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The Canadian Mineral Industry Monthly Report

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May, 1977



Energy, Mines and
Resources Canada

Énergie, Mines et
Ressources Canada

Minerals

Minéraux

PREFACE

This report is prepared in the Mineral Development Sector of the Department of Energy, Mines and Resources. It is prepared from the best information available to us from many sources, but it is only intended to be a general review of the more important current developments in the Canadian mineral industry and of developments elsewhere that affect, or may affect, the Canadian industry. It should not be considered an authority for exact quotation or an expression of official Government of Canada views.

Ce rapport a été rédigé par le Secteur de l'Exploitation Minérale du Ministère de l'Énergie, des Mines et des Ressources. Bien que nous ayons eu recours à de nombreuses sources pour vous fournir les meilleurs renseignements possibles, cet exposé n'a pour objet que de passer en revue les développements actuels les plus importants de l'industrie minière canadienne, de même que les progrès accomplis ailleurs qui peuvent intéresser l'industrie canadienne. On ne doit pas considérer cet exposé comme une source de renseignements précis ou comme l'expression des vues du Gouvernement canadien.

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THE CANADIAN MINERAL INDUSTRY FOR MAY

The following constitutes a brief summary of the Canadian mineral industry based upon information that became available in May.

SUMMARY

1. Canada's unadjusted index of Real Domestic Product was 121.6 in March 1977, an increase of 0.5 per cent from February 1977.
2. The March index of Mines, Quarries and Oil Wells was 113.8 a decrease of 1.6 per cent from the previous month.
3. The Indian Oil and Gas Regulations have been completely revised.
4. Alcan Aluminum Limited has announced that it will construct a new smelter near La Baie in the Saguenay area of Quebec.
5. Copper prices on the London Metal Exchange remained at depressed levels during May.
6. Strikes continued to be the major focus of news concerning the lead industry during May.
7. The sixth session of the Third United Nations Conference on the Law of the Sea began May 23.
8. Agnico-Eagle Mines Limited made one of the deepest ore intersections ever found in the Cobalt area of Ontario.
9. A disastrous fire swept through a large section of the mining town of Cobalt, Ontario.
10. During May, zinc prices fell in Canada, the United States and Europe.
11. Canada Cement Lafarge Ltd. and Lone Star Industries, Inc. have reached an agreement in principle to terminate their joint venture in Citadel Cement Corporation.
12. Canpotex Limited secured a sale of potash to China for delivery this summer.
13. The Berger report on the Mackenzie Valley Pipeline Inquiry was tabled in the House of Commons May 9.

ECONOMIC TRENDS

Table 1 shows Canada's unadjusted indexes of Real Domestic Product (RDP) in terms of 1971 = 100. The overall RDP index in March 1977 was 121.6, an increase of 0.5 per cent from February 1977.

The March RDP index for mines, quarries and oil wells was 113.8, down 1.6 per cent from 115.7 in February. The metal mines index decreased over the month by 1.8 per cent to 108.6. Of the metal mining group, placer and gold quartz mines registered a 14.2 per cent decline in product. The March index for mineral fuels showed a decrease of 1.6 per cent from February. A decrease of 5.1 per cent was recorded in the nonmetal mines index, down from 135.3 to 128.4 over the month.

Table 2 compares volume of production in major Canadian minerals. Notable changes (February 1977 to March 1977) were recorded in output for iron ore (up 41.2 per cent), silver (up 38.4 per cent), uranium (up 91.3 per cent) and potash (up 56.5 per cent).

Table 3 shows capital and repair expenditures by region for 1975-77. Table 4 shows capital and repair expenditures by groups of mines for the same period. Intended expenditures in 1977 were larger in all regions than preliminary actual outlays in 1976. The largest proportional increases were in British Columbia, 22 per cent, and the Prairie Region, 17 per cent. In total, and in all regions except the Atlantic Region, capital expenditures in 1976 were larger than those made in 1975.

TABLE 1

Canada, Indexes of Real Domestic Product, by Industries Unadjusted (1971=100)

Industry or Industry Group	1976			1977			Percentage Changes			
	Feb	Mar	Average 1st 3 Months	Feb	Mar	Average 1st 3 Months	Feb 1977	Mar 1977	Mar 1977	1st 3 Months
							Feb 1976	Mar 1976	Feb 1977	1977 1976
Real Domestic Product	116.3	118.1	115.6	121.0	121.6	120.0	4.0	3.0	0.5	3.8
Primary Industries										
Agriculture	42.2	29.2	36.8	34.3	17.8	29.4	-18.7	-39.0	-48.1	-20.0
Forestry	92.5	112.5	89.9	120.8	134.3	117.2	30.6	19.4	11.2	30.3
Fishing and Trapping	46.5	56.9	48.0	39.6	51.4	41.8	-14.8	-9.7	29.8	-13.0
Mines, Quarries and Oil Wells	110.0	108.2	108.2	115.7	113.8	114.5	5.2	5.2	-1.6	5.9
Metal Mines	107.4	103.1	103.5	110.6	108.6	110.8	3.0	5.3	-1.8	7.0
Placer and Gold Quartz Mines	81.9	75.4	76.0	87.1	74.7	79.2	6.3	-0.9	-14.2	4.2
Iron Mines	111.2	109.7	110.0	94.1	96.5	100.3	-15.4	-12.0	2.6	-8.8
Other Metal Mines	107.7	102.8	103.3	115.8	113.2	114.9	7.5	10.1	-2.2	11.3
Mineral Fuels	114.5	113.6	114.5	121.8	119.9	119.7	6.4	5.5	-1.6	4.5
Coal Mines	231.0	243.3	223.9	232.8	230.1	228.6	0.8	-5.4	-1.2	2.1
Crude Petroleum and Natural Gas	105.0	103.0	105.5	112.7	110.9	110.8	7.3	7.7	-1.6	5.0
Nonmetal Mines	117.3	120.0	116.3	135.3	128.4	130.9	15.3	7.0	-5.1	12.5
Asbestos Mines	91.0	100.7	92.4	108.1	108.8	107.2	18.8	8.0	0.6	16.1
Secondary Industries										
Manufacturing	117.6	120.1	115.9	119.9	122.5	119.1	2.0	2.0	2.2	2.7
Nondurable Manufacturing	113.0	116.8	111.7	117.6	118.7	116.0	4.1	1.6	0.9	3.9
Petroleum and Coal Products Industries	124.8	123.2	126.3	137.2	133.6	135.7	9.9	8.4	-2.6	7.5
Durable Manufacturing	122.2	123.4	120.2	122.3	126.3	122.3	0.1	2.4	3.3	1.7
Primary Metal Industries	111.6	112.0	108.6	111.3	118.6	112.4	-0.3	5.9	6.6	3.5
Iron and Steel Mills	120.3	118.6	113.8	116.0	127.1	119.3	-3.6	7.2	9.6	4.8
Steel Pipe and Tube Mills	136.3	138.3	135.1	136.1	139.6	133.0	-0.1	0.9	2.6	-1.6
Iron Foundries	105.4	115.7	110.5	119.6	112.7	113.0	13.5	-2.6	-5.8	2.3
Smelting and Refining	97.6	98.4	97.2	101.2	108.4	101.6	3.7	10.2	7.1	4.5
Nonmetallic Mineral Products Industries	99.7	101.5	97.4	96.6	102.9	95.7	-3.1	1.4	6.5	-1.8
Cement Manufacturers	77.3	83.8	73.6	64.6	83.3	68.5	-16.4	-0.6	28.9	-7.0
Ready-mix Concrete Manufacturers	70.8	72.8	65.1	63.9	72.7	62.4	-9.7	-0.1	13.8	-4.1
Construction Industry	99.3	99.4	98.5	98.9	94.2	96.2	-0.4	-5.2	-4.8	-2.3
Transportation, Storage, Communication	122.8	124.7	122.3	129.4	132.3	129.1	5.4	6.1	2.2	5.5
Electric Power, Gas and Water Utilities	154.4	148.0	154.0	173.0	161.1	169.5	12.0	8.9	-6.9	10.1
Trade	114.6	123.8	115.1	120.0	125.3	118.9	4.7	1.2	4.4	3.3
Finance, Insurance, Real Estate	125.3	126.3	125.4	132.4	132.6	132.3	5.7	5.0	0.2	5.4
Community, Business and Personal Service	122.7	124.3	122.7	128.2	129.7	128.0	4.5	4.3	1.2	4.3
Public Administration and Defence	118.4	119.4	118.6	122.9	123.9	122.8	3.8	3.8	0.8	3.6

