

WESTERN EXPLORATION CO. LTD.

(Non-Personal Liability)

Silverton, B.C.

June 21st, 1954

To the Shareholders,
Western Exploration Co. Ltd.,

As the price of Zinc remained depressed during the past year, no serious thought was given to the mining of our ore. During this period the low price for zinc reached a few months ago was $9\frac{1}{2}\text{¢}$ per pound East St. Louis and by the end of last April it had advanced one cent to $10\frac{1}{4}\text{¢}$ per pound. With freight and Smelter treatment costs close to 8¢ per pound, a very small margin is left for the producer.

The Monarch drift was continued, 1303 feet being driven and 1139 feet of cross cutting was completed during the year, as well as 3800 feet of diamond drilling. The drifting and cross cutting was disappointing in that we did not discover any commercial ore bodies at the horizon of this tunnel. We did however, open up a mineralized zone for about three hundred feet along the drift and in cross cuts through the vein. This area lies about 2300 feet West of the Buffalo-Mammoth Mine.

A large part of the diamond drilling done was under this Mineralized zone, and we have had some very promising drill holes in this area. Silver values in drill core assayed runs, very high which may indicate the top of an ore body. Diamond drilling is continuing in this area with the hope of proving up a good ore body. If such should prove to be the case, the area would have to be opened up by a lower tunnel with raises through to the Monarch tunnel.

The milling of high grade silver-lead ore from the Violamac Mine has continued throughout the year. Tonnage milled each month together with the loading of concentrates has kept the mill crew on a forty hour week.

Enclosed you will find Balance Sheet and Profit and Loss Statement as at April 30th, 1954, which is the close of our fiscal year.

Yours truly,

A.M. Ham.

General Manager

WESTERN EXPLORATION COMPANY LIMITED
(Non-Personal Liability)

SILVERTON, B.C.

PROFIT & LOSS STATEMENT for the Year ended APRIL 30th, 1954

Revenue

Revenue from Milling Operations -		
Customs Ore - 25,325 Tons		\$ 146,997.45
Miscellaneous Revenue		5,453.85
		<u>\$ 152,451.30</u>

Expenses

Operating Costs

Milling Expense	\$ 66,745.19	
Shipping Expense	3,967.23	
Depreciation - Buildings & Equipment	<u>21,320.31</u>	\$ 92,032.73

Administrative & General Expenses

Executive Salaries	\$ 10,473.30	
Legal Fees	25.00	
Other	<u>24,052.50</u>	\$ 34,550.80
		<u>126,583.53</u>

Operating Profit \$ 25,867.77

Deduct

Other Expenses & Income

Maintenance Expense at Mines	\$ 5,432.23	
Price adjustment of Concentrates on hand	<u>4,241.94</u>	
Less Profit on Sale of Equipment	\$ 9,674.17	
	<u>895.03</u>	<u>8,779.14</u>

NET PROFIT for the Year ended April 30th, 1954 \$ 17,088.63

This statement is certified by
RIDDELL, STEAD, GRAHAM AND HUTCHISON
Chartered Accountants

WESTERN EXPLORATION COMPANY LIMITED - SILVERTON, B.C.

(Non-Personal Liability)

Balance Sheet as at April 30th, 1954

ASSETS:

Current Assets. Cash on Hand and in Bank		\$ 73,968.17
Accounts Receivable		13,349.93
Estimated Income Taxes Refundable		1,832.04
Supplies on Hand - at cost		46,144.87
Concentrates on Hand - at net realizable value		<u>21,255.26</u>
<u>TOTAL CURRENT ASSETS</u>		<u>\$ 156,550.27</u>

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 Reserve for Depletion	<u>647,356.07</u>	\$ 67,311.59
Other Mining Properties, including Development Expenditures thereon, at Cost:		
Kimberley Claims	\$101,336.23	
Minoru and Goodwin Claims	10,000.00	
Monarch Tunnel Exploration Costs - Schedule 2	106,143.33	
Miscellaneous Claims	<u>558.63</u>	<u>218,038.19</u>
		285,349.78

FIXED ASSETS - at Cost

Land		\$ 550.00
Buildings, Machinery & Equipment	\$677,845.86	
Less Reserve for Depreciation	<u>560,167.57</u>	<u>117,678.29</u>
		118,228.29

PREPAID EXPENSES AND DEFERRED CHARGES

Unexpired Insurance		\$ 3,899.24
Timber Sale Deposits and Development Expenses		2,144.63
Other Deferred Charges		<u>2,983.97</u>
		<u>9,027.84</u>
		<u>\$ 569,156.18</u>

LIABILITIES:

Current Liabilities. Salaries and Wages Payable		\$ 5,267.57
Accounts Payable		10,647.35
Provision for Workmen's Compensation Board Assessments		<u>5,473.00</u>
<u>TOTAL CURRENT LIABILITIES</u>		<u>\$ 21,387.92</u>

Share Capital. Authorized \$1,000,000.00 divided into 2,000,000 Shares of 50¢ each, par value		
Subscribed and issued, fully paid, 1,675,272 Shares of 50¢ each, par value		\$837,636.00
Less Discounts, less premium, arising from Share Issue, Conversion & Adjustments		<u>43,598.73</u>
		<u>\$794,037.27</u>

Deduct Deficit

Balance as at April 30th, 1954		\$263,357.64
Less Net Profit for the year ended April 30th, 1954		<u>17,088.63</u>
		<u>246,269.01</u>
		547,768.26

Note: Of the above subscribed Shares, 32 Shares represent the obligation of the Company to convert 96 original shares still outstanding

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 RIDDELL, STEAD, GRAHAM AND HUTCHISON
 Chartered Accountants

\$ 569,156.18