

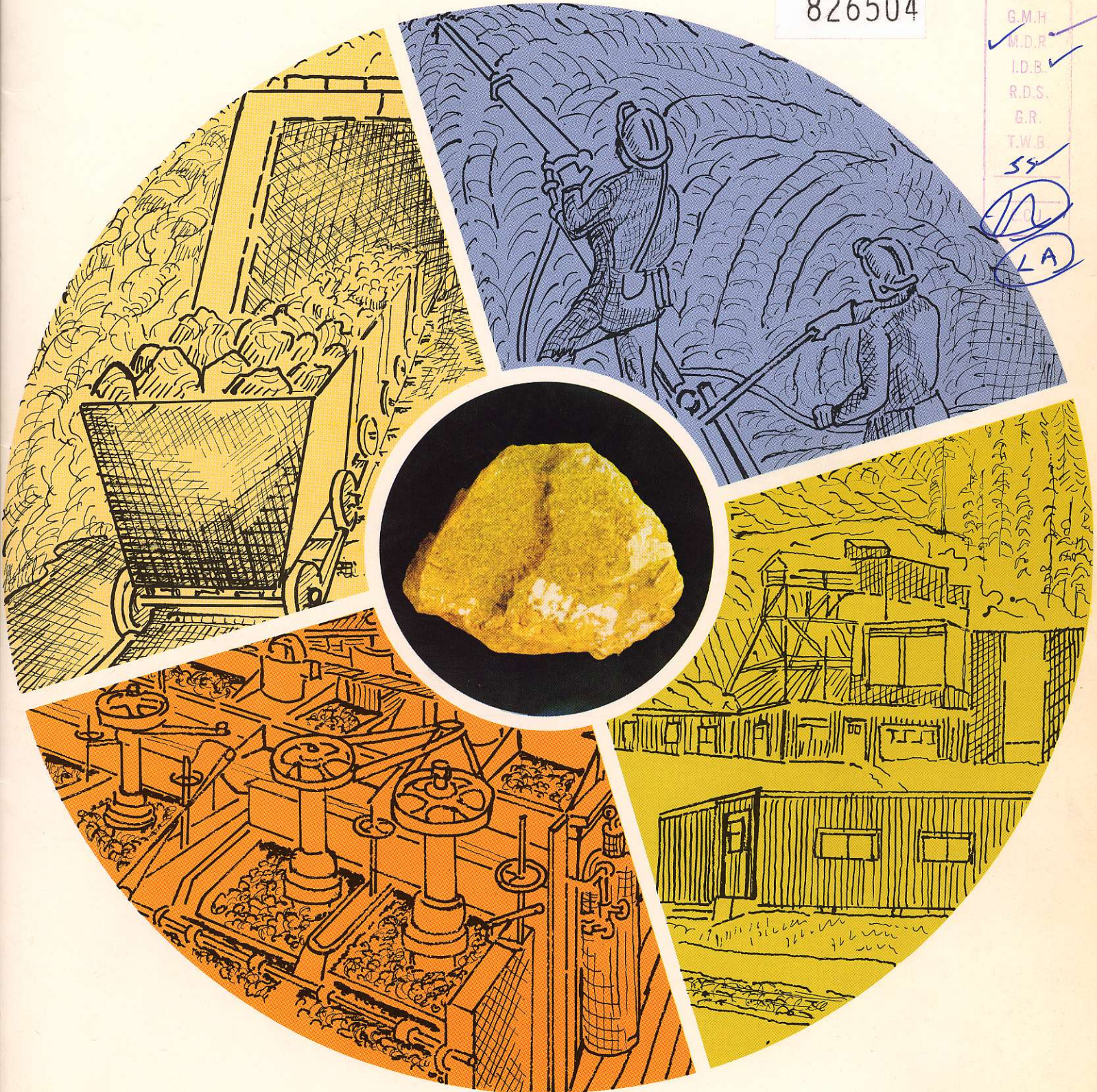
APP 20 1974



# WESTERN MINES LIMITED

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- W.J.
  - D.M.H.
  - G.M.H.
  - W.D.P.
  - I.D.B.
  - R.D.S.
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## ANNUAL REPORT 1973



**Front Cover**

Lynx ore and part of the production process.

# Western Mines Limited



<b>Directors</b>	A.J. Ellis .....	Vancouver
	D.E. Grimm .....	New York
	R.T. Hager .....	Vancouver
	E.C. Hammond .....	Vancouver
	W.G. Jewitt .....	Victoria
	H.R. Logan .....	New York
	I.E. McKeever .....	New York
	J.A. McLallen .....	Vancouver
	J.B. Magee .....	Campbell River
	P.M. Reynolds .....	Vancouver
	H.M. Wright .....	Vancouver
<b>Officers</b>	W.G. Jewitt .....	President
	R.T. Hager .....	Vice-President
	R.O. Hampton .....	Secretary-Treasurer
	J.B. Magee .....	General Manager
<b>Mine Management</b>	G.I. Dziny .....	Resident Manager
<b>Solicitors</b>	Lawrence & Shaw	Vancouver
<b>Registrar and Transfer Agent</b>	Canada Permanent Trust Company	Vancouver Toronto
<b>Auditors</b>	Coopers & Lybrand	Vancouver
<b>Bankers</b>	Bank of Montreal	Vancouver Campbell River
<b>Shares Listed</b>	Vancouver Stock Exchange Toronto Stock Exchange	
<b>Company Offices</b>	Head Office — Vancouver 870 One Bentall Centre 505 Burrard Street	
	Exploration Office — Campbell River The Spit Road, P.O. Box 8000	
	Mine — Myra Falls P.O. Box 8000, Campbell River	

