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# George Cross News Letter

"Reliable Reporting"

NO.92(1970)  
APRIL 30, 1970

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WESTERN CANADIAN INVESTMENTS

WESTERN MINES LIMITED

92F072 PARAMOUNT

+ Highgrade Silver Cut in Three Holes at Depth in Paramount Mine  
+ Debt Free By Mid-August 1970 Possible + Dividends By Year End Also Possible

Quarter to March 31,	1970	1969	Quarter To Dec. 31/69	Recent diamond drilling
Concentrate Revenue	\$3,114,976	\$2,047,044	\$4,031,654	from near the face of No.10 level, of the Paramount Mine, on the Western Mines Ltd. property, on northern Vancouver Island, B.C., at about 1,700 ft. from the portal, indicated a possibility of a new high grade mine. Of seven down holes,
Operating & Admin. Exp.	1,465,376	1,070,408	1,420,035	
Operating Profit	1,649,600	976,636	2,611,619	
Net Interest & Depre.	124,174	234,546	213,330	
Net Income	\$1,525,426	\$ 742,090	\$ 2,398,289	
Net Per Share	29.5¢	15.4¢	46.4¢	
Shares Issued	5,176,016	4,811,616	5,169,416	

three were blank but four intersected ore. Two intersections, about 300 feet below the level, were located on the same vertical north-south section about 100 feet apart, the third was 100 feet to the east. Details of these intersections are as follows:

Hole	True Width	Oz. Gold	Oz. Silver	Copper	Lead	Zinc	
P10-21	14 ft.	0.29	35.2	1.0%	2.9%	14.2%	The much higher silver values than elsewhere on the property constitute a notable change. The fourth ore intersection was higher than the
P10-22	23 ft.	0.33	41.3	0.8	2.6	13.2	
P9 -23	5 ft.	0.04	82.0	1.3	6.7	16.4	

three shown above and apparently is unrelated to them. Hole P10-20 cut a true width of 5 feet grading 0.08 oz. gold, 3.9 oz. silver, 2.8% copper, trace of lead and 4.7% zinc. The drilling is continuing and a lower development opening is being planned.

W.G. Jewitt, president, states in the quarterly report, that production was normal with feed grades slightly below the previous quarter year. Copper recovery was 92.3%, a record high; zinc recovery at 83% was down slightly but this was offset by a higher grade concentrate. Testing has shown the feasibility of producing a lead concentrate and equipment now being installed for this purpose will be in operation in May. This new production is expected to provide a substantial increase in revenue. Development results continue to more than maintain ore reserves.

The annual meeting of Western Mines was told that, by mid-August, the company would be in a position to pay off all of its remaining debts which, at that time, will be about \$1,212,000. It is up to directors to decide when and if this remaining balance will be paid. The company is paying some \$35,000 for a pilot tailings recovery process which if it works may be installed and thereby eliminate present pollution in the lake where tailings are now being dumped. The company is purchasing some \$200,000 worth of equipment for the continued program on the Paramount. Working capital at 31 March 70, was \$7,800,000. Directors will be considering dividends later in the year.

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92F071-03  
PROPERTY FILE

WESTERN MINES LTD.

COAL POTENTIAL STRESSED AT - A brief review of some of the data presented at the information meeting held for brokers and press in Vancouver by Western Mines Ltd. was carried in GCNL 204(75). Further information follows.

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Sponsored by Midland Doherty Ltd., the meeting was similar to one held in Toronto 10 days ago. The aim was to solicit support for existing directors from the investment industry in the proxy battle now underway between directors and Pat Sheridan of Shield Development.

