



GOVERNMENT OF
NEWFOUNDLAND AND LABRADOR

2004-05 Annual Performance Report
Department of
Natural Resources

Honourable Edward J. Byrne, Minister

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In accordance with government's commitment to accountability, I hereby submit the 2004-05 annual performance report for the Department of Natural Resources. This report addresses the Department's activities and outcomes from April 1, 2004, to March 31, 2005.

**Edward J. Byrne
Minister
Natural Resources**

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Departmental Overview

The Department of Natural Resources (the Department) encompasses five (5) Branches, namely, Forestry Services, Agrifoods, Mines, Industrial Benefits and Energy. As well it is responsible for the provision of corporate services for both the Departments of Fisheries and Aquaculture and Natural Resources.

The Department's vision is that, through its leadership, Newfoundlanders and Labradorians will realize the full potential and benefits from its forest, agrifoods, mineral and energy resources.

The mandates of the individual Branches are as follows:

The mandate of the Forestry Services Branch includes the supervision, control and direction of all matters relating to:

- a) forest resources and utilization, protection, conservation, management, surveying, mapping and development of forest resources, including silviculture;
- b) enforcement responsibility in the area of forestry and wildlife and assisting in enforcement in the areas of inland fisheries, motorized snow vehicles and all-terrain vehicle usage.

The mandate of the Agrifoods Branch is to contribute to the betterment of society through economic and rural development throughout Newfoundland and Labrador by promoting the continued development, expansion and diversification of competitive and sustainable primary and value-added agrifoods business.

The Mines Branch is responsible for the assessment, promotion, development and management of the Province's geology, mineral resources and mineral potential in a manner that maximizes the contribution of this sector to the economic well-being of the Province. The objectives of the Branch are to attain a high level of sustained investment in mineral exploration and investment and to ensure responsible management of the Province's mineral resources."

The Energy Branch is responsible for promoting and facilitating the effective and efficient management of the Province's electricity and petroleum resources from assessment through to development and production. Branch activities support the maximization of provincial benefits from energy resource production as well as the Ministerial accountability functions for the Newfoundland and Labrador Hydro (Hydro) Group of Companies and the Canada-Newfoundland and Labrador Offshore Petroleum Board (CNOPB).

Large scale resource development projects in the mining, petroleum and energy sectors often provide significant business and technology transfer opportunities for companies operating within Newfoundland and Labrador. The goal of the Industrial Benefits Branch is to maximize the benefits to the local economy from the development of these major projects. Focus is placed on securing a major share of value-added activities. Strategic positioning, benefits commitments negotiation and monitoring, strategy development and implementation, and the identification, enhancement and international promotion of industrial capabilities are essential industrial benefits

activities.

The Department's forestry programs are delivered through three regional offices located in Gander, Corner Brook and Labrador. The Forestry Services headquarters is located in Corner Brook. In addition, the Province is subdivided into 24 forest management districts - 18 on the Island and six in Labrador.

Agrifoods programs are delivered through eight regional offices located in St. John's, Carbonear, Clarenville, Gander, Bishop Falls, Pynn's Brook, McKays and Happy Valley-Goose Bay. The headquarters is in Corner Brook, while the executive office is located in St. John's.

The Mines, Energy and Industrial Benefits Branches are primarily located in St. John's,



Forest Resource Road Construction

with the exception of Mines Branch front -line activities located in Pasadena, Grand Falls-Winsor, Happy Valley-Goose Bay and Wabush.

The total budget for the Department of Natural Resources in 2004-05 was \$63.7 million, while the actual expenditure in 2004-05 was

\$58.8 million or 92% of the budgeted expenditure. A Statement of Expenditure and Related Revenue for the Year Ended March 31, 2005, is located in Appendix 1.

The following is a summary of activities carried out by each Branch in 2004-05.

Shared Commitments

Forestry Services

The Forestry Services Branch works closely with other provincial departments, governments, industry, and stakeholders in the implementation of its programs. Cooperation with stakeholders, such as loggers, processors and associations is essential to the success of our forest management programs. Programming, strategic planning, research and development and technology transfer must be done in consultation with stakeholders.

In the forestry sector, partnerships with the West Newfoundland Model Forest, pulp and paper industry, aboriginal groups, federal government and stakeholders have advanced sustainable management of our forest resources by gathering and applying scientific information in the management of our resources. This has also raised awareness of the need for sustainable development of our forest resources.

Forestry Services also cooperates with other agencies in the enforcement of the *Motorized Snowmobile and ATV Regulations*, *Fisheries Act*, *Migratory Bird Convention Act* and *Wild Animal/Plant Protection* and the *International Trade Act*, in addition to the enforcement of the *Provincial Forestry Act*, *Wildlife Act* and *Endangered Species Act*.

Agrifoods

Government and industry continue to partner and are making significant progress in developing the agrifoods industry in Newfoundland and Labrador. In 2004, Farm Cash Receipts increased to \$87.7 million, up 6.6% from the previous year.

Collaboration amongst stakeholders has resulted in great success for the agrifoods industry in many areas including research and development. The On-Farm Silage Corn Project is just one example of how cooperative efforts have made a significant impact on the agrifoods industry in the province. This year 1500 acres of silage corn was grown in the province. This is an increase of 500 acres in comparison to the previous year. Silage corn, a high energy feed input, is now a part of dairy and beef producers crop rotation practices, and they are experiencing the nutritional benefits when feeding their animals. This project shows how government and industry are working cooperatively to make great strides in strengthening the agrifoods industry in the province.



The Department of Natural Resources plans to continue its collaborative efforts with the

agrifoods industry stakeholders to advance all opportunities including those stemming from the industrial milk quota, the expanding fur sector and the development of the agrifoods industry in Labrador.

Mines, Energy and Industrial Benefits

Throughout 2004-05, the Mines, Energy and Industrial Benefits Branches maintained and enhanced close working relationships with over 450 individual prospectors, 150 junior exploration companies, over 400 aggregate producers, as well as larger corporations such as Wabush Mines, Iron Ore Company of Canada, Voisey's Bay Nickel Company Ltd.(VBNC), Petro-Canada, ExxonMobil and Husky Energy Inc. Each one is active in resource development in Newfoundland and Labrador and has a voice through various industry associations.

Industry associations are key partners with the Government of Newfoundland and Labrador in promoting our capability and our potential. The Canadian Electricity Association, Newfoundland and Labrador Chamber of Mineral Resources, Newfoundland Ocean Industries Association (NOIA), the Prospectors and Developers Association of Canada (PDAC), the Mining Association of Canada (MAC), the Newfoundland and Labrador Roadbuilders' Association, and the Canadian Association of Petroleum Producers (CAPP) were in regular contact with the Department in 2004-05 to ensure that the concerns of their members were known, understood and addressed.

The Department also continued to work closely with other provincial and territorial

resource ministries, and federal government departments. These included Natural Resources Canada, the National Energy Board (NEB), the Geological Survey of Canada, Industry Canada, Environment Canada, Fisheries and Oceans, and the Canadian Environmental Assessment Agency. They assisted the Department with issues related to 1) Smart Regulation, 2) legislative development and 3) environmental impacts that affect the Province's resource sector.

