

802167



## Annual Report to the Shareholders

---

There are a number of operating, financial and exploratory events that occurred during 1978 that have had a significant impact not only upon the Company's earnings for the year 1978, but also upon the potential for increased earnings in future years and the ultimate life of the Company. These are not in any order of priority:

1. The introduction of the mine incentive bonus plan at the Buttle Lake mine which is designed to encourage the continued high level of efficiency attained in both mine and mill.
2. The fourth quarter upward trend in metal prices.
3. The renegotiation in September of the smelter contracts.
4. The more favourable exchange rate.
5. The late December discovery of a new mineralized zone on the Great Slave Reef property at Pine Point in the N.W.T.
6. The successful negotiation of an option on the former Big Missouri mine at Stewart, B.C., from Tournigan Mining Explorations Ltd., as announced on January 5, 1979.
7. The announcement by a competitor company of a major discovery of a uranium deposit in the vicinity of our extensive land holdings in the Dubawnt area.

1978 earnings before the extraordinary item, recovery of income taxes, are \$4,090,132, up from \$746,142 in 1977. After including the extraordinary gains from utilizing prior years' losses of a subsidiary company, the 1978 net profit is \$4,244,132, or 79 cents per share, compared to 1977 net profit of \$976,142 or 18 cents per share. Cash flow from operations rose to \$5,140,548 or 95 cents per share compared to \$2,207,831 or 41 cents per share in 1977. After payment of a dividend of \$538,664, 10 cents per share, and after accounting for other cash receipts and disbursements, working capital increased by \$4,652,452 and now stands at \$18,056,458.

This substantial increase in net earnings and consequent increase in working capital will prove most beneficial in financing the acquisition of a new mining property for which the Company has been searching in order to ensure continuity for the Company after exhaustion of the ore reserves at the Buttle Lake mine. The additional working capital permits the Company to compete in situations which might otherwise not become available to Western Mines.

The total tons milled and the daily rate at the Buttle Lake mine remained essentially the same for 1978 as for 1977. The net loss in ore reserves during the year 1978 was 186,960 tons. Remaining ore reserves on January 1, 1979, totalled 1,272,940 tons compared to 1,459,900 tons on January 1, 1978.



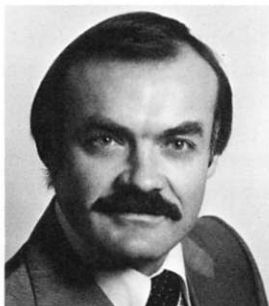
**DR. G. M. FURNIVAL**

The net smelter return for the year 1978 is \$19,604,605, an increase of \$4,644,908, or 31%, over the 1977 net smelter return of \$14,959,697. Though increased metal prices were a factor in the latter part of the year, even greater benefit was derived from those increased prices because of the renegotiated smelter contracts. Also, in the case of one contract a retroactive adjustment was made.

It is worthy of note here that the mill at Buttle Lake achieved the very high rate of efficiency of 99.1% whilst maintaining its high rates of metallurgical recovery at 81.2% for copper, 80.1% for lead and 83.3% for zinc. Average daily throughput was 947 tons. Two-thirds of the ore milled came from the Lynx mine.

The most serious problem affecting future operations and revenue from the Buttle Lake mine is that of declining ore reserves. As a determined effort to reverse this trend, a special task force was organized and became operative at the mine in the latter part of 1978. This group comprising three to four geologists headed up by Richard Walker was established as a separate entity at the mine under the immediate direction of the Vice-President, Exploration, to conduct a comprehensive two-year program of detailed geological mapping and study.

Another area to which the staff has been addressing special efforts is the acquisition of another mining property that could provide a source of funds when the Buttle Lake mine is eventually exhausted. In order to expedite and co-ordinate this activity, Mr. Bruce K. McKnight was appointed Manager of Corporate Planning and Development, on December 1, 1978. He reports directly to the President. In addition to degrees in geological engineering, Mr. McKnight has partially completed studies for the degree of Master of Business Administration at the University of Toronto.



**B. K. McKNIGHT**

Mr. Pat R. Heenan was promoted to Manager of Exploration, Eastern Region, replacing Mr. McKnight, in charge of the Toronto office as of December 1, 1978. Mr. Heenan, formerly District Manager with Brascan Resources Limited, became an employee of Western Mines in mid-1976.

During 1978, \$1,576,000 was expended on outside exploration. This amount in large part represents Western Mines' share of a total expenditure on outside exploration of \$3,457,000 through numerous joint ventures in which Western Mines participated. More than one-third of the total expenditures was devoted to exploration for uranium, in which the Central Electricity Generating Board Exploration (Canada) Ltd., participates to the extent of 30%. Mention has already been made of the sharply enhanced value of the Company's 850,000 acres of prospective mineral rights that it holds in the Dubawnt area near Baker Lake resulting from the very important discovery of uranium that was made in the area and announced in 1978 by another mining company. The initial discovery has subsequently been confirmed by some 40 diamond drill holes. The announcement set off an immediate staking rush by competitor companies in the vicinity of our holdings. As a result, a decision was made by your Executive Committee to continue exploration of these lands without further farm outs at this time. At the Great Slave Reef property at Pine Point, N.W.T., our exploration staff made an interesting discovery in late December. Diamond drill hole 331 penetrated 125 feet assaying 12.45% combined lead and zinc. Subsequent drilling encountered significant amounts of lead and zinc sulphides in six additional holes. The new zone is designated R-190 and lies 14,000 feet west of the previously outlined X-25 zone. Drilling is continuing with three drills.

Because of the decision not to farm out our Dubawnt holdings, the new ore zone discovered at Great Slave Reef, successful negotiation of the option of the Tournigan

property at Stewart, and other projects which will be reviewed by the Vice-President, Exploration, the budget for outside exploration has been approximately doubled for Western Mines' share in 1979 over 1978. Significant tax benefits will be derived from these expenditures.

As a recognition of his past contributions to the Company's exploratory activities, particularly in the field of uranium, and to provide full scope for his conceptual capabilities, Dr. R. H. McMillan was appointed Chief Geologist for Western Mines on December 1, 1978. In this position, there is no doubt that Dr. McMillan will prove to be a very stimulating factor to all of us in the Company who are directly concerned with the success of the Company's exploratory efforts.