## Annual General Meeting

The Annual General Meeting of Western Mines Limited will be held on Monday, May 13, 1974 at 11:00 a.m., in the Social Suite West of the Hotel Vancouver, Vancouver, B.C.

# Statistical Summary



	1973	1972
Net earnings . . . . .	\$5,533,926	\$1,978,726
Net earnings per share . . . . .	\$1.06	\$.38
Dividends paid . . . . .	1,823,716	1,041,403
Dividends per share . . . . .	\$ .35	\$.20
Shares outstanding at year end . . . . .	5,210,616	5,207,816
Number of shareholders . . . . .	4,805	5,065
Capital expenditures . . . . .	\$501,226	\$799,627
Working capital . . . . .	\$8,185,693	\$2,690,293
Tons milled . . . . .	354,240	379,405
Average tons per day . . . . .	971	1,093
Copper concentrate produced . . . . .	13,320	24,436
Zinc concentrate produced . . . . .	43,838	33,630
Lead concentrate produced . . . . .	6,320	3,422
Lead/silver concentrate produced . . . . .	2,483	408
Ore reserves, tons . . . . .	1,671,100	1,746,000
Average metal prices		
Copper . . . . .	\$ .81	\$ .49
Zinc . . . . .	.22	.18
Lead . . . . .	.20	.14
Gold . . . . .	97.22	58.36
Silver . . . . .	2.56	1.69
Cadmium . . . . .	3.64	2.50
Average number of employees . . . . .	292	261
Total Company payroll . . . . .	\$3,867,928	\$2,790,947

# Annual Report of the Board



To the Shareholders:

## Production

During 1973 the tonnage was lower than the previous year, totalling 354,240 tons, an average of 971 tons per calendar day. This included 29,530 tons of high grade ore from the Myra mine averaging .26 oz. gold, 22.6 oz. silver, .9% copper, 4.1% lead, 12.4% zinc. Also included is 43,085 tons of "normal" ore from Myra averaging .15 oz. gold, 4.9 oz. silver, .7% copper, 1.8% lead, 9.2% zinc. Lynx ore grades were slightly higher than the ore reserve grade.

The lower tonnage milled was caused in part by difficulties in obtaining an adequate labour supply but chiefly by difficulty in staying within the limits set by the pollution control permit. A chlorine plant to destroy residual cyanide (which even without chlorination is soon destroyed by natural processes) and precipitate heavy metals was installed at a cost of approximately \$100,000. However, it is of interest that a recent report from the British Columbia Research Council states as follows: "It is concluded that the disposal of tailings into Buttle Lake has had no detrimental effect on the quality of the water for domestic purposes." It would appear that the pollution permit standards are unnecessarily stringent, and should be redesigned to accommodate local conditions.

Copper concentrate produced totalled 13,320 tons, zinc concentrate 43,838 tons, lead concentrate 6,320 tons and lead-silver concentrate 2,483 tons. The tonnage of copper concentrate produced was down as compared to 1972 but the tonnage of each of the zinc, lead and lead-silver concentrates was higher. In view of recent increases in the price of gold and silver it is of interest that in 1973 Western produced 26,100 ounces of gold and 1.4 million ounces of silver in the various concentrates.

The open pit produced only 20% of the mill feed, 59% coming from the Lynx underground and 21% from the Myra underground.

## Mine Exploration and Development

### Lynx — Myra

The rate of development decreased substantially, chiefly owing to a shortage of miners. Lateral work plus raising totalled 15,179 feet. Diamond drilling, totalling 103,814 feet, increased slightly as compared to 1972.

### Price

A low level adit, designed to connect with the Myra 13 level, was started in February from a location in the Thel-

wood Valley and advanced 2,312 feet. In addition, 8,258 of diamond drilling was completed which showed some mineralization but no ore as yet. The project will explore favourable structure east of the Myra workings. Connection with the Myra workings will be made late in 1974.

## Ore Reserves

	Tons	Gold oz./ ton	Silver oz./ ton	Copper %	Lead %	Zinc %
Lynx (including stock piles)	925,600	.06	2.2	1.3	0.9	7.3
Myra Standard	613,500	.11	5.8	0.9	1.6	8.2
Myra High Grade	132,000	.22	17.7	0.8	3.2	10.6
	1,671,100	.09	4.7	1.1	1.3	7.9

At year end the open pit reserves, included above, were estimated at about 80,000 tons with an ore to waste ratio of 1:3.