In addition to existing relationships, we are also pleased to develop new ones. Shell Canada Limited (returned to our offshore in 2005) and BHP Billiton Petroleum (Americas) Inc. increased their presence and activity in 2004-05.

The Canada-Newfoundland and Labrador Offshore Petroleum Board (CNOPB) and Newfoundland and Labrador Hydro Corporation (Hydro) deliver services to the people of the province on behalf of Government. The CNOPB administers provisions of the parallel federal and provincial legislation dealing with offshore resource development and management, commonly referred to as the Atlantic Accord Acts, on behalf of the Province and the federal government.

As a provincial crown corporation accountable to the Minister of Natural Resources, Hydro is responsible for the generation and transmission of electricity throughout the province, and for some distribution services.

In addition to industry, educational institutions such as the College of the North Atlantic, Memorial University and the Fisheries and Marine Institute of Memorial University play

a strong support role to the resource sector. These institutions have developed educational and training programs that target the needs of the Province's growing mining and petroleum sectors.

Government recognizes the importance of these and other agencies, firms and institutions to the continued growth of our resource industries.



Highlights

Forestry Services

- A forestry agreement was reached between the Province and the Labrador Metis Nation (LMN) during the 2004/05 fiscal year. The two-year agreement formally acknowledges the key role of the LMN in the management and future development of Labrador's forest resource. The agreement will continue until March 31, 2006. The forestry agreement provides financial support to the LMN to hire professional forestry personnel needed to fulfill the Metis's obligations under the agreement. In addition, the agreement provides for a feasibility study into the value-added and secondary forest products in Labrador in conjunction with local stakeholders. This initiative will assist government and the LMN in identifying the market potential of Labrador-based forest products.
- Forestry Services deployed forest fire crews to British Columbia for the second consecutive year. Twenty-one (21) forest firefighters were deployed to British Columbia in 2004-05 to provide assistance in dealing with a serious forest fire situation which was facing that province. The Province was responding to a request it received from the Mutual Aid Resource Sharing (MARS) program for a 21-person firefighting crew from this province to assist with the devastating forest fires in B.C. The MARS agreement provides for the borrowing and lending of fire suppression resources among provinces during the forest fire season. Due to cool and wet conditions in Newfoundland and Labrador at the time of the request, the forest fire index in the province was low. Accordingly, we were able to respond positively to the MARS request.
- In 2004-05, the Forestry Branch called for proposals to study the potential of expanding the forest industry in Labrador. The study will examine the potential for secondary manufacturing and value-added products development in Labrador. It is hoped that a significant value-added/secondary wood products capacity can be developed in conjunction with the further development of the sawmill industry in Labrador. Labrador has an annual allowable cut of approximately 325,000 cubic meters of which about one third is actually being utilized. However there are challenges with accessing much of this wood. For example, nearly 142,000 cubic meters in Forest Management 19 will require substantial capital investment in road infrastructure before it is accessible. There has been relatively little local secondary manufacturing or value-added products development. In fact, less than 2.5 million board feet (FBM) of dimension lumber annually has been produced in recent years. There appears to be considerable room for expansion of these industries and the study will look at the issues associated with further developing the sawmill industry to produce dimension lumber and value added/secondary wood products at various locations throughout Labrador. In developing the terms of reference for the study, the Department held a series of consultations to ensure the diverse interests and opinions of interested stakeholders in Labrador area were taken into account in developing the scope of the study.

- In 2004-05, the Department implemented an Inland Fisheries Enforcement Program (IFEP) to provide for a dedicated team of conservation officers to assist in addressing reported salmon poaching problems in the province and to protect other inland fisheries resources. In 2004-05, there were 180 inland fisheries related charges laid in the form of written warnings, summary offence tickets and court informations by the Department's conservation officers.

There are 186 licensed salmon rivers in Newfoundland and Labrador and 69 per cent of all salmon caught in Atlantic Canada are caught in this province. This province's inland salmon resources are greater than the combined totals of New England and the rest of Atlantic Canada. The additional funding provided through this program will provide additional tools and human resources to assist in the protection of this valuable resource.

- In 2004-05, government outlined a plan to issue sidearms to the Department's Conservation Officers after a thorough review of information presented to government by the conservation officers' association. The information presented indicated the conservation officers were often being faced with threatening situations during the course of carrying out their duties and this had been identified as a serious occupational health and safety concern for them. Sidearms, however, will only be issued to conservation officers who perform enforcement-related activities after these officers have successfully completed psychological testing and sidearms training. Conservation officers are already

trained in the use of rifles and shotguns which they use in carrying out their wildlife management duties. This issuing of sidearms to our enforcement conservation officers will help ensure their safety and enhance their ability to effectively perform their duties.

Agrifoods

The agrifoods industry in Newfoundland and Labrador is one of growth and opportunity.

- Primary production and secondary processing is valued at \$500 million and Farm Cash Receipts have increased 6.6% in 2004 with a value of \$87.7 million. The major contributor to this increase was the poultry sector with eggs up 13.9% to \$13.3 million and chicken up 7.9% to \$23.3 million. Dairy, the largest sector, grew 4.4% to \$29.5 million and accounts for 35% of the total provincial farm cash receipts. Gains in value were also experienced in strawberries (36%), floriculture (1.5%) and hogs (7.5%).

- Agriculture's primary and secondary sectors provide employment to 6,200 Newfoundlanders and Labradorians. Agrifoods is a key area of opportunity for future economic growth, particularly in rural regions of the province.



- Newfoundland and Labrador was the first

province in Canada to sign an Agricultural Policy Framework (APF) agreement with the federal government in May 2003. The APF is a federal/provincial cost-shared agreement (60/40) which provides funding under the following five elements: Business Risk Management, Environment, Food Safety & Quality, Science & Innovation, and Renewal. This is a five-year agreement which will provide approximately \$32 million in funding to the agrifoods industry in the province. In 2004-2005, APF provided \$5,935,700 to support 166 projects in Newfoundland and Labrador.

- The Provincial Agrifoods Assistance Program (PAAP) provides financial assistance to eligible applicants involved in primary and secondary processing activities which will improve the economic viability of the agrifoods industry; promote commercialization; and enhance the competitive capability of the agrifoods industry. In 2004-05, PAAP provided \$1,100,000 to support 132 projects in the province.

Energy

Petroleum Sector

- The Bull Arm site remained active throughout 2004-2005. In May 2004, the 1200 tonne Main Electrical Room (MER) module for White Rose FPSO was moved from Bull Arm to the Kiewit Offshore Services Facility in Marystown. This module provided, at peak, employment for 300 skilled tradespeople. Other work related to the White Rose project ongoing throughout this period included Site

Integration Testing which is expected to be completed by the end of 2005.