Looking ahead, we can only be optimistic. With the continued higher levels of metal prices, we have managed to get off to a good start in 1979 with earnings to date in excess of the plan. If the recession predicted in the United States for the second half of 1979 proves not too serious, inflation is contained and the world turmoil settles down, we should see a gradual improvement in the economies of the principal trading nations in the 1980's that could lead to the firming and eventual increasing of metal prices which in turn would be reflected in improved earnings for Western Mines Limited.

In July 1978, Mr. Hugh Snyder tendered his resignation as President and Chief Executive Officer to take a top executive position with another mining company. On behalf of all shareholders of Western Mines Limited, we thank him for the leadership and service he provided this Company during its period of crisis in 1975 and since, and we wish him well in his new responsibilities.

In addition to Mr. Snyder's resignation from the Board, other resignations include Mr. J. P. Zachary who was replaced in February by Mr. P. M. Marshall, President of Brascan Resources Limited, and Mr. E. C. Freeman-Attwood who was replaced in April by Mr. W. R. Miller, Vice-President Finance for Brascan Limited.

On Behalf of the Board

**Dr. G. M. Furnival**  
President

Vancouver, B.C.  
March 2, 1979

# 1978 Financial Report

Consolidated net earnings after extraordinary items amounted to \$4,244,132 which is the second best result since operations commenced in 1967. This reflects a dramatic turn around of economic conditions existing at the commencement of 1978. At that time cost cutting measures were instituted and budgeting prepared on the basis of a breakeven result. Factors that contributed to this favourable performance are as follows:

1. The further depreciation of the Canadian dollar in relation to the U.S. dollar.
2. Improved metal prices: (U.S. funds)
 

	Beginning of Year	End of Year
Copper	\$ .57	\$ .69
Zinc	.31	.35
Lead	.32	.37
Gold	159.00	224.00
Silver	4.66	5.87
Cadmium	2.25	2.25
3. Improved smelter contract terms.
4. Reducing development costs below the 1977 levels while maintaining the same level of production.
5. Reimbursement of 1977 exploration costs from a joint venture participant.

The working capital position of the Company at the beginning of the year was \$13,404,006. This was improved by cash flow from operations and supplemented by \$35,495 proceeds of property, plant and equipment sales; \$123,966 realized on investments; \$66,803 as proceeds from stock option payments and \$154,000 reduction of income taxes by utilizing prior years' losses. Working capital was reduced by

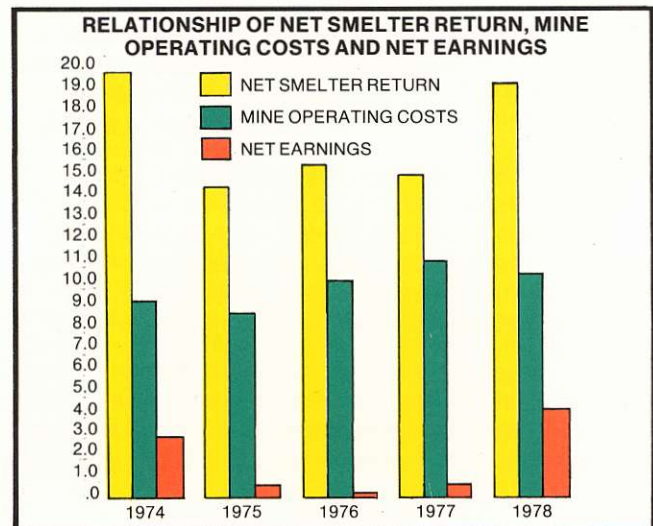
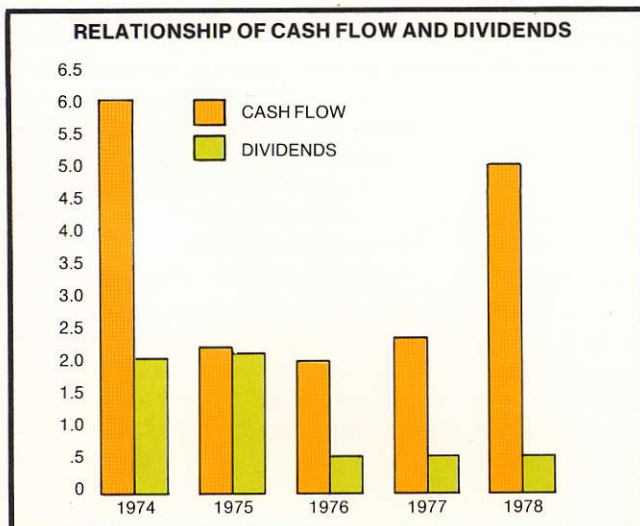
\$538,664 for dividends, \$100,000 for investments and \$229,696 for property, plant, and equipment additions, resulting in a working capital balance of \$18,056,458 at year end.

The Company receives the majority of smelter payments in U.S. funds and throughout the year only amounts necessary to meet ongoing expenses were converted to Canadian dollars. The surplus funds are thus available for investment. If the appropriate situation appears, these could be invested in the United States, but if none materializes, the funds will be converted to Canadian dollars when the economic trends indicate there is a strengthening of the Canadian dollar or when an investment opportunity arises in Canada.

The Company follows the accounting policy of recording revenue at the estimated net realizable value prevailing each month since production is sold under long term smelter contracts. For income tax purposes the cost method is used in valuing concentrate inventories. In 1978 the difference in valuation is significant and the income taxes which have been provided for in the accounts will not become payable until such time as inventory levels are lower. As these deferred taxes relate to a current asset, a separate category called current-deferred income taxes has been shown on the Statement of Earnings and the liability included in current liabilities rather than the usual long term liability classification.



R. O. Hampton  
Secretary-Treasurer



# Operations



## Production

Tonnage milled during 1978 was 296,560 which was virtually identical to the 1977 figure of 296,598. The source of feed was 64% from the Lynx mine and 36% from the Myra workings as compared to the 1977 production of 55% and 45% respectively. The concentrator operated 313 days the same as the previous year. Mill recoveries were improved except for lead which was marginally lower. The head grade for copper and zinc improved with a larger share of production coming from the "G" zone. As expected the overall silver grade was somewhat lower at 4.08 ounces per ton compared to the previous year of 4.29 ounces. Concentrate tonnages produced were copper 11,373 (9,753), lead 7,464 (7,249) and zinc 40,012 (35,147).

