

2.29 Mining Company Investment

The Department of Innovation, Trade and Rural Development (the Department) provides funding and assistance to businesses operating in the Province in its efforts to strengthen and diversify the economy on a Provincial and regional basis.

In June 2003, the shareholders of a mining company approached the Department, requesting a grant or loan guarantee from the Provincial Government to address its working capital deficiency.

Contrary to the conclusion of the Department and the recommendation of Treasury Board Secretariat, the Department was directed by the Premier's Office to provide an investment in a mining company. In September 2003, a letter of offer for a \$400,000 equity investment was issued to the company. Details of issues relating to this investment are as follows:

- The Department's review was not as thorough as is normally performed on funding requests. The Department did, however, have an independent credit risk analysis which suggested that the new mining company had a high credit risk with a high probability of severe delinquency in meeting its financial obligations.
- In 2000, the Province wrote off a \$2.8 million investment in a previous mining company owned by the same major shareholder who created the new mining company.
- On 7 August 2003, Treasury Board Secretariat recommended that the proposal be rejected and forwarded the matter to Treasury Board which deferred the matter to Cabinet for consideration. Officials could not find any record of a Cabinet decision on this matter.
- Although the original request from the company in June 2003 indicated that the funding was required on an urgent basis to fund operations from June 2003 to December 2003, the funding was not made available in trust to the company until 31 March 2004, with the last amount not being drawn down until November 2004.