Ore reserves decreased by 75,100 tons, all of the decrease being at the Lynx. However, some encouraging results have been obtained recently in the Lynx "G" zone and consequently both the Lynx and the Myra now have a good potential for future ore development. Other long range possibilities also are being explored.

After milling over 2½ million tons the present ore reserves are substantially more than the reserves when the mill started.

## Outside Exploration

In the course of an active exploration programme sixty situations were investigated and work on seven of these will be continued in 1974, as indicated in the following:

### 1. Granite Mountain

The owners report some 90 million tons averaging .33% copper, .02% molybdenum sulphide in this large porphyry copper property, located about fourteen miles north of Powell River. The property is of interest both as a long term hold and for the possibility of developing higher grade tonnages. Western eventually may acquire a 65% interest.

### 2. East Barriere Lake

A substantial tonnage of low grade copper ore has been developed on this partly explored property, located some forty miles north of Kamloops, B.C. Western eventually may acquire a 100% interest.



### 3. *Cat Group*

Sixty claims adjoining the East Barriere property were staked on behalf of Western following an aerial geophysical survey.

### 4. *Blue Jay, Nevada*

Four million tons of oxide ore averaging .55% copper were outlined by drilling in 1973. Western may acquire a 60% interest. Tests are now in progress to assess heap or "in situ" leaching possibilities. The property has a potential for the development of further ore reserves.

### 5. *Cobre Grande, Arizona*

Two drill holes are proposed to test for a possible copper bearing structure below a leached capping.

### 6. *Amy Group*

A reconnaissance exploration programme on this wholly owned Vancouver Island property will be carried out in 1974.

### 7. *Summit Resources Limited*

Western participated with three other companies in an oil exploration project, developed by Summit Resources, in the Wood River area near Ponoka, Alberta. The first hole drilled encountered some 60 feet of reef pay at a depth of approximately 5,900 feet and oil flowed to surface. The estimated allowable rate of production is 250 - 300 barrels of oil per day and Western's interest is estimated to have a present value, discounted at 10%, of approximately \$250,000.

Summit Resources is a Calgary-based oil and gas exploration company and consideration is being given to participation in further projects with that company.

## Financial

### *Earnings*

Net earnings for the year were \$5,533,926 or \$1.06 per share. This was after an extraordinary write-off of \$659,750.

Earnings before this deduction were \$6,193,676 or \$1.19 per share, which may be compared with the 1972 earnings of \$1,978,726 or 38 cents per share.

The Myra Falls mine operated for a full year and contributed approximately \$2,400,000 of the net earnings. The Company has treated this as a new and separate mine and accordingly applied for the tax free period ending December 31, 1973. To date the Department of National Revenue has not accepted or rejected this application.

Metal market conditions continue to be unstable and no reliable forecast for 1974 is available.

### *Costs*

Operating costs before depreciation and write-offs averaged \$22.82 per ton as compared to \$15.41 per ton in 1972. Expenditures on exploration away from the main property totalled \$378,458 or \$1.07 per ton. The increase in costs of \$7.41 per ton, as compared to 1972, was caused chiefly by the continued inflation in costs of labour and materials, by increased stripping in the open pit, by the inclusion of Myra underground costs for the full year, by increased costs of pollution control and, generally, by the unavailability of replacements of experienced men and a high labour turnover of 187%.

## Cash Flow and Working Capital

Cash flow from operations in 1973 was \$8,325,399 or \$1.60 per share. In addition \$6,830 was received on exercise of stock options. Cash disbursements included \$1,823,716 paid out in dividends, \$501,226 for plant additions and replacements, \$355,183 for development, \$2,219 for investments, \$154,485 to repay remaining debt and the balance of \$5,495,400 was retained for working capital which amounted to \$8,185,693 at year end.

The increase in working capital available to the Company is considered prudent at this time since heavy capital expenditures on equipment and exploration will be necessary at the mine proper plus substantial expenditures planned on outside exploration and development as discussed above. Success on any one of these projects would require major capital investments to commence production



and it is the Company's desire to remain in as strong a financial condition as possible in order to take maximum advantage of such success.

## Dividends

During the year the Company increased the regular semi-annual dividend from 10 cents to 15 cents per share. The following dividends have been paid:

	1970	1971	1972	1973
Regular — per share	.10	.20	.20	.25
Extra — per share	.05			.10
Total Payment	\$780,092	\$1,040,603	\$1,041,402	\$1,823,716

The total dividends of \$4,685,813 as shown above is the return to shareholders for the \$8,490,779 paid on purchase of shares. If royalties proposed by the British Columbia Government are implemented in the form set out in Bill 31 as introduced in the first reading, the amount available for dividends will be substantially reduced.