The Lynx lower "G" zone became increasingly active during the year. Nine stopes are now operating in the area and four are in various stages of development. Two "S" zone stopes are expected to start production early in 1979.

## Operating Costs

A reduction in development work due to economic conditions in the early part of the year resulted in operating costs reducing to \$36.24 per ton compared to the 1977 level of \$36.97. Development costs for the year were \$1.34 per ton lower but inflationary factors in other costs showed an increase of \$0.61 which is a satisfactory level compared to the Consumer Price Index rise in 1978. Normal weather conditions enabled the hydro power plant to generate 74% of the mine's electrical requirements.

At year end there were 247 employees at the Buttle Lake site. The rate of labour turnover was lower than 1977 with a resulting improvement in mine efficiencies.

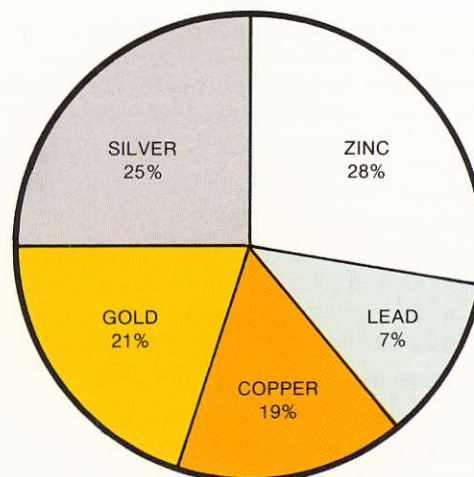
## Ore Reserves and Development

There were 109,600 tons of new ore found at the Lynx and Myra Mines in 1978 which resulted in a net decline in reserves of 186,960 tons. Proven ore reserves as at January 1, 1979 were:

	Tons	Gold oz./ton	Silver oz./ton	Copper %	Lead %	Zinc %
Lynx	944,240	0.08	2.8	1.4	1.0	8.4
Myra	328,700	0.11	6.6	0.8	1.7	6.9
<b>Total</b>	<b>1,272,940</b>	<b>0.09</b>	<b>3.8</b>	<b>1.2</b>	<b>1.2</b>	<b>8.0</b>

Proven ore reserves as of January 1, 1978 were:

1,459,900	0.08	3.7	1.1	1.1	7.5
-----------	------	-----	-----	-----	-----



**1978 VALUE OF METALS  
IN NET SMELTER RETURN**

Underground diamond drilling of 44,637 feet served to outline "S" zone ore near the south wall contact from 12 level and, to a lesser degree, from 10 level. About 15% of the footage tested the westerly extension of "G" zone from 15 level with negative results.

The sections drilled from 12 level for "S" zone were of better than average potential and added 250 tons of ore to the reserves for every foot of drift advance. 1979 drifting will again be concentrated on 12 and 14 levels to the west for "S" zone ore definition drilling.

## Environmental Control

Monitoring of the tailings discharge, lake water and fish throughout the year continue to indicate no detrimental effects on the quality of Buttle Lake.

G. I. Dziny  
Manager of Operations

## Outside Exploration

---

Outside exploration expenditures by Western Mines in 1978 totalled \$1,576,000. An additional \$1,881,000 was contributed by joint venture participants exposing Western to a total of \$3,457,000 in exploration expenditures.

Exploration was directed towards the search for lead-zinc in carbonates, uranium, massive sulphides, porphyry molybdenum, and precious metal deposits. Twenty-six properties were actively explored in 1978, ten of which were drilled.

### **GREAT SLAVE REEF / WEST REEF PROJECTS**

#### **Northwest Territories**

The Great Slave Reef and West Reef projects, which lie immediately west of the Pine Point property south of Great Slave Lake, provided continued success in 1978. Western Mines as manager of the projects enjoys the enthusiastic support of its co-venturers, Du Pont of Canada Exploration Limited and Philipp Brothers (Canada) Ltd.

Late in 1978 follow-up drilling around a narrow intercept of lead-zinc in drill hole 190 resulted in the discovery of a significant zone of lead-zinc mineralization which has been designated the R-190 Zone. Preliminary calculations indicate the zone contains approximately 1,400,000 tons grading 6.2% Pb and 11.9% Zn. Additional drilling will be required to substantiate this estimate.

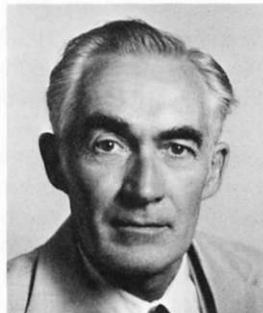
Diamond drilling in 1978 totalled 61,864 feet on both properties. In addition, approximately 100 line miles of I.P. surveys defined several anomalies, some of which were tested with diamond drilling.

A pump test was completed on the X-25 Zone to determine the dewatering and recharge characteristics of the zone. Analysis of the results of this test are continuing.

The approved 1979 program calls for 60,000 feet of diamond drilling and additional I.P. surveys.

#### **URANIUM JOINT VENTURE**

During 1978 the Uranium Joint Venture between Western Mines and Central Electricity Generating Board Exploration (Canada) Limited (C.E.G.B.) of the United Kingdom explored 17 uranium properties in Saskatchewan, Northwest Territories, Ontario and New Brunswick. All require additional exploration in 1979.



**P.R. HEENAN**

#### **Dubawnt, Northwest Territories**

The Dubawnt project, which controls over 800,000 acres northwest of Baker Lake in the Northwest Territories, has been continually hampered by government restrictions preventing access during most of the favourable field season. In spite of these restrictions, a combined airborne electromagnetic, magnetic, and radiometric survey was completed over the northeastern one-third of the property to establish the geophysical characteristics of known uranium-bearing areas.

In addition to the airborne survey, ground geological, geochemical and radiometric surveys were completed.

The 1979 program will include completion of the airborne surveys over the remainder of the area and will be accompanied by detailed geological and geochemical studies.