TABLE 2
Canada, Production of Leading Minerals
(*000 tonnes except where noted)

	1976			1977			Percentage Changes			
	February	March	Total 1st 3 months	February	March	Total 1st 3 months	March 77 March 76	March 77 February 77	1st 3 months 1977 1976	
Metals										
Copper		49.8 ^r	59.6	178.3 ^r	65.9	70.1	207.8	+17.6	+6.4	+16.6
Gold	kg	4 151.2	4 459.4	13 243.4	4 249.5	4 699.8	13 232.5	+5.4	+10.6	-0.1
Iron ore		1 249.4	1 601.1	4 566.5	949.1	1 339.8	4 867.1	-16.3	+41.2	+6.6
Lead		24.8	20.2	63.6	19.5	22.9	62.0	+13.4	+17.4	-2.5
Molybdenum	t	1 017.6	1 615.1	3 862.3	1 286.2	1 372.9	3 749.8	-15.0	+6.7	-2.9
Nickel		20.4	20.8	62.7 ^r	21.1	20.8	65.1	0.0	-1.4	+3.8
Silver (1)	t	97.3	120.3	324.1 ^r	107.5	148.8	353.3	+23.7	+38.4	+9.0
Uranium	t	296.6	315.8	939.5	270.9	518.2	1 090.3	+64.1	+91.3	+16.1
Zinc		77.2	70.2	247.3	77.2	83.2	233.4	+18.5	+7.8	-5.6
Nonmetals										
Asbestos		115.4	147.3	373.5	109.1 ^r	141.4	361.1	-4.0	+29.6	-3.3
Cypsum		272.6 ^r	345.3 ^r	943.7 ^r	381.4	357.6	1 059.9	+3.6	-6.2	+12.3
Potash K ₂ O		380.4	548.1	1 325.9	369.5	578.4	1 402.6	+5.5	+56.5	+5.8
Salt		659.0	482.6	1 744.5	656.1	466.1	1 764.1	-3.4	-29.0	+1.1
Cement		466.5	557.5	1 386.8	406.7	581.4	1 344.2	+4.3	+43.0	-3.1
Clay products	\$000	4,330.9	4,457.7	12,123.1	4,266.5
Lime		120.8	159.4	393.5	140.3	154.9	430.5	-2.8	+10.4	+9.4
Fuels										
Coal		2 258.7 ^r	2 427.3	6 970.7	2 642.8 ^r	2 839.8	7 887.0	+17.0	+7.5	+13.2
Natural gas	000 m ³	7 547 063.5 ^r	7 938 317.4 ^r	23 636 924.2 ^r	7 569 462.1 ^r	8 370 913.9	24 395 645.9	+5.5	+10.6	+3.2
Crude oil and equivalent	000 m ³	6 354.1	6 599.1 ^r	20 128.0 ^r	6 657.1 ^r	7 223.4	20 859.3	+9.5	+8.5	+3.6

(1) Tonnes uranium (1 tonne U = 1.2999 short tons U₃O₈)

^r Revised; .. Not available.

TABLE 3
Capital and Repair Expenditures - Mining, Quarrying and Oil Wells, 1975-77*

