

WESTERN EXPLORATION COMPANY LIMITED

(Non-Personal Liability)

FINANCIAL STATEMENTS AS AT APRIL 30, 1959

WITH

AUDITORS' REPORT TO THE SHAREHOLDERS

Hall, Starck & Assoc., etc.

RIDDELL, STEAD, GRAHAM & HUTCHISON

Chartered Accountants

Established 1869

Royal Trust Building

Vancouver 2, B.C.

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the books and accounts of Western Exploration Company Limited (a British Columbia Corporation) for the year ended April 30, 1959. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

We have not examined the title records relating to certain of the company's mining claims.

We have obtained all the information and explanations we have required and, in our opinion, the accompanying balance sheet and the related statement of loss and deficit are properly drawn up so as to exhibit a true and correct view of the state of the company's affairs as at April 30, 1959, and the results of its operations for the year then ended, according to the best of our information and the explanations given to us and as shown by the books of the company.

RIDDELL, STEAD, GRAHAM & HUTCHISON

Vancouver, B.C.
May 25, 1959

Chartered Accountants.

WESTERN EXPLORATION COMPANY LIMITED
(Non-Personal Liability)
BALANCE SHEET AS AT APRIL 30, 1959

ASSETS

CURRENT ASSETS

Cash	\$	77,438.43	
Accounts receivable		6,890.08	
Supplies on hand - at cost		30,168.67	
Prepaid insurance		<u>3,164.28</u>	\$ 117,661.46

FIXED ASSETS, at cost

Land	\$	925.00	
Buildings, machinery and equipment	\$	721,278.47	
Less - Accumulated depreciation		<u>671,785.35</u>	<u>49,493.12</u> 50,418.12

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 - Accumulated depletion		<u>690,078.23</u>	\$ 24,589.43
Other mining properties, at cost:			
Kimberley claims (Note 1)	\$	104,415.02	
Minoru and Goodwin claims		10,000.00	
Buffalo-Mammoth #12 level		127,867.81	
Miscellaneous claims		<u>623.88</u>	<u>242,906.71</u> 267,496.14

DEFERRED EXPENSES

Minoru-Hecla development (Note 3)			250,142.41
			<u>\$ 685,718.13</u>

LIABILITIES

CURRENT LIABILITIES

Salaries and wages payable	\$	5,697.35	
Accounts payable		<u>23,080.36</u>	\$ 28,777.71

SHARE CAPITAL AND DEFICIT

Share capital (Note 2)			
Authorized 3,000,000 shares at 50¢ each, par value	\$	<u>1,500,000.00</u>	
Issued and fully paid			
1,875,272 shares of 50¢ each, par value	\$	937,636.00	
Less - Discounts, less premium, arising from share issue, conversion and adjustments		<u>93,598.73</u>	
	\$	844,037.27	
Deficit as per attached statement		<u>187,096.85</u>	656,940.42

Approved on behalf of the Board:

Director "M. P. McCullough"

Director "A. M. Ham"

\$ 685,718.13

The accompanying notes form an integral part of this statement.

WESTERN EXPLORATION COMPANY LIMITED
(Non-Personal Liability)
STATEMENT OF LOSS AND DEFICIT
FOR THE YEAR ENDED APRIL 30, 1959

REVENUE

Production	\$ 178,611.49	
Less - Handling charges	<u>8,368.97</u>	\$ 170,242.52
Custom milling		8,358.24
Miscellaneous		<u>4,595.08</u>
		\$ 183,195.84

EXPENSES

Operating expenses		
Mining and development	\$ 91,927.66	
Milling	34,177.70	
Shipping concentrates	76.51	
Maintenance of non-operating properties	1,719.14	
Administrative and general expense - Schedule 1	<u>48,964.51</u>	<u>176,865.52</u>
		\$ 6,330.32
Depreciation	\$ 17,099.34	
Depletion	<u>9,485.27</u>	<u>26,584.61</u>
LOSS for the year		\$ 20,254.29
Deficit as at beginning of year		<u>166,842.56</u>
DEFICIT as at April 30, 1959		\$ <u><u>187,096.85</u></u>

The accompanying notes form an integral
part of this statement.