## Taxes

In order to have a healthy mining industry it is necessary that there should be a continuous infusion of risk capital, not only to ensure the development of mines but also to prolong the life of existing mines since it is rarely possible to completely delineate an ore body or series of ore bodies before mining starts. An example of this latter condition is Western's own mine at Myra Creek, where over two and one-half million tons of new ore, not known to exist when the mill started, have been proven by the expenditure of large sums of money on exploration and development within the property.

The new semi-confiscatory taxation on mining proposed by the present Provincial Government disregards this principle. Such taxation not only would have a serious effect on future earnings but would divert risk capital elsewhere, resulting in a declining mineral industry in British Columbia.

The Company's contribution and provision for taxes was significantly higher in 1973 as follows:

Industrial assessment and property taxes	\$ 151,400
Social Services tax	68,300
Free Miners Certificates and recording fees	7,800
Diesel and gasoline tax	45,900
British Columbia mining tax	1,000,000
Corporation capital tax	15,000
Federal income tax	680,000
	<hr/>
	\$1,968,400

All production presently is from Crown granted mineral claims and while this is not subject to the new Mineral Royalty Act, the Government has indicated that an equivalent tax will be imposed, under the Mineral Land Tax Act. In addition 1974 is the initial year that rental fees will be levied on mineral claims.

## General

It is with deep regret that we have to report the death of Mr. J.E.R. Wood, one of Western's original directors. Mr. Wood contributed greatly to Western's success. In February, 1974, Mr. A. John Ellis was appointed a director in his place.

We also acknowledge the long and efficient service of Mr. F.A. Robertson, who retired as Secretary-Treasurer in 1973. Mr. R.O. Hampton was appointed to succeed him.

At the mine, the increasing complexity of the operation necessitated the appointment of Mr. G.I. Dziny as Resident Manager, Mr. A.G. Eccles was appointed Mill Superintendent, replacing Mr. A. Murphy who resigned owing to illness.

A new two-year labour agreement was negotiated in October, to expire September 30, 1975. Pay rates were increased about 10% to be followed by a further 10% increase after one year. Fringe benefits and reclassification terms also are adding substantially to current costs.

As mentioned previously, the British Columbia Research Council recently announced that Western's operation is not affecting the quality of the water in Buttle Lake. Thus it now appears that the decision to place the tailing in the lake was well chosen, since it eliminated the establishment of a large and somewhat unsightly tailings ponds.

ON BEHALF OF THE BOARD

"W.G. Jewitt"

President

Vancouver, B.C.

March 4, 1974

# BALANCE SHEET

AS AT DECEMBER 31, 1973



## ASSETS

	1973 \$	1972 \$
<b>CURRENT ASSETS</b>		
Cash and short-term investments .....	5,424,965	1,571,942
Accounts receivable .....	80,503	8,802
Concentrate settlements receivable — at estimated net realizable value (note 1) .....	1,181,916	549,253
Concentrate inventories — at estimated net realizable value (note 1) .....	2,436,820	867,247
Mine materials and supplies — at cost .....	525,493	295,222
Prepaid expenses .....	296,868	29,575
	<u>9,946,565</u>	<u>3,322,041</u>
 <b>INVESTMENTS</b> — at cost, market value — \$155,500; 1972 — \$202,500 .....	 323,524	 321,305
 <b>PROPERTY, PLANT AND EQUIPMENT</b> (notes 1 and 2)	 8,777,198	 9,703,444
 <b>DEFERRED DEVELOPMENT</b> — at cost less amortization (note 1) .....	 2,282,716	 2,371,534
	<u>21,330,003</u>	<u>15,718,324</u>

## Auditors' Report to the Shareholders

We have examined the balance sheet of Western Mines Limited as at December 31, 1973 and the statements of earnings, retained earnings and source and use of working capital for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

Vancouver, B.C.  
February 5, 1974

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1973 and the results of its operations and the source and use of its working capital for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

COOPERS & LYBRAND  
Chartered Accountants





## LIABILITIES

	1973	1972
	\$	\$
<b>CURRENT LIABILITIES</b>		
Accounts payable .....	688,515	251,306
Accrued payroll .....	316,387	206,521
Mining taxes payable (note 4) .....	755,970	165,921
Long-term debt maturing within one year .....		8,000
	<u>1,760,872</u>	<u>631,748</u>
<b>LONG-TERM DEBT</b> — net of portion maturing within one year .....		154,485
<b>PROVISION FOR FUTURE INCOME AND MINING TAX</b> (notes 1 and 4) .....	<u>1,355,294</u>	<u>435,294</u>
	<u>3,116,166</u>	<u>1,221,527</u>

## SHAREHOLDERS' EQUITY

<b>CAPITAL STOCK</b> (note 3)		
Authorized — 7,500,000 shares with a nominal or par value of \$2 each		
Issued and fully paid — 5,210,616 shares (1972 — 5,207,816 shares)	8,490,779	8,483,949
<b>RETAINED EARNINGS</b> .....	<u>9,723,058</u>	<u>6,012,848</u>
	<u>18,213,837</u>	<u>14,496,797</u>
	<u>21,330,003</u>	<u>15,718,324</u>