		Capital Expenditures			Repair Expenditure			Capital and Repair		
		Construction	Machinery & Equipment	Total	Construction	Machinery & Equipment	Total	Construction	Machinery & Equipment	Total
(millions of dollars)										
Atlantic Region	1975	126.7	35.8	162.5	16.2	107.5	123.7	142.9	143.3	286.2
	1976	91.9	53.4	145.3	15.5	107.4	122.9	107.4	160.8	268.2
	1977	128.4	60.2	188.6	15.7	115.9	131.6	144.1	176.1	320.2
Quebec	1975	244.3	101.4	345.7	11.9	142.7	154.6	256.2	244.1	500.3
	1976	217.6	202.6	420.2	13.4	182.7	196.1	231.0	385.3	616.3
	1977	188.5	320.4	508.9	14.0	186.4	200.4	202.5	506.8	709.3
Ontario	1975	175.3	89.1	264.4	27.1	142.2	169.3	202.4	231.3	433.7
	1976	201.1	124.2	325.3	26.4	171.5	197.9	227.5	295.7	523.2
	1977	204.3	129.0	333.3	29.2	180.4	209.6	233.5	309.4	542.9
Prairie Region	1975	1 142.1	239.2	1 381.3	210.7	154.5	365.2	1 352.8	393.7	1 746.5
	1976	1 474.3	482.4	1 956.7	203.4	162.8	366.2	1 677.7	645.2	2 322.9
	1977	1 760.6	617.7	2 378.3	232.3	176.4	408.7	1 992.9	794.1	2 787.0
British Columbia	1975	100.5	65.1	165.6	27.8	126.6	154.4	128.3	191.7	320.0
	1976	182.4	61.6	244.0	16.9	119.7	136.6	199.3	181.3	380.6
	1977	250.7	80.8	331.5	19.3	138.5	157.8	270.0	219.3	489.3
Northwest Territories and Yukon	1975	179.2	113.3	292.5	9.0	26.0	35.0	188.2	139.3	327.5
	1976	227.7	128.5	356.2	11.7	26.7	38.4	239.4	155.2	394.6
	1977	340.8	43.7	384.5	11.6	28.2	39.8	352.4	71.9	424.3
Canada	1975	1 968.1	643.9	2 612.0	302.7	699.5	1 002.2	2 270.8	1 343.4	3 614.2
	1976	2 395.0	1 052.7	3 447.7	287.3	770.8	1 058.1	2 682.3	1 823.5	4 505.8
	1977	2 873.3	1 251.8	4 125.1	322.1	825.8	1 147.9	3 195.4	2 077.6	5 273.0

* 1975 Actual; 1976 Preliminary Actual; 1977 Intentions.

TABLE 4
Capital and Repair Expenditures - Mining, Quarrying and Oil Wells, 1975-77¹

	Capital Expenditures			Repair Expenditures			Total Expenditures		
	1975	1976	1977	1975	1976	1977	1975	1976	1977
(millions of dollars)									
Metal mines									
Gold	26.0	21.4	20.2	11.7	10.6	10.6	37.7	32.0	30.8
Iron	309.6	(2)	(2)	211.8	225.9	231.4	521.4	(2)	(2)
Copper-gold-silver	161.0	197.4	207.7	135.4	137.6	151.0	296.4	335.0	358.7
Silver-lead-zinc	84.6	64.9	87.1	30.9	38.7	41.2	115.5	103.6	128.3
Other metal mines	133.7	562.4	664.3	120.6	135.4	149.5	254.3	923.7	1,045.2
Total metal mines	714.9	846.1	979.3	510.4	548.2	583.7	1,225.3	1,394.3	1,563.0
Nonmetal mines									
Asbestos	61.8	93.7	111.3	50.1	75.4	79.2	111.9	169.1	190.5
Other nonmetal mines ³	260.6	237.8	285.1	158.0	156.0	171.0	418.6	393.8	456.1
Total nonmetal mines	322.4	331.5	396.4	208.1	231.4	250.2	530.5	562.9	646.6
Mineral fuels									
Petroleum and gas	1,574.7	2,270.1	2,749.4	283.7	278.5	314.0	1,858.4	2,548.6	3,063.4
Total mining industry	2,612.0	3,447.7	4,125.1	1,002.2	1,058.1	1,147.9	3,614.2	4,505.8	5,273.0

¹ 1975 Actual; 1976 Preliminary Actual; 1977 Intentions.

² Included in other metal mines.

³ Includes coal mines, gypsum, salt, potash and miscellaneous nonmetal mines and quarrying.

TAXATION AND LEGISLATION AFFECTING
MINING AND ALLIED INDUSTRIES IN CANADA

Federal

The Indian Oil and Gas Regulations made by Order in Council PC 1966-1271 of July 7, 1966, as amended, have been revoked and replaced by new regulations made by Order in Council PC 1977-1057 of April 21, 1977. The new regulations are a complete revision of the former.

The interpretation section is expanded to include several new terms. The other regulations are rearranged into more convenient groups and many have been rewritten.

The term of a permit, formerly one year, is now the term specified in the call for tenders, or the term specified in the permit, or in any other case, one year. The rental for a permit has been increased from 20¢ per acre per year payable in advance to a graduated scale as follows:

- (a) when first granted, 50¢ per acre per year
- (b) for a first extension, 50¢ per acre per year
- (c) for a second extension, 6¢ per month per acre
- (d) for a third or subsequent extension, 8¢ per month per acre

Provision is made for the rental on permits existing on the date these regulations come into force to be payable under the former regulations.

A permittee who makes a commercial discovery of oil or gas is required to apply for a lease or leases of the oil and gas rights in the permit area containing the discovery well.

Leases

Usually, the term of a lease shall be five years, renewable for further successive terms of five years.

Lease rental, except in the case of prior leases, is usually \$2 per acre per year, but not less than \$100 per annum. The rental payable on prior leases shall continue until the lease expires, or, subject to the lessee applying for a renewal under the prior lease, the lease may be continued for one term of 10 years at an annual rental of \$2 per acre.

Royalties

Royalties are unchanged and shall be computed in accordance with Schedule 1, which provides for the royalty to increase as production increases.

Provincial

British Columbia

Pursuant to the *Mineral Land Tax Act*, Standard Value Regulations, 1977 have been issued as B.C. Reg. 75/77. The standard value for petroleum is increased from \$6.67 per barrel to \$8.50 per barrel. Standard values for metallurgical and thermal coal are unchanged at \$30. and \$15. per ton respectively.

Saskatchewan

Bill 99, an Act to Amend the Mineral Taxation Act, is now before the provincial legislature. The amendments provide that where a potash mine is operated on behalf of more than one person, for tax purposes the ore reserves, mine and refining plant shall be treated as one operation and the persons shall be jointly and severally liable for the tax payable. Such taxes shall be a special lien on the property which shall take priority over every other claim. The bill also ratifies and confirms retroactively the coming into force of the Potash Reserve Tax Regulations 1974, being S.R. 290/74, and amendments, and sets out a new Schedule to the Regulations.

METALLIC MINERALS AND PRODUCTS

Aluminum

The Anti-Inflation Board (AIB) has rejected seven per cent price increases by Alcan Aluminium Limited on ingots and fabricated products sold in Canada. The AIB said the price increases were not justified under anti-inflation guidelines and would generate excess revenues for the company. The Board has told the company it may submit new proposals which would not generate excess revenues. Alcan said it intends to reapply to the Board. Under the guidelines, major suppliers are required to give the Board 30 days advance notice of price increases.

