or combination I guess it was. They were grumbling, if that's the term, because business such as this was going to out-of-province people. Are you employing Manitoba firms as well?

MR. KOFFMAN: In the exploration it's all either Manitoba or Canadian firms. The oil rigs are all in Canada you know. Prince Albert Drilling, there's Sudco Drilling, (MR. KOFFMAN cont'd) . . . . . they're all Canadian firms. You just can't bring American equipment across to Canada, you just can't do that. It's not done. As a matter of fact, the oil rigs of some of them are going to the States. They have been, now they're coming back. But pretty well all the consulting was all Canadian people other than their own people. And people of Berry are Canadian people except Berry himself. Their engineers are Canadian. Fellow by the name of Wilson.

MR. CHAIRMAN: Mr. Enns.

MR. ENNS: Thank you, Mr. Chairman. Just to put me on even footing with Mr. Green and for the public record, Mr. Koffman, would you agree that neither I nor the Conservative Party have lately offered you a job?

MR. KOFFMAN: No, you have not, no.

MR. ENNS: We start even there. Secondly, you indicated in earlier questioning that it may well be conceivable that 30, 35 millions of dollars might have to be spent in exploration prior to the discovery of a successful viable mine and you might not find anything.

MR. KOFFMAN: That's true.

MR. ENNS: Will you from your mining experience, Mr. Koffman, agree that heretofore that 30 or 35 million dollars has been found volıntarily by speculators, people who buy penny stocks, people who invest, people who are prepared to gamble in other words. In other words, I'm asking the question to you, Mr. Koffman, as a professional miner in the business of mining, it doesn't really matter to you where the money comes from.

MR. KOFFMAN: I don't really care where the money comes from. I agree with you.

MR. ENNS: You need 30, 35 million dollars, perhaps more, perhaps less, to discover a mine.

MR. KOFFMAN: That's quite correct. Now your question is . . .

MR. ENNS: I don't even want to ask you the question because that's drawing you into an ideological debate. The difference is of course that that money is available voluntarily or by compulsion. I have to tax my little constituents throughout the Province of Manitoba to put up that 35 million.

MR. CHAIRMAN: Mr. Enns, we are here to ask the Chairman questions. That concludes . . . Mr. Adam. Order please. Mr. Enns, would you please restrain yourself. Mr. Green. Mr. Adam, you have the floor.

MR. ADAM: Thank you very much, Mr. Chairman. If the Honourable Member for Lakeside and the Member for Inkster will allow me the privilege of asking at least one question arising out of the comments by the Member for Lakeside. Mr. Koffman, in your remarks to Mr. Craik in which you gave us the opinion that regardless of whether the private sector was investing in drilling or whether it was the public sector, that essentially it was the taxpayer that was paying in both cases. So this leads up to my question. In your opinion then the statements made by Esso and Gulf and Texaco on television, Hockey Night in Canada and so on, where they make statements that they spend money for exploration, millions of dollars, I understood your remarks to Mr. Craik to say that that was taxpayers' dollars.

MR. KOFFMAN: I think it is, from the tax position that there is today in Canada. I don't know whether it's good, bad or indifferent, but it appears to me that the prices of oil and the prices of material, the price of oil, etc., that the money is really part of taxpayer dollars, federal or provincial. It has to be really because with the tax position today a fellow wouldn't do any explorations, he'd say, "I'll go into some other business." If your tax position is about the same, he'll say, "I'll go into some other business instead of mining." So somebody has to pay for explorations and this is what is really happening, as INCO has shown and everybody has shown. I think it's the taxpayer's dollar, or else maybe 80 percent of the taxpayers' dollars, maybe 20 percent stockholder's dollar. I don't know. I'm just looking at what's happening.

MR. ADAM: Thank you very much. I asked you that question just for the enlightenment of the Member for Lakeside.

MR. CHAIRMAN: Mr. Barrow.

MR. BARROW: Yes, Mr. Chairman. Mr. Koffman, I want to go back to your anomaly findings. You say you fly and you find anomalies, right?

MR. KOFFMAN: Yes.

MR. BARROW: You fly in patterns.

MR. KOFFMAN: Yes.

MR. BARROW: You pick up anomalies.

MR. KOFFMAN: Yes.

MR. BARROW: And then they're proven out with ground machines by cutting lines . . .

MR. KOFFMAN: That's right, yes.

MR. BARROW: Your machine that finds it, it goes to what depth?

MR. KOFFMAN: Some of the original equipment goes down to 150. We have equipment now that will go down to roughly 400 feet.

MR. BARROW: Anything below 400 feet you can't touch it.