#### **Costigan, Saskatchewan**

The Costigan property, which is immediately south of the Key Lake property is being explored under a joint venture agreement between Western Mines, C.E.G.B., Scurry-Rainbow Oil Limited (manager), and the Saskatchewan Mining Development Corporation (S.M.D.C.). Diamond drilling of geophysical and geochemical targets in 1978 failed to intersect significant mineralization. However, narrow bands of low-grade uranium mineralization were encountered in some holes on the north part of the property which may require additional follow-up. Additional ground surveys and diamond drilling are planned for 1979.



**R. H. McMILLAN**

#### **Westgate, Saskatchewan**

The Westgate property straddles the Athabasca unconformity on the south rim of the Athabasca Basin. The property is being explored jointly by Western Mines, C.E.G.B., S.M.D.C., and Denison Mines. Airborne and ground electro-magnetic surveys in 1978 defined several anomalies, some of which coincide with geochemical anomalies. Preliminary diamond drilling of these anomalous areas failed to intersect significant uranium mineralization although weak radioactivity was intercepted in one hole. Additional drilling is planned for 1979.

#### **Bancroft, Ontario**

The Bancroft property is underlain by metasedimentary, paragneissic, and intrusive rocks which correlate with those hosting the uranium deposits at the producing Madawaska uranium mine two miles to the southeast. Airborne and ground surveys in 1977 and 1978 defined several radioactive zones requiring additional exploration. Trenching in 1977 and 1978 confirmed the presence of uranium in these zones and led to a preliminary diamond drilling (12 holes) evaluation in 1978. Several holes intercepted uranium mineralization over narrow widths. Additional drilling in 1979 is designed to further define the continuity of mineralized zones.

#### **MASSIVE SULPHIDES**

The search for massive sulphides continued in British Columbia, Yukon Territory and Ontario. Two projects require comment:

#### **Price Creek, British Columbia**

The Price Creek property is an extension of the favourable geology which hosts the Lynx and Myra ore bodies at Buttle Lake. Detailed geological studies initiated in 1978 have provided a framework for geological correlation with the Lynx and Myra areas. Diamond drilling of an area around hole PR-7, which intersected a narrow section of high-grade gold-silver-zinc, partially defined a small zone of mineralization. Part of the funds for this project were provided by the British Columbia Ministry of Mines and Petroleum Resources under the Accelerated Mineral Exploration assistance program.

#### **Tenas Creek, Yukon Territory**

The Tenas Creek joint venture, which is managed by Du Pont of Canada Exploration Limited, controls a 28 mile belt of metasedimentary and metavolcanic rocks near Ross River which have been correlated with the host rocks of the Anvil-Vangorda massive sulphide deposits. Gravity and electromagnetic surveys defined several anomalous zones which will be tested with diamond drilling in 1979. Drilling in 1978, which was confined to an optioned claim block, failed to intersect significant sulphide mineralization.

#### **PRECIOUS METALS**

##### **Big Missouri, British Columbia**

Late in 1978, Western Mines signed an agreement with Tournigan Mining Explorations Ltd. whereby Western can earn an interest in the Big Missouri property in return for exploration expenditures on the property and by the purchase of Tournigan shares. The property is about 17 miles north of Stewart near the former Silbak Premier gold-silver mine and incorporates many gold-silver-base metal showings which require additional testing. Exploration in 1979 will centre largely on integrated geological studies to define drill targets for 1980.

A. E. Soregaroli  
Vice-President, Exploration

# Consolidated Balance Sheet as at December 31, 1978

## ASSETS

	1978 \$	1977 \$
<b>Current Assets</b>		
Cash and short-term investments, at cost which approximates market value .....	13,204,892	8,051,634
Concentrate settlements and other accounts receivable .....	2,887,610	978,395
Inventories		
Concentrates, at estimated net realizable value.....	5,559,252	4,708,515
Materials and supplies, at cost .....	931,533	840,170
Prepaid expenses.....	107,422	111,041
	<u>22,690,709</u>	<u>14,689,755</u>
<b>Investments</b> — at cost or written-down value.....	366,167	390,133
<b>Property, Plant and Equipment</b> (note 2) .....	5,056,599	6,009,811
<b>Deferred Development</b> — at cost less amortization (note 3).....	20,880	64,883
	<u>28,134,355</u>	<u>21,154,582</u>

Approved by the Directors

G. M. FURNIVAL, Director

J. A. McLALLEN, Director





## LIABILITIES

	1978	1977
	\$	\$
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities.....	1,189,503	1,092,242
Income and mineral resource taxes payable.....	3,444,748	193,507
	<u>4,634,251</u>	<u>1,285,749</u>
<b>Deferred Income and Mineral Resource Taxes.....</b>	<b>1,295,442</b>	<b>1,436,442</b>
	<u>5,929,693</u>	<u>2,722,191</u>

## SHAREHOLDERS' EQUITY

<b>Share Capital (note 4)</b>		
Authorized —		
12,000,000 common shares of no par value		
Issued and fully paid —		
5,386,638 shares (1977 — 5,354,788 shares) .....	9,232,441	9,165,638
<b>Earnings Reinvested in the Business.....</b>	<b>12,972,221</b>	<b>9,266,753</b>
	<u>22,204,662</u>	<u>18,432,391</u>
	<u>28,134,355</u>	<u>21,154,582</u>

## Consolidated Statement of Earnings for the year ended December 31, 1978

	1978 \$	1977 \$
<b>Revenue From Concentrates Produced</b> .....	<b>19,604,605</b>	<b>14,959,697</b>
<b>Operating Costs</b>		
Production .....	10,747,791	10,966,098
Administrative office .....	525,781	416,742
Depreciation and amortization .....	1,181,582	1,626,659
	<u>12,455,154</u>	<u>13,009,499</u>
<b>Operating Earnings</b> .....	<b>7,149,451</b>	<b>1,950,198</b>
<b>Other Expense (Income)</b>		
Exploration and property costs .....	1,575,967	2,129,081
Loss on disposal of property, plant and equipment .....	9,834	5,030
Interest earned on short-term investments .....	(891,266)	(509,946)
Currency translation adjustments .....	(502,448)	(641,760)
Other income (note 5) .....	(425,768)	(40,349)
	<u>(233,681)</u>	<u>942,056</u>
<b>Earnings Before Taxes and Extraordinary Item</b> .....	<b>7,383,132</b>	<b>1,008,142</b>
<b>Income and Mineral Resource Taxes</b>		
Current .....	2,008,000	432,000
Deferred — current .....	1,426,000	
— long-term .....	(141,000)	(170,000)
	<u>3,293,000</u>	<u>262,000</u>
<b>Net Earnings Before Extraordinary Item</b> .....	<b>4,090,132</b>	<b>746,142</b>
<b>Recovery of Income Taxes on Application of Prior Years' Losses</b> (note 6) .....	<b>154,000</b>	<b>230,000</b>
<b>Net Earnings for the Year</b> .....	<b>4,244,132</b>	<b>976,142</b>
<b>Earning per Share</b>		
Before extraordinary item .....	76¢	14¢
Net earnings for the year .....	<u>79¢</u>	<u>18¢</u>