- Significant progress continued on the White Rose project, the province's third major oil development - a reflection of the dedication and commitment by Husky Energy Inc., as the project operator, and of the other stakeholders to bring the project in "on schedule and on budget". The majority of the work in 2004 saw continued drilling of development wells, field integration of the subsea production system, and topsides construction and integration of the SeaRose FPSO. Close to 2,000 people in this province worked on the White Rose project in 2004, including engineering/project management in St. John's, electrical module preparation in Bull Arm, and fabrication and other related work in Marystown. The White Rose field is expected to reach peak production of 100,000 barrels per day in the first half of 2006, adding almost 34 million barrels of oil to provincial annual output.
- On May 4, 2004, the CNOPPB announced eight new exploration licences (ELs) for the Laurentian Sub-basin, resulting from negotiated agreements with former federal permit holders to convert the federal permits in the Newfoundland and Labrador portion of the Laurentian Sub-basin into new ELs, ending a 30-year moratorium on exploration in this area. According to the Geological Survey of Canada, potential resource estimates total 600 to 700 million barrels of oil and eight to nine trillion cubic feet of natural gas in this area.
- In late May 2004, Husky Energy announced its plans to study the

commercial viability of producing and exporting natural gas from the White Rose field. This is an important first step as it helps position the province as a producer of natural gas. Exploration has confirmed natural gas resources offshore totaling almost 10 trillion cubic feet. The undiscovered potential is estimated to be more than 60 trillion cubic feet.

- The CNLOPB released a report, with assistance from the Geological Survey of Canada, entitled “Hydrocarbon Potential of the Flemish Pass Basin, Offshore Newfoundland and Labrador.” The report calculates the potential resource at 1.7 billion barrels with expected field sizes ranging from 44 to 528 million barrels.
- The CNLOPB’s Annual Report was released on October 7, 2004 highlighting its performance for 2003-04.
- On November 23, 2004, the CNLOPB announced that the 2004 offshore land sale resulted in a total of \$71.1 million in work commitment bids received for five parcels in the Jeanne d’Arc Basin area.
- In February 2005, refit work on the semi-submersible drill rig, the Henry Goodrich, was also performed at Bull Arm. The Henry Goodrich is responsible for all drilling on the Terra Nova project. Peak employment on this project was 275. The refit is expected to be completed in Spring 2005.
- On March 16, 2005, the CNLOPB announced details of the 2005 Call for Bids. The Call consisted of seven parcels - three located in the Jeanne d’Arc Basin,

and four in the Western Newfoundland and Labrador Offshore Region and is further evidence that the oil industry is active on several fronts, any of which could bring the next big discovery.

- The CNOBP also announced it will conduct a Strategic Environmental Assessment (SEA) of the Western Newfoundland and Labrador Offshore Region containing the four parcels offered in the 2005 call.
- In 2004-05, significant seismic programs were conducted in the Laurentian Sub-basin, the Orphan Basin and Offshore Labrador. This may lead to these areas being included in future land sales. This work is the precursor to exploratory drilling in relatively unexplored areas. As well, exploratory drilling occurred at Flat Bay and Parson’s Pond in western Newfoundland.

Legislation and Regulatory Changes

- In the 2004 spring session of the House of Assembly, an amendment to the Minerals Act was passed to allow on-line access to the provincial mineral rights data base and mineral claims staking to be done through the Internet. This new computer system, Mineral Rights Administration (MIRIAD) system, was launched in October 2004.
- In January 2005, the Province successfully negotiated a new offshore petroleum revenue-sharing arrangement with the federal government that allows Newfoundland and Labrador to retain 100% of its provincial share of the benefit of offshore revenues. This contributed an

additional \$134 million in revenue in 2004-05. An increase in royalties related to offshore petroleum production, primarily as a result of higher prices, contributed \$113 million toward the improved provincial bottom line.

Electricity

- On January 10, 2005 the province released the Request for Expressions of Interest and Proposals for participation in the development of the Lower Churchill hydro resource. This was phase one of a multi-phase process designed to secure maximum benefits for the province.
- On February 8, 2005, government issued a Request for Proposals to provide recommendations on the development of a Wind Power Development Strategy. This strategy will complement government's ongoing effort to develop a comprehensive energy plan for the Province.

Mining Industry

- On December 14, 2004, Aur Resources Inc. announced that it will commence development of its Duck Pond copper-zinc deposit with production expected to begin in late 2006. Site clearing, roadwork and



geotechnical and engineering work commenced in 2004. Production is expected to average 41 million pounds of copper, 76 million pounds of zinc, 536,000 ounces of silver and 4,100 ounces of gold annually during the period 2007-2014. The capital investment to construct the mine is forecast at \$92 million. In 2005, approximately \$57 million will be spent with the balance to be incurred in 2006. Once operational, the mine is expected to employ upwards of 168 people.

- In late summer 2004, VVC Exploration Corp. completed a 13,000 metre diamond drilling program on the Beaver Brook antimony deposit. The program was designed to verify the grade, tonnage and continuity of the deposit as a precursor to the completion of a bankable feasibility study.
- At year-end, the Voisey's Bay project was six months ahead of schedule, mainly due to VBNC surpassing engineering and construction goals. Mining is scheduled to commence in May 2005, ore will begin to be concentrated in August and concentrate will be first shipped from the site in November 2005.
- During 2004, testing of hydrometallurgical processes to treat Voisey's Bay ore continued and design work on the demonstration facility at Argentia was completed. Site construction for the facility began in 2004 and is currently projected to be completed in time to receive nickel concentrate in late 2005.
- Additional diamond drilling and mine plan revisions has added about 2 million tonnes

of ore to the proven and probable reserves at Voisey's Bay.

- In September 2004, Business Opportunity Studies were completed, outlining mine and concentrator operational opportunities, as well as construction and operational opportunities from VBNC's Hydromet Demonstration Facility in Argentina.
- In May 2004, Richmond Mines Inc. announced that the Hammerdown Gold Mine had exhausted its mineable reserves. Stockpiled ore was processed at the Nugget Pond mill until July after which the mill was put into care and maintenance mode. In total, the mine produced more than 143,000 ounces of gold. Richmond has since completed rehabilitation at the mine site.
- The Department issued a Call for Proposals for the exempt mineral land on Bell Island on August 20, 2004, to facilitate and gauge a broader interest in the resources of Bell Island. The Call for Proposals was also required in order to approve any exploration activity on Bell Island due to its designation as Exempt Mineral Lands.
- In August 2004, work for the Voisey's Bay project began at Bull Arm. Construction and assembly of the shiploader is scheduled to be completed by Summer 2005.
- On November 3, 2004, the 28th Annual Mines and Energy Review of Activities and Open House was held in conjunction with the 51st annual meeting of the Newfoundland Branch of the Canadian Institute of Mining, Metallurgy and

Petroleum (CIM).

Mines and Energy Ministers' Conference

- The 61st annual Mines and Energy Ministers' Conference was held on July 18-20, 2004, in Iqaluit. This gave departmental officials an opportunity to gain a better understanding of industry concerns and interests that could affect current and future business opportunities in our province and to foster a stronger relationship with industry partners.

Lines of Business/Achievements

Forestry Services

Lines of Business

The Forestry Services Branch delivered its programs and services through two lines of business in 2004-05. The lines of business were: Forest Sustainability Health and Industry Services and Legislation and Compliance.

Strategic Issues

The strategic issues for the Forestry Services Branch identified in the 2001-02 to 2003-04 Plan were as follows:

- Sustainable forest ecosystem management that encompasses the economic, ecological and social values for the province.
- Expiry of long-term timber licences beginning in 2002.
- Enhance utilization of wood supply on the Island.
- Assessment of gross merchantable volume inventory adjustments within the current five-year planning period.