MR. KOFFMAN: We haven't been able to have the equipment to find it below 400 feet.

MR. BARROW: I see. Now you find the anomaly and the next step is drilling it.

MR. KOFFMAN: That's right.

MR. BARROW: It could be anything.

MR. KOFFMAN: It could be anything.

MR. BARROW: It could be pyrite, graphite . . . everything else is a conductor, so your gambling up to that point.

MR. KOFFMAN: You're gambling all the way down the line. Right to the end.

MR. BARROW: All right now, the opposition say, and we say, and the media say, that the future of Manitoba lies in the north. This is a common expression. What future? Is it timber? Is it fishing, or is it mineral?

MR. KOFFMAN: There's not any timber up there.

MR. BARROW: Right.

MR. KOFFMAN: There's a lot of black flies.

MR. BARROW: Well, then the future of the north lies in its minerals.

MR. KOFFMAN: Well, mineral is the only thing there is a future in. --(Interjection)-- He makes a major comment gentlemen. I think momentarily the future lies in any bloody hydro electric power you can build there. To me that is the best future to start with.

MR. BARROW: Not the mineral.

MR. KOFFMAN: Well the mineral will come. But by God spend all your money on hydro power. Boy, that's the thing to do.

MR. BARROW: But the gamble is well worth taking.

MR. KOFFMAN: If you gamble, I'm not going to say it's worthwhile taking, or not. That's somebody else who's decided that. I say, I'm an instrument to do this work. You people have decided to do the gambling, and I'm going to do the best I can for you.

MR. BARROW: Thank you.

MR. CHAIRMAN: Well, that concludes the questions. Thank you, Mr. Koffman. Would somebody move that the report be received.

MR. GREEN: I would move that the Report of the Committee be received, and thank Mr. Koffman for two hours of entertainment.

MR. CHAIRMAN: It is ruled the report be received. Is it agreed? (Agreed)

MR. KOFFMAN: Thank you, gentlemen.

MR. CHAIRMAN: Agreed that committee will report. The next one is the Leaf Rapids Corporation and I'll call upon the Minister to introduce the Chairman.

MR. GREEN: Well, Mr. Parasiuk has been before committee with reports on Leaf Rapids before, so I'll spare any additional introduction. He has given us some material.

MR. CHAIRMAN: Mr. Parasiuk, you will take the stand. Mr. Parasiuk you may proceed with your introductory remarks and then we shall go on a perusal of the Annual Report, or the final report?

MR. PARASIUK: Mr. Chairman, Leaf Rapids Corporation is a corporation under Part II of the Manitoba . . .

MR. CHAIRMAN: Order please. Could we have some order here. Thank you.

MR. PARASIUK: Leaf Rapids Corporation as a subsidiary of the Manitoba Development Corporation under Part II of the Manitoba Development Corporation Act, doesn't normally present an Annual Report. What you usually receive are the Auditor's Report and the Financial Statement for the year ended March 31st, 1975. I didn't bring extra copies of that. That was tabled in the House. That report for the year ended March 31/75 dealt with, and as yet at that stage uncomplete development. I wanted to bring the statements up-to-date by tabling tonight - and we had just finished it, a bit unusual - the unaudited financial statements for the year ended March 31/76, so you can get an idea of what the complete development was.

Furthermore, I wanted to pass out a brochure on Leaf Rapids which was just, in fact, delivered to my office this afternoon. This is a bit of a glossy brochure. It's 100 percent paid for by the Federal Government. It's the brochure that the Federal Government is using to publicize Leaf Rapids at the Habitat Conference in Vancouver that's going on at present. The Leaf Rapids Development is one of the projects that they are putting forward to the world, and they paid for it, we decided we'd take it. In the inserts is a more detailed paper entitled "Leaf Rapids New Town." It was prepared by staff in 1975. These two don't constitute an Annual Report, but I think they do offer a complete historical description of the various physical, economic and social components of the town's development, and helps I hope to provide a more complete context for evaluating the town's development at this stage in its history.

Now evaluating a town's development after three or four years is extremely difficult. The development has received a great deal of interest and has won awards and praise. First the Vincent Massey Award for urban excellence; it's been made a Canadian Urban Demonstration Project, as I mentioned before is highlighted to the rest of the world by the Canadian Government at the Habitat Conference.

The organization for Economic Corporation and Development the OECD is reviewing the development; it's received it as a submission from the Canadian Government and it wants to review it and pass on its findings on Leaf Rapid Development to other European countries. Other countries, notably Japan, and provinces, Alberta, Saskatchewan and Ontario have visited the Leaf Rapids Development and have been reviewing it to see to what extent certain of its components could be made applicable to their particular situations.

