V.1 MINING

The most important minerals produced by the Province's mining industry during 1986 in order of the value of shipments are listed in the table below. Historically, iron ore has been the most important mineral extracted and last year it comprised about 92 percent of the total value of shipments. Estimated annual average employment in the mining industry during 1986 was in excess of 3,200 persons. The Province's two iron ore companies, the Iron Ore Company of Canada (IOCC) in Labrador City and Wabush Mines in Wabush, Labrador, accounted for about 65 percent of total industry employment.

Table V.1

MINERALS EXTRACTED IN NEWFOUNDLAND AND LABRADOR DURING 1986 IN ORDER OF CONTRIBUTION TO TOTAL SHIPMENTS

Mineral	Mine Location	Value of Shipments (millions)
1. Iron Ore	Labrador City, Wabush	702.5
2. Asbestos	Baie Verte	18.0
3. Zinc	Daniel's Harbour	8.7
4. Gypsum	Flat Bay	5.5
5. Silica	Dunville	1.6
6. Pyrophyllite	Manuels	1.3
7. Other		27.0
TOTAL Value of Shipments		$764.2

Source: Economic Research & Analysis Division, Cabinet Secretariat; based on data provided by the Provincial Department of Mines.

Note: Value of shipments are preliminary.

The total value of shipments fell last year from $869.5 million in 1985 to $764.2 million, a decrease of 12.1 percent. This was attributable mainly to a decrease of 9.3 percent in the value of iron ore shipments and the closure of the zinc mine in Daniel's Harbour.

The IOCC operated all year and employed about 1,500 persons. Efforts to improve productivity continued and the installation of two wet grinding mills was completed at a cost of $20 million. The new technology will reduce the cost of producing iron ore pellets, mainly due to a reduction in energy requirements. This more efficient process will assist the industry in remaining competitive and viable in the future.

Production by IOCC in 1986 included a new product called fluxed pellets. A supply of dolomite and limestone is required as an input to the production of this product. The dolomite was supplied by a new quarry at Albert Lake which is close to the IOCC plant. About 30 people were employed at the quarry and approximately 100,000 tonnes of the material were mined during the summer.

Wabush Mines was closed for 10 weeks between July and September and recorded a decline in the value of shipments of approximately 22 percent. The primary reason for closure was that two of the company's co-owners, LTV Steel and Wheeling-Pittsburgh were unable

to take their share of production in 1986. This fall in output contributed significantly to the decline in total industry output. Nonetheless, 570 persons were employed at Wabush Mines, down from 617 in 1985. Recovery of iron ore from the material mined is presently about 62 percent. Research under the Mineral Development Agreement is currently being carried out to improve the iron recovery from the Wabush ore. It is hoped that this work will improve recoveries to about 75 percent in the near future.

Baie Verte Mines Inc., a wholly owned subsidiary of Transpacific Resources Limited of Toronto, is the sole producer of asbestos in the Province. After an extended Christmas shutdown, milling operations started on March 10, 1986. The company operated for 10 weeks before closing again for inventory adjustment. Production resumed on July 20 and the operation continued throughout the year although markets were limited and prices weak. The product was shipped mainly to Asia with India being the largest single customer in 1986. The value of shipments in 1986 was virtually unchanged from 1985, however, employment increased slightly from 301 in 1985 to 331 persons in 1986. To ensure the continued viability of the asbestos mine, the Provincial Government decided to provide $12 million over two years, by way of an equity investment, to facilitate the removal of overburden on the West pit. Of this amount, $6 million was provided in 1986 and the remainder will be provided by mid-1987. This investment should place Baie Verte Mines in a very cost competitive position relative to the rest of the Canadian industry.

Newfoundland Minerals in Manuels produces pyrophyllite which is used in making high quality ceramic tiles. The company supplies a plant in Lansdale, Pennsylvania which further processes the product. This mine has deposits sufficient to operate at least to the year 2000. No downtime was incurred in 1986, and all 17 workers were employed throughout the year.

Dunville Mining Company extracts silica which is used as a flux by the ERCO phosphorous plant in Long Harbour. The value of shipments in 1986 was unchanged from 1985 and eight people were employed during the production period, which usually runs from April to November.

ERCO began operating a crushing plant in 1985 which crushes waste material from its phosphorous furnaces to produce slag aggregate for export. In 1986, approximately 160,000 tonnes of crushed slag were produced and shipped, and 240,000 tonnes is forecast for 1987. The product is transported in the same ships which bring phosphate rock to the plant from Florida. This reduces the cost of transporting the slag as these ships might otherwise return to Florida empty.