- Enhanced tracking of provincial fibre consumption.
- Foreign market access for solid wood products from this province.
- Reconciling competition for the supply of fibre in the province.
- Technology transfer of non-conventional harvesting systems.
- Improve socio-economic returns from the forest industry by adding value.
- Long-term strategy to facilitate the effective delivery of the forest insect control program while ensuring the health of the forest ecosystems.
- Protection of the Province's forestry and wildlife resources.
- Increased protection for the migratory bird and inland fish resources.
- To provide for forestry enforcement and protection on company timber licences.

Achievements

Legislation and Compliance

- In 2004-05, there were a total of 1406 charges laid in the form of Written Warnings, Summary Offence Tickets and Court Informations under the *Wildlife Act*, *Forestry Act*, *Federal Fisheries Act(Inland)*, *All-Terrain Vehicle(ATV) Regulations* and *Migratory Bird Convention Act*. This is comparable with 2003-04 in which there were a total of 1504 charges laid by the Forestry Services Branch under the various Acts.
- In 2004-05, there were a total of 2626 enforcement and non-enforcement (nuisance wildlife animals etc.) complaints received by the department's regional offices. The number of complaints by

region were as follows:

Region	Number of Complaints
Eastern	1152
Western	896
Labrador	<u>568</u>
TOTAL	2616

Forest Sustainability Health and Industry Services

- During the 2004-05 fiscal year, 13,869 hectares(ha) were silviculturally treated. Silviculture treatments included tree planting, site preparation, thinning, vegetation management, cone collection, plantation maintenance and hardwood management. This included the planting of 10.6 million seedlings. This work resulted in 127 % of the tree planting and 79% of the thinning annual requirements being completed towards maintaining the province's annual allowable cut levels. Annual planting and thinning targets were developed as a part of the province's wood supply analyses. It is anticipated that the targets will be achieved over a five- year period.
- On going infestations of two insect pests (hemlock looper and balsam fir) continued in 2004 in insular Newfoundland. Information on the 2004 activity and outlook for 2005 for each insect follows.

Hemlock Looper

Forecast 2004:

The moderate and severe defoliation forecast for 2004 was for some 76,000 ha

of forest to be affected in northern, western and central areas but with scattered pockets located elsewhere on the island. The main northern infestation was predicted in the general area from northeast of Parsons Pond extending northward to southeast of Hawkes Bay, with several pockets farther north towards St. Anthony airport. The predicted western infestation locations were generally south of Little Grand Lake and extending northward to south of Deer Lake, and an area northeast of Sandy Lake. In central Newfoundland the forecast area was on the east and north sides of Victoria Lake with additional pockets southwest of Buchans and south of Badger.

Control 2004:

Based on the forecast, the Department, in partnership with Abitibi-Consolidated and Corner Brook Pulp and Paper, proposed to carry out a hemlock looper control program on approximately 50,000 ha in northern, western and central NL using Bacillus Thuringiensis (B.t.k.). B.t.k is a biological insecticide and consequently has a very low impact on the environment.

The actual control program consisted of twenty-six (26) blocks totaling 45,780 ha located in northern, western and central Newfoundland. Foray 76B was the B.t.k products applied. Treatment operations were carried out from July 12 to August 6, 2004.

Results:

Generally, the B.t.k treatments worked well, and reduced population levels and

prevented additional significant defoliation. In some western areas, as noted the past two years, a complicating factor in the control program was the overlap with the balsam fir sawfly affected stands either in the current year or from previous year(s). Combination of insect attacks from these two insects are causing concern for tree viability in the affected areas. The control products used for hemlock looper control do not affect the balsam fir sawfly.

Balsam Fir Sawfly

Forecast 2004:

Moderate and severe defoliation was forecast to occur on approximately 34,500 ha in western Newfoundland. An additional area was also predicted eastward towards Grand Lake in the Northern Harbour area.

Control 2004:

There was no operational control program against this sawfly in 2004 as there is, as yet, no practical, registered control product that can be used.

Experimental Trial:

The Canadian Forest Service - Atlantic (CFS-A), in cooperation with and on behalf of the Department and forest industry, did conduct an experimental/research trial on the sawfly, using the naturally occurring balsam fir sawfly virus. Some 5,000 ha were treated in western Newfoundland. Results of the 2004 program, along with

those from previous year, have been analyzed and added to the other required data (environmental impacts, human health issues, non-target impacts, etc.) and have been submitted by CFS-A as a registration package as per existing protocols, to Health Canada - Pest management Regulating Agency (PMRA) for review and assessment.

Other Insects

There are no other major insect concerns at this time which warrant control intervention. There are still some small localized areas of yellowhead spruce sawfly, black headed budworm, larch beetle and spruce beetle activity being detected, mainly in central Newfoundland. The chronic balsam woolly adelgid is still prevalent throughout the island.

- In 2004-05, the Department committed a total of \$3.5 million to the construction of forest resource roads in Newfoundland and Labrador. A total of 63 new projects were tendered during the 2004-05 construction season. This was in addition to the 13 projects which were carried over from the 2003 season for a total of 76 projects. These projects accounted for the construction of 72 km of new resource road and the re-construction (upgrading) of an additional 40.5 km. In addition, 10 new bridges were installed and five older bridges were repaired.
- In the winter of 2002, the Western Newfoundland Model Forest (WNMF) handed over control of the Stream Crossing Inventory Databank to FEIS Division. The

intent being for FEIS to be the holding area of the data and responsible for updating all partners (Corner Brook Pulp and Paper, Abitibi consolidated, Department of Fisheries and Oceans and WNMF) each year.

The intent of the project has been to identify crossings (bridges, culverts, etc.) which impede fish passage and for the FEIS Division to start remedial work on repairing or removing the structures. In 2004, working in association with the Indian Bay Ecosystem Cooperation (IBEC) the FEIS Division rebuilt three older bridges in the Indian Bay Ecosystem which had been "red-flagged" for replacement.

- Assessment of gross merchantable volume inventory adjustments continued in 2004-05 with projects aimed at improving the accuracy of the adjustments made to the provincial annual allowable cut. In 2004, the Department carried out an aerial survey of insect damaged wood to determine the productive forest area lost to insect mortality. This information was digitized on to inventory maps and entered into the Department's Geographic Information System (G.I.S.). In 2004-05, the FEIS Division also continued with its annual harvesting utilization survey on recently completed harvest areas in order to determine the volume of merchantable wood remaining after harvesting operations. In addition, the FEIS Division in conjunction with the two pulp and paper companies carried out an assessment of permanent timber stands left after harvesting operations. It is planned to have this work completed by 2005 in order to incorporate it into the Department's wood

analysis which is due for completion by the end of December 2005.

Other projects carried out by the FEIS Division in 2004-05 include:

- Roadside Vegetation Control, G.I.S. Road Layer, Road Maintenance Trial and a Review of Manual/Mechanical Harvesting Systems.
- In 2004, there was a total of 153 forest fires attended to by the Department. The total area burned was 2,361.8 ha of which only 303.7 ha or 13% was productive forest land. The productive area burned is well below the 10 year average for the province of 3,841.9 ha.