Now time will tell if Leaf Rapids will fulfill its potential as a good rewarding place for people to live in in Northern Manitoba; but I think that there are already some encouraging signs. First of all the Leaf Rapids Local Government District Advisory Board has voted to become incorporated as a fully autonomous town as quickly as possible. I mean its Civil Affairs informs me that this will be accomplished by September of this year. An independent school board already exists. So a local government has been achieved in this community more quickly than anywhere else in Northern Manitoba. As a passing example, Lynn Lake which has been in operation since 1952 still is under the Trustee form of Local Government through The Local Government Districts Act.

Secondly, the multiple use of facilities mentioned on I think Page 14 of the insert report on new towns is actually working quite well. I've had an opportunity to take some Alberta officials up there about two or three weeks ago, and people often talk about multiple use of facilities as a way in fact of reducing society's cost for a number of separate buildings, and is it possible to get common usage out of those facilities? Well, the way it works in Leaf Rapids, the community and the school have been using the facilities quite interchangeably, I think, at substantial savings to society as a whole.

There was a native northern development component to the objectives of the development. At this stage roughly 10 percent of the workforce is of native ancestry, and more than 10 percent of the community is of native ancestry. Some people associated with trapping and fishing have bought homes in the community indicating that people 30 to 60 miles away are seeing it as a regional centre, which was one of the objectives of the original development of Leaf Rapids.

With respect to community recreation, some type of community identity, especially at the recreation of sports level, I think the Winter Games in Thompson last year showed that Leaf Rapids is on the map in this respect, with the town I think organizing itself very well for those activities and showing, I think, a great deal of spirit, since it's

MR. PARASIUK cont'd) . . . . . a very new young community. I gathered that over the last winter it's done extremely well in various leagues that have been established at the regional level.

With respect to prices, and especially house prices and lot prices, the performance here has been very excellent, both with respect to southern communities as well as northern communities. I think some of the examples in other communities in Northern Canada are quite revealing. Fort McMurray which has undergone development at the same time, and the lots were developed by the Alberta Housing Corporation, is in the process of now selling its lots at $25,000 apiece at cost. This has created tremendous inflationary pressures within the community. The last lots that we sold, which were for a slight return, were for $7,500. This was last year. With respect to prices generally, again through the northern price index we've shown that these are certainly not out of line with other more established communities which in the past had better transportational linkages.

Labor turnover, I think is a strange phenomenon in Leaf Rapids. It continues to be high in the mining operations. On the other hand, turnover in the service sector is relatively low. For example, out of 28 teachers in Leaf Rapids over this past year, only three have indicated that they will leave next year. That's a very low turnover and I think this type of development is critical to the long-term stability of the community and is I think a healthy sign. These are some of the intangibles, not quite intangibles, but I do think they show an indication of what's been going on in Leaf Rapids.

I don't want to paint for you however an altogether too rosy picture. Copper prices have fluctuated drastically over the last two years, despite prospects for tourist diversification in the area, especially now that Highway 391 is in good shape, the town is still a single enterprise community. When the single enterprise lags, the community lags as well. Briefly, in 1974 copper reached a high of $1.02 a pound, in January of '75, it went down to 63 cents a pound, Canadian price, it is 52 cents a pound on the London Metal Market, and stayed that way right through 1975. It's come up a wee bit in 1976 to a stage where it's now at about 70 cents a pound. But the mine's aggregate activity and service support levels in terms of various companies that provide services to it, is very dependent upon copper pricing. The commercial activity in the town generally, salesmen coming in, a number of other activities like that, is again dependent upon the copper pricing, and the Leaf Rapids operating statements as well are dependent upon copper pricing through that chain effect.

And we have felt the effects of the downturn in copper prices. The Board is disappointed with the commercial performance to date, but we have to recognize this is the very early stages of a community which will be in existence for a fairly long time, but we are more optimistic now that the level of activity relating to mining, and relating specifically to the Sherritt Gordon activity in the Ruttan Lake 15 miles away is increasing.

Now with respect to the particular documents, I provided these two, of Leaf Rapids New Town and the Leaf Rapids Manitoba, a Bold New Concept for Community Development, as information to you on the historical description.

The unaudited financial statements to March 31, 1976, I think are fairly straightforward in the first two pages on assets and liabilities. What I'd like to point out is on the last page, and this is Schedule A, on the operating statements, which is I think what people seem to be quite interested in, I'd like to point out some of the losses that exist there. We have a loss indicated as the house and mobile homes is a paper loss of $1,512. What happens is we rent the house for P.I.T. to the hotel manager, but we show depreciation on our books, and that loss there is depreciation.