APPROVED BY THE BOARD

W.G. Jewitt                      Director  
R.T. Hager                        Director

# Statement of Earnings

For the Year Ended December 31, 1973



	1973 \$	1972 \$
<b>REVENUE FROM CONCENTRATES PRODUCED</b> . . . . .	22,540,847	12,369,589
Less: Treatment and marketing charges . . . . .	5,231,555 <sup>2240</sup>	3,492,206 <sup>2222</sup>
	<u>17,309,292</u>	<u>8,877,383</u>
<b>OPERATING COSTS</b>		
Production . . . . .	7,241,458 <sup>*20.44/7</sup>	5,335,037
Administration . . . . .	842,161 <sup>2.38/7</sup>	498,149
Depreciation and amortization (note 1) . . . . .	1,197,131	744,579
	<u>9,280,750</u>	<u>6,577,765</u>
<b>OPERATING INCOME</b> . . . . .	<u>8,028,542</u>	<u>2,299,618</u>
<b>OTHER EXPENSE (INCOME)</b>		
Outside exploration . . . . .	378,458	164,268
Interest on long-term debt . . . . .	5,880	13,052
Interest earned on short-term investments . . . . .	( 224,434)	( 111,811)
Gain on disposal of fixed assets . . . . .	( 5,038)	( 27,292)
	<u>154,866</u>	<u>38,217</u>
	<u>7,873,676</u>	<u>2,261,401</u>
<b>PROVISION FOR INCOME AND MINING TAX</b> (note 4)		
Current . . . . .	760,000	168,675
Future . . . . .	920,000	114,000
	<u>1,680,000</u>	<u>282,675</u>
<b>NET EARNINGS FOR THE YEAR BEFORE EXTRAORDINARY ITEM</b> . . . . .	6,193,676	1,978,726
<b>EXTRAORDINARY ITEM</b>		
Write-off of Ainsworth mining properties (note 2)	659,750	
<b>NET EARNINGS FOR THE YEAR</b> . . . . .	<u>5,533,926</u>	<u>1,978,726</u>
<b>EARNINGS PER SHARE</b>		
Net earnings before extraordinary item . . . . .	<u>\$1.19</u>	<u>38¢</u>
Net earnings for the year . . . . .	<u>\$1.06</u>	<u>38¢</u>



# Statement of Source and Use of Working Capital

For the Year Ended December 31, 1973



	1973 \$	1972 \$
<b>SOURCE</b>		
Net earnings for the year .....	5,533,926	1,978,726
Add: Items not requiring the use of working capital		
Depreciation and amortization .....	1,197,131	744,579
Gain on disposal of fixed assets .....	(5,038)	(27,292)
Provision for future income and mining tax .....	920,000	114,000
Option payments written-off .....	19,630	
Write-off of Ainsworth mining properties	659,750	
From operations .....	8,325,399	2,810,013
Capital stock issued .....	6,830	12,780
	<u>8,332,229</u>	<u>2,822,793</u>
<b>USE</b>		
Dividends .....	1,823,716	1,041,402
Investments .....	2,219	291,375
Fixed asset additions .....	501,226	799,627
Deferred development .....	355,183	826,193
Mortgages repaid .....	154,485	8,290
	<u>2,836,829</u>	<u>2,966,887</u>
<b>INCREASE (DECREASE) IN WORKING CAPITAL</b> .....	5,495,400	(144,094)
<b>WORKING CAPITAL – BEGINNING OF YEAR</b> .....	2,690,293	2,834,387
<b>WORKING CAPITAL – END OF YEAR</b> .....	<u>8,185,693</u>	<u>2,690,293</u>
<b>REPRESENTED BY:</b>		
Current assets .....	9,946,565	3,322,041
Current liabilities .....	1,760,872	631,748
<b>WORKING CAPITAL – END OF YEAR</b> .....	<u>8,185,693</u>	<u>2,690,293</u>

# Statement of Retained Earnings

For the Year Ended December 31, 1973

<b>RETAINED EARNINGS – BEGINNING OF YEAR</b> .....	6,012,848	5,075,524
Net earnings for the year .....	5,533,926	1,978,726
	<u>11,546,774</u>	<u>7,054,250</u>
Dividends .....	1,823,716	1,041,402
<b>RETAINED EARNINGS – END OF YEAR</b> .....	<u>9,723,058</u>	<u>6,012,848</u>



# Notes to Financial Statements

For the Year Ended December 31, 1973



## 1. SIGNIFICANT ACCOUNTING POLICIES

### a) Subsidiary Companies

The company's subsidiaries (Western Mines Holdings Limited, Discovery Terminals Ltd., Myra Falls Management Ltd. and Western Mines Inc.) are wholly-owned, have been inactive since incorporation, are without assets or liabilities and are carried at nominal cost. Accordingly, consolidated financial statements have not been prepared.

### b) Concentrate Settlements Receivable and Concentrate Inventories

Concentrate settlements receivable are valued at the metal prices prevailing at the time of shipment 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, 1973.