Agrifoods

Line of Business

The Department's role in the agrifoods industry is to promote the continued development, expansion and diversification of our primary and value-added agrifoods business. The Agrifoods Branch delivered its programs through the following lines of business in 2004-05:

Agriculture and Agrifoods Production

Strategic Issues

The Agrifoods Branch worked towards progress in the following areas:

- Improving the competitiveness, sustainability and profitability of the agrifoods industry.
- Increasing the level of secondary food manufacturing in the province.
- Enhancing agriculture land productivity through land preservation and protection,

land inventory mapping and farm land productivity improvement measures.

- Minimizing the impact of animal diseases on the agriculture economy and public health.
- Expanding the agriculture activity in Labrador.

Achievements

Land Resource Stewardship

- This past year saw the preparation of soil capability mapping in digital format for most agricultural areas of the province. This has important applications in agricultural land planning and development such as dairy industry expansion.
- Detailed soil resource assessments were carried out in 11 areas covering approximately 14,000 ha (34,593 acres) to delineate land suitable for forage development, vegetable production and other commodities.
- Approximately 2,600 soil, plant, manure and feed samples were analyzed for recommendations made to farmers and partnership projects such as greenhouse gas emission monitoring and nutrient management reports.
- The G.I.S./mapping project is making significant progress in developing a digital database of the province's developed and arable lands for use in industry planning, as well as by farmers, and in applications such as nutrient management planning, crop insurance and environmental farm planning.

- Nutrient Management Plans were prepared for 21 dairy farms in order to increase productivity with efficient fertilizer application and provide for enhanced environmental stewardship.
 - A total of 12,400 m (40,700 ft) of sub surface tile drainage was installed on eight farms in the province to improve land for forage/hay, silage corn and strawberry production.
 - The Peatland Drainage Program completed 35 ha (86 acres) of new development for 13 producers. Maintenance work was also completed on 22 hectares (54 acres) of land.
 - With the growing public concern for environmentally sound production, producers in the province are taking steps to ensure the sustainability of our land. Producers have welcomed environmental farm planning and are taking many steps in ensuring the risks farms pose to the environment, community and province are minimal. Environmental farm planning is entering its third year in the province and shows no signs of slowing down. To date, more than 150 producers have completed their plans and have been updating them annually. Farms have also been provided signs to publicize completion of the environmental farm plans.
- Farm Field Day (St. John's) in the promotion of the agrifoods industry.
- In 2004, the province once again participated in Open Farm Day. This is an Atlantic province-wide event that provides the general public with an opportunity to visit local farms and see first-hand where their food comes from, meet the people who grow it and enjoy a day on the farm. Open Farm Day also provides local farmers with the opportunity to meet consumers and educate them on the day-to-day farming activities. It also provides the opportunity for farmers to highlight the exciting work being done on farms to sustain the environment, diversify the crops grown locally and develop new feed solutions for livestock. This year, 28 farms participated with approximately 7,000 in attendance. The event was well received by both the public and the farmers.
 - As part of agricultural awareness, an "Agrifoods Processors Directory" was prepared which contains a listing of all secondary processors in the province. It is designed to let food service providers know what products are available locally and where to find them. As well, "A Farmer's Guide to Package, Marketing, and Input Supplies" was developed to help farmers gain access to the resources they need to satisfy their production and marketing goals.

Production and Market Development

- The Agrifoods Branch participated in 13 trade shows throughout the province including the Trinity-Conception Fall Fair (Harbour Grace), Humber Valley Home and Handicraft Exhibition (Deer Lake) and
- Farm food safety and food quality is very important to today's consumer. The Food Safety and Food Quality Program is a proactive government and agricultural industry partnership that develops, coordinates and implements initiatives that

identify and/or minimize food safety risks. Its major focus is the public safety of agricultural products produced and processed in Newfoundland and Labrador. The program has provided strategies and solutions to the agricultural industry that focus primarily in the areas of:

- (1) Professional and industry development of human resources (i.e., Continuous Quality Improvement Program Information Sessions for Beef, Sheep, Pork, Fruit & Vegetable 2004-05);
 - (2) Consultation and coordination between government departments and industry stakeholders (i.e., Continuous Quality Improvement Program Advisory Teams for various producers, processors and commodity groups); and,
 - (3) Increasing public awareness of the importance of food safety and food quality (i.e., Food Safety Puppet Show for Kids, Agricultural Fair - Corner Brook, and the Continuous Quality Improvement Program (CQIP) Food Safety Identifier).
- Diversification has been a key area for the agrifoods industry over the last number of years. Research and development, in partnership with industry, has continued to be successful in the agrifoods industry.
- (1) Silage Corn Production - Government and industry have collaborated in efforts to produce silage corn in the province. In 2004, approximately 1500 acres of silage corn was grown in the province. The Samco X-Tend planting system, which utilizes a plastic covering, was introduced from Ireland to the province in 2003. In 2004-05, just under half of the silage corn seeded was planted under plastic

mulch. Dairy and beef producers are experiencing the nutritional benefits of the product when feeding their animals. As a result, silage corn is now part of crop rotation practices. Vegetable producers also took advantage of this technology, and used it to grow sweet corn.

- (2) The Cranberry Project has been successful with 32 acres of commercial cranberry fields developed. There are four producer pilot sites established in different regions of the island. The Branch operates a commercial cranberry research site at Deadman's Bay. Commercial quantities of fruit were harvested at Deadman's Bay and two of the producer pilot sites.
- (3) A Small Fruit Variety Trails Project is working towards the development of a lignonberry (partridgeberry) into a commercial phase whereby plants are being propagated to be placed on farms in 2005.

- The Pesticide Applicator Safety Program provides producers with training to enhance their pest management skills and knowledge. The Agrifoods Branch of the Department of Natural Resources administered five courses across the province and provided training to 62 participants.

Agriculture Business Development

- In 2004-05, the Agricultural Policy Framework (APF) Agreement provided \$5,935,700 to support 166 projects in the province. APF is a 5-year \$32 million dollar federal-provincial cost shared

agreement for the development of the agrifoods industry in the province. The term of this agreement is from 2003 - 2008. The objective of the agreement is to create a stronger and more commercially successful agrifoods sector.

- The Canada - Newfoundland and Labrador Production Insurance Program is a comprehensive all-risk insurance that provides compensation to vegetable growers who suffer crop loss through uncontrollable natural perils. This project provided coverage on 348 acres of vegetables in 2004-2005. During the fiscal year, \$92,266 was paid out to producers in indemnity claims because of drought conditions during the crop season. The 2004-2005 indemnity claim is approximately 46 per cent less than the previous 5 - year average of indemnity payments to producers.
- The Canadian Agricultural Income Stabilization (CAIS) program helps producers protect their farm income from both small and large declines. Beginning with the 2003 - 2004 program year, the CAIS program integrates stabilization and disaster protection into a single program. The CAIS program is a whole-farm program available to eligible farmers regardless of the commodities they produce. For the 2004-05 program year, 67 producers have applied for benefits under the CAIS program.
- There are currently five full-time agricultural producers in Labrador producing a variety of products including vegetables, fur and beef products. Several other producers are also involved in the

agricultural sector on a part-time basis. Due to the development of the agricultural lots along the Mud Lake Road, much interest has been expressed by new entrants who have recently started small agricultural enterprises including tree and berry production. The Agrifoods Branch has been a key player in moving the industry forward in Labrador, including providing funds through the Agriculture Policy Framework Agreement and the Provincial Agrifoods Assistance Program for various projects. The Agrifoods Branch has played an important roll in moving the industry forward through the following actions:

1. Soil surveys;
2. Agricultural business profiles;
3. Research trials including the Southern Labrador Carrot Project, Green Manure and Winter Forage Production in Labrador, and the Production Trials for Potato Production in Labrador;
4. Farmland development; and
5. Training through Farm Business Management sessions.

