Permitting delays frustrated the principals

By JANE GAFFIN

Keno, the venerable old gentleman mine, refuses to die a natural death as long as a probable hundred million ounces of silver keep its heart beating. Yet, the federal government is bent on subjecting the mine to euthanasia.

I believe the mine deserves a dignified burial.

In a series of articles being published in the *Star* each Friday, I'm saying last rites and farewell to a great mine that served as the Yukon's lifeblood off and on for more than 80 years.

Here's part 20.

The Minto copper project, located roughly 240 kilometres northwest of Whitehorse in the Dawson Range, was the Yukon's biggest project development because it was the only one.

The perfectly good mining project – nearly 30 years in the making – showed tremendous potential of being the next contributor to an economic base for the territory.

Politicians and industry were excited about the new mining operation that presumably would turn the economic tide for the territory. The Minto copper mine was slated to be in production by Nov. 1, 1998.

As Yukoners know, something went dreadfully wrong. That "something" begs for a microscopic examination.

The American firm ASARCO, which had historical connections in the Minto deposit back to 1971, was expected to be a strong partner for Vancouver-based Minto Explorations in the project. The mining joint venture would make project development financially possible.

It was traditional for large bureaucratically-structured companies with the deep pockets to team up with junior and intermediate sized companies that had the agility to think and move more quickly than their corpulent colleagues.

Minto Explorations' objective was to prove that the mining project could be accomplished successfully and run comfortably.

And why shouldn't it? Minto Explorations' president, Lutz Klingmann, had steered five mine projects into successful production in Ontario, Arizona and California. The sixth one in the Yukon was similar to the others.

According to professional engineering design, 6.5 million (metric) tonnes of ore would be mined at an average grade of 2.13-per-cent copper; 0.62 grams per tonne (.018 ounces/ton) of gold; and 9.3 grams per tonne (0.27 ounces/ton) silver.

The 79-person operation was projected to span 13 years.

Minto Explorations was the project operator and would hold a 30-per-cent interest. ASARCO would provide 100-per-cent project financing of $25 million US up to production stage to retain a 70-per-cent ownership.

When the mine began earning a profit, ASARCO could sit back and rake in the royalties. The expectation of realizing a good return on the dollars is the sole purpose for any company or individual to invest capital into a project.

But whoever pays the piper calls the tunes.

Before the financial arrangement was cut, Minto Explorations had a South Korean company lined up as a potential customer. Once ASARCO was involved as the major investor, the Korean customer went to a holding pattern.

Photo submitted

WIDE LOAD – Bulky equipment was a common sight entering and leaving the Minto copper project during better times in the mining industry.

ASARCO's primary business was copper. It was logical that ASARCO wanted to be the potential customer, except its Arizona and New Mexico smelters were not conducive for the economic and expedient shipping of Minto concentrates.

To ship product at a rate of 5,000 short tons a year would mean trucking 960 kilometres in specially-designed units over the Alaska Highway south to Fort Nelson, B.C., and transferring to rail for the long haul to the southwestern United States.

The cheapest route was probably trucking to Skagway, Alaska, where concentrates could be transferred to ocean-going vessels for delivery to Asian markets — provided the Yukon could still enjoy Alaskan docking privileges as in the past. (The Yukon New Democratic Party government's economic development department abandoned its idea to secure the facilities in 1999.)

Klingmann could be very convincing. How product marketing would play out was secondary for the moment.

First, he had to obtain a bag of licences, permits and approvals; construct an access road, bridge and camp; purchase and move recycled mill equipment from the United States to the Minto site; and sign a comprehensive co-operation package with the Selkirk First Nation of Pelly Crossing, a village situated on the North Klondike Highway.

The Minto property is located within a mineralized copperbelt and totally surrounded by Category A settlement lands selected by the Selkirk First Nation, which has fee simple ownership to the surface and subsurface.

The subsurface rights to the underlying mineral claims are protected through land settlement agreements but are overlain by Category A land, too.

The dream of a late 1998 start-up date was contingent on weather conditions, coupled with the two major factors: "unforeseen circumstances" and a Type A water licence.