ADMINISTRATIVE AND GENERAL EXPENSE - SCHEDULE 1
FOR THE YEAR ENDED APRIL 30, 1959

ADMINISTRATION

Executive salaries	\$ 6,573.76	
General managers salary	9,229.85	
Management consultants fees	4,400.00	
Office and warehouse salaries	7,119.01	
Travel and car operation	3,242.50	
Light, heat and power	1,527.06	
Postage, printing, stationery and office expense	614.45	
Legal	2,472.00	
Audit	850.15	
Telephone and telegraph	1,587.57	
Transfer and listing fees	272.28	
Dues and subscriptions	427.20	
Miscellaneous	<u>813.78</u>	\$ 39,129.61

GENERAL

Insurance	\$ 4,428.59	
Licenses and taxes	2,518.53	
Unemployment insurance	1,143.43	
M.S.A.	<u>1,744.35</u>	<u>9,834.90</u>
		\$ <u><u>48,964.51</u></u>

WESTERN EXPLORATION COMPANY LIMITED
(Non-Personal Liability)

NOTES TO FINANCIAL STATEMENTS

NOTE 1. Under an agreement dated March 17, 1958, the company leased its Kimberley properties for a term not exceeding 99 years to Reeves Macdonald Mines Ltd. who acquired the right to develop and mine any minerals contained therein. The lessee is responsible for all expenditures necessary to develop and operate the properties and in the event of their coming into production, the company is to receive 30% of the net proceeds from all minerals as consideration for its granting of the lease.

NOTE 2. During the year ended April 30, 1959, the company increased its authorized share capital from 2,000,000 shares with par value of fifty cents a share to 3,000,000 shares with par value of fifty cents a share. The company issued as fully paid up shares, 100,000 shares at twenty cents per share and 100,000 shares at thirty cents a share which resulted in discount on shares issued amounting to \$50,000.00.

There is an option outstanding to C.M. Oliver and Company Limited on 100,000 shares at forty cents a share expiring on August 25, 1959.

Of the subscribed shares, 32 shares represents the obligation of the company to convert 96 original shares still outstanding.

NOTE 3. During the year ended April 30, 1959, mining operations were discontinued in the Minoru-Hecla Mine following extraction of the remaining developed ore and the value of extracted minerals with related direct costs are included in the statement of loss. No charge has been made against the current year's operation for amortization of the preproduction costs totalling \$250,142.41. There has not as yet been developed in the Minoru-Hecla Mine ore reserves in quantity nor has the ore body been delimited.

Silverton, B. C.
July 15th, 1959.

Report of the Directors
to the Shareholders.

In order to secure additional finances to permit the Company to continue its program of underground development work this year on the Mammoth vein at the new 4,200 ft. level, the Company entered into an underwriting agreement with C.M. Oliver & Company Limited on the 18th day of February, 1959, under the terms of which the latter has purchased 100,000 shares of the capital stock of the Company at 20 cents per share and 100,000 shares at 30 cents per share and has an option to purchase a further 100,000 shares at 40 cents per share on or before August 25th, 1959. In the course of concluding arrangements with C.M. Oliver & Company Limited for the underwriting, it became apparent to the directors of the Company that certain modifications in and changes of the existing Memorandum and Articles of Association of the Company were necessary for the more efficient operation of your Company.

In addition, although it was the intention of the shareholders that the 1,000,000 new shares of the capital stock of the Company created by the special resolution adopted on July 15th, 1958 could be sold or otherwise disposed of in such manner as the directors might think most beneficial to the Company, it was not expressly set out in the special resolution that such shares did not first have to be offered to the shareholders of the Company in proportion to their holdings, so that, for the purposes of any future underwriting or similar financing, it was deemed advisable to clarify the position by declaring that the said shares were created entirely free from that restriction. Furthermore, in order to facilitate any such future underwriting or other financing by way of participation in the Company as a major mining company, the directors have decided that the authorized capital of the Company should be increased by a further 1,000,000 shares. The capital of the Company will then consist of 4,000,000 shares of a par value of 50 cents each of which 1,875,272 shares are issued and outstanding and 2,124,728 shares will be remaining in the treasury, available for the purposes indicated.