Animal Health

- Professional veterinary services are provided to serve the routine and emergency needs of our livestock and poultry industries.
- The Animal Health Division's diagnostic laboratory provided services for livestock owners, regulatory agencies and the general public. As well, it provides reference service for affiliated groups such as wildlife agencies, public health, private veterinarians, and researchers. Submission numbers increase every year as more

testing programs are initiated. This includes ongoing monitoring for rabies, West Nile virus, and Lyme Disease. Discussions are underway to look at surveillance for Avian Influenza in various bird species. Surveillance for Aleutian Disease in wild mink was initiated with no current evidence that it exists in this population.

- In agreement with the dairy industry, the Division's food quality laboratory has expanded its testing in support of national multi-component pricing objectives. As part of this process this laboratory is undergoing accreditation under the Standards Council of Canada.
- Cooperative research continues with Memorial University, federal and provincial health authorities, parks and wildlife agencies to establish the risks of a new disease entry into the province, either as a result of the arrival and spread of new diseases onto the North American continent (West Nile virus) or through the movement of established diseases across North America due to climate changes (Lyme Disease). The first discovery of bat rabies in this province in September 2004 is being followed up by a province-wide survey.
- The milk and meat quality regulations and analytical programs within the Agrifoods Branch are, in most cases, required by law and are necessary to ensure food safety standards in this province. The "Start Clean-Stay Clean Program" with the egg industry is a voluntary program established under national guidelines for the identification and elimination of

salmonella enteritis, a serious human health threat, from the egg industry.

- Support has been provided for the development and implementation of national, industry-led food safety programs. The most advanced are the dairy, egg and broiler industries.
- The Animal Health Division also has the legislative responsibilities to respond to complaints of cruelty to farm animals. As well, the Division supports and monitors the activities of the Newfoundland Pony Society in its role to protect and promote the Newfoundland Pony under the *Heritage Animals Act*.
- Regulatory changes occurred in the *Livestock Health Act* to control the importation of mink and honeybees to minimize the risks of disease entry such as Aleutian Disease (mink) and various insect pests of bees.

Mines, Energy and Industrial Benefits

Lines of business

Five lines of business were pursued in 2004-2005: resource assessment, resource development, resource management, project benefits optimization, and policy and executive support.

Strategic Issues

1. Increasing Exploration Investment in Newfoundland and Labrador

The further development of the province's mineral and petroleum industries plays a very important part in the ability to generate new revenues and employment. In 2004-05, the Department aggressively pursued investors, encouraging them to establish and invest in Newfoundland and Labrador. Current resource estimates indicate solid investment opportunities now and into the future. The following activities were undertaken in 2004-05 to promote exploration:

- The potential of the petroleum resources offshore Newfoundland and Labrador and the ability of local companies to support and service the industry were highlighted during the 2004 Offshore Technology Conference (OTC) in Houston, Texas, the Resource Investor's Forum which took place in June 2004 in St. John's, NL, and at the Offshore North Seas (ONS) conference in Stavanger, Norway in August.
- On-line access to geoscience-resource data significantly increased in 2004-05 with the implementation of the on-line mineral claims staking system and continued

improvement to the Department's web site.

- After three years of design and development the Department launched on-line mineral claim staking on February 28. This development makes Newfoundland and Labrador the third provincial jurisdiction in Canada to provide this service on-line. This development allows interested parties to secure mineral rights "at any time" from anywhere in the province or the world.
- In 2004, the Mineral Lands Division added an additional 46,638 metres of drill core samples to its archived collections in the six provincial core libraries. This has increased the total core sample collection available to the mineral exploration industry to 1.1 million metres. Industry uses these samples for reference and additional research.
- The Department released a new geological report on the oil and gas potential of the Grand Banks and the five land parcels offered in the 2004 Call for Bids issued by the CNOPB as part of government's efforts to encourage higher levels of exploration by informing new players about the significant resource potential of this province.
- The Prospectors and Industry Assistance Program continued to receive funding. Since 1999, 582 prospectors' assistance grants have been issued to carry out "grass-roots" and "advanced" prospecting. To-date, these grants have resulted in 38 option agreements with combined work commitments in excess of \$8 million. During this same period, 178 junior exploration assistance grants were awarded

totaling \$8.3 million. This investment, when leveraged with industry expenditures, resulted in project exploration expenditures in excess of \$22 million for advanced exploration, including diamond drilling, geophysics and geochemical surveys.

- A recent survey showed that more than 75 % of participants in both program components would have either not carried out their exploration activity or would have done so at a much reduced level had the program not been in place. Likewise, in excess of 80 % of respondents stated that both programs are an important factor in sustaining and increasing exploration activity in the province.
- Since the first oil well was drilled in 1966, the petroleum sector has spent about \$4.2 billion on exploration activities resulting in the discovery of some 2.1 billion barrels of oil, 9.6 trillion cubic feet of natural gas and 436 million barrels of natural gas liquids.
- Hibernia production increased for the seventh consecutive year, up from 71.1 million barrels in 2003 to 74.6 million barrels in 2004, and providing nearly 800 person years of direct employment.
- The Province continued to work with stakeholders to streamline the offshore regulatory regime. Regulatory efficiencies will improve the province's competitive positioning and promote this province as a good investment destination for business.
- Rehabilitation of the Hope Brook mine site was completed in July, 2004. Over 1.1 million cubic metres of acid-generating materials has been relocated to the Open

Pit and Pine Pond with sufficient water cover to eliminate the generation of acidic water. Water quality has improved dramatically, ensuring the protection of three watersheds, including the Cinq Cerf River. The project is now in the long-term monitoring phase.

- This past year, the Department commissioned a phase one environmental site assessment of the former Rambler Mine site and Baie Verte Mine sites. Environmental and safety issues were identified. The primary concern at the present is the safety issues caused by the aging and deteriorating buildings and infrastructure. The Department is currently reviewing options to deal with this concern.
- On September 29, 2004, the Department of Natural Resources issued an exploration licence to a company interested in seeking markets for the stockpiled ore on Bell Island. This licence was sought as a result of the Department's issuance of a Call for Proposals for the site.
- Eight field projects cataloguing the province's geological resources were successfully completed and information released through Open House, the *Current Research* volume and Open File reports.
- Two of the field projects in Labrador were supported by \$400,000 of federal funds under the second Targeted Geoscience Initiative (TGI). Successful collaboration with the Geological Survey of Canada under the TGI 2 program allowed a much greater investment in Labrador than would have been possible under provincial

resources alone.