We have been losing money with the hotel over the last year. The hotel loss is a cash loss of $13,000, plus depreciation of $77,745. We've been looking at the experience in other communities with respect to hotel occupancy. There's an article today in the Globe and Mail indicating that hotel occupancy rates have remained depressed. The signs point to return of former vigour, and there's been a survey done right across the country showing that the occupancy rates have been down. The occupancy rates in Leaf Rapids have been less than we expected. An indication of what's been going on there is that in 1974, part of '75, there were 23,000 flights into Lynn Lake where the major airport facility is; in 1975, part of '76, there were only 10,000 flights. We are dependent upon, in part, that type of travel for the success of our operations with the hotel. We've been noticing though that the operation has been picking up just recently.

MR. PARASIUK cont'd)

The other large area of a loss is 21,444, the administration of the town centre complex with respect to the common area. We received full rental there but what happens is that we are depreciating the mall on paper; when improvements to the mall are required the tenants are obligated under their present leases to pay for these improvements. It will show up on these statements as a $21,000 loss.

In terms of our prospects for future years, we have, as I think Mr. Green explained in that statement to the House with respect to Capital Supply, capitalized the operation in such a manner that the community over the long run will pay for every bit of fund and financing that the government has put forward into this town's community.

So rather than taking you through all the individual ones, because I think you've had them before and I tried to distribute these early, in terms of perhaps asking some particular questions that you might have about the financial statements, rather than taking you through them, I'll just stop now and see if you have any questions regarding them.

MR. CHAIRMAN: Thank you, Mr. Parasiuk. Mr. Minaker. I know you gentlemen possibly have forgotten the auditor's report and financial statement for the year ended March 31, 1975, which is the year before us that we are to review, you have the unaudited statement, we will be accepting the 1975 report. Mr. Minaker.

MR. MINAKER: Mr. Chairman, through you to Mr. Parasiuk. Firstly, how many of these brochures were produced?

MR. PARASIUK: All told, Habitat in Ottawa is paying roughly speaking for 10,000 of them. We will get all this surplus for nothing here back to Manitoba and I guess we'll pass them on to our Department of Tourism and Recreation for use.

MR. MINAKER: So did the Federal Government produce the brochure?

MR. PARASIUK: The Federal Government did not produce the brochure. They were involved in its production and we provided information to them. We insisted that it be printed here in Manitoba. It was printed here in Manitoba and shipped on to Vancouver.

MR. MINAKER: Did the Federal Government pay for the cost of production?

MR. PARASIUK: Yes it did.

MR. MINAKER: Mr. Parasiuk, I wonder if in the detailed Leaf Rapids New Town Report, in the summary under objectives it indicates that one of the broad objectives was to promote a multi cultural town and to avoid land speculation and keep prices in line with similar communities. If I am correct I understand you indicated that the cost of the lots was $7,500 per lot?

MR. PARASIUK: The cost of the last lots we sold were $7,500. There was an agreement originally. Government sat down with the company of Sherritt-Gordon and with the Leaf Rapids Corporation and we agreed that we would provide a subsidy for the original lot development in that the first lots sold for $3,600 so there was a subsidy involved which is indicated in the book roughly speaking in the order originally I think of about $800,000. That is capitalized and is going to be paid for the rental revenue and future . . . sales that we recoup from that town's development over the next 20 years.

MR. MINAKER: How many lots would be included in that figure that was subsidized of $800,000? How many lots would that cover?

MR. PARASIUK: Two hundred and eighty.

MR. MINAKER: Two hundred and eighty. So that there's a subsidy of somewhere around $3,500 a lot. Then the $7,500 per lot is there any subsidy in that figure?

MR. PARASIUK: No there isn't.

MR. MINAKER: Would that include a Torrens title?

MR. PARASIUK: Yes.

MR. MINAKER: It's not leased land, it's a Torrens title.

MR. PARASIUK: These are Torrens titles.

MR. MINAKER: Pardon me?

MR. PARASIUK: This is not leased land.

MR. MINAKER: It's outright ownership of the land. In the March 31st unaudited statement there shows a liability and assets of $12,600,000 roughly. Is that the total cost incurred in the Leaf Rapids development or is there any further incurred costs?

MR. PARASIUK: Yes there were. There was something in the order of $16,500,000 for costs incurred by Leaf Rapids Corporation. We received payment back

MR. PARASIUK cont'd) . . . . . from the municipality for the town services and we received payment back from departments and also the school board and the municipality for operating advances that we had provided. These were roughly speaking in the order of - since there was some capital . . . - $5 million which leaves us in a long term net debt position of $12.6 million. Or more specifically, $11,897,000. But we do have some current liabilities on that sheet there.