After due consideration, the directors have approved, for submission to the shareholders, the declaration with respect to the 1,000,000 new shares created last year, the creation of a further 1,000,000 new shares this year and the new Articles of Association which it is proposed to substitute for the original Articles adopted by the Company upon its incorporation on November 8th, 1924; and accordingly, solicit your endorsement of the special resolutions set out in the accompanying notice of the forthcoming Ordinary and Extraordinary General Meetings of the Company.

Attached to this report is a copy of the report presented to the President and Directors of your Company by Hill, Starck & Associates, our Consulting Engineers on the operations of the Company during the fiscal year ended April 30th, 1959.

ON BEHALF OF THE BOARD
"A.M. Ham"
Vice-President.

HILL, STARCK & ASSOCIATES
 Consulting Engineers
 844 West Hastings Street,
 Vancouver 1, B. C.

June 6, 1959.

The President & Directors,
 Western Exploration Company Limited,
 Silverton, B. C.

Gentlemen:

The following report covers the operation of Western Exploration Company Limited during the fiscal year which ended April 30, 1959.

GENERAL

Milling operations were suspended during December 1958 due to the depletion of commercial grade ore, (at the then prevailing base metal prices), in the upper levels of the mine.

During the eight months of operation 7,007 dry tons of ore were milled which averaged 5.8% Lead, 6.6% Zinc and 18.4 ozs. Silver per ton. Production figures for the past three years are shown below:

<u>Year</u>	<u>Tonnage milled</u>	<u>Ozs. Silver</u>	<u>Lbs. Lead</u>	<u>Lbs. Zinc</u>
1956	5,217	60,977	592,382	691,274
1957	17,182	240,897	1,799,082	2,147,210
1958	7,007	128,794	815,660	926,892

During the year average metal prices were, Silver 88.62¢ per ounce, Lead 12¢ per pound and Zinc 10¢ per pound.

Although the average grade of ore milled was higher than the previous two years and operating costs remained about the same, decreased tonnage milled coupled with lower metal prices resulted in a low operating profit for the year as shown below:

<u>Year</u>	<u>Silver</u>	<u>Heads Lead</u>	<u>Zinc</u>	<u>Operating Profit</u> (Before depreciation or depletion)
1956	11.7	5.7	6.6	\$ 62,672.
1957	14.0	5.2	6.2	50,206.
1958	18.4	5.8	6.6	6,330.

OIL RESERVES

Proven and indicated ore reserves on the Mammoth, Monarch and Hecla ore zones are estimated at 7,084 tons. The Enterprise Mine which is located 14 miles by road from Silverton, has approximately 5,300 tons. No estimate has been made of ore reserves between 900 level and the new #12 level.

MINE

(a) Extraction

During the year approximately 58% of the tonnage milled was extracted from the Monarch and Hecla ore zones and 42% from the Mammoth ore zone between the 900 and 800 levels.

(b) Exploration

Two exploration raises were driven during the year, one in the 932 Stope area to test the hangwall zone, and one in 930 Stope to connect with 800 level.

DEPTH DEVELOPMENT PROGRAM

The #12 level tunnel encountered the Mammoth lode at 2,600 feet. Structurally the lode is very strong, averaging about 40 feet wide and showing gouge on the footwall, and breccia material containing considerable calcite and strong shearing on the hangingwall.

Drifting on the footwall side of the lode for a total distance of 445 feet has shown the following ore zones:

	<u>Length</u>	<u>Width</u>	<u>Lead %</u>	<u>Zinc %</u>	<u>Silver Ozs.</u>
A	20°	6.5'	11.2	5.3	9.2
B	70°	4.5'	5.0	5.5	4.5
C	?	4.7'	16.2	3.5	11.7

Diamond drilling will be started soon from the footwall drift to determine the ore potential of the lode both to the East and West of the main cross-cut. The intersection of the Buffalo vein and the hangingwall of the Mammoth lode, (which has been a focal point for mineralization in the upper levels), will also be tested by diamond drilling on #12 level.