## Consolidated Statement of Earnings Reinvested in the Business

for the year ended December 31, 1978

	1978 \$	1977 \$
<b>Beginning of Year</b> .....	<b>9,266,753</b>	<b>8,826,090</b>
Net earnings for the year .....	4,244,132	976,142
	<u>13,510,885</u>	<u>9,802,232</u>
Dividends — 10¢ per share in 1978 (10¢ in 1977) .....	538,664	535,479
<b>End of Year</b> .....	<b>12,972,221</b>	<b>9,266,753</b>

# Consolidated Statement of Changes in Financial Position

for the year ended December 31, 1978



	1978 \$	1977 \$
<b>Source of Working Capital</b>		
Net earnings before extraordinary item.....	4,090,132	746,142
Add: Items not affecting working capital		
Depreciation and amortization .....	1,181,582	1,626,659
Loss on disposal of property, plant and equipment.....	9,834	5,030
Deferred income and mineral resource taxes .....	(141,000)	(170,000)
From operations .....	5,140,548	2,207,831
Extraordinary recovery of income taxes.....	154,000	230,000
Proceeds on disposal of property, plant and equipment .....	35,495	26,300
Repayment of investments .....	123,966	33,934
Share capital issued .....	66,803	48,811
	<u>5,520,812</u>	<u>2,546,876</u>
<b>Use of Working Capital</b>		
Dividends .....	538,664	535,479
Investments.....	100,000	
Property, plant and equipment additions .....	229,696	552,410
	<u>868,360</u>	<u>1,087,889</u>
<b>Increase in Working Capital .....</b>	<b>4,652,452</b>	<b>1,458,987</b>
<b>Working Capital — Beginning of Year .....</b>	<b>13,404,006</b>	<b>11,945,019</b>
<b>Working Capital — End of Year .....</b>	<b>18,056,458</b>	<b>13,404,006</b>
<b>Working Capital is Represented By:</b>		
Current assets .....	22,690,709	14,689,755
Current liabilities .....	4,634,251	1,285,749
	<u>18,056,458</u>	<u>13,404,006</u>

## Auditors' Report to the Shareholders

We have examined the consolidated balance sheet of Western Mines Limited as at December 31, 1978 and the consolidated statements of earnings, earnings reinvested in the business and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1978 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Vancouver, B.C.  
February 2, 1979

COOPERS & LYBRAND  
Chartered Accountants

# Notes to Consolidated Financial Statements for the year ended December 31, 1978

## 1. SIGNIFICANT ACCOUNTING POLICIES

### (a) Principles of consolidation

These financial statements include the accounts of the company and its wholly-owned active subsidiaries, Western Mines Inc. and Western Coal Holdings Inc., which are engaged in mining exploration activities in the United States.

### (b) Translation of foreign currencies

Current assets and current liabilities in foreign currencies are translated at year-end rates. Non-current assets, related depreciation, and non-current liabilities are translated at the rates applicable at the time of the relevant transactions. Revenues and expenses, other than depreciation, are at average rates of exchange for the year which approximate the rates applicable at the date of the respective transactions. Exchange adjustments are included in the determination of net earnings.

### (c) Concentrate settlements receivable and concentrate inventories

Concentrate settlements receivable are valued at the latest metal prices available less provision for estimated market adjustments, treatment and marketing charges. In accordance with the terms of the sales contract, final settlements are made at prices prevailing at a future date and the amounts eventually received by the company may vary from the amounts shown as concentrate settlements receivable at December 31, 1978.

Concentrate inventories are valued at the metal prices at December 31, 1978, less provision for estimated market adjustments, treatment and marketing charges.

### (d) Depreciation and amortization

Depreciation and amortization of mining properties, plant and equipment are calculated on a basis relating to production and ore reserves. Automotive equipment is depreciated on the same basis or at the rate of 20% of cost on a straight-line basis whichever is greater. Staff housing, located in the Campbell River area, is depreciated at the rate of 5% per annum on a straight-line basis.

### (e) Deferred development

Exploration expenditures including property acquisition costs, contributions to joint ventures,

and related administrative overhead are charged against earnings as incurred. Once economically recoverable reserves have been established, expenditures associated with that project are deferred until production commences.

Deferred development represents the cost of development relating to areas where economically recoverable mineral, oil and gas reserves are established, less amortization. These costs are amortized over the life of the reserves from the time production commences or written off if the project is abandoned.

### (f) Income and mineral resource taxes

The company follows the tax allocation basis of accounting for corporate income and mineral resource taxes. Taxes deferred to future years as a result of claiming for tax purposes amounts different from those recorded in the accounts are charged against current operations and are recorded in the balance sheet as provision for deferred income and mineral resource taxes. Certain deferred taxes relate to current assets and are included with income and mineral resource taxes payable on the balance sheet. The timing differences relate primarily to depreciation, deferred development costs and the valuation of concentrate inventory.