Alcan Aluminium Limited has announced that it will construct a new aluminum smelter on a 2,400 acre site near La Baie in the Saguenay area of Quebec. The 171 450 tonne-a-year smelter will be built in three stages. Ground clearing and other preliminary work are to start immediately. The first stage, with a capacity of 57 150 tonnes is scheduled to be completed by 1981 at an estimated cost of \$200 million. No timetable was given for the second and third stages which will cost an additional \$185 million. More than 400 permanent jobs will be created by the new smelter and 700 construction workers will be on the site at the peak of construction next year. When the two additional potlines are added, the plant will employ 800 people. The smelter is the first step in a ten year program to increase Alcan's smelting capacity in Quebec and modernize its Arvida plants. The company stated that increasing demand for aluminum, the anticipated levels of supply and demand in international ingot markets in the early 1980s and the Quebec government's decision to establish a long-term tax policy for private power generation had influenced Alcan's decision to go ahead with the project.

Chromium

Representatives of Canada and the United States Department of Treasury have worked out a set of provisions for a proposed certificate of origin agreement which will set out the provisions to assure that imports of chrome-bearing specialty steels from Canada to the United States do not contain any Rhodesian chrome. The agreement is expected to be signed in the near future. Since the U.N. sanctions against Rhodesia were implemented in 1966, Canada has ensured that ferrochrome imported from South Africa is free of Rhodesian chrome.

The U.S. Treasury Department announced temporary procedures to govern imports of specialty steel and ferrochrome to the U.S. that were in shipments or in inventory for shipment, on March 18, 1977. The temporary procedures call for a special certificate of origin, issued by the exporting country, ensuring that there is no contained Rhodesian chrome in the exported products. The temporary procedures will be effective until June 18, 1977, in order to prevent any disruption in trade pending the conclusion of special certification agreements.

Copper

Copper prices on the London Metal Exchange (LME) remained at depressed levels during May. At month-end, the cash price for copper wirebars was 60.0 (U.S.) cents a pound compared with 62.0 (U.S.) cents a pound one month earlier. The downward trend in North American producer prices continued with a further reduction of 3 cents a pound on May 23-25. At the end of the month, the prices of wirebars and cathode were 71.625 (U.S.) cents a pound, and 71.0 (U.S.) cents a pound in the U.S. and 75.125 cents a pound and 74.5 cents a pound respectively in Canada.

Canadian production of primary copper in Canada in the first three months of 1977 amounted to 207 826 tonnes compared with 178 316 tonnes in the same period of 1976, an increase of 16.5 per cent, continuing an upward trend from the unusually depressed rate of production at the beginning of 1975.

A number of individual Canadian producers reported substantial production increases in the first quarter.

- Patino N.V. reported that copper production at its Copper Rand mine increased to 5.4 million pounds in the period compared with 3.7 million pounds in the first quarter of 1976.
- Lornex Mining Corporation Ltd. increased its first quarter by 12 per cent compared with 1976 by increasing both the mill head grades and the tonnage milled.
- Falconbridge Nickel Mines Limited states that it is anticipating increased demand in 1978 and 1979 and may reactivate all of its temporarily closed mines in the course of 1977.

Employees at the Montreal East refinery of Canadian Copper Refiners Limited owned by Noranda Mines Limited returned to work on May 2, ending a three week strike over a new labour contract.

At Gaspé Copper Mines, Limited, the copper oxide leaching section has been modified and was expected to come on stream during May. The rated capacity of 4 500 tonnes a day should be attained by the end of the year.

At the Annual Meeting of Shareholders of Valley Copper Mines Limited it was announced by company officials that development of the Valley Copper property is not feasible at this time due to current low prices and high tax levels.

Bethlehem Copper Corporation has an interest in the Valley Copper property and an important part of its potential ore reserves are on that property. Present ore reserves at its original Highland Valley mines are sufficient for six more years of production at the present rate.

Stocks of refined copper in major metal exchange warehouses fell during May. At month-end LME warehouses held 606 480 tonnes. Comex warehouses held 191 700 tonnes.

The Second Preparatory Meeting on Copper was held in Geneva, May 16-20, 1977. An account of this meeting is included as a Special Item in this report.

Gold

The International Monetary Fund (IMF) held its ninth gold auction on May 4, 1977, and awarded 524,800 ounces of gold to the successful bidders at prices which ranged from \$147.33 (U.S.) to \$150.26 (U.S.) an ounce of gold compared with a price range of \$148.55 (U.S.) to \$151.00 (U.S.) an ounce at the eighth auction held on April 6, 1977. The average price of the successful bids was \$148.02 (U.S.) an ounce compared with \$149.18 (U.S.) at the eighth auction. The afternoon fixing price on the London Gold Market on May 3 was \$148.25 and the gold prices following the auction were slightly lower. In all, 107 final bids were received for a total of 1,316,400 ounces of gold compared with 1,278,000 ounces at the eighth auction. The largest percentage of the bids submitted was in the price range of \$145.00 (U.S.) to \$148.99 (U.S.) for an ounce of gold. A total of 38 bids submitted by 14 bidders, mainly international bullion dealers and European banks, were accepted. Only 17 bidders submitted final bids.

The IMF will hold its next monthly gold auction on June 1, 1977. The IMF will change the award method and will award gold to successful bidders through the common price method, that is all successful bidders will receive gold at the lowest acceptable bid. Also a bidder will have to enclose the greater of \$25,000 (U.S.) or \$10 (U.S.) an ounce of gold with each final bid. In the previous auctions, the IMF demanded a flat \$50,000 (U.S.) deposit for each final bid. The minimum bid will remain at 1,200 ounces.

On April 25, 1977, O. Horwood, Finance Minister of the Republic of South Africa announced that South Africa's gold reserve requirement under which the South African Reserve Bank was legally required to maintain minimum gold reserves equal to 25 per cent of public liabilities less foreign assets was suspended. Mr. Horwood stated the Reserve Bank's practice of valuing its gold reserves at the statutory price of 29.55 rand per fine ounce at a time when the market price was about R 130 an ounce made it difficult for the Bank to comply with the reserve requirement.