A 500' service-ventilation raise from the #12 level to the #9 level is now about 50% completed. #11 level has been established 130 feet vertically above #12 level.

MILLING

During the fiscal year the mill treated 7,007 tons of Western Exploration ore and 1,288 tons of custom ore, or a total of 8,295 tons. Metallurgical and operating performance was maintained.

COSTS

Operating costs during the past two years are summarized below:

	<u>1957</u> <u>Per Ton</u>	<u>1958 (8 months)</u> <u>Per Ton</u>
Mining	\$ 13.23	\$ 11.72
Milling	3.46	3.83
Transportation	1.32	1.37
* Administration	<u>2.50</u>	<u>3.94</u>
	<u>\$ 20.51</u>	<u>\$ 20.86</u>

*Note: Administration costs per ton were up during 1958 due to the decreased tonnage milled.

CAPITAL EXPENDITURES

Capital expenditures during 1958 totalled \$103,711.21, as summarized below:

No. 12 Level - 2,345 feet tunnelling and 98 feet raising	\$89,324.62	
- New Ore Bin	2,438.22	
- Road	<u>6,513.23</u>	\$ 98,276.07
B.C. Power Commission Sub-Station and Mining Equipment		<u>5,435.14</u>
		<u>\$ 103,711.21</u>

SUMMARY

The successful completion of the depth development program, now well under way, coupled with metal prices, will determine the future of the operation. The limited amount of drifting on the Mammoth zone on #12 level has shown interesting mineralization thus indicating the possibility of developing ore from the known ore zone on 900 level down 500 feet on the dip of the zone to the #12 level.

Yours very truly,

HILL, STARCK & ASSOCIATES,

Per: _____
Henry L. Hill

WESTERN EXPLORATION COMPANY, LIMITED
(Non-Personal Liability)

NOTICE OF ORDINARY AND EXTRAORDINARY GENERAL MEETINGS

NOTICE IS HEREBY GIVEN that the Ordinary General Meeting of Western Exploration Company, Limited (Non-Personal Liability) for 1959 will be held at the head office of the Company at Silverton, B.C., on Friday, the 21st day of August, 1959, at the hour of 10:00 o'clock in the forenoon for the purpose of electing directors and auditors, considering the accounts presented by the Board of Directors and the reports of the Board of Directors and auditors, and transacting such other ordinary business of the Company as may be transacted without notice;

AND NOTICE IS HEREBY GIVEN that at the same place, and on the same day, at 11:00 o'clock in the forenoon, or so soon thereafter as the Ordinary General Meeting shall be concluded, an Extraordinary General Meeting will be held for the purpose of considering and, if thought fit, approving the following as a special resolution, with or without modification thereof:

"RESOLVED THAT the 1,000,000 new shares of the capital stock of the Company created by the special resolution of the Company adopted on the 15th day of July, 1958, be and they are hereby declared to have been since their creation entirely free from the requirements of Article 19 of the existing Articles of Association of the Company that, 'subject to any direction to the contrary that may be given by the resolution sanctioning the increase of share capital, all new shares shall, before issue, be offered to such persons as at the date of the offer are entitled to receive notices from the Company of General Meetings in proportion as nearly as the circumstances admit to the amount of the existing shares to which they are entitled'."

AND for the purpose of considering and, if thought fit, approving the following as a special resolution, with or without modification thereof:

"RESOLVED THAT the authorized capital of the Company be increased from One Million Five Hundred Thousand Dollars (\$1,500,000.00) to Two Million Dollars (\$2,000,000.00) by the creation of an additional One Million (1,000,000) shares with a nominal or par value of Fifth Cents (50¢) each, which shares shall not be required to be offered, before issue, to the members of the Company in proportion to the amount of the existing shares to which they are entitled;

"AND RESOLVED FURTHER that Clause 6 of the Memorandum of Association of the Company be amended to read as follows:

'6. The authorized capital of the Company is Two Million Dollars (\$2,000,000.00) divided into ~~Two~~ ^{Five} Million (~~2,000,000~~) shares with a nominal or par value of Fifth Cents (50¢) each'."