MR. MINAKER: This long term debt of, it would appear somewhere in the order of some $8.9 million, how will that be paid off? Will it be from the rental charges at the central complex or will there be local improvement charges or how will that be . .?

MR. PARASIUK: That will not be against local improvement charges, it'll be paid off in a number of forms. First there is land that we are holding which has a potential for sale in the future if there is any growth in the community and the marginal costs of putting that land on stream will be relatively low and the marginal return that we should get will be substantial. That will go towards paying off that long term debt.

Furthermore we expect through the rentals in that facility to amortize or pay off $4.8 million of the debt, whatever we get through our rentals of the commercial property because they're five-year leases and we're thinking of doing this over a 20-year period. They are five-year leases. There are percentages of volume sales and we can't project that five, ten, fifteen years into the future. But what we are saying is that income that we receive will go toward our 10 percent income debentures.

We think that the development of the town in the future will be sufficient to pay off the 10 percent income debenture of $2.45 million. What we are saying that we do not think we can pay off over 20 years is the $2.621 million of shareholders' equity which is the preferred shares that are listed at the bottom of that liabilities page. But those will be protected by the assets of the community and in the period from year 20 to year 30 or 35 we expect that we will certainly pay off that equity with some return on investment.

MR. MINAKER: Who would pay those interest charges in the period of time?

MR. PARASIUK: There will be no interest charges on the preferred shares.

MR. MINAKER: What is your present occupancy of your commercial rental facility?

MR. PARASIUK: The present occupancy is just about four. There are I think one that's gone out. I'm not sure what our exact --(Interjection)-- The town centre is 100 percent. The industrial land that we developed is only 50 percent occupied. This is land that we developed anticipating that companies that serve in support to mining companies would be moving in. They have not moved in to the extent that we have anticipated. We are paying taxes on that land but we do not have tenants for it right now.

MR. MINAKER: What percent of the commercial agencies that are renting at almost 100 percent occupancy are government agencies?

MR. PARASIUK: In that respect I don't know the percentage of it. Do you have any particular details on that? Can you do some thinking on that? We'll try and get that answer back to you.

MR. MINAKER: And the dollar volume.

The next question I have, Mr. Chairman, while they're looking for that answer, what commitment is there to the private property owners and citizens of the town with regards to clearing of any debt that might be incurred in the development of the town. I'm thinking that in normal, that in the operation of a town or city one is obligated to the local improvement charges that one receives and then one is obligated to the operating costs of the town on their taxes as well as any debt charges. I'm wondering what debt charges are the citizens of Leaf Rapids committed to failing that for some reason the 50 percent industrial land does not develop and expand and for some reason the general plans of the proposed development of this area does not come to fact.

MR. PARASIUK: They are not committed to that debt.

MR. MINAKER: So that they would not be faced with the same problems necessarily as the Churchill townsite complex.

MR. PARASIUK: That's right. They are not faced with that debt. Their taxes in fact at present are the lowest in northern Manitoba.

MR. MINAKER: So they are not committed to anything that has happened say in Churchill at this time, or will not be.

MR. PARASIUK: Well I don't know the Churchill situation sufficiently well.

MR. MINAKER: I think at the present time, Mr. Chairman, that's all the questions that I have.

MR. CHAIRMAN: Thank you. The answers are available as between the percentage of government occupancy and private. Since they're not available today, I'm sure that they will make them available . . .

MR. PARASIUK: I can send them to Mr. Minaker.

MR. CHAIRMAN: . . . to the committee. Mr. Johnston.

MR. G. JOHNSTON: Mr. Chairman, to Mr. Parasiuk. In the few minutes that I've had the statements in front of me I haven't been able to find an annual sort of a town budget and . . .

MR. PARASIUK: Pardon?

MR. G. JOHNSTON: The budget. The annual budget for the town.

MR. PARASIUK: No, that's under The Local Government Districts Act. It's administered by the Department of Municipal Affairs. We don't have their yearly budget.

MR. G. JOHNSTON: Well then I refer to Page 9 of your summary and it's . .

MR. CHAIRMAN: Page 9 of which?

MR. G. JOHNSTON: Of the summary.

MR. PARASIUK: Oh yes, okay.

MR. G. JOHNSTON: New Town, Leaf Rapids New Town. In the second line from the top it states that the mining company is subject to the same tax as other industries. It will be carrying 60 to 65 percent of the annual tax bill. Is this working out as . . .