Concentrate inventories are valued at the metal prices at December 31, 1973 less provision for estimated market adjustments, treatment and marketing charges.

### c) Depreciation and Amortization

Depreciation of plant and equipment is at the rate of 5% per annum and automotive equipment at the rate of 20% per annum both computed on a straight-line basis.

Mining properties are amortized at the rate of 10% per annum on a straight-line basis.

Deferred development costs represent the costs of development and preproduction in areas where commercially recoverable mineral, oil or gas reserves have been indicated. These costs are amortized on a straight-line basis from the time production commences at rates based on the known or estimated reserves.

### d) Outside Exploration Costs

It is the company's policy to charge the costs of outside exploration including acquisition of mineral properties to current operations until such time as

commercially recoverable ore reserves are indicated, at which time the costs of all further development and preproduction are deferred.

### e) Income taxes

The company follows the tax allocation basis of accounting for corporate income and mining 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 future income and mining taxes. The timing differences relate primarily to depreciation and deferred preproduction and development costs.

## 2. PROPERTY, PLANT AND EQUIPMENT

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

	1973		1972	
	Cost \$	Accumulated depreciation and amortization \$	Net \$	Net \$
Mining properties	203,903	20,390	183,513	883,283
Plant, roads and equipment	11,685,893	3,632,532	8,053,361	8,245,944
Underground capital development	231,872	30,916	200,956	216,414
Staff housing	473,401	134,033	339,368	357,803
	<u>12,595,069</u>	<u>3,817,871</u>	<u>8,777,198</u>	<u>9,703,444</u>

During the year ended December 31, 1973 the company wrote off by an extraordinary charge to earnings the cost of the Ainsworth mining properties. Although the claims remain in good standing, it is now the opinion of management that at present commercial ore reserves are not indicated and exploration work is not anticipated at this time.



### 3. CAPITAL STOCK

- a) As at December 31, 1973, shares issued, discounts and premiums related thereto are:

	1973			1972	
	Shares	Par value \$	Discounts less premiums \$	Net \$	Net \$
For cash	4,290,576	8,581,152	1,210,453	7,370,699	7,363,869
For properties	575,000	1,150,000	450,000	700,000	700,000
For services	345,040	690,080	270,000	420,080	420,080
	<u>5,210,616</u>	<u>10,421,232</u>	<u>1,930,453</u>	<u>8,490,779</u>	<u>8,483,949</u>

- b) During the year ended December 31, 1973, the company issued 2,800 shares for cash totalling \$6,830 under the terms of stock options outstanding.
- c) The company has outstanding stock options to an officer of the company for 5,000 shares at a price of \$2.45 per share exercisable at the rate of 1,000 shares per year to 1978.

### 4. INCOME TAXES

The charge for income taxes for the year has been reduced by deferred tax debits of approximately \$1,000,000 relating to prior years which, in accordance with generally accepted accounting principles, were not previously recorded in the accounts.

The company has applied to the Department of National Revenue for exemption from tax on profits from its Myra Falls mine from commencement of production (October 16, 1972) to December 31, 1973, the end of the tax exempt period. As at December 31, 1973 approval of this application had not been received. The company believes that the Myra Falls mine conforms to all requirements for classification as a new and separate mine and accordingly no income taxes have been recorded relating to the income of \$2,400,000 derived from that mine to December 31, 1973.

The decision (presently under appeal in the Supreme Court of Canada) of the Federal Court of Appeal in the case of Bethlehem Copper Corporation Ltd., delivered on May 9, 1973, raises a possibility that a portion of the income which the company has reported as being exempt under the provisions of the Income Tax Act, may be subject to tax. There is no satisfactory precedent on which to base an estimate of the amount of tax, if any, which might be involved.