## 2. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment and related accumulated depreciation and amortization are:

	1978		1977	
	Cost	Accumulated depreciation and amortization	Net	Net
	\$	\$	\$	\$
Mining properties	203,903	122,390	81,513	101,913
Plant, roads and equipment	12,904,547	8,166,441	4,738,106	5,635,155
Mine capital development	231,872	145,046	86,826	107,061
Staff housing	310,564	160,410	150,154	165,682
	<u>13,650,886</u>	<u>8,594,287</u>	<u>5,056,599</u>	<u>6,009,811</u>



### 3. DEFERRED DEVELOPMENT

	1978	1977
	\$	\$
Beginning of year	64,883	511,811
Amortization and write-offs during the year	44,003	446,928
End of year	<u>20,880</u>	<u>64,883</u>

### 4. SHARE CAPITAL

- (a) 31,850 shares were issued for cash of \$66,803 under terms of stock option plans available to employees and a consultant. As at December 31, 1978, 50,400 shares remain outstanding under existing stock options, exercisable at varying dates to 1983 at prices ranging from \$1.86 per share to \$3.62 per share.
- (b) The company holds 30,100 shares which were purchased for \$67,603 which have been treated as a reduction of issued share capital pending resale or retirement.

### 5. OTHER INCOME

Pursuant to an agreement dated August 31, 1977, which was ratified on March 8, 1978, the company has been reimbursed for certain exploration project costs in exchange for a 10% interest in the related properties. Included in other income in 1978 is an amount of \$372,000 which represents the reimbursement of project costs expensed in 1977. Amounts applicable to exploration activities in the current year have been netted against exploration and property costs in the statement of earnings.