MR. PARASIUK: In fact it's higher. It's probably 80 percent. The reason why it's higher is that there hasn't been the secondary industrial development. They've curtailed their activities, they've plateaued their activities given the low prices of copper. So their percentage is higher. In fact the town's population is really - and we're just having the census done - probably closer to 2,300 - 2,400 than 2,800 and we were originally talking about a community of 3,500. So if the community does grow as we've been anticipating when the mine goes underground, because it's a surface operation at present, they'll need more people for operating the underground operations. Then I guess Sherritt-Gordon's percentage will be dropping down 70, 65 of the overall assessment. But right now it's higher than 60-65 percent.

MR. G. JOHNSTON: The agreement with Sherritt-Gordon, is it based on earnings or is it based on an assessed tax base?

MR. PARASIUK: They are put on the municipal tax rolls as any other industrial entity that exists in a municipality in southern Manitoba.

MR. G. JOHNSTON: So as far as the administration is concerned the price of copper, while it may affect the health of the company, if the company is in a loss position they still have to pay the assessment.

MR. PARASIUK: They will . . . Yes, that's right.

MR. CHAIRMAN: Any further questions? Mr. Craik.

MR. CRAIK: In these statements of operating revenues and expenses, the MHRC consultant fees show as a revenue of . . .

MR. CHAIRMAN: You are referring to the unaudited . . .

MR. CRAIK: Yes. Schedule A of the last report. Could you just explain briefly how that works?

MR. PARASIUK: I'm sorry I meant to explain that. The $373,000 are fees that MHRC has paid to us over the course of the last fiscal year for consulting that we had provided to the Manitoba Housing and Renewal Corporation with respect to possible ways in which they might be able to convert some of the land that they now hold, sometimes by themselves and other times in partnership with the city, into serviced lots.

MR. CRAIK: What's the operating expense against it?

MR. PARASIUK: Pardon?

MR. CRAIK: What's the $333,000?

MR. PARASIUK: It's against most of the staff of the Winnipeg Office who have been working primarily over the last fiscal year as consultants to MHRC and covers the disbursements that we have paid to consultants that we in turn have hired.

MR. CRAIK: This is a consulting fee that MHRC pays you for . . .

MR. PARASIUK: Work that we do with respect to land that they hold right now.

MR. CRAIK: This is not administration of their housing?

MR. PARASIUK: No, no. This is land that they hold. They hold a great deal of land in raw form. If it's not converted at some stage into serviced land, it will not do very much.

MR. CRAIK: Then is this representative of an annual amount to expect on this item?

MR. PARASIUK: Well it's hard to say. At the present MHRC has asked us to look at it. We have consented. We do have an entrepreneurial or land development capability. We have had other groups talking to us as well. The Central Mortgage and Housing Corporation has talked to us. They are at present trying to develop two pieces of land in Ottawa and they have not got an entity that has converted serviced raw land into serviced land. Municipalities used to do this many years ago, they have gotten out of that area and now since so much land is held in Land Banking people have been approaching us asking us for advice and we've been providing a consultant service as to the best ways in which they could convert this into serviced land.

MR. CRAIK: You said that you were looking at land development of . . .

MR. PARASIUK: No, we said we have been looking at it for MHRC but they have asked us and they put us under a contract. But other people have been approaching us.

MR. CRAIK: Did you say Ottawa? Did you say you were working on a project in Ottawa?

MR. PARASIUK: People from Ottawa with CMHC have approached us, yes.

MR. CRAIK: To do what?

MR. PARASIUK: They've asked us for some advice which we've tentatively offered but we haven't gotten that deeply involved. We conceivably could provide advice to them on a consulting basis. We have chosen at this stage not to. They are interested in doing a possible urban demonstration project in Winnipeg. If they do so, they're going to need an instrument to carry that urban demonstration project out. We have proven some capability within the country, so therefore they are talking to us. Now they might not proceed to use us, but they have been talking to us as a corporation.

MR. CRAIK: Well basically then, this is a payment to you for staff at cost . . .

MR. PARASIUK: Yes, at cost. We provided a service at cost to MHRC, and that's what that item is.

MR. CRAIK: You're advising on other potential developments to MHRC and in part to the CMHC . . .

MR. PARASIUK: No. I just said that they have approached us. There is a possibility at some stage that we might enter into a contract with them or some other entity that might approach us for consulting services with respect to possible land development. We have had experience, as I said, in doing land development.

MR. CRAIK: What size of a staff would you have?

MR. PARASIUK: Right now in terms of the Winnipeg Office we have a staff of 11 people. --(Interjection)-- I've mentioned disbursements before Mr. Minaker; I don't know if you heard that.

MR. CRAIK: Well I'm a little, you know, taken by the size of this occupation, $373,000, and virtually your project at Leaf Rapids is completed, the major part of it is completed other than possible sale of lots, and so on, and you're carrying a staff in the amount . . .