The price of gold remained comparatively stable for the first half of May, the monthly high of \$148.35 (U.S.) an ounce of gold being recorded on the afternoon fixing on the London Gold Market on May 2, 1977. It declined steadily during the last half of the month reaching a low of \$142.95 (U.S.) an ounce at the final fixing for the month. The bullion traders reported that a general lack of interest in the gold market was responsible for the price decline. The monthly average of the afternoon fixing gold price on the London Gold Market for May 1977 was \$146.00 (U.S.) (153.71 Cdn) an ounce compared with \$149.17 (U.S.) (156.79 Cdn) an ounce in April.

Iron Ore

Labrador Mining and Exploration Company Limited netted \$2.98 million from revenues of \$6.41 million in the first quarter of 1977 as compared with \$2.19 million from revenues of \$4.85 million during the same period in 1976. Most of Labrador Mining's earnings are derived from royalties received from the Iron Ore Company of Canada in which it has a 3.84 per cent interest. Labrador receives 7 per cent of the value of iron ore concentrates shipped by IOC and 5 per cent on the price of pellets at Sept Iles.

Lead

Strikes continued to be the major focus of news concerning the lead industry during the month. The following companies are on strike or settled during the month of May:

<u>Company</u>	<u>Capacity</u>		<u>Comments</u>
	(MTPY)		
	<u>Pb</u>	<u>Zn</u>	
ASARCO Incorporated Glover, Montana, U.S.A.	85 000	-	Went on strike September 1, 1976; settled May 30, 1977; full production by mid-June.
Broken Hill Associated Smelters Pty. Ltd. Port Pirie, Australia	220 000	45 000	Strike April 21, 1977; settled May 23, 1977; full production by June 10.
Bunker Hill Company Kellogg, Idaho, U.S.A.	120 000	92 500	Went on strike May 6, 1977; still out.
R.S.R. Corporation Dallas, Texas, U.S.A.	Not available	-	Strike May 7, 1977; settled May 21, 1977; plant accounts for 40 per cent of RSR's sales of secondary lead.

Workers at Cominco Ltd.'s Trail lead and zinc plant and the Salmo and Kimberley mines in British Columbia ratified a new three-year contract thus averting a repeat of the strike which closed Cominco's operations for four months in 1974.

Consolidated Columbia River Mines Ltd., was placed in receivership at year-end 1976. The company's Ruth Vermont mine operated for part of 1976 producing 900 tonnes of lead and 1 100 tonnes of zinc in concentrate. The operators had planned to open the mine again in the spring of 1977 on a continuous basis.

The summer doldrums have arrived in the lead market, nullifying any impact on prices of strike news and shortages of nearby metal. The London Metal Exchange (LME) price dropped £45.5 during the month to a level of £349.5 a tonne on May 31 (28.6 cents a pound Cdn/63.1¢ a kg). There was little physical demand for the metal during the month and speculative interest appears to have abated as the summer slowdown begins in battery manufacturing. Stocks on the LME increased from 66 300 tonnes on May 6 to 67 100 tonnes on May 27. The producer price in the United States and Canada remained unchanged at 31 cents a pound. Cominco Ltd. filed for a 1.25 cents a pound increase with the Anti-Inflation Board (AIB) on May 19 but as of month-end there had been no price movement.

Nickel

The sixth session of the Third United Nations Conference on the Law of the Sea began May 23 at the United Nations in New York City. The main issues under discussion are:

- the establishing of an international Authority to control seabed exploitation in the area outside national jurisdiction and to create an agency of the Authority that will do some of the mining on behalf of all mankind;
- the deciding on a production control formula to control production of seabed nickel.

The latter is of great importance to Canada in that it could affect land-based nickel production including Canada's. The Conference is scheduled to continue until July 8 and Canadian officials have expressed optimism that this session will see a breakthrough that will allow a Treaty to be signed.

Silver

The new 540-tonne-a-day concentrator of Canadaka Mines Limited began tune-up operations in the first quarter of 1977 at its silver property in the Cobalt area of northern Ontario. The concentrator, which replaces the former concentrator destroyed by fire in May 1975, is the largest and most modern ever built in the Cobalt-Gowganda area. It is currently processing newly mined ore, old mill tailings and material from old mine dumps. April 1977 was the first month for which Temiskaming Testing Laboratories (T.T.L.) at Cobalt, Ontario, reported the results of its weighing and sampling of gravity and flotation concentrates produced by the Canadaka mill. Total silver content of such concentrates handled by T.T.L. in April was 1 838.0 kilograms (59,094 troy ounces). At December 31, 1976 Canadaka reported its measured and inferred ore reserves at 23 150 tonnes grading 405.9 grams of silver a tonne. Canadaka is a wholly owned subsidiary of St. Joseph Explorations Limited, which latter company is the Canadian subsidiary of St. Joe Minerals Corporation of New York, N.Y.

Agnico-Eagle Mines Limited has made one of the deepest ore intersections ever found in the Cobalt camp of northern Ontario. The intersection at the company's silver property was at a vertical depth of 575 meters, being 33.5 meters below a winze that was sunk from the 488-meter level. It returned 5 427.6 grams (174.5 ounces) of silver across

0.33 meter or 2 186.6 grams (70.3 ounces) across 0.94 meter. Deep ore findings are being picked up in three separate locations on the company's extensive holdings in the Cobalt area. Vertical continuity is indicated by the current drilling, and in the winze area, good silver values have been established 61 meters below the high grade intersections already encountered on the winze level which in turn is well below the lower contact of the Nipissing diabase sill. Milling of silver ores, which in recent years has been on a seasonal basis at Agnico, resumed May 9.

A disastrous fire swept through a 1½-kilometer section of the town of Cobalt, Ontario on May 23 and destroyed an estimated \$4 million in real estate. However, no damage was caused to the property or buildings of either Temiskaming Testing Laboratories or the silver refinery of Canadian Smelting and Refining (1974) Limited, both of which are located in the town of Cobalt. The properties of the three silver-producing mines in the area, namely Agnico-Eagle Mines Limited, Teck Corporation Limited and Canadaka Mines Limited, were also untouched by the fire since each of them are several kilometers from the town of Cobalt.