- Eleven geological reports and/or maps were released to the public and client groups to support and stimulate exploration. Industry staking occurred as a result. Reports included one describing the industrial mineral potential of western Newfoundland and one report covering gold occurrences on the Baie Verte Peninsula.
- The Mineral Occurrence Data System (MODS), which contains descriptions of all the individual mineral showings, prospects and deposits in the province, is now fully available for searching and viewing from the Department's web site.
- Updates have been made to the on-line Resource Atlas to include all lake-sediment and till geochemical data for the entire province. Approximately 60% of the best available geology maps for the Island have been digitized and merged and is available on-line or on CD.
- Release of till geochemical analyses resulted in claim staking in Labrador.
- Availability of geoscientific databases over the Internet to serve clients anywhere in the world, 24 hours a day.

2. Optimizing Benefits from Resource Development

The mining and energy sectors represent important and increasing contribution to the province's economy. The total value of output from the mining and energy sectors in 2004 was \$2.5 billion, for a total contribution to Provincial Gross Domestic Product (GDP) of

almost 20% (2.1% from mining, 16.5 % from oil and gas extraction and 3.1% from electricity). The growth of these sectors over the past several years is impressive and new benefits continue to accrue to the people of the province.

Major resource development projects are highly capital intensive and, oftentimes, create significant opportunity for provincial benefits. The engineering, fabrication, construction, service and supply communities all have tremendous opportunity to benefit from multibillion dollar mega-projects. The Department's expectations to achieve these benefits must be balanced with industry's need for stable regulatory and legislative regimes relative to cost competitiveness.

- The Department continued to work with the VBNC in order to enhance local involvement with the project and to ensure that the Company maintains its stated commitments.
- Work on the Voisey's Bay Project resulted in the expenditure of \$624 million between April 2004 and March 2005; of this amount, \$ 518 million (83%) was spent on goods and commercial services in Newfoundland and Labrador. Employment averaged 2,194 persons; 1,895 (86%) of these were located in this province. In this year, 141 contracts were awarded, indicating the significant benefits from this development. In addition, in support of research and development efforts in Newfoundland and Labrador, INCO pledged \$20 million to the INCO Innovation Centre at Memorial University. The Centre is expected to be completed during Fall 2005.

- Benefits continued to accrue from the White Rose Project. There were 1,104 people employed by the project as of March 31, 2005. Of this figure, 1,001 people were residents of Newfoundland and Labrador.
- In 2004-05, petroleum royalties totalled \$240 million.
- Other resource taxes, mainly from the mining industry, contributed a further \$12 million to government revenue.
- Dividends and other payouts (e.g., rentals, royalties and guarantee fees) to government from Hydro totalled \$71.8 million in 2004.
- Rising world oil prices continued to have a significant positive impact on production values, resulting in higher revenues to the Province.

3. Promoting and Enhancing Mineral and Energy Resource Assessment, Development and Management

Both the mineral and energy sectors are global in nature. The province's business, regulatory and political environments must be internationally competitive. We must continue the message that we are open for business, while ensuring that the people of the province receive full and fair benefits from the development of their resources. The Department took several key steps in 2004-05 to improve our investment climate, including:

- Continued participation in the Smart Regulation initiative established under the Atlantic Energy Ministers

Roundtable process to streamline the regulatory environment of the east coast offshore petroleum industry.

- Development of an Energy Strategy for the Province to deal with all aspects of the energy sector including options for the development of the Lower Churchill Resource, natural gas transportation, storage and development potential, and further exploration and development of our crude oil resources.

Opportunities and Challenges

Forestry Services Branch

Timber Supply Analysis

Forestry Services formally reviews the provincial timber supply every five years to account for changes in the forest land base and any new management strategies. The next timber supply analysis is currently being completed and is due to be completed by the end of 2005. The results of the timber supply analysis will be a set of Annual Allowable Cuts (AACs) by tenure for each management district. These AACs for softwood and hardwood tree species are defined as the maximum annual rate at which timber can be harvested at a sustainable level indefinitely in the future. Because AACs must be calculated separately for each district and tenure, there are over 30 AAC figures for the province, which set the annual allowable commercial timber harvest. Consistent with Government's policies, the analysis is structured to determine sustainable timber supply, while respecting social, economic and ecological values.

Labrador Study on Secondary Wood Products Manufacturing

In 2004-05 the Department issued a call for proposals for a study on the potential for secondary wood products manufacturing in Labrador. It is hoped that a significant value-added/secondary wood products can be developed in conjunction with the further development of the sawmill industry in Labrador. The study will evaluate the potential for developing the substantial forest resources of Labrador and look at the issues associated with further developing the sawmill industry to produce dimension lumber and value added /secondary wood products in the region.

Inland Fisheries Enforcement Program

In 2004-05, the Department implemented an Inland Fisheries Enforcement Program (IFEP) to assist in addressing reported salmon poaching problems in the province. Enforcement statistics at the end of 2004-05 indicate that the IFEP program focused on targeting the most serious offences i.e illegal netting, illegal sale of salmon, etc. and was quite successful in achieving it's objectives. However, information gathered during the delivery of the program indicate this province continues to have a major poaching problem which needs to be addressed. In 2005-06 Government plans to address this problem by increasing the budget for this program from \$360,000 in 2004-05 to \$800,000 to provide additional equipment and human resources for the enforcement program.

In 2004-05, there were 180 inland fisheries related charges laid in the form of written warnings, summary offence tickets and court

informations by the Department's conservation officers.

Agrifoods

The agriculture and agrifoods industry in Newfoundland and Labrador continues to grow and provide economic benefits and employment to many rural regions of the province. Agribusinesses have adapted to meet the demand of the consumers through diversification, secondary processing and value-added activities.

The dairy industry in the province continues to utilize the industrial milk allocation of over 31 million litres which will allow the largest primary agriculture sector to continue its expansion in the province, and potentially double its size within the next 11 years. Wholesome Dairy Ltd., a new processing plant located in Stephenville, exemplifies the utilization of the industrial milk quota for secondary processing with positive regional economic benefits in the Stephenville region.

The fur industry has experienced exponential growth in 2004-05. This year saw the establishment of two commercial mink ranches, as well as a tannery, that are currently in production while still developing and expanding. Other commercial operations are scheduled to be starting in late April, 2005.

The Agricultural Policy Framework will bring over \$32 million into the agrifoods industry of Newfoundland and Labrador within the 2003 - 2008 time frame. This is a great opportunity to further strengthen agribusinesses in this province and contribute to the national objective of being a world leader in food

safety and quality and environmentally sustainable production.

Mines, Energy and Industrial Benefits

Increasing Exploration

The Department's goal is to encourage exploratory work by increasing regulatory efficiency and effectiveness to the maximum extent possible and ensuring that the province is a good place to invest. New exploration will lead to new discoveries and new developments that will benefit the people of Newfoundland and Labrador.

The challenges for the Department are:

- To ensure that our investment climate is competitive with other jurisdictions without sacrificing our commitment to safety, benefits and the environment.
- To secure funding for the Cooperative Geological Mapping Strategies (CGMS). This industry-supported proposal would increase investment in government geoscience across Canada, improving the provincial database, a key component in the competition for exploration investment dollars.
- To meet the demand for more field work in Labrador. This would be significantly assisted by the implementation of CGMS.
- To meet the high client demand for on-line and traditional geological products, new research work, and expert consultation.