MR. PARASIUK: But that's not in relation to the Leaf Rapids Town Development. We do have the authority and ability to do work elsewhere in Manitoba.

MR. CRAIK: But was initially set up to do that.

MR. PARASIUK: It was initially set up to do Leaf Rapids.

MR. CRAIK: But, you know, what specifically will you be doing with a staff of that size? I find, you know, some justification for hiring consultants to do this sort of thing because you'd be out of the picture once you've spent your money, but here you've got continuing expenditure of a sizeable amount for no specific hard . . .

MR. PARASIUK: Oh no, I think that the MHRC has in fact a number of possible

(MR. PARASIUK cont'd) . . . . . hard proposals. We are acting as consultants to them. I'd rather not divulge what they are, but there's a fair amount of work involved in taking one of these land developments to some type of development stage in terms of doing the density design, working with city officials in terms of possibly traffic regulations, and the extent to which these might fit into any land use plan, MHRC owns lands throughout the city.

MR. CRAIK: Are you also looking at satellite city developments? Have you been involved in the large purchase of land south or northeast of Winnipeg?

MR. PARASIUK: No, we've not been involved in that purchase.

MR. CRAIK: So at this point at least you haven't been involved . . .

MR. PARASIUK: No, we've been asked to comment on how - not new town developments, but there are communities that might want to do a subdivision, a small subdivision within the community and we have provided advice on that.

MR. CHAIRMAN: Mr. Green, on a point of order?

MR. GREEN: Well just perhaps . . .

MR. CHAIRMAN: Clarification?

MR. GREEN: . . . I can be of assistance to the honourable member. The present staff is based on a contract between MHRC and the Leaf Rapids Development Corporation for certain contractual relations. It's been indicated that if and when these are completed, if the corporation has consulting services which it can sell, it will sell. For operating the Leaf Rapids Corporation, it would not require the amount of staff that it has, and it only has that amount of staff for dealing with the present contractual work with MHRC, which is really commissioned by the Minister responsible for MHRC.

MR. CHAIRMAN: Mr. Craik.

MR. CRAIK: With this refinancing that you have done on recapitalization of the company, do you expect this year to break even, or what are you predicting for . . .

MR. PARASIUK: Well no. What we are predicting is that initially we will be hoping to show a cash surplus over the course of the next year and any cash surplus that we have will go towards the ten percent income debenture. At this stage we are projecting that we will be having a cash surplus.

MR. CRAIK: That staff of eleven that you mentioned is the total staff, that's not just a consulting staff. Is that right?

MR. PARASIUK: No, that's the staff that we have in our Winnipeg office. We have a fairly large staff in our Leaf Rapids office because we have a fairly large operation going on there. That's a separate account.

MR. CRAIK: What total staff?

MR. PARASIUK: Well the staff at Leaf Rapids all told would be between 50 and 60, and the reason why I give you that number is that we have part-time people working in the hotel, so I don't know what I'd give you in the way of staff-man years, or whatever equivalent you'd use.

MR. CHAIRMAN: Mr. Patrick.

MR. PATRICK: Mr. Chairman, on Page 2 of the Financial Statement, on Deficit, you show 890,713. Can Mr. Parasiuk explain that? Is this the deficit for the operation of Leaf Rapids for the last financial statement year ending March 31st? Is that correct?

MR. PARASIUK: That's the amount at this stage that we have not - if I can give you the correct figure here. If you look at the following page, you'll see net income for the year, and these are the unrecovered costs of developing the Leaf Rapids Townsite. The gross amount there is 1.345 million, this is part the lot subsidy and part the provision of temporary facilities, which we could not really amortize out over a two-year period and still keep prices at some stable level, so we are carrying that as a deficit, and the rentals over the future development will in fact cover off that deficit; but what it's done is in fact keep the prices relatively stable in the early stages of that community.

MR. PATRICK: When do you think you'll be able to turn that deficit around?

MR. PARASIUK: Well, it depends. We have certain items that are still on tap in the earlier March 31/75 statement. We are hoping that we will receive from the Federal Government a normal winter works grant which may go some distance toward turning that deficit around if we receive it. Now the word I get is that they are proceeding to process it but it's been taking quite a long time.

MR. PATRICK: How much would that grant be?

MR. PARASIUK: Well it could be something substantial in the order of $1 million.

MR. PATRICK: . . . that much for?

MR. PARASIUK: Well, that's the entire development. We were developing it during the winter works program that the Federal Government did have, and that relates to those things which are of a community nature, the community recreation facility and a number of other things.