Flintkote Holdings in Flat Bay extracts gypsum, most of which is exported to wallboard manufacturers in the United States. A small percentage of the product is supplied to Atlantic Gypsum Limited and North Star Cement Limited in Corner Brook for use in the manufacture of wallboard and cement respectively. In 1986, the value of shipments declined by about 10 percent from 1985 due to reduced demand in the United States market. This provides a distorted basis of comparison, however, as 1985 was an exceptionally good year in which the value of shipments increased by 34 percent. If we compare 1986 to 1984, which is considered to be an average year, the value of shipments increased by 21 percent. Annual average employment was 76 persons, down slightly from that recorded in 1984 and 1985 when 82 persons were employed in both years.

On August 22, 1984, BP-Selco announced the discovery of gold near Cinq Cerf Brook on the South Coast of the Province. In 1986 a decision was taken to develop a gold mining and milling complex five kilometres inland from Couteau Bay. Construction of the Hope Brook mine began in September 1986 and capital expenditures amounted to approximately $43 million. This was about 30 percent of the $143.9 million required to complete the pre-production phase. The Provincial Government's direct contribution to the project will be $20 million which includes $6 million in the form of a non-repayable grant, a $4 million development loan, and $10 million towards the construction of the main power line. The Federal Government's contribution included a $14 million injection under the Industrial Regional Development program which will be utilized over a three year period starting in 1987. A total of 160 people will find employment in construction related activities by year end.

Production of gold will begin in 1987. It is anticipated that 341,000 tonnes of ore will be processed, producing nearly 28,000 ounces of gold. When the mill becomes fully operational in 1988, 120,000 ounces of gold will be produced annually. By the end of 1987 approximately 126 persons will be employed, 22 of whom will be at the company's head office in Corner Brook. Full employment of 275 will be attained by late 1988.

In 1983 efforts to redevelop the fluorspar deposits at St. Lawrence, which had been inactive since February 1978, began and attracted the interest of Minworth Ltd. of the United Kingdom. In 1984 St. Lawrence Fluorspar Limited was incorporated as a subsidiary of Minworth to redevelop the mine. During 1986, the company completed construction of its mill and development of the mine at the Blue Beach North vein. Milling operations began in early 1987. At peak capacity the plant will be able to process 180,000 tonnes of raw material, producing about 75,000 tonnes of fluorspar annually. In 1987, the company expects to produce about 60,000 tonnes, reaching full capacity in 1988. Most of the product is exported to the United States and Canada, with smaller amounts going to Britain and elsewhere in Europe.

Mineral exploration in Newfoundland and Labrador continued to accelerate, and 1986 was the best year ever, both in terms of claims in good standing and exploration dollars spent. Table V.2 below shows the increasing numbers of claims being established since 1981. In 1985, $12.6 million was invested, including exploration at Hope Brook. In 1986, about $15 million was spent excluding exploration at Hope Brook. Excitement over the prospects of new precious metal finds have intensified with several mining companies indicating significant gold deposits and intentions to resume exploration work early in 1987.

Westfield Minerals Limited have confirmed the existence of significant gold mineralization near Bay D'Espoir. While the size of the deposits is uncertain, results to date are encouraging and further exploration is planned for 1987. Dolphin Exploration Limited has also confirmed the presence of significant gold deposits near Cape Ray. Results to date have been very encouraging and further exploration work and testing will be carried out in 1987.

Interest in other areas of the Province has also been expressed by a variety of mining companies. Several companies have been exploring for precious metals on the West side of White Bay. On the Baie Verte Peninsula, Noranda Mines has been a major player in the search for potential gold deposits. Work to date has been encouraging and further work is expected to continue in all areas.

Table V.2

CLAIMS STAKED AND CLAIMS IN GOOD STANDING NEWFOUNDLAND AND LABRADOR: 1981 to 1986

Year	New Claims Staked	Total Claims in Good Standing December 31
1981	13,661	25,012
1982	4,670	18,517
1983	4,522	15,288
1984	11,048	19,662
1985	15,162	28,461
1986	14,594	31,126

Source: Provincial Department of Mines.

New developments are also a possibility, in particular, the development of limestone deposits on the Port-au-Port Peninsula. Newfoundland Resources and Mining Company is currently examining the possibility of exporting limestone, mainly to the Northeastern United States, to be used as construction material. Another company is exploring the possibility of supplying limestone to IOCC's operations in Labrador for use in the production of fluxed pellets.

The outlook for the mining industry in 1987 is for a moderate decrease from 1986. The iron ore industry faces uncertain prices and increasing competition in key markets which will result in a fall in the value of shipments. This may be offset somewhat by shipments of gold from Hope Brook and fluorspar from St. Lawrence. Asbestos production is expected to remain stable. All other producers expect an improved year in 1987.