Hugh Snyder, president of Western Mines, told the meeting that 5,211,616 shares are issued of the 12,000,000 authorized, that 37% of the issued shares are held by persons owning less than 5,000 shares each and that there are a total of 5,000 shareholders in the company. The extraordinary general shareholders' meeting has been called for 13Jan76 at 2:30 p.m. in the Vancouver Hotel, Vancouver. The meeting was requisitioned by 296,379 shares, approximately 5.5% of those issued. Sheridan-Shield holds an option from W.R.Grace & Co. on 1,296,171 shares of Western, about 24.8% of those issued. The option is for three months from 29Aug75 and is at a price of \$3.04 U.S. per share. (Mr.Sheridan recently reported owning, having under option or having had indications of support from slightly over 46% of the issued shares of Western. Mr.Snyder stated that the 46% figure was at considerable variance with the data in an affidavit filed with the Courts a few weeks earlier by Mr.Sheridan. He stated that it would represent a very rapid increase in a relatively short period.)

Coal interests were discussed at some length at the meeting by James Riley, Western's consultant mining expert. Some of Mr.Riley's distinguished career was reviewed for the meeting including his current presidency of the American Institute of Mining Engineers and consultancy to Hanna Mining. Mr.Riley stated that the current production of coal in the U.S. was just over 600,000,000 tons per year and that projections call for a minimum coal requirement by 1985 of twice that or 1.2 billion tons per year. There is a large and growing need for coal at good prices. He said that he is assisting Western in the examination of a number of projects. What is desirable in a coal operation is to have production that covers three types of market: first is a steam plant that burns coal every day of the year; second is one or more steel makers and third is one or more metallurgical coal users overseas where premium prices can be secured on a cyclical basis. Coal is a profitable operation, he said, noting that he has been in the industry since coal was sold at \$4.50 and, "we always made money". The rate of return on coal mining cannot be matched in the metal mining industry.

About Pounding Mills, the coal mine Western held under option until recently at a purchase price of \$5,500,000, Mr.Riley said it was a poor investment at the exercise price but would be a good buy at \$4,500,000. Pounding Mills could now be purchased for a price of between \$3,000,000 and \$3,500,000 and Western is still negotiating. This change came about because the flush price for coal broke several months ago and has returned to more realistic levels. One of the other properties under examination by Western has a coal reserve of 30,000,000 tons. A few months ago Western could not look at a property this big but with the price break it is now quite possible. There are a number of small to intermediate sized operations which are available to a firm of Western's size. These projects are not the very huge projects which interest big companies such as Hanna or Peabody. He pointed out that customers are now requiring much higher specifications on coals so that processing and washing has become very important and a number of present producers do not have the desire or capital to up grade their plants and train the staffs and crews to meet the new requirements.

About the Western Mine on Buttle Lake, Mr. Snyder pointed out that it is not a copper mine - it is a zinc and precious metal mine. Zinc accounts for 39% of the revenue and precious metals 40%. It is a difficult mine. Mining conditions are difficult, the geology is difficult and the metallurgy is difficult. Over 90% of current production is now from underground and 50% of the costs are for labour. The ore currently has a gross value of \$54.00 per ton and while current costs are \$27.50 per ton, the 1976 costs are projected at \$34.00 per ton. This is assuming a continuation of current production at 7 tons per man shift which is considered a good rate for a mine of the size and type of Western's. Ore reserves are high at 1,800,000 tons and the potential for finding additional mineralization of the same type and grade is excellent. The operating cash flow for the mine for 1976 is projected at between \$1,500,000 and \$3,000,000 anticipating some conservative metal price increases and perhaps an improvement in the current impossible tax structure.

About exploration other than coal and at the mine, Mr. Snyder said the company is at the point of signing a joint venture exploration agreement with two major companies on the claims held in the Pine Point Mines area which will provide \$750,000 for exploration in the next year of which Western will supply \$170,000. Western will have a one third participating interest and a 10% carried interest in the project as the negotiated agreement now stands. On another project, Western is negotiating on the possible acquisition of Kuroko type lead-zinc-copper properties in northern California. He said there are three acquisition opportunities but that nothing is closed as yet.

In reply to questions, he stated that administrative costs are not high for the type of operation and that there are no excessive salaries. Directors are paid \$2,500 per year, the chairman's salary is \$15,000 per year and the president's is \$40,000 per year.