MR. PATRICK: Because to make that operation successful I'm sure that you must be concerned to turn that deficit around . . .

MR. PARASIUK: Certainly.

MR. PATRICK: My other question is, how many lots did you say you had for sale presently?

MR. PARASIUK: For sale we have - right now we have eleven serviced lots outstanding.

MR. PATRICK: How many would there be that's in a subdivision, say, not serviced?

MR. PARASIUK: Right now we have in easy proximity 40 acres.

MR. PATRICK: 40 acres.

MR. PARASIUK: In easy proximity.

MR. PATRICK: So you have a pretty large area for expansion.

MR. PARASIUK: That's right, and we have also . . . there's quite a bit more beyond that stage that we have, again easy proximity, because in developing the town, this is where you had a few extra costs originally, although it was a community of 3,500, it was projected to be 3,500 people. The experience in Thompson was that they projected it at 8,000 people and they quickly grew to 24,000. So the cost between the 8,000 size and the 24,000 size was very high. So we had anticipated a bit of over-capacity, so that we can facilitate a fairly smooth expansion if that takes place. Now given the mining activity exploration in the area, there is a strong possibility of that over the course of, say, ten or fifteen years.

MR. PATRICK: But the present facilities, the townsite facilities and sites for housing, what kind of a town can you . . .

MR. PARASIUK: Right now we should be able to handle in terms of the servicing - you see it's a collector road, and then if you have a whole set of bays and some of them haven't been developed as yet, and those are quite easy to do because off the collector the road - and I think you'll see that in one of the diagrams there of the town plan, you can quite easily do a bay and that can be a bay for single family dwellings or for multiple dwellings, so we can increase the capacity quite easily and quite quickly of that community up to 3,500 without too much difficulty. And that'll take us to the stage of I think Sherritt's underground operations, so we should be able to handle that without any great dislocation to that community.

MR. PATRICK: Any difficulty re-selling the private housing you mentioned?

MR. PARASIUK: Not at all.

MR. PATRICK: All your housing is full.

MR. PARASIUK: The housing, well I think there might be something in the order of 20 houses for sale at any time, but there is as I said in a mining community a fair amount of turnover.

MR. PATRICK: Can you, Mr. Chairman, tell me what are the repayments arrangements to MDC?

MR. PARASIUK: To the Manitoba Development Corporation?

MR. PATRICK: That's right.

MR. PARASIUK: The repayment arrangements are to the Department of Finance through the MDC in trust, and this is indicated with respect to our long-term debt - if you see long-term debt there on the second page on liabilities, the debentures of $2 million will be paid over twenty years, 8.15 percent; the Series B debentures, which will be paid out over 20 years as well, those both will be paid out over 20 years. The 10 percent income debentures will be paid at an interest rate of 10 percent, depending upon the surplus that the corporation makes in any year. 2.621 million will be held as equity and there will be - unless we make some fairly extraordinary profit over 20 years - no return on that particular investment over that 20 year period.

MR. PATRICK: Are you current with your payments to the MDC?

MR. PARASIUK: Yes we are.

MR. PATRICK: The other question on the commercial section, the leases that you're holding at the present time, are the leases amortizing the structures or not?

MR. PARASIUK: At present, not quite. We had to get the leases in some time before we got that building established. As I said, we're on percentage volume, and that's the way in which we want to pick up that unanticipatable aspect at that stage of the development.

MR. CHAIRMAN: Mr. Banman.

MR. BANMAN: Thank you, Mr. Chairman. The Whitewater Inn, that's the government owned hotel?

MR. PARASIUK: Yes, it is. It's owned by the Corporation.

MR. BANMAN: The Corporation. Do you run the hotel?

MR. PARASIUK: We are operating the hotel at present, yes.

MR. BANMAN: You hire a manager and . . .

MR. PARASIUK: The manager we have at present ran the Thompson Hotel for a number of years.

MR. BANMAN: Does he receive a salary plus a commission?

MR. PARASIUK: Right now he's receiving a salary, no commission as far as I can tell. No, no commission.

MR. BANMAN: So he's on straight salary.

MR. PARASIUK: Straight salary at this stage.

MR. BANMAN: You then run the beverage room and everything?

MR. PARASIUK: We are running the beverage room as well.

MR. CHAIRMAN: Well that concludes the questions. Will somebody move that the Auditor's Report and Financial Statement for the year ended March 31, 1975, be received.

MR. GREEN: I move it.

MR. CHAIRMAN: Moved.

MR. ENNS: Seconded.

MR. CHAIRMAN: Agreed? Just a minute, we also have received as information the unaudited statement for the year ended March 31, 1976. Shall it be reported as received as information? Committee rise and report.