According to the company's annual report, the Torres silver-gold complex in Mexico processed 376 905 tonnes of ore in 1976 yielding 126 575 kilograms (4,069,533 ounces) of silver and 923.7 kilograms (29,699 ounces) of gold. The mining complex consists of four silver-gold mines which feed ore to a centrally located 2 000-tonne-a-day concentrator which began operations late in February 1976. The four mines comprising the complex are the Torres-Cedros, Peregrina, Cebada and Bolanitos and all are located near the city of Guanajuato in central Mexico. The company operating the project is Compania Minera Las Torres, S.A., (which is owned 30 per cent by Lacana Mining Corporation, 37 per cent by Compania Fresnillo, S.A., and 33 per cent by Industrias Penoles, S.A.). Penoles is one of Mexico's largest private mining enterprises. Lacana Mining is a Canadian company with headquarters in Toronto - formerly Pure Silver Mines Limited.

Steel

Five hundred QSP Ltd. employees at the Questeel plant in Longueuil returned to work on May 24 after a two-week vacation. The workers agreed to take an early summer break because of a slump in steel orders. For the past ten months, the company has been working on a refinancing agreement with its banker (The Royal Bank of Canada), and the Federal and Provincial Governments. QSP Ltd., employs a total of 1,200 workers in the Province of Quebec.

Tungsten

The Trade and Development Board has requested the Secretary-General of UNCTAD to convene an ad hoc intergovernmental group of experts on tungsten to examine and assess proposals for the stabilization of the world tungsten market. The group is to investigate proposals put forward by the UNCTAD Secretariat, the producer nations of the Primary Tungsten Association and any other proposals received prior to July 1977. The group is to prepare a report of its conclusions and recommendations for presentation to the Committee on Tungsten by January 1978. The Board invited 14 countries, including Canada, to participate. The subject was brought before the Board as a result of the failure of producers and consumers to agree on how stabilization of the market could be achieved at the November 1976 meeting of the Committee on Tungsten.

The official opening of Wolfram-Bergbau-und Huttengesellschaft mbH, a new tungsten producer in Austria, took place in May. Wolfram-Bergbau is 47.5 per cent owned by Metallgesellschaft A.G. of West Germany, 47.5 per cent by Voest-Alpine AG of Austria and 5 per cent by Teledyne Inc. of the United States. The mine will be part of an integrated complex that will eventually produce some 1 350 tonnes of tungsten a year to be sold in a variety of processed and semi-processed forms. Reserves at the mine at Mittersell are sufficient to maintain this production rate for about ten years.

Zinc

On May 17, 1977 ASARCO Incorporated initiated a 3 cent a pound price reduction to 34 cents a pound for prime western zinc in the United States which was immediately followed by other domestic and foreign producers selling zinc in that country. In Canada, domestic producers dropped their domestic quotations by 0.75 cent a pound to 35.5 cents a pound on the basis that exchange rate differentials equated the new domestic price to that in the United States. At the same time Cominco Ltd. reduced its selling price in Europe from \$795 U.S. a tonne (36.1¢ a pound) to \$700 U.S. a tonne (31.8¢ a pound). This move was quickly followed by other producers selling zinc metal to Europe. Cash quotations for zinc during May on the London Metal Exchange declined approximately £48.5 from £377.5 a tonne at the end of April, equivalent to a 4 cent a pound decline from the 29.4 cents a pound level April 29, 1977. As such, these quotations still remain at a substantial discount to producer quoted prices for zinc.

INDUSTRIAL MINERALS AND PRODUCTS

Asbestos

Prices. Cassiar Asbestos Corporation Limited plan to increase fibre prices an average of 15 per cent on July 1, 1977. Asbestos Corporation Limited plan price increases of from 7 per cent to 10 per cent, also effective at this time. Demand continues to remain strong, in particular for the asbestos-cement grades.

Abitibi Asbestos Mining Company Limited. The proposed joint development by Brinco Limited and ASARCO Inc. of Abitibi's asbestos property north of Amos, Quebec, remained under discussion. Some problems countering a go-ahead decision centre on financing of the \$300-million project, possible new environmental standards that will be implemented, complete clarification of the Quebec government's position with respect to asbestos mining in the province and the need for some additional technical study of mining and milling techniques.

Restrictions in the Use of Asbestos. The use of crocidolite in Holland will be significantly reduced in about one year. Restrictions on the use of chrysotile will be less stringent, but will apply to insulation and decorative uses.

A final decision regarding a possible ban on the use of crocidolite in Canada has not been made to date.

Construction Materials

Canada Cement Lafarge Ltd. has reached an agreement in principle to terminate its 50/50 joint venture in Citadel Cement with Lone Star Industries, Inc. of Connecticut.

Under the agreement, each Citadel shareholder will obtain assets and assume liabilities equal to one-half of the consolidated net worth of the joint venture at March 31, 1977. Under the division of assets, a wholly owned subsidiary of Canada Cement is to own and operate, under the Citadel name, the Birmingham-Demopolis division (which includes the cement plant in Birmingham, Alabama and the cement plant being built in Demopolis, Alabama). Lone Star is to own and operate the Virginia-Carolina division, including the Roanoke, Virginia plant.

Potash

Canpotex Limited secured a sale of 45 000 tonnes K₂O equivalent to China for delivery this summer. The sale followed the visit to China by a Canadian trade mission composed of representatives of the potash industry and the federal government.

The United States Department of Justice failed to have U.S. potash firms convicted for price fixing and activities connected with Saskatchewan's prorationing scheme from 1970 to 1974. On May 6, Judge Prentiss Marshall acquitted the five firms (which had not been acquitted earlier by the Grand Jury originally called to hear the case). There are still several outstanding civil suits.

Talc

Johns-Manville Corporation closed its talc mine in Penhorwood township, near Timmins, Ontario. The mine operated for only two months near the end of 1976 and closed in mid-December. Similarly, a talc mine in California owned by Johns-Manville was also closed. No definite reasons were given for the closures, however weak markets and possible problems related to asbestos impurities are suspected.

MINERAL FUELS AND PRODUCTS

Coal

Early in 1977, Kaiser Resources Ltd. of Vancouver announced the signing of an understanding with Companhia Vale Do Rio Doce (CVRD) a major Brazilian iron ore company to purchase up to a 10 per cent interest in Kaiser's new proposed two million ton per year mine. The new mine is located near the present Kaiser operations at Sparwood, British Columbia and the Brazilian interest will replace part of the 30 per cent equity now controlled by Japanese interests. If the project proceeds, CVRD may purchase a minimum of 250,000 long tons from this mine which could begin production by 1980. In addition, negotiations are presently underway for a long-term contract between Kaiser and CVRD for up to 200,000 long tons per year from existing Kaiser operations.