Mr. Snyder concluded by saying that Western has a high caliber of directors, management, staff and miners, a good operating record and an aggressive exploration program and that the directors seek and deserve the support of shareholders in the proxy battle.

PROPERTY FILE

92F071-03



WESTERN MINES LIMITED

+ New President Concentrates on Development and Acquisition Opportunities and Switches Exploration Policy to Internal Generation.

H.R. Snyder, recently appointed president of Western Mines Limited, is most concerned about the company's ability to maintain a positive source of cash flow from the Buttle Lake operation on Vancouver Island where escalating costs and high tax and royalty payments are eating into profits and are threatening long-term viability of the operation.

At present, corporate priority is to locate an additional source of earnings and cash flow. The company is investigating acquisition and development opportunities in coal in the U.S.A. and in base metals in the U.S.A. and in Canada outside British Columbia. Mr. Snyder has spent considerable time in the U.S.A. over the past three years, particularly in the Appalachian coal fields, and hopes to build an active operating unit for Western around experienced American coal operators. He believes that Western has one of the finest small mine operating teams in Canada today with a number of young men in key positions. He believes these men have a significant contribution to make to new projects and would like to see these talents put to use.

For the longer term, the president is changing the emphasis in exploration policy followed by the company from one of largely following up on exploration projects offered to Western by others to a policy of initiating and generating the company's own products. This will result in Western obtaining increased leverage on its exploration dollar, instead of having others lever their exploration funds against the Western treasury. The exploration staff have particular experience in Kuroko deposits, other volcanogenic massive sulphide deposits and in zinc in carbonates. It is the use of these talents and qualifications that the future exploration policy will be slanted toward. The president said Western will frame a policy which will be built upon these internal corporate and personnel capabilities.

He detailed a number of projects which will be pursued in the 1975 season. The overall exploration budget for the year is \$800,000 minimum and \$1,000,000 the approximate upper limit. Mr. Snyder was careful to point out however that the budget is, within reason, open-ended to success.

In the Tule oil field, Montana, on the edge of the Williston Basin, Western can earn 58% interest in three wells at a cost to Western of approximately \$360,000. Other participants are Husky Oil 10% and Summit Resources, the operator, 25%. If this program is successful it is possible that Western will extend its exposure in oil/gas exploration - however, the principal thrust will be toward hard rock exploration.

At Big Trout Lake, north of Pickle Lake, northern Ontario, in a 50% joint venture with Great Plains Petroleum, Western has a minimum \$60,000 budget for 1975. The program is to test, by a minimum of 2,000 feet of diamond drilling, a number of geophysical targets in favorable geological formations. These targets were located by an airborne program and confirmed by ground follow-up geophysical surveys. The target is massive Sulphide deposits of copper and zinc.

In the Mount Freegold area, 35 miles west of Carmacks, Yukon, Western Mines holds an option on a net 54% interest in a 112-claim block upon which a large strong copper-molybdenum anomaly has been located by detailed soil sampling in a favorable geological environment.

- Continued on page three -

92F072-71

WESTERN MINES LIMITED

<u>Quarter Ended March 31</u>	<u>1975</u>	<u>1974</u>
Revenue from Concentrates	\$3,595,060	\$5,285,920
Operating Costs-Production	1,870,861	1,726,990
Administration	287,286	193,041
Depreciation and Amortiz.	433,699	295,882
Exploration	386,333	191,719
Interest -Other Income	(256,478)	(125,841)
Earnings Before Taxes	873,359	3,004,129
B.C. Taxes: Royalties	275,680	500,000
Mining Taxes	117,049	310,000
Corporate Income tax	117,049	290,000
Canada Corp. Income Taxes	294,015	690,000
Net Earnings	\$ 69,566	\$ 1,214,129
Earnings Per Share	1¢	23¢
Tons Milled	76,307	77,614
Ore Grade: Copper	1.17%	1.39%
Zinc	7.45%	8.81%
Lead	1.41%	1.62%

H.R. Snyder, president of Western Mines Limited, has reported that the effective tax rate in 1975 is 93% of earnings before taxes. The 1974 figures for income and royalties have been recalculated in accordance with the proposed tax laws in effect at the end of the year.

