

WESTERN EXPLORATION CO., LTD.

(Non-Personal Liability)

SILVERTON, B.C.

June 16th, 1955

To the Stockholders,
Western Exploration Co. Ltd.,

As mentioned in our Annual letter of June, 1954, diamond drilling below the Monarch tunnel, resulted in the finding of an ore body, which has very high silver values. The results of this drilling were sufficiently encouraging to warrant the driving of a lower tunnel. The Lower Tunnel, called the Hecla, is a continuation West of the No. 7 tunnel Mammoth. This tunnel has been advanced West over 2,300 feet, and is now under and a little West of the Westerly diamonddrill holes drilled last year below the Monarch tunnel. The face of this tunnel as of this date is in ore. The grade is good, with high silver values, and the silver values compare favourably with the silver values in the diamond drill holes above.

Present plans are to drive ahead on the vein in this Hecla tunnel, in an attempt to determine the extent of this new ore, and to determine if possible any connection this ore may have with the ore body above and to the East of the present face. It is also planned to raise from the Hecla tunnel to the ore found last year by diamond drilling. This raise will be about 450 feet on the dip of the vein, and will connect with the Monarch tunnel above. This raise when completed will be the main raise to handle ore mined from the ore body found by diamond drilling. It will also serve as a working raise for men and material, and will afford natural ventilation for that section of the new mine.

Although the price of zinc has advanced to 12 cents per pound, from $10\frac{1}{4}$ cents last April, there has been no serious thought given to the resumption of Mining at the Buffalo and Enterprise Mines, as the ore reserves at these mines runs largely to zinc, and with present Smelter and Railway charges only a small margin is left for the operation.

We are operating the Mill on a Custom basis, treating silver-lead ores from a few local mines.

Enclosed you will find Balance Sheet, and Profit and Loss statement as at April 30th, 1955, which date is the close of our fiscal year.

Yours truly,

A.M. Ham.

General Manager.

WESTERN EXPLORATION COMPANY LIMITED - SILVERTON, B.C.

(Non-Personal Liability)

Balance Sheet as at April 30th, 1955

ASSETS

Current Assets - - - Cash		\$ 47,669.82
Accounts receivable		12,410.09
Concentrates on hand - at net realizable value		27,107.70
Supplies on hand - at cost		<u>52,028.04</u>

Total Current Assets \$139,215.65

Mining Properties - - Cost of property and development

Expenditures thereon, to date, including \$113,246.91 representing discount on shares and promotion Shares, etc.	\$714,667.66		
Less - Provision for depletion	<u>647,356.07</u>	\$ 67,311.59	
Other mining properties, including Development expenditures thereon, at cost:			
Kimberley claims	\$102,827.72		
Minoru and Goodwin claims	10,000.00		
Minoru-Hecla (Monarch Tunnel)	173,738.33		
Miscellaneous claims	<u>580.38</u>	<u>287,146.43</u>	<u>354,458.02</u>

FIXED ASSETS - at Cost

Land		\$ 550.00	
Buildings, Machinery & Equipment	\$679,333.51		
Less - Provision for depreciation	<u>583,164.58</u>	<u>96,168.93</u>	<u>96,718.93</u>

PREPAID EXPENSES AND DEFERRED CHARGES

Unexpired Insurance	\$ 5,122.19		
Timber Sale Deposits	1,697.65		
Prepaid taxes and licenses	<u>1,549.42</u>		<u>8,369.26</u>
			<u>\$598,761.86</u>

LIABILITIES

Current Liabilities - Salaries and wages payable		\$ 5,364.13
Accounts payable		10,882.28
Provision for Workmen's Compansation Board assessments		<u>6,289.69</u>

Total Current Liabilities \$ 22,536.10

SHARE CAPITAL AND DEFICIT

Share capital Authorized 2,000,000 shares of of 50¢ each, par value		<u>\$1,000,000.00</u>	
Issued, fully paid			
1,675,272 shares of 50¢ each, par value	\$837,636.00		
Less - Discounts, less premium, arising from share issue, conversion and adjustments	<u>43,598.73</u>		
	\$794,037.27		
Deficit as per attached statement	<u>217,811.51</u>		<u>576,225.76</u>

NOTE: Of the above subscribed shares, 32 shares represent the obligation of the company to convert 96 original shares still outstanding.

Approved on behalf of the Board

Director

Director

\$598,761.86

WESTERN EXPLORATION COMPANY LIMITED
(Non-Personal Liability)

STATEMENT OF PROFIT AND LOSS AND DEFICIT
FOR THE YEAR ENDED APRIL 30, 1955

REVENUE

Revenue from milling operations		
Customs ore - 25,072 tons		\$148,787.93
Miscellaneous Operating Income		3,228.31
		<u>\$152,016.24</u>

EXPENSES

Operating costs		
Milling expense	\$65,881.01	
Shipping expense	3,535.61	
Depreciation on buildings and equipment	24,169.25	\$93,585.87
Administrative and general expenses		
Executive salary	\$10,453.01	
Legal fees	35.00	
Other	21,888.19	32,376.20
		<u>125,962.07</u>

Net profit from operations \$ 26,054.17

OTHER INCOME

Price adjustment of concentrates on hand	\$ 5,852.44	
Miscellaneous	1,035.14	6,887.58
		<u>\$ 32,941.75</u>

OTHER EXPENSE

Maintenance at non-operating mines		4,484.25
		<u>\$ 28,457.50</u>
Net profit for the year		246,269.01
Deficit as at beginning of year		<u>246,269.01</u>

DEFICIT as at April 30, 1955 \$217,811.51