



Western Mines Ltd. (WMI) \$6 5/8

(Listed, TSE, VSE)

826500

*Special
Orange File*

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WE CONSIDER WESTERN MINES AN INTERESTING SPECULATION FOR PARTICIPATION IN THE CURRENT DRILL PROGRAM ON THE GREAT SLAVE REEF PROSPECT.

An interesting drill play appears to be nicely underway on WMI's Great Slave Reef Project in the Northwest Territories.

CAUTION It must be cautioned that exploration drill plays are usually suitable only for seasoned trading accounts who are familiar with the attendant risks and volatility as well as the fickle nature of speculators who determine supply/demand balances for the equity.

DOWNSIDE RISK A critical characteristic of any speculative situation is the downside risk. In our view, a strong plus for WMI is the good cash position (liquid assets of about \$2 per share) plus the established base metal operation at Buttle Lake, B.C. We crudely but conservatively estimate that the future earnings from Buttle Lake can be discounted back to a present value of say \$2.00 to \$3.00 over the remaining life of proven ore reserves. Based on these assumptions, even if the Great Slave Reef Project is delimited early in the program, the downside risk is reasonably hedged.

GREAT SLAVE REEF PROJECT

In our view, there are numerous plus factors which merit speculator consideration, including:

- * Scope: The favourable geological belt extends for about 26 miles.
- * Regional Geology: The Great Slave Reef is adjacent to the Pine Point operation which has discovered a total of 70 million tons of ore grading 10% combined zinc-lead.
- * Initial Results: The best hole reported to date showed an impressive 114 feet of 17% zinc and 8% lead. Adjacent holes on a 200 foot grid-pattern are confirming the continuity of the mineralization and helping to build the tonnage.
- * Newsworthiness: The immediate drill program will emphasize fill-in drilling on the prime target cited above to facilitate tonnage and grade calculations. This program will likely be completed by mid-July, say.

A broader program of drilling on a regional basis will be resumed this winter (about November) following freeze-up. Two drills will likely be employed. This program will follow up the interesting teasers already encountered as well as continue routine reconnaissance drilling.

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* Logistics. Being adjacent to Pine Point (about 25 miles), infrastructure including rail access, townsite, etc, is largely established. Moreover, operating experience and cost experience at Pine Point can be used as readily available order-of-magnitude estimates for Great Slave Reef.

* Stock Market Climate: It is apparent that economic recovery throughout the industrialized world is well advanced and the protracted bear era has ended. Individual investors are demonstrating a progressive willingness to return to the market. We anticipate that this trend will accelerate in the months ahead, fuelled in part by rising metal prices.

* Sponsorship: WMI has a small but successful producing mine and has a clearly defined objective to get into the big league. DuPont, which is a senior blue chip company, is WMI's joint venture partner in this project. WMI's affiliation with Brascan (i.e. 41% ownership) could prove to be a strong plus, if and when this project reaches the financing stage. We do not anticipate any more equity financing.

* Tax Environment: Being in the NWT, this project is immune from the numerous assaults on the mining industry by Provincial Governments in recent years. The Federal Government is currently reviewing tax rates in the Territories. We anticipate an upward revision in the near future but to a level which will compare favourably with nearly any provincial rate.

Offsetting these plus factors are several potentially adverse factors which should be borne in mind; most importantly including:

- * Unless additional favourable drill results are forthcoming the stock price is likely to settle back into the range of the underlying value.
- * The prime zone (around holes 25 and 71) is probably too deep for open pit mining. However, underground mining has been done successfully on an experimental basis at Pine Point for several years now.
- * WMI holds only 55% net interest (45% DuPont).

Background

Shares o/s, Dec. 31/75	5,213,566 shs
Pro Forma, est.	5,313,566 shs
Control: Brascan Dec. 31/75	2,096,571 shs (40%)
Pro Forma, est.	2,196,571 shs (41%)

Current Price	Price Range		Earnings Per Share			Dividends Per Share		
	1975	1976	1974	1975	1976	1974	1975	current
\$6 5/8	\$3.25-1.45	\$6.75-2.60	\$0.54	\$0.13	\$0.20-0.25	\$0.40	\$0.40	*
					(CF: \$0.44)			

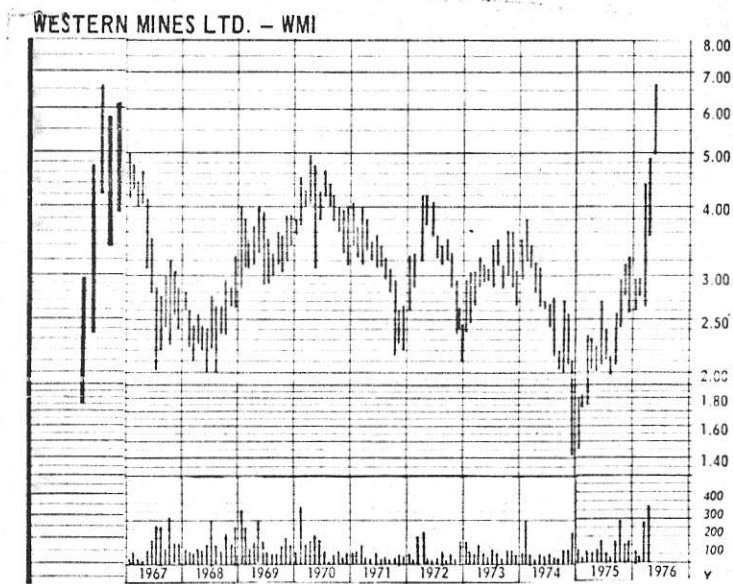
*The A.I.B. has prohibited declaration & payment of dividends until Oct. 14/76. Dividend policy will not be clarified until later this year.

Working Capital, Dec. 31/75 \$10.7M or \$2.00 p/s (Cash: \$1.45)

The company owns and operates a producing mine at Buttle Lake, Vancouver Island. As of Dec. 31/75, reserves were 1.7 million tons grading 7.9% zinc, 1.2% copper, 1.2 % lead, 0.09 oz. gold/ton, 4.2 oz. silver/ton. Production for 1975 was 287,400 tons averaging 884 tons/day.

Exploration projects, to which a budget of \$2.1 million will be committed in 1976, include:

Great Slave Reef, N.W.T.	Zinc/Lead discovery	Joint Venture (WMI - 55%) with DuPont of Canada
Bancroft, Ont.	Uranium Prospect	To be purchased by agreement from
Key Lake, Sask.	" "	Brascan Resources, after June/76.
Sandfly, Sask.	" "	
Baker Lake, N.W.T.	" "	



Courtesy of The Graphoscope

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