At first blush, the federal Department of Indian Affairs and Northern Development (DIAND) appeared encouraging. The water licence would be issued by the federally-controlled Yukon Territory Water Board, a quasi-judicial agency established under the federal government's Yukon Waters Act.

However, DIAND was the federal environmental reviewer and regulator that was designated to keep tabs on mining activities from cradle to the grave.

Before reaching the public water board hearings, the applicant, who was identified as a proponent, had to endure an onerous, expensive, open-ended, five-stage environmental screening without knowing: one, if the screening would ever be completed; two, if screening was completed, would a licence be spit out by the system; or, three, in the end, would the Ottawa minister exercise discretionary authority and refuse to sign the licence.

This crap shoot was co-ordinated by DIAND's environment directorate run on a bureaucratic mindset in direct conflict with industry's goals.

An enthusiastic comment voiced candidly to an environmental assessor about Minto as an exemplary project coming into production met with the coy response, "We'll see."

Reviewers, who could test the patience of a saint, used bureaucratic muscle to toy with project proponents. For instance, they would be summoned to a rush meeting, only to fly to Whitehorse and learn of a cancellation. Upon returning home, the meeting would be rescheduled and the proponent summoned back to the Yukon.

In one situation, the representative's main base was in the U.S. A disdainful reviewer let it be known that no Yankee would be allowed to proceed with a project on Canadian soil.

After spin-cycle for four or five years, proponents, fed up with the expensive, time-wasting game, would throw in the towel.

Word crackled through the close-knit mining grapevine to shun the Yukon as an inhospitable place for permitting mines in a timely fashion.

For continuity and comprehension sake, one only needs to recall the two-day, 49th mines ministers' conference held in Whitehorse in late September 1992.

The theme was Canada's Mineral Investment Climate. Delegates gathered into three closed-door sessions to deliberate environmental requirements and processes, land accessibility and attracting investment.

The next day, each workshop chairman presented a synopsis to the roomful of politicians and registrants.

An appeal was made for the Ottawa, provincial and territorial mines ministers to actively support industry during the environmental process.

"The environmental assessment process should be an open forum," advised the first unidentified spokesman.

He pointed out that an environmental process takes two weeks in Chile, six months in Mexico, two to three years in the U.S.and forever in Canada.

"Companies need predictability as to a timeframe," he urged.

When a company applies for a review, it is mandatory to know a date when the study will be finished and when approval will be given," the spokesman said. "The time must be compressed and government challenged for a decision."

The working group appealed to the mines ministers to only include in the environmental review that which specifically surrounds the project.

Whether uranium should be used for energy is not part of the review, he reminded. It is a different subject and should be addressed in another forum.

"Once the environmental process is done, the company should be able to get on with the work; it is not so," he said.

"Frustration and anger are building up. The process is used as a research project for the government, which is using the food chain as an excuse to stop a mining project."

The process has to go through federal, provincial and territorial tiers. The departments are redundant, often contradicting each other, he said.

There is a federal Energy, Mines and Resources, Fisheries and Oceans and Environment Canada. The provinces have Environment, Labour and Mines. Regions and territories have Northern Affairs (under federal control at the relevant time. But the Canadian Environmental Assessment Act remains federal).

"This is the kiss of death to anyone who wants to make an investment," the spokesman asserted.

For emphasis, the spokesman cited the environmental case of a British Columbia mining company that bought a property but had done no work on it. A beaver dam broke of its own doings,

Continued on page 11

The 1997 construction season was lost

Continued from page 10

causing a natural flooding of what regulators deemed the crime scene.

As a method for courts to start "piercing the corporate veil", the company's directors were held personally responsible for $10 million worth of liability with reference to the cleanup because nature's creatures couldn't pay.

The directors could have gone to jail, albeit they had nothing personally or corporately to do with the damage.

The purpose of "Ltd." behind a company's name is supposed to mean "liability limited to company" in case something goes wrong and is beyond an individual's wherewithal to deal with it.

The majority of the directors resigned from the board, leaving a company without directors and accomplishing nothing.

Although the incident happened in B.C., the delegates viewed the Yukon as having the scariest environment act in Canada because it is the most illogical. It was passed by the Yukon's New Democratic Party government during the 1991 spring session of the legislature.