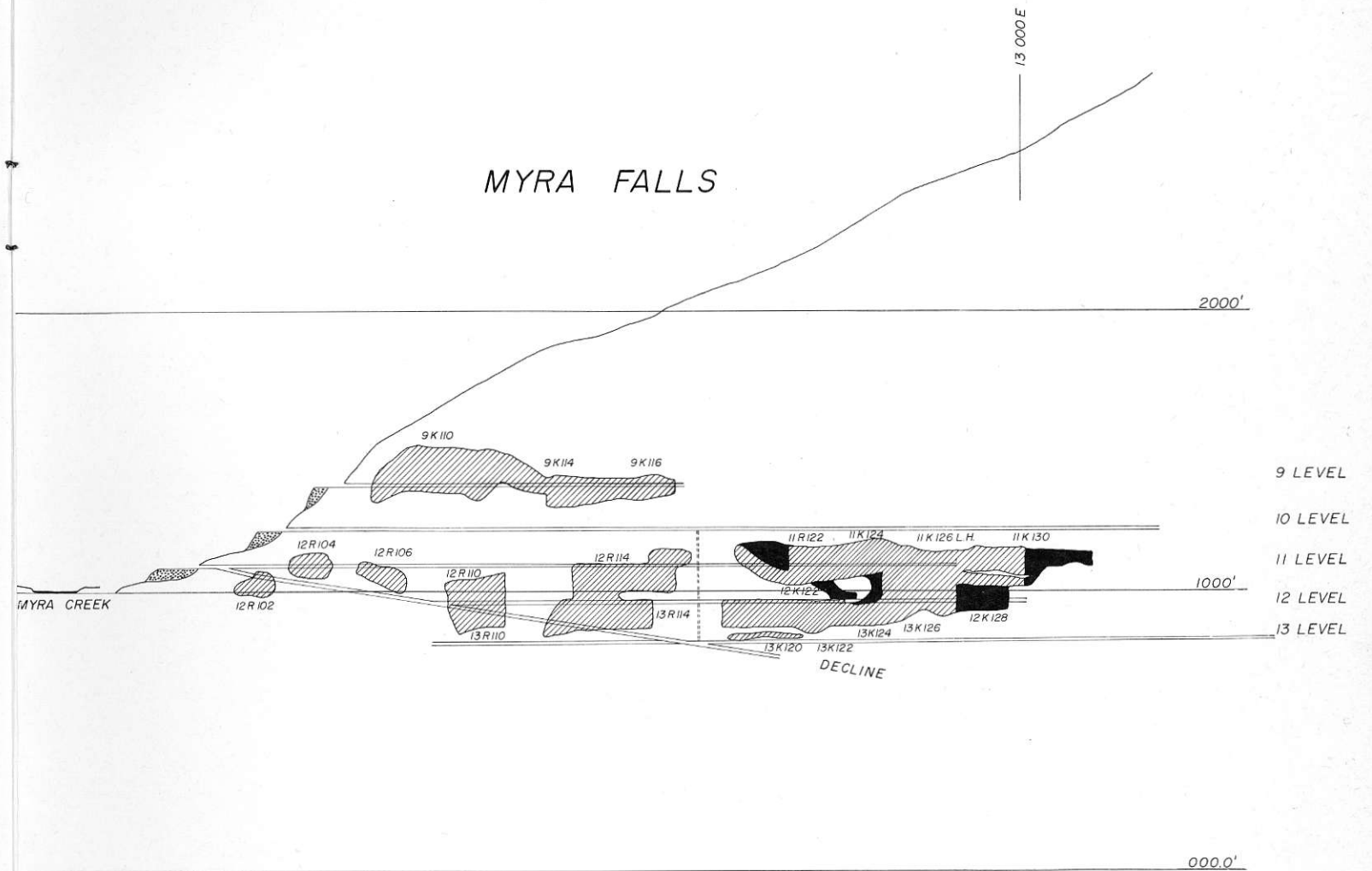
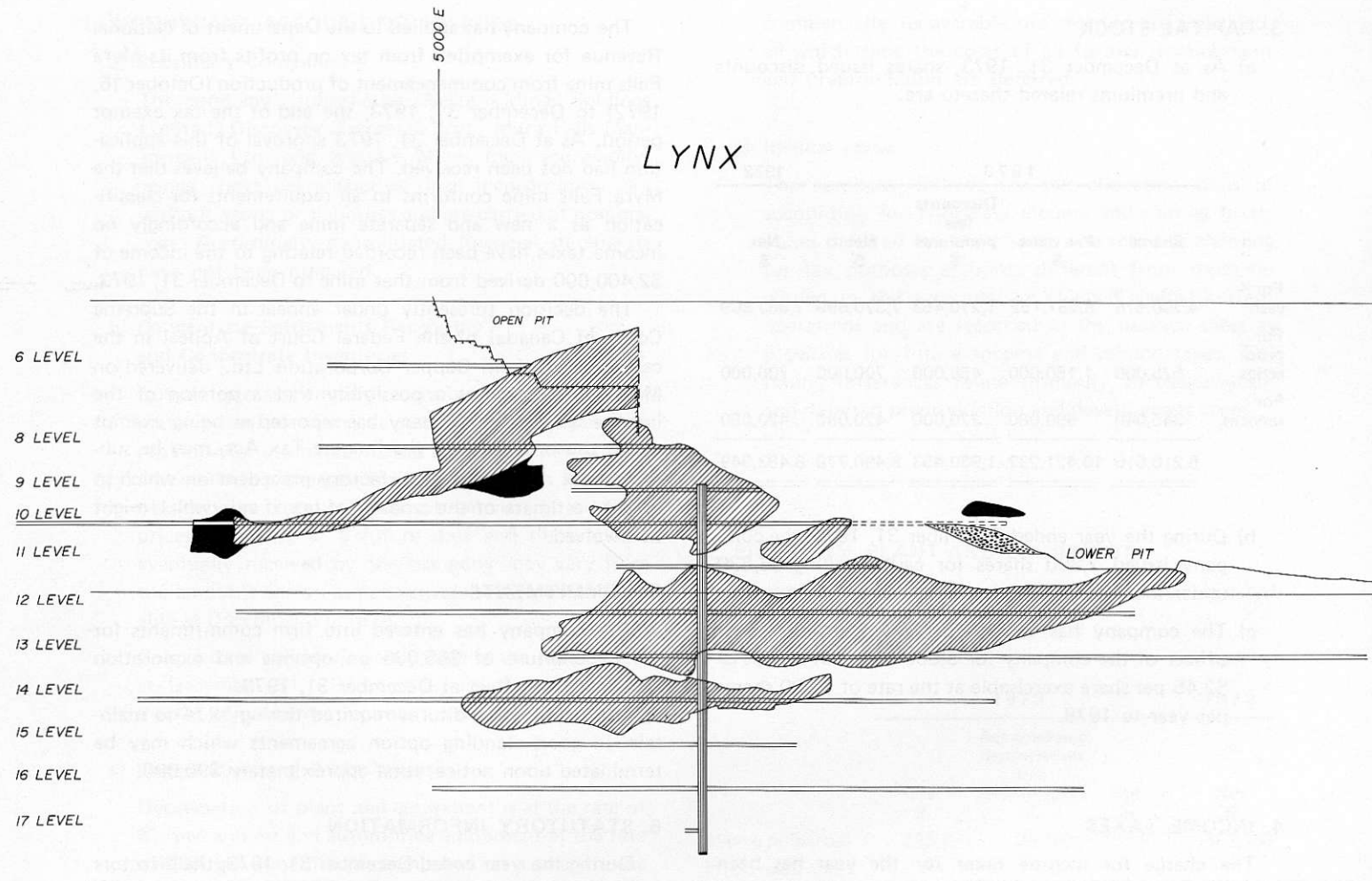
### 5. COMMITMENTS

