BC General 1/2

Employees may be worse off as owners

The cold-eyed view

Anyone watching the play in the Canadian airline industry, as Onex Corp. tries to merge Canadian Airlines with Air Canada, is getting a free, and valuable, lesson in employee ownership.

Air Canada, the quarry, is aggressively courting its employees to back its counterattack against Onex's hostile offer by signing up for shares. Employee ownership has its uses, even for management.

In our business, the high-profile employee ownership story is at Royal Oak Mines' Ontario division and its Giant mine, near Yellowknife, N.W.T. At both operations, the local unions representing the employees are examining the possibility of an employee buyout to preserve jobs.

Local 4440 of the United Steelworkers was given until Sept. 15 to come up with a plan to save the Pamour mine from closure, after successfully applying to the courts for a chance to look at employee ownership. Local 2304 of the Canadian Auto Workers, the bargaining unit at Giant, has until Sept. 22 for a similar decision.

The Ontario Court's decisions to give the two locals time to examine the economics of the operations means nobody can reasonably suggest that all the alternatives for saving the operations weren't tried. The unions are showing they are serious about keeping the operations open, and would consider putting their money where their mouths are.

Saving your job is an easy decision, when it's the only decision. Paying your own good money to save it is a more complex one. In a buyout, the employees become investors, and if they are buying out a troubled operation, their own bank accounts become as important as their job security. The CAW's national president, Basil ("Buzz") Hargrove, saw it clearly when he commented, in reference to an employee buyout at the airlines, that "people already invest their lives in their work so it may be too much to ask for their money." In short, a miner or mill worker with an insecure job doesn't need a bad investment to go with it.

It's inconvenient, but true: some orebodies are just better than others. Technical wizardry, smart scheduling and management, and good teamwork can give a marginal mine a fighting chance, just as poor management can destroy a good one. But not even the best management can save a mine that is uneconomic in the first place.

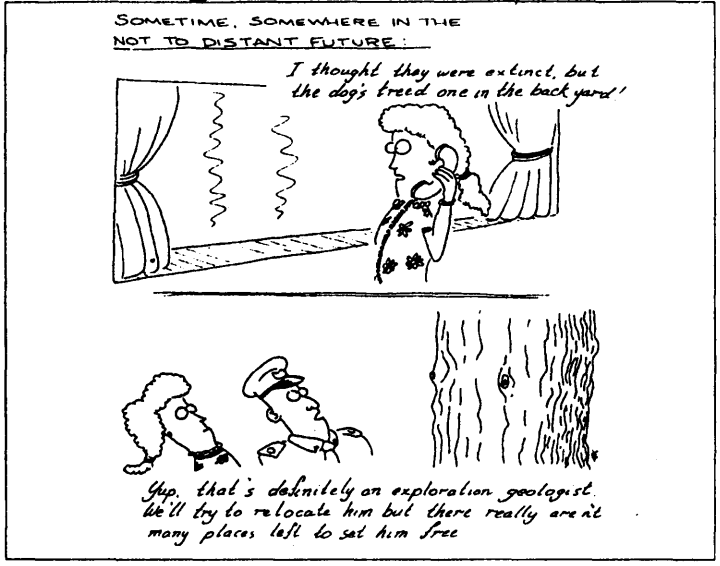
That is what the Royal Oak unions have to consider. Pamour and Giant were not money-losers when Royal Oak went into receivership. They were marginal producers, and it may well be that both can be made more profitable than they were under Royal Oak's direction. Certainly Royal Oak's singleminded cost-cutting didn't turn the two into profitable producers, and the workforces, who went through much in the Royal Oak days and whose livelihoods are at stake, deserve a chance to see if there is a better way.

There may not be: these operations may simply be too hard to squeeze costs from without crippling them, in which case there is nothing for employees to gain in ownership. There is, as well, a nasty wild card at Giant: 260,000 tonnes of arsenic trioxide, which poses a massive environmental liability for any future owner. Estimates of $230 million are fanciful; it would take a much smaller liability to kill the mine's economics.

The public information on these mines' efficiency is scanty — partly, it seems, as a result of Royal Oak's own unwillingness to shine much light on its pre-receivership finances — so we can't be sure whether these mines are potential turnarounds, or very expensive trouble. But it behooves the courts, the receivers, and the employees to find out. To the court's considerable credit, it has made sure the employees are not being offered a pig in a poke.

We don't want to see Timmins and Yellowknife each lose a mine; nor do we want to see 400 mine and mill employees lose their jobs. But the cold-eyed view, which usually turns out to be right, is that people put their capital into mines to make a return, not to provide jobs, even for themselves, or sustain towns, even their own. Both Pamour and Giant will succeed or fail as gold mines on that measure alone, and to shrink from that realization may cost the workers money they cannot afford to lose.