In May, Kaiser announced the conclusion of a new long-term metallurgical coal sales contract with a steel mill in Pakistan. The contract is to begin in 1979 with between 1.3 million and 2 million metric tons to be purchased over a five-year period. Shipments may be extended and increased beyond 1983.

In a continuing effort to diversify markets, Kaiser also announced the beginning of a trial cargo shipment to Argentina and an additional trial cargo shipment to Brazil.

Coal developments in British Columbia were the subject of an extension of a Federal-Provincial Agreement relating to northeastern British Columbia. The extended Agreement provided, through a Coal Planning Sub-Agreement, for the expenditure of \$10 million for further evaluation of coal deposits and for field and preliminary infrastructure design studies and work. This is necessitated by the possibility of an early 1980 start-up date for production in this area.

Coal conversion feasibility studies are the subject of several cost shared agreements recently signed by the Department of Energy, Mines and Resources. These studies will look at various aspects of coal gasification and liquefaction, conversion systems, the use of coals in upgrading oils and in other related research. Provincial government utilities, research foundations and private sector representatives will carry out these studies as part of the expanded research and development work related to Canadian coal as an energy and energy extending fuel.

On the world scene, Canada has joined the World Coal Reserves and Resources Service, an International Energy Agency (I.E.A.) coal research group. This is the fourth coal research group within the I.E.A. coal services that Canada has recently joined. The other research groups included Economic Assessments, Technical Information and Mining Technology Clearing House. The Reserves and Resources Service will study mineability, marketing and economic factors while developing an estimate of world coal reserves.

Petroleum and Natural Gas

Mr. Justice R. Berger's report on the Mackenzie Valley Pipeline Inquiry, tabled in the House of Commons, May 9, 1977 recommended that, on environmental grounds, no pipeline should be built across the northern Yukon. On the other hand, the report concurred that it was feasible, from an environmental point of view, to build a pipeline along the Mackenzie Valley to transport gas from the Arctic. However, the report recommended that the construction of a pipeline along the Mackenzie Valley should be postponed for ten years to allow sufficient time for a just settlement of native claims. The judge indicated that,

on the basis of the evidence brought before the Inquiry, the alternative overland route to carry Alaskan gas to markets in the United States, along the Alaska Highway crossing the southern Yukon is environmentally preferable to the proposed crossing of the northern Yukon (Alcan Project).

Two pipeline companies, CANADIAN ARCTIC GAS PIPELINE LIMITED and FOOTHILLS PIPE LINES LTD., have proposed pipelines to bring gas from the Arctic along the Mackenzie Valley to consumers in the south. Arctic Gas proposes to bring Alaskan gas from Prudhoe Bay via the northern Yukon, hook up with gas from the Mackenzie Delta and deliver to markets in Canada and the United States. Foothills proposes to bring Canadian gas south from the Mackenzie Delta. The Alcan Project would move North Slope natural gas to market via a Canadian overland route. The mandate of the Mackenzie Valley Pipeline Inquiry was to determine the social, environmental and economic impact of the construction of a gas pipeline and the cumulative impact of an energy corridor from the Arctic, and to recommend the terms and conditions that ought to be imposed on any right-of-way if such a pipeline were to be built.

Volume I of the Inquiry deals with the broad social, economic and environmental impacts of the pipeline and corridor. It contains basic recommendations to assist the government in determining when a pipeline should be built, where it should be built and who should build it. Volume II of the report is in preparation and will be available this summer. It will contain terms and conditions to be imposed if a pipeline is built.

The National Energy Board's eighteen months of hearings on applications to build and operate natural gas transmission lines from the Mackenzie Delta of northern Canada concluded on Thursday, May 12, 1977. The Board will allow a final day of cross examination of witnesses on technical data submitted on May 13 and has given the lawyers involved in the proceedings until June 6, 1977 to submit written arguments. The Board heard application from Canadian Arctic Gas Supply Limited, Foothills Pipe Lines Ltd. and the Alcan Project.

This month the *Petroleum Corporations Monitoring Act* was tabled in the Senate. The purpose of the Act is to ensure that revenue from increased oil and gas prices will be invested by industry in greater exploration and development in Canada. Under the terms of the Act, companies will be required to file reports twice yearly listing comprehensive details of all sources of funds. Such detailed information is not now available from any one company or on an industry basis. Reporting will be at the consolidated corporate level.

Uranium

Probably the most controversial aspect of the United States' new nuclear policy announced in April, relates to the move to forego commercial reprocessing of spent fuel to recover unused uranium and plutonium. The reason for the step (proposed by President Carter who is asking all nations to do likewise) is to prevent the proliferation of nuclear weapons which can be made from plutonium. However, the programs envisaged by many countries (including the United States) were to recycle plutonium to reactors as fuel, thereby obtaining the maximum energy value from the uranium. Countries that do not have adequate indigenous energy resources such as Britain, France and the Federal Republic of Germany plan to recycle and not to do so would mean that they would have to import more uranium and become more dependent on outside sources. The Soviet Union, which has large oil, gas and coal resources is continuing its program of recycling and will continue to operate its regional reprocessing system and to serve itself and its allies in the Council for Mutual Economic Assistance. The West European countries are skeptical of the plan but have agreed to proceed with a study proposed by President Carter at the Heads of Governments meeting held in London in early May. The study, called the International Nuclear Fuel Cycle Evaluation Program (INFCEP) would be carried out over a two year period following an initial two-month preparatory study to plan what will be included and how it will be done.

The Ontario Supreme Court rejected with costs the Westinghouse Canada Limited attempt to obtain evidence in Canada said to have a bearing on the uranium supply suits brought against the company by a number of United States and foreign utilities.

According to a study by Foster Associates of Washington, D.C., for the Electric Power Research Institute, the price of uranium will rise to \$75/lb U_3O_8 by the year 2000. The study, however, pointed out that uranium prices are "especially uncertain" because of "many unanswered questions with respect to requirements, the size and nature of the resource base and the cost of exploration and production." Prices could range from a low of \$44 to a high of \$134 per lb U_3O_8 .

The French Commissariat a l'Energie Atomique (CEA) announced at the IAEA conference in Salzburg, Austria, that they believe they have a new process, proliferation proof, competitive with other enriching methods for enriching uranium by chemical means. However, the CEA does not expect this method will be ready for commercial application before 1990.