The company has entered into firm commitments for the expenditure of \$65,000 on options and exploration agreements in effect at December 31, 1973.

Additional expenditures required during 1974 to maintain in good standing option agreements which may be terminated upon notice, total approximately \$90,000.

### 6. STATUTORY INFORMATION

During the year ended December 31, 1973, the directors and senior officers of the company were paid aggregate remuneration totalling \$260,212. Included in this amount are directors' fees of \$49,650 and pension plan contributions of \$22,992.



WESTERN MINES LIMITED  
Composite Longitudinal Section



■ NEW ORE ADDED TO RESERVES, 1973

DRAWN BY E



AUG 1 1973

K.A.

**STATEMENT OF SOURCE  
AND USE OF FUNDS**  
Six Months Period Ended June 30

SOURCE OF FUNDS	1973	1972
From operations	\$2,192,415	\$1,518,281
Add:		
Charges to operations not requiring the use of funds	575,720	317,887
Employee share options exercised	6,830	8,380
	<u>\$2,774,965</u>	<u>\$1,844,548</u>
USE OF FUNDS		
Dividends	781,592	520,622
Net additions to fixed assets	272,412	435,447
Deferred development	101,051	480,136
Reduction of housing mortgages	154,485	3,788
Investments	1,994	423,692
	<u>\$1,311,534</u>	<u>\$1,863,685</u>
Increase (Decrease) in Working Capital	\$1,463,431	\$ (19,137)
Working Capital — Beginning of period	\$2,811,668	\$2,834,387
Working Capital — End of period	<u>\$4,275,099</u>	<u>\$2,815,250</u>

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**WESTERN MINES LIMITED**

505 Burrard Street, Vancouver 1, B.C.

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✓ J.H.S.
✓ P.M.K.
✓ G.M.H.
✓ B.D.S.
✓ B.C.B.
✓ I.D.B.
✓ M.D.R.
J.H.F.

E.C.J.

2

INTERIM REPORT TO SHAREHOLDERS  
QUARTER ENDED JUNE 30, 1973

WESTERN MINES LIMITED

To the Shareholders:

**EARNINGS**

Net income for the three months ended June 30, 1973 amounted to \$1,188,828 or 23 cents per share compared to \$725,844 or 14 cents per share for the similar period last year. Net income for the first six months of 1973 amounted to \$2,192,415 or 42 cents per share compared to \$1,518,208 or 29 cents per share for the first half of last year. The 1973 figures are subject to audit.

**PRODUCTION**

As compared to the similar period in 1972, the tonnage milled was lower, owing to metallurgical problems. A modification of the circuit has been designed and installation will be completed in September. This is expected to restore the normal rate of feed. Copper recoveries are lower and zinc recoveries higher as compared to 1972.

**OUTSIDE EXPLORATION**

Options have been taken on a large low grade copper property and on a silver-lead prospect, both in the Barriere Lakes area of British Columbia.

Drilling has commenced on a copper oxide property in Nevada, U.S.A.

W.G. Jewitt,  
President

Vancouver, B.C.  
July 24, 1973

**SUMMARY OF EARNINGS**

	Three months ended June 30	
	1973	1972
Concentrate revenue	\$3,798,744	\$2,422,959
Less treatment and marketing charges		
Operating costs and administration	2,084,352	1,435,823
Operating profit	1,714,392	987,136
Miscellaneous deductions (or credits)	37,712	(4