In their own members' interests, the local unions at both Pamour and Giant should take that cold-eyed view when deciding whether investment in the Royal Oak mines is worth their members' money. Are these mines worth saving? If they aren't, nobody's job will be saved in the end anyway.



COMMENTARY/**DAVID BARR**

NDP blamed for poor BC image

A study released last year by the Fraser Institute has created the mistaken impression that British Columbia has a low mineral potential. The study, *Survey of Mining Companies Operating in North America*, was prompted by the devastating drop in mineral exploration in B.C. during the past decade as a result of policies of the provincial New Democratic Party government, including increasingly onerous regulations and uncertainty about land use. These have affected the mining industry and its investment climate, but not the province's mineral potential.

The 85 senior and junior companies that responded to the survey spent a total of US$1 billion on exploration in 1997. Respondents were asked to rate 31 mining jurisdictions throughout the world, according to policy potential and mineral potential. The maximum rating for each was 100. For the policy potential portion, Nevada registered the highest score, with 90. B.C. was the lowest, with just five points. In the mineral potential portion, Ontario had a perfect rating of 100, followed by the Northwest Territories and Chile, both at 97. B.C. ranked sixteenth, at 52 points.

By combining the two indices, an investment attractiveness index was calculated. Nevada was highest at 81, followed by Ontario at 75, and Chile at 67. B.C. was near the bottom, with a rating of 3.

It appears that respondents have been so negatively influenced by the government's adverse land-use policies that their judgment concerning B.C.'s mineral potential has been affected.

This is evidenced by high mineral potential scores for Alaska, the Yukon and Washington, all of which derive their minerals from the Cordilleran geological region. B.C., with its score of 52, also sits in this area.

The mineral potential of an area or jurisdiction can be described as the natural endowment of minerals in sufficient quantity and quality that they can, if discovered, be extracted and marketed economically. As experienced explorers know, such deposits are as difficult to find as a needle in a haystack. Obviously, within similar geologic terranes, mineral deposits may be highly variable in composition, size and grade. Numerous factors can affect mineral potential, including:

❑ the portion of land in a jurisdiction open to mineral exploration (in B.C., prior to 1992, this was about 94%, exclusive of settlements, with 6% protected in parks; by 2000, 12% of the province's land will be set aside for parks);

❑ the extent of prior exploration and production;

❑ the extent of post-mineral cover rocks, drift, water and ice hindering exploration;

❑ knowledge of mineral deposit models for exploration purposes; and

❑ technological advances in exploration techniques.

Another measure of mineral potential, but one not necessarily recognized globally, is the presence of significant mineral deposits in a jurisdiction. These can have an immense impact on the generation of wealth, both locally and through taxation.

Of those jurisdictions on the Cordillera, Alaska boasts the Red dog and Kennecott base metal mines, the Yukon hosts the Faro and Vangorda operations, and Washington state has no significant mine at all. B.C. has East Kootenay, the coal mines of the northeast, Mount Klappan, Sullivan, Myra Falls, Highland Valley, Eskay Creek and Windy Craggy as significant deposits.

The province's mineral endowment includes a diversity of significant mineral deposits. Although metal mining dominated much of this century, coal has traditionally accounted for about one-third of all solid mineral production. The East Kootenay coal district has been producing for more than a century and is estimated to account for about 75% of provincial production. Estimates of near-surface coal resources range up to 63 billion tonnes for the region, with 700 million tonnes classified as minable. Near Tumbler Ridge, the Bullmoose and Quintette coal mines have produced 89 million tonnes of coal since 1983, worth an estimated US$4 billion. Mt. Klappan contains a potential coal resource of 2.8 billion tonnes.

The B.C. metals sector is led by the Sullivan lead-zinc-silver mine, near Kimberley, which, since entering production a century ago, has provided about 25% of the value of the province's historic metal production. Another major contributor is the Myra Falls lead-zinc-silver mine in Strathcona Provincial Park. Many significant copper deposits were discovered during B.C.'s exploration boom in the 1960s and 1970s. Among these are the Highland Valley copper deposits, from which 1.3 billion tonnes have been produced with a

See B.C., Page 5

FACTS 'N' FIGURES

The major-junior dynamic

At a time when the mining industry is suffering a downturn, some Canadian majors are finding that their relationship toward juniors is remaining largely unchanged, whereas others are entering into new arrangements.