SPECIAL ITEM

Second UNCTAD Preparatory Meeting on Copper,
Geneva, May 16-20, 1977

Summary

The second UNCTAD Preparatory Meeting on Copper was held in Geneva, May 16-20, 1977.

The meeting received the report of the Intergovernmental Expert Group on Copper (IEGC), which reflected the failure of the IEGC to resolve opposing views of the best course of action to resolve the problems of the world copper market.

From the outset of the meeting, developing country producers with the support of the UNCTAD Secretariat advocated an immediate commitment to the early convening of a negotiating conference to work towards an international agreement on copper. Most other countries including Canada were opposed to this on the grounds that viewpoints were still too far apart and more adequate analysis was needed.

It was agreed to continue the work of the IEGC and report by November 1977. A third Preparatory Meeting is to be held no later than January 1978.

The UNCTAD Secretariat was requested to take appropriate measures in the event that it is agreed to hold a negotiating conference on copper in the second half of 1978.

Background

Following initiatives taken late in 1975, international discussions between copper consuming and producing nations began in March 1976. These discussions were held at the intergovernmental level, under the auspices of the United Nations Conference on Trade and Development (UNCTAD).

The March meeting revealed a strong consensus among participants that a need existed for a permanent intergovernmental consultative body on copper. The relationship between such a body and UNCTAD was not defined, although a substantial number of countries favoured its independence, perhaps along the lines of the International Lead and Zinc Study Group (ILZSG). It was agreed that a further meeting would be convened no later than December 1976 to consider the report of a working sub-group on the terms of reference of the permanent body and on collected studies and statistics on copper.

Shortly after the March meeting, the fourth session of UNCTAD was held at Nairobi. This session, at which Canada was represented by the Minister of External Affairs, commonly referred to as UNCTAD IV, adopted resolution 93 (IV) in which the "Integrated Program for Commodities" was accepted. Through the Integrated Program, it was intended that the export earnings of the developing countries would be improved, sustained and stabilized by measures affecting international trade in each of eighteen commodities financed by a "Common Fund". A wide range of possible measures was agreed upon, to be selected and applied as appropriate in light of the characteristics and problems of each commodity, through a series of preparatory meetings followed by commodity negotiating conferences.

UNCTAD IV altered the events surrounding copper, which was prominent among the list of 18 commodities encompassed by the Integrated Program. The dialogue which began at the March meeting was taken over, and the second meeting held late in September in Geneva, was designated as a Preparatory Meeting on Copper.

Unlike the March consultation, the September meeting revealed two divergent views of the best way to handle the problems of the world copper market. Some countries continued to advocate the creation of a permanent body on copper. Other countries, including most developing countries, proposed an immediate international commodity agreement on copper with a buffer stock to be financed by the Common Fund, and possibly with production and export controls. It was agreed at the September meeting to create an Intergovernmental Expert Group on Copper (IEGC).

The terms of reference of the IEGC were: to examine appropriate measures, to determine financial requirements, to examine the copper market and to initiate the collection and analysis of statistical data, to consider interim measures and to make recommendations to the subsequent Preparatory Meeting on Copper, to be held early in 1977.

The IEGC held its first meeting in November. The main result was agreement upon a list of studies to be carried out. Canada was one of the countries in the "nucleus" (the group of countries which undertook to carry out this work). The studies were to be completed and discussed in detail at the second meeting, held in February 1977. Canada carried out six studies on the subjects of the structure of trade, capital cost requirements, trends in prices, ore reserves, joint production of metals, and a permanent body on copper. The third IEGC meeting was held in March 1977. At this meeting conclusions and recommendations were drafted for presentation at the Second Preparatory Meeting on Copper, held in May.

Proceedings of the May Meeting

The opening statement by the UNCTAD Secretariat reminded delegates of the competing claims for the UNCTAD facilities for talks on other commodities and questioned the justification for further inter-governmental talks in the absence of firm intentions by governments.

In the producer countries' meeting which followed and later in the plenary session the developing country producers took up this theme and pressed strongly for a negotiating conference, if possible during the second half of 1977. Most other producing countries, including Canada, and the consuming countries considered that even a commitment to a negotiating conference at an unspecified future date was premature on the basis of the lack of progress so far.

A consensus developed early in the meeting that the IEGC should continue to meet. A "contact group" was formed to define the scope of this future work. This group consisted of representatives from the United States, United Kingdom, Japan, Federal Republic of Germany, India, France, Brazil, Sweden, representing consumers, and Australia, Canada, Chile, Indonesia, Norway, Peru, Poland and Zaire representing producers.

The contact group defined the work of the IEGC and produced a basis for the report of the meeting. The terms of reference of the IEGC can be summarized as:

- a) To identify the possible economic elements of an international agreement in time to report by the end of November 1977.
- b) To work with the UNCTAD Secretariat and outside consultants as required to study the costs, benefits and financial implications of buffer stock/supply management arrangements.
- c) To consider improvements for the exchange of information on copper including a possible producer/consumer forum.

The conclusion of the meeting was that a third Preparatory Meeting on Copper should be held no later than January 1978, and requested the UNCTAD Secretariat to take appropriate measures, in the event of agreement that a negotiating conference on copper be held in the second half of 1978.

It is not expected that the IEGC will be able to hold its first meeting until August, leaving a period of less than four months for the completion of its work.

At the close of the meeting the United States proposed that J. Hall of Australia should liaise with the UNCTAD Secretariat on preliminary work on the studies to be performed by outside agencies.

RECENT AMALGAMATIONS AND MERGERS PUBLISHED IN THE GAZETTES

The Canada Metal Company Limited was formed by the amalgamation of The Canada Metal Company, Limited and Hewitt Metals Corporation Limited in January 1977.

NEW PUBLICATIONS

The following publications were prepared in the Mineral Development Sector, Department of Energy, Mines and Resources and released for distribution in May.

Preprints, *Canadian Minerals Yearbook, 1975*
Asbestos; Bismuth; Lead; Stone; Talc, Soapstone
and Pyrophyllite; Tin; Tungsten; price 50 cents
a copy.

The Mineral Policy Series:
(F - also available in French)

MR-159F Zinc

MR-162 Canadian Minerals and International Economic
Interdependence

The above publications are available from the Publishing Center, Department of Supply and Services, Ottawa at \$2.00 a copy.

Canadian Mineral Survey, 1976; 87 p., Mineral Development Sector, price \$1.00.