### 6. EXTRAORDINARY ITEM

Income taxes otherwise exigible for the year have been reduced by the application of previously unrecorded income tax debits relating to the company's United States subsidiary. This reduction has been reflected as an extraordinary item in the statement of earnings.

### 7. COMMITMENTS

Under the terms of various joint venture agreements the company has commitments for the expenditure of \$1,063,000 on drilling and exploration during 1979.

### 8. STATUTORY INFORMATION

During the year ended December 31, 1978, the directors and senior officers of the company were paid aggregate direct remuneration totalling \$357,397 (1977 — \$323,676).

### 9. MINERAL LAND TAX ACT

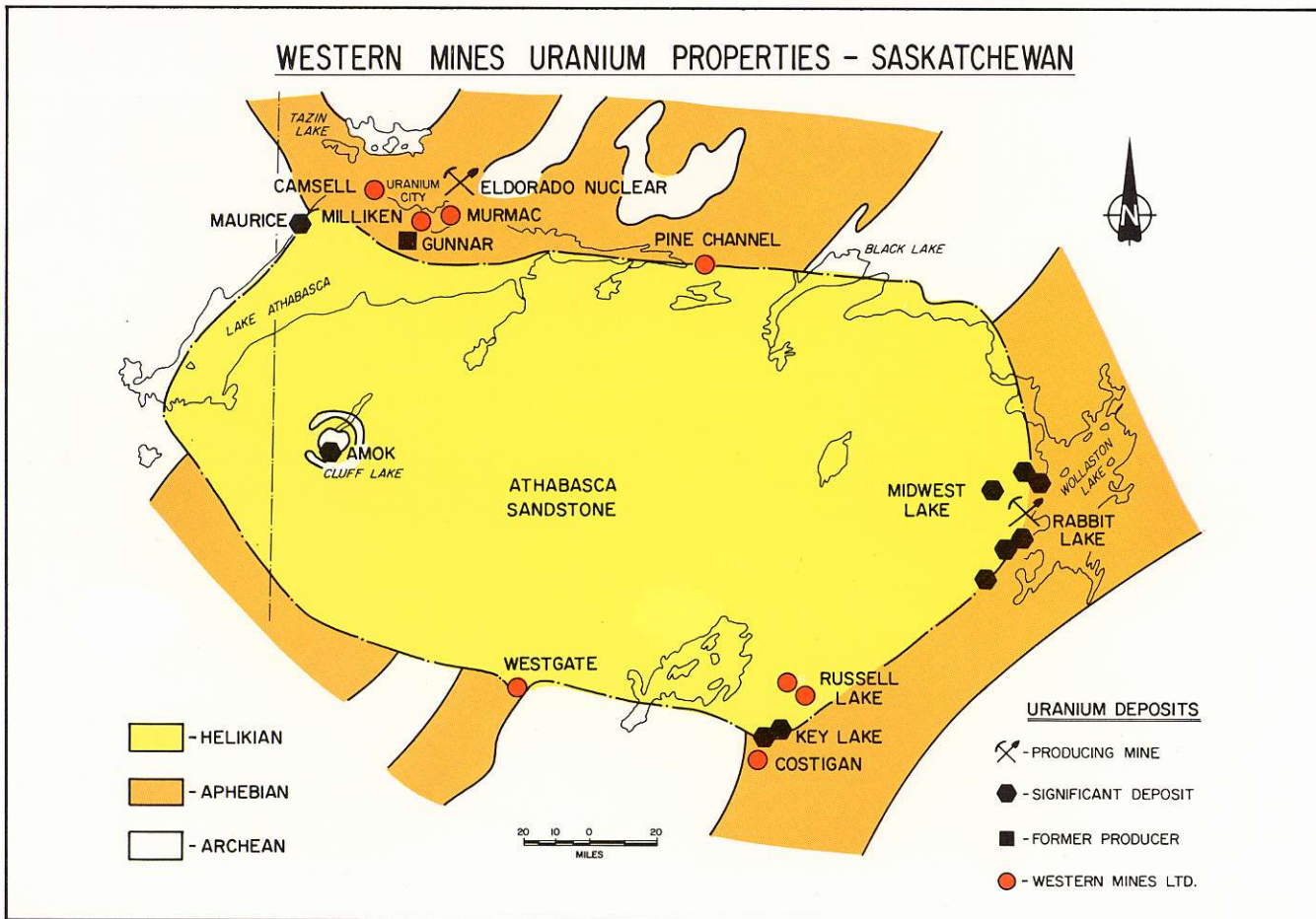
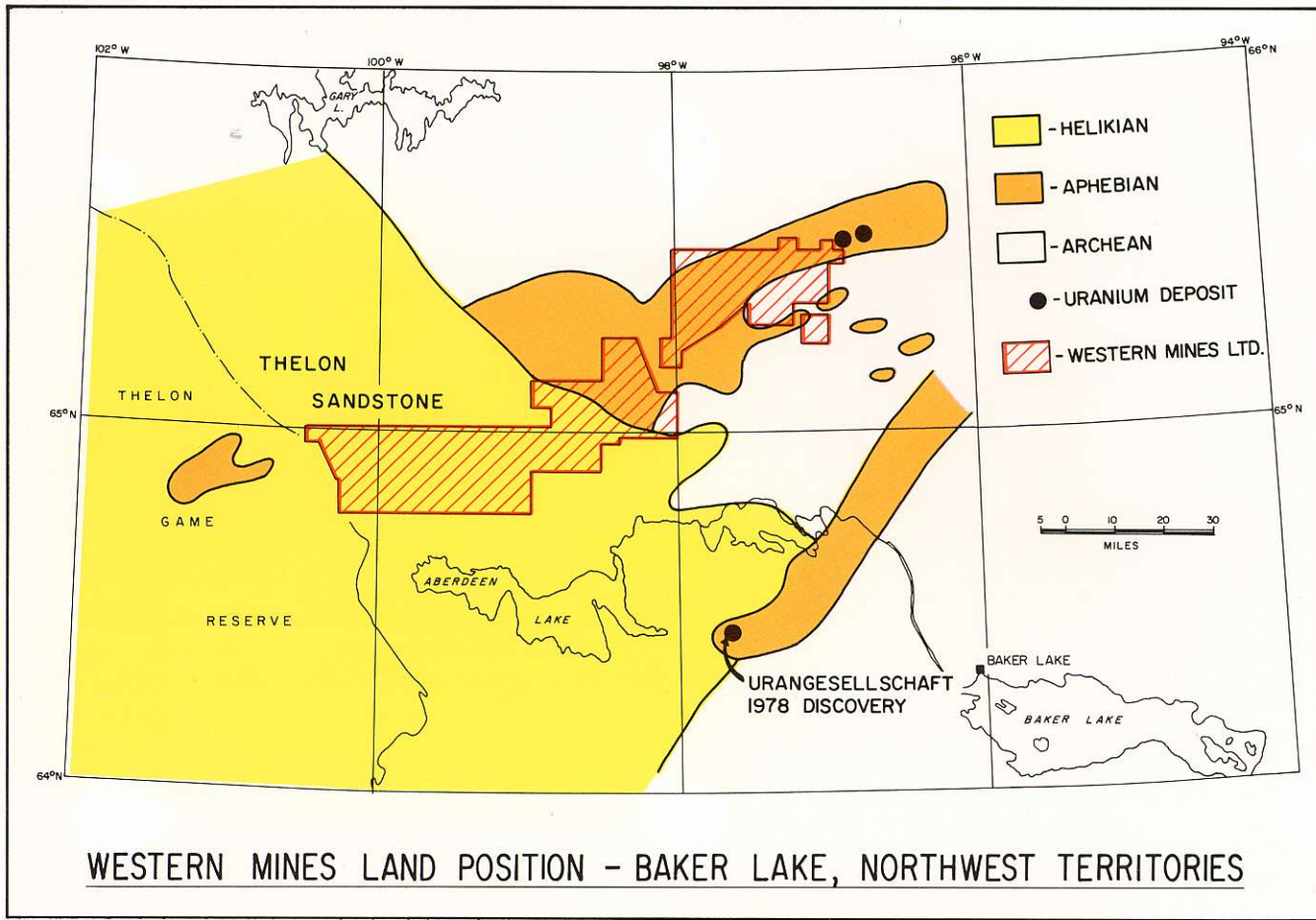
In 1977 the Company commenced an action in the Supreme Court of British Columbia for the return of \$1,370,319 in taxes paid under the Mineral Land Tax Act in respect of the taxation years ended December 31, 1975, and December 31, 1976. In a Decision handed down December 5, 1978, the Supreme Court declared the assessments for those taxation years to be null and void. The Province of British Columbia has appealed that Decision to the British Columbia Court of Appeal. The judgment sum will not be recorded until it is received.