Thanks to an irrational territorial Environmental Act, salaried employees of a limited company are personally responsible for environmental damages, such as a truck driver dumping a load of fuel; a government truck driver's mistakes are covered by his employer.

Hefty $100,000-fines per diem or per incident culminate into bankruptcies of individual workers and private-sector companies. The conference hallway consensus was that anybody would be a lunatic to be an employee or a director of any company.

The workshop that dealt with attracting investment called for a re-examination on the issue of personal director liability. Without directors, there are no corporations; without corporations, there is no economy; without an economy, there are no jobs; without jobs, labour is obsolete, said the second spokesman.

The land access workshop pointed out that mines are not portable. If mining companies were going to continue investing in the territory and supporting communities, there had to be certainty about land accessibility as well as environmental screening timelines.

Nothing had changed between the 1992 mines ministers' conference and 1995 when Minto Exploration's screening procedure began.

As expected, serious head-on clashes occurred during these money-sucking, time-consuming governmental make-work processes that had zippo to do with the environment and everything to do with command and control.

The conclusion of the 20-member regional environmental review committee was submitted to the non-technical water board. When the water process was finished, a draft of the water licence would be sent to Ottawa for signing ... unless, as happened on at least one other proposal, the document was intercepted and the conditions that had been outlined by the water board were altered.

If the Minto project ever received a green light, it would be inherited by the federal water resources branch. The company's activities would be monitored until the mine was dead and buried.

Daresay, the project would probably never be buried but live on in perpetual limbo. The regulators could refuse to release the company from its proposed production licence, which was under construction at the relevant time, and nobody had a clue what requirements would be contained within it.

After a mine was exhausted of ore and the land restored to perfection, the regulators could interpret the company responsible for whatever Mother Nature did to the land and water pre-and post-mining.

Millions of dollars could be extorted from the company because regulators had the authority to refuse to refund the security bonding.

Minto Explorations' level II screening procedure began with an initial environmental evaluation submitted to the committee in May 1995. The project was scrutinized by the public.

Nearly two years later, DIAND issued a positive screening report on April 8, 1997, followed by two water board hearings on May 14 and another on July 17, 1997.

DIAND's water resources branch finally recommended that a Type A water-use licence be issued. It was produced for the minister's signature in January 1998.

By then, Minto Explorations had lost the 1997 season for mill and camp construction, although Pelly Construction of Whitehorse was able to complete the last section of the 26-kilometre access road.

Construction was typical except the mine access road looked like a super tourist highway with its four-metre-wide running surface, signage and perfectly-engineered, graveled banks.

It mostly followed the original tote trail into the property from Minto Landing on the westerly bank of the Yukon River about 80 kilometres up the highway north of Carmacks.

On the opposite shore, a pre-fabricated bridge was built across the infamous Big Creek, which flows into the Yukon River. Yet the low-cost copper-gold-silver project was a year behind schedule for all the above-noted reasons.

The production date had to be reassigned to Oct. 1, 1999.

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Next week: a Yukon NDP economic development minister has to lobby Ottawa Liberals for a water licence signature on behalf of the disgusted Minto principals.

FOCAL POINT – The Minto copper project camp is seen in this aerial photo.

Photos submitted

FLOATING TRANSPORTATION – The Minto copper project relied on barging some equipment in and out of the operation.

Wind turbine operating again after oil leak

The new Vestas wind turbine on top of Haeckel Hill is back on line after a problem with a leaky gear box shut it down for about a week earlier this month.

Yukon Energy spokeswoman Janet Patterson said Thursday the newer windmill went down when it shut itself off after some 55 litres of oil leaked out of its gear box.

Repairs were made and the turbine was put back on line about a week ago, she said.

None of the oil, said Patterson, left the building that houses the windmill hardware.

Combined, the two wind turbines generate enough electricity to supply 150 homes, though the new one produces the bulk of the electricity, with enough generation to supply 130 of those homes, Patterson explained.

Installed in the fall of 2000 at a cost of $2 million, the wind turbine underwent a $180,000-repair earlier this year after its ring gear failed. The bulk of the cost, $100,000, was required to import a large crane from Edmonton.

The older windmill was installed 11 years ago.