- To meet the high client demand for access to historical and archived drill core collections and associated databases, access to the provincial core library system and increase core sample acquisition in Labrador.

Lower Churchill River Project

The development of the Lower Churchill River hydro resource is a priority of this Government. This clean and renewable power can provide significant benefits to the people of Newfoundland and Labrador.

In January 2005, Government and Hydro jointly released a Request for Expressions of Interest and Proposals for participation in the development of the Lower Churchill hydro resource. This public call was the most effective, open and transparent process for meeting our commitment to develop the Lower Churchill hydro resource in a way that maximizes benefits for Newfoundland and Labrador and its people

Natural Gas Development

The demand for natural gas in Canada and the United States, as a relative clean fuel, is experiencing significant growth which is expected to continue. This has led to some supply concerns as traditional supply options are being depleted and may not be available to meet growing demand.

Our offshore natural gas resources could provide at least part of the supply solution for the northeast North American region. To date, about 10 trillion cubic feet (tcf) of recoverable natural gas and 436 million barrels (mmbbls) of natural gas liquids

(NGLs) have been discovered in the offshore area of Newfoundland and Labrador.

Our gas can add diversity to the supply options being considered for the region. Government is committed to seeing this development occur sooner rather than later and will be developing a natural gas strategy as part of its larger comprehensive Energy Plan.

The Department is assessing options to get our natural gas to market. Operators, such as Husky Energy, recognize the potential and are actively investigating the commercial viability of producing and exporting natural gas. Government believes that it would be to everyone's benefit to have this happen sooner, rather than later.

The Department remains committed to the promotion of exploration opportunities to aid additional resource discoveries.



Other Entities

1. Timber Scalers Board

The Timber Scalers Board is responsible for hearing appeals to timber scaling disputes in the province. The Board was inactive in 2004-05 as there were no disputes reported to the Board.

2. Forest Land Tax Appeals Board

The Forest Land Tax Appeals Board is responsible for hearing appeals to forest land tax levies in the province. The Appeals Board was inactive during 2004-05 as there were no appeals reported to the Board.

3. Bull Arm Site Corporation

4. Canada-Newfoundland and Labrador Offshore Petroleum Board

5. Newfoundland and Labrador Hydro Corporation

6. Churchill Falls (Labrador) Corporation

7. Agricultural Development Area of the St. John's Urban Region Appeal Board

8. Agricultural Products Marketing Board

9. Farm Practices Review Board

10. Land Consolidation Review Committee

11. Land Development Advisory Authority

12. Livestock Owners Compensation Board

13. Newfoundland and Labrador Chicken Marketing Board

14. Newfoundland and Labrador Crop Insurance Agency

15. Newfoundland and Labrador Veterinary Licencing Board

Appendix 1
Department of Natural Resources

Statement of Expenditure and Related Revenue
Summary for the Year Ended March 31, 2005 (unaudited)

DEPARTMENT OF NATURAL RESOURCES

For the year ended March 31, 2005

	Actual	Original
	\$	\$
<u>EXECUTIVE AND SUPPORT SERVICES</u>		
1.1.01 Minister's Office	424,866	352,300
1.2.01 Executive Support	1,563,835	1,676,700
1.2.02 Administrative Support	2,858,932	2,966,300
Less: Revenue	(28,662)	(10,000)
1.2.03 Major Projects and Benefits Office	277,470	523,100
Less: Revenue	(102,243)	(183,500)
1.2.03 Administrative Support Capital	1,698,483	190,000
Total Executive and Support Services	6,692,681	5,514,900
<u>FOREST MANAGEMENT</u>		
Forest Management		
2.1.01 Administration and Program Planning	5,450,734	5,524,700
Less: Revenue	(16,293)	(355,000)
2.1.02 Operation and Implementation	9,472,410	10,140,000
Less: Revenue	(2,807)	0
2.1.03 Silviculture Development	7,162,135	7,334,600
Less: Revenue	(8,709)	(5,000)
2.1.04 Resource Roads Construction	3,488,596	3,500,000
Less: Revenue	(4,106)	0
Forest Protection		
2.2.01 Insect Control	3,111,068	5,400,000
Less: Revenue	(1,874,720)	(1,778,100)
2.2.02 Fire Suppression and Communications	3,628,181	2,867,800
Less: Revenue	(152,476)	0
Total Forest Management	30,254,013	32,629,000
<u>AGRIFOODS DEVELOPMENT</u>		
Land Resource Stewardship		
3.1.01 Land Resource Stewardship - Admin.	1,095,540	1,243,800
Less: Revenue	(6,555)	(33,000)
3.1.02 Limestone Sales	141,592	142,300
Less: Revenue	(87,345)	(70,000)
3.1.03 Land Development	349,109	500,000
Production and Marketing		
3.2.01 Production and Marketing Dev. - Admin.	1,855,535	2,098,500
Less: Revenue	(6,928)	(54,700)
3.2.02 Marketing Board	73,360	82,400
Agriculture Business Development		
3.3.01 Agriculture Business Development - Admin.	1,208,686	1,310,300
3.3.02 Production and Livestock Insurance	250,115	363,400
Less: Revenue	(299,774)	(151,000)
3.3.03 Agriculture Initiatives	1,085,828	1,000,000
Less: Revenue	(22,587)	0
3.3.04 Canadian Farm Income Program	14,392	50,000
3.3.05 APF	5,935,700	7,500,000
Less: Revenue	(3,782,623)	(4,410,000)
3.3.06 BSE Recovery program	268,736	0
Less: Revenue	(181,077)	0
Animal Health		
3.4.01 Administration and Support Services	1,571,653	1,348,500
Less: Revenue	(542,103)	(530,000)
Total Agrifoods Development	8,921,254	10,390,500

MINERAL RESOURCE MANAGEMENT

4.1.01 Geological Survey	3,920,102	4,033,400
Less: Revenue	(313,856)	(434,000)
4.1.02 Mineral Lands	904,358	1,026,100
Less: Revenue	(1,168)	(5,000)
4.1.03 Mineral Development	3,516,699	4,466,900
Less: Revenue	(2,248)	0
Total Mineral Resource Management	8,023,887	9,087,400

ENERGY RESOURCES MANAGEMENT

5.1.01 Policy and Strategic Planning	498,081	615,900
Less: Revenue	(2,156)	0
5.1.02 Petroleum Resource Development	745,531	914,700
Less: Revenue	(2,600)	0
5.1.03 CNLOPB	3,599,355	3,650,000
Less: Revenue	(1,671,196)	(1,825,000)
5.1.04 Petroleum Projects Monitoring	1,383,889	1,264,600
Less: Revenue	(93,502)	(15,000)
5.1.05 Electricity Industry Development	401,441	562,700
Total Energy Resources Management	4,858,843	5,167,900

INDUSTRIAL BENEFITS MANAGEMENT

6.1.01 Industrial Benefits	754,295	892,200
6.1.02 Research & Development Offshore	0	0
Less: Revenue	(678,755)	0
Total Industrial Benefits Management	75,540	892,200
TOTAL DEPT	58,826,218	63,681,900