Mine production in tons was down slightly but in lateral and vertical development results were down to 1,916 feet lateral and 796 feet vertical compared to 2,777 feet and 1,293 feet in like quarter in 1974, reflecting the company's policy to restrict development directed towards ore already discovered pending an improvement in the tax situation in B.C.

Work on the Blue Jay property in Nevada has been suspended pending evaluation of all data acquired thus far on the property. 2,000 feet of drilling has been completed on the Big Trout project in Northern Ontario but results are not yet to hand. Drilling will commence on the Mount Freegold property, Yukon, in May of this year. A substantial block of ground has been staked and a major program is being prepared on a lead-zinc target in the N.W.T.

92F072

The annual meeting of Western Mines will be held at 11:00 a.m., May 28, Vancouver Hotel.

WESTMINED

✓ **GREAT SLAVE REEF PROJECT** - Phase III of the Great Slave Reef project, a joint venture between Western Mines Limited and DuPont of Canada Exploration Limited, has only just commenced and results obtained to date have indicated the presence of at least one zone of mineralization which has the potential to yield a production decision. The Western Mines Ltd. annual report states that the phase III of the project is to consist of fill-in drilling at 100 -200 foot centres to test the disposition, grade and extent of an ore occurrence indicated by significant intersections obtained in the phase II of the program.

The Western Mines annual report states, "Some 70,000,000 tons of ore grading 10% combined lead-zinc have been discovered on Pine Point Mines Limited's property in the N.W.T. This ore is located in dolomitized reefal structures which are coincident with fracture or hinge zones over a 25 mile strike length."

Western and DuPont staked 2,631 claims covering 26 miles of strike length covering the western extension of the Pine Point lead-zinc district. The favourable horizon on the Western-DuPont claims is projected at 550 to 900 feet below surface, beyond the limit of geophysical detection. The report explains that an intersection of 16 feet percent (eg. 8 ft. of rock assaying 2% metal) or more is regarded as significant and may indicate proximity to a major ore occurrence. To March 31, 1976, of the 40 holes drilled, nine had encountered significant mineralization, any of which could be located near a major ore occurrence.

The report continues, "it is probable that three parallel hinge zones occur and, if this is the case, a strike length of some 78 miles of favorable ground is available for evaluation. The current program has partially evaluated some 4 miles of the Main Hinge Zone, which is about 5% of the possible ore bearing ground. Future work will involve Phase III drilling of the mineralized centres now identified in the Main Hinge Zone and Phase I and Phase II drilling to evaluate the unexplored mineralized trends.

"Results to date have been exceptionally encouraging and an aggressive exploration program will be maintained on this ground. The 200 square miles now acquired by Western-DuPont on the Western extension of the Pine Point lead-zinc district provides excellent exploration potential for any operation which may be established in the area by the partners."

About the mine at Buttle Lake the president of Western Mines Ltd. Hugh R. Snyder, says the trend is to higher costs as the percentage of ore mined from underground now approaches 85%, up from 39% in 1970. Since the ore reserve position remains strong, future profitability will depend principally on metal prices and the ability to contain costs. Directors have approved an increase in mine development and exploration expenditures from \$2.27 per ton milled in 1975 to \$3.43 per ton in 1976.

Proven ore reserves are reported as at Jan. 1, 1976, as 1,731,300 tons grading 0.09 oz. gold per ton, 4.2 oz. silver per ton, 1.2% copper, 1.2% lead, 7.9% zinc. In addition, there are 127,600 tons of possible ore reported.

The annual meeting will be held at 11:00 a.m., June 1, 1976, in the Devonshire Hotel, Vancouver. Financial results in 1975 were reviewed in GCNL 41(76).

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