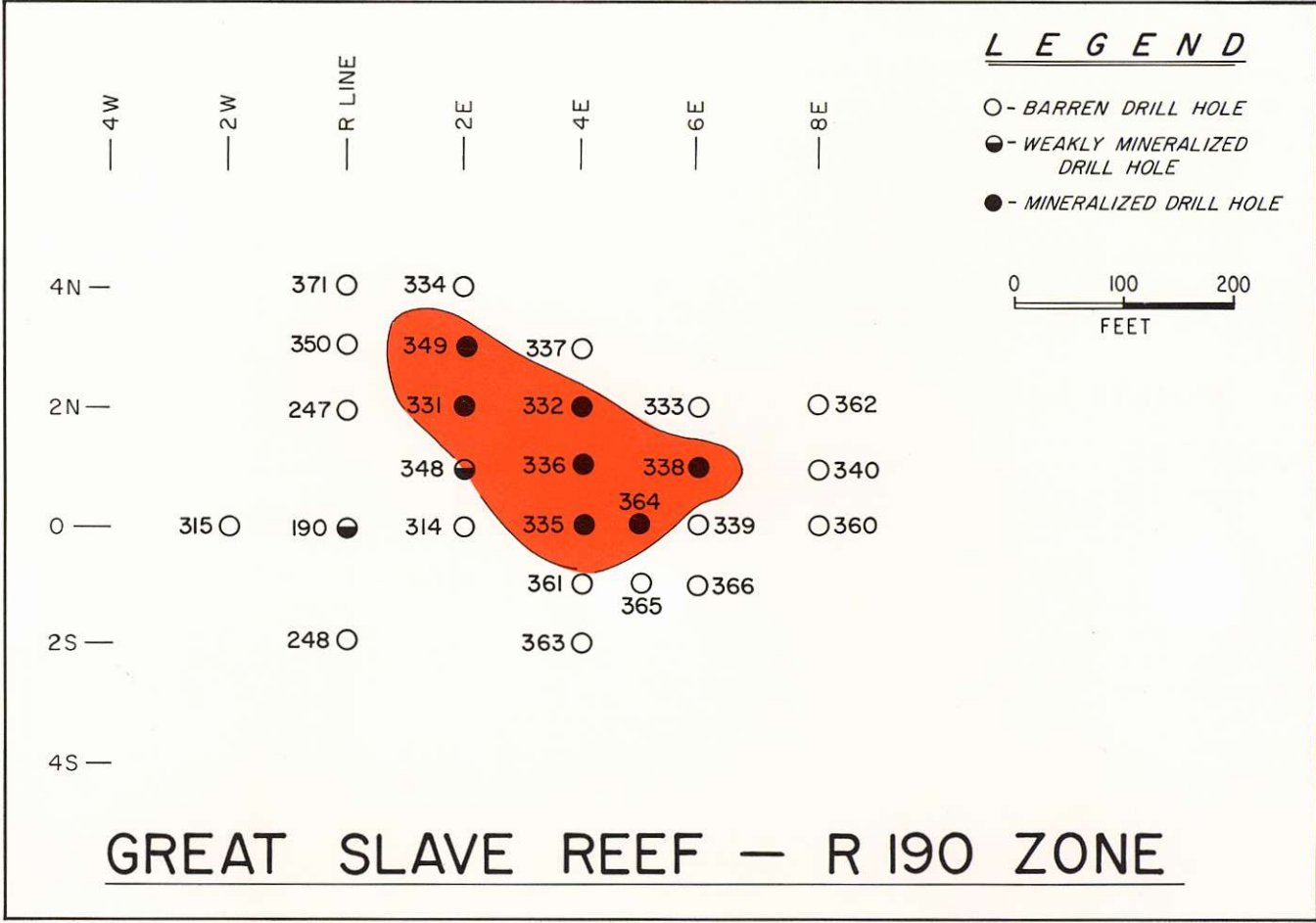
### 10. ANTI-INFLATION ACT

The company is subject to restrictions on prices and profit margins under the terms of the Anti-Inflation Act and Regulations.

### 11. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform to the presentation in the current year.





## Summary of Operations

	Years ended December 31				
	1974	1975	1976	1977	1978
Net smelter return	\$19,843,263	\$14,595,706	\$15,655,679	\$14,959,697	\$19,604,605
Investment and other income	921,477	910,042	503,390	1,192,055	1,819,482
	<u>20,764,740</u>	<u>15,505,748</u>	<u>16,159,069</u>	<u>16,151,752</u>	<u>21,424,087</u>
Operating costs	11,098,791	10,875,938	12,084,394	13,009,499	12,455,154
Exploration	1,273,363	1,544,927	3,034,990	2,129,081	1,575,967
Loss on disposals and write-down of assets	1,019,671	309,709	43,776	5,030	9,834
Taxes	4,550,000	2,111,000	677,000	262,000	3,293,000
	<u>17,941,825</u>	<u>14,841,574</u>	<u>15,840,160</u>	<u>15,405,610</u>	<u>17,333,955</u>
Earnings before extra- ordinary items	2,822,915	664,174	318,909	746,142	4,090,132
Extraordinary items	—	—	—	230,000	154,000
Net Earnings	<u>\$ 2,822,915</u>	<u>\$ 664,174</u>	<u>\$ 318,909</u>	<u>\$ 976,142</u>	<u>\$ 4,244,132</u>
Shares issued	5,181,516	5,213,566	5,328,938	5,354,788	5,386,638
Earnings per share after extraordinary items	54¢	13¢	6¢	18¢	79¢
Cash flow per share	\$1.19	44¢	39¢	41¢	95¢
Dividends per share	40¢	40¢	10¢	10¢	10¢
Production					
— dry tons milled	297,290	287,393	296,846	296,598	296,560
— tons of concentrates					
— copper	10,320	8,877	9,934	9,753	11,373
— zinc	37,346	34,416	35,604	35,147	40,012
— lead	8,648	7,613	7,981	7,249	7,464
Ore reserves proven	1,887,900	1,731,300	1,704,000	1,459,900	1,272,940

### Valuation Day

On December 22, 1971, established as Valuation Day by the Canadian Department of National Revenue, the price of the Company's shares was \$2.55 per share.



# Corporate Information



## OFFICERS

A. William Farmilo, Chairman of the Board  
Paul M. Marshall, Vice-Chairman of the Board  
Dr. George M. Furnival, President and Chief Executive Officer  
Douglas W. Miller, Vice-President  
Dr. Arthur E. Soregaroli, Vice-President, Exploration  
Raymond O. Hampton, Secretary-Treasurer

## MANAGEMENT

### Mine

Gunnar I. Dziny, Manager of Operations  
Edward Sader, Assistant Manager  
Allyn J. Steward, Mine Superintendent  
Albert G. Eccles, Mill Superintendent  
Norman T. McGeachy, Chief Accountant  
George J. Shiels, Plant Superintendent

### Exploration

Bruce E. Spencer, Exploration Manager, Western Canada  
Patrick R. Heenan, Exploration Manager, Eastern Canada  
Dr. Ronald H. McMillan, Chief Geologist

### Head Office

Bruce K. McKnight, Manager, Corporate Planning and Development  
Ross A. Mitchell, Comptroller

## SOLICITORS

Lawrence & Shaw

## AUDITORS

Coopers & Lybrand

## REGISTRAR AND TRANSFER AGENT

Canada Permanent Trust

## BANKER

Bank of Montreal

## SHARES LISTED

Vancouver Stock Exchange  
Toronto Stock Exchange

## DIRECTORS

A. William Farmilo, Toronto†  
Executive Vice-President, Brascan Limited

Dr. George M. Furnival, Vancouver†  
President and Chief Executive Officer

Roger T. Hager, Vancouver  
Retired

John A. McLallen, Vancouver\*  
Director, Bethlehem Copper Corporation

Paul M. Marshall, Calgary†  
President, Brascan Resources Limited

Douglas W. Miller, Calgary†  
Executive Vice-President,  
Brascan Resources Limited

William R. Miller, Toronto\*  
Vice-President, Finance, Brascan Limited

Richard H. Ostrosser, Calgary†  
Vice-President, Brascan Resources Limited

Harold M. Wright, Vancouver\*†  
Chairman, Wright Engineers Limited

†Executive Committee

\*Audit Committee

## COMPANY OFFICES

Head Office and Western Exploration Office  
1103 Three Bentall Centre  
595 Burrard Street  
Vancouver, B.C.  
V7X 1C4

Eastern Exploration Office  
Suite 1414, 390 Bay Street  
Toronto, Ontario  
M5H 2Y2

Mine Office  
P.O. Box 8000  
Campbell River, B.C.  
V9W 5E2