Placer Dome has been committed to grassroots exploration, and has remained relatively active in acquiring junior projects in the past 18 months. Placer, like all large producers, has strict size and return criteria, and, as the price of gold has declined, the company has shed assets that are unlikely to meet those criteria. It sold its interests in Mt. Rawdon and Cerro Crucitas in 1998.

Acquisitions never figured largely in Placer's growth plans, so it was a bit of a shock that the company bought a half-interest in the Western Areas mine for $235 million in November 1998 and announced a $1.1-billion merger with Getchell Gold.

Teck has developed a reputation for flexibility and a willingness to entertain agreements with juniors' early-stage projects. Teck has active ventures with at least 20 juniors on gold projects around the world.

Teck bids conservatively for late-stage acquisitions and has a strong grassroots exploration program. It usually strikes early-stage deals with juniors, often making an equity investment related to participation rights. Nonetheless, Teck has been notably absent from the junior scene recently, and appears to have shifted it focus to its later-stage projects, Pogo and San Nicholas.

Barrick, like Placer Dome, is strictly a gold company, but it has not yet developed a strong grassroots exploration program. It is difficult to argue with success — Barrick has grown through acquisitions and will continue to do so. The company has a reputation for being an aggressive bidder and also for being an intimidating negotiator. The half-billion-dollar Sutton Resources acquisition in February 1999 is a perfect illustration of Barrick's growth strategy.

— The preceding is an excerpt from Strategic Report, *a publication of Halifax, N.S.-based Metals Economics Group.*

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LETTER TO THE EDITOR

National geoscientists group already exists

I am writing in response to a letter by Buz Trevor ("Time for a national geoscience association," *T.N.M.*, Aug. 23-29/99). While the Canadian Council of Professional Geoscientists (CCPG) has no philosophical disagreement with the concept of a single, national professional association for registering geoscientists, I believe I should explain why such an organization is not possible in Canada.

Responsibility for the regulation of all the professions is vested in the provinces and territories under the Constitution. Recognizing this legal situation, those desiring to register geoscientists across the country investigated ways of providing the same level of professional recognition for geoscientists as accorded to engineers and other professionals. An umbrella provincial association registering both engineers and geoscientists was implemented, first in Alberta, then in the Northwest Territories, Newfoundland, British Columbia, Saskatchewan, Manitoba and now New Brunswick. In Quebec, Ontario and Nova Scotia, groups are actively working to achieve registration of geoscientists.

The provincial associations from the outset recognized the need for a national forum to discuss issues related to the very points Mr. Trevor raises, namely the need for mobility of professional geoscientists. Representatives from the associations identified the three key components of this mobility as:

- the need for national standards for academic background and work experience requirements for registration;
- the need for mutual recognition by each association of the credentials of a person registered in another jurisdiction; and
- the need for mobility agreements to enable geoscientists to move from jurisdiction to jurisdiction with minimum impediments to their ability to practise their profession.

The CCPG received its letters patent in 1997 and commenced operation Jan. 1, 1998. Its mandate covers both national and international aspects of recognition of professional registration. Most importantly, its immediate objectives are to address the three points raised above. These three issues are interwoven. One cannot proceed without the other, in essentially the order in which they are presented. The provincial representatives through CCPG have devoted, and are continuing to devote, much effort to facilitate the mobility of professional geoscientists across Canada.

In addition to these efforts, CCPG was called upon in the Mining Studies Task Force report by the TSE/OSC to be involved in the TSE Exploration Best Practice and Reporting Guidelines Committee. As your readers know from a recent TSE press release, CCPG is an integral component in the committee.

I hope these comments answer Mr. Trevor's comments. The national body being called for in Mr. Trevor's letter exists — it is the CCPG, and we are diligently pursuing the very things he advocates. For more detailed information on this subject I refer him and your readers to our web site at www.ccpg.ca

Hugh Miller
Chairman, CCPG
St. John's, Nfld.

BC General

B.C.

2/2

From Page 4

value of US$7.8 billion.

Eskay Creek, in northwestern B.C., is the world's richest, small-scale gold-silver producer, with reserves of 800,000 tonnes containing a gold-equivalent grade of 1.69 oz. per ton. It ranks as the world's fifth-largest silver producer and has one of the lowest cash costs for production, at US$132 per gold-equivalent ounces in 1998.

The drastic decrease in the value of B.C.'s mineral exploration in the past decade, to $40 million from $200 million, is directly related to the New Democratic Party's land-use policies, which have hit resource industries, particularly mining, hard. Not obvious from the annual value of the mining sector's producing metal mines (which averaged $1.5 billion in the past two decades) is the approaching drop in mineral output. Since 1990, only one mine has opened for every two that have closed. In order to sustain B.C.'s mineral output, exploration spending must increase. This will not occur until the current land-use policy is modified, as mining proponents have urged throughout the decade.