AND for the purpose of considering and, if thought fit, approving the draft new Articles which will be submitted to the meeting (copies of which have been lodged, together with copies of the existing Articles of Association of the Company, for perusal by the shareholders, during business hours, at the offices hereinafter set out);

AND, in the event of the approval by the meeting of the draft new Articles, with or without modifications thereof, for the purpose of considering and, if thought fit, adopting the following special resolution:

"RESOLVED THAT the new Articles already approved by the meeting and for the purpose of identification subscribed by Matthew P. McCullough and H. Paul Klinestiver as directors of the Company, be adopted as the Articles of Association of the Company in substitution for, and to the exclusion of, all the existing Articles thereof."

The offices where copies of the new draft Articles and of the existing Articles may, prior to the meeting, be inspected by the shareholders during business hours are as follows:

Prudential Trust Company Limited - Vancouver, B.C.
Head Office of the Company - Silverton, B. C.
Wisconsin Valley Trust Company - Wausau, Wisconsin.

The attention of the shareholders is drawn to the fact that, without restricting the generality of the proposed amendments, the proposed changes in the Articles of Association of the Company include the following material alterations in the regulations contained in the Articles as they presently exist:

1. (a) Under the present Article 19, subject to a direction to the contrary that may be given by the resolution sanctioning the increase of share capital, all new shares, before issue, must be offered to the shareholders in proportion to their shareholdings.

(b) Under the new Articles, any new shares which might hereafter be created would not have to be offered first to the shareholders unless a direction to that effect was contained in the resolution creating them.

2. (a) Under the present Article 25, at least seven days' notice must be given of any General Meeting.

(b) Under the new Articles, fourteen days' notice where it is proposed to pass a special resolution and, in other cases, ten days' notice must be given.

3. (a) Under the present Article 29, a quorum at a General Meeting of the Company is members present in person or by proxy holding a majority of the capital stock.

(b) Under the new Articles, two members present in person representing, in person or by proxy, not less than one-tenth of the issued capital of the Company constitutes a quorum.

4. (a) Under the present Article 40, a member may not vote at a General Meeting unless he has been a registered holder of the shares which he proposed to vote for at least one month prior to such meeting.

(b) Under the new Articles, a member may vote the number of shares of which he is the registered holder without regard to the date of registration.

5. (a) Under the present Article 43, a proxy must be presented to the Chairman at the opening of a General Meeting.

(b) Under the new Articles, a proxy must be deposited at the place designated for that purpose twenty-four hours before the meeting.

6. (a) Under the present Article 50 (i), the Directors have the power to sell, let, exchange or otherwise dispose of absolutely or conditionally, all or any part of the property, privileges and undertaking of the Company, upon such terms and conditions and for such consideration as they may think fit subject to confirmation by a two-thirds majority of the shareholders of the Company.

(b) Under the new Articles, the Directors are not specifically granted the powers set out in (a) hereof but could exercise them without confirmation by the shareholders save that, in the opinion of counsel, any sale or other disposition of the whole or substantially the whole of the undertaking of the Company would require the approval of the shareholders by a special resolution adopted by three-quarters of the shareholders present in person or by proxy at a General Meeting of the Company of which the proper notice had been given.

If you are not able to attend the Ordinary General Meeting and the Extraordinary General Meeting in person, kindly complete and mail to the Head Office of the Company at Silverton, B.C., at your earliest possible convenience, the attached proxy for the Ordinary General Meeting and the attached proxy for the Extraordinary General Meeting, which are both in favour of the management of the Company but which you may amend, if you so desire, by deleting the names listed therein and substituting that of any other member of the Company who will be present at the meetings.

DATED at Silverton, British Columbia, this 15th day of July, A.D. 1959.

ON BEHALF OF THE BOARD

"H. Paul Klinestiver"

Secretary.