The mining sector in B.C. has historically shown itself to be the highest value generator of the resource industries per unit of land. Only 0.1% of the land base is disturbed, temporarily, and it is subject to reclamation.

There is nothing wrong with B.C.'s mineral potential. The problem lies in the inability of the current government to recognize its value and provide a climate that fosters investor confidence. A strong message is required from the government that adherence to regulations protecting the environment and rights of access and tenure will be upheld. Only this will remove the uncertainty resulting from protectionist land-use policies and overlapping, conflicting, confusing and frustrating requirements.

— The author is president of Vancouver-based Barrada Minerals.

CIM returns to table

The noon-hour meetings of the Toronto branch of the Canadian Institute of Mining, Metallurgy and Petroleum will resume Sept. 23 with a discussion of the North American gold mining sector.

Donald MacLean and George Albino, gold analysts with Deutsche Bank Securities, are scheduled to speak at the meeting, which will be held at the Ontario Club. They will address the reactions of the gold industry to prolonged low gold prices and high debt, including mergers and other restructuring, as well as investor confidence.

For more information, contact Jackie Coulter at (416) 869-7213 or Denise Stephenson at (905) 888-1164.

PEOPLE

Cons. Silver Tusk — Robert Needham appointed chairman, CEO, president and director; W.J Van der Mere appointed vp finance and director; Thomas Tough appointed vp exploration and director; Gregory Sasges appointed secretary and director; W.T. Plummer and Dennis Hawley appointed directors.

Luscar

From Page 2

the information is made available, specifically the alternatives and the cumulative effects of the mine, it will be obvious that the Cheviot site is not the appropriate spot for a mine," says Dianne Pachal, spokesman for the Alberta Wilderness Association, one of the environmental groups represented by the consortium. She maintains that the long-term goal of the consortium is to extend the existing provincial park to include the critical wildlife zone lands. The small park currently encompasses the top of Cardinal Watershed Divide.

"The features seen there [at the Cheviot site] are of national signif-

William Hume, general manager of the Luscar mine, tells *The Nothern Miner* that Jasper Park officials have never reported any ecological or environmental problems with respect to Luscar, which has been operating in the area for 30 years.

Another concern that the consortium will address is alternatives to open-pit mining, and the environmental effects of those alternatives.

"We looked at underground mining and included that in our environmental impact assessment, which was submitted to the initial review board," says Hume. "When the professional engineer on the panel reviewed the report, he knew [illegible] that the issue is not as simplistic as "jobs verses the environment." The organization says that economic alternatives that are more environmentally friendly exist and need to be explored. The land-use plan for the region emphasizes a need to diversify from a resource-based economy and recommends tourism based on the area's most outstanding natural features.

"An average miner at CRC earns about $60,000 per year," says Risvold. "The view that mine workers should sacrifice this wage and become tour guides is irresponsible and unrealistic."

Risvold says he is confident the deficiencies that overturned the first government approval

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SEDEX MINING CORP.
[SDN-V] 27,815,240 SHS.

IRISHMAN PROGRAM PLANNED - Richard W. Hughes, president, reports Sedex Mining Corp. has filed a notice of work to drill on the Irishman property in southeast BC with approval expected by Sept.30, 1999. The claim group is located 35 km southwest of Kimberley (Sullivan Mine).

Subject to financing, Sedex intends to test the mineralization encountered in hole K97-03 drilled in 1996. Drill hole K97-03 on the Irishman property intersected 2.55 metres of 9.6% zinc, 5.8% lead and 49 grams silver/tonne. It is believed K97-03 may have stopped 200 metres short of Sullivan Time rock horizon. Only one further drill hole 500 feet south-southwest of the first hole was drilled. Hole K97-04 hosted weak zinc and lead sulphides in fractures. The upper part of hole K97-04 intersected local tourmaline and considerable more zinc and lead sulphides in thin quartz veins and fractures than encountered in K97-03. The discovery on the Irishman property is considered important.

In late 1998 the company discovered the Gerry Vent, located 4.5 km southwest of drill hole K97-03. This tourmalinized vent with disseminated lead and zinc within a thick fragmental sheet with albite is a priority target and considered an excellent prospect. A notice of work for future diamond drilling on this vent system has also been filed. Approval is expected by month end. (SEE GCNL NO.191, 5Oct99, P.1 FOR PREVIOUS IRISHMAN AND OTHER PROJECT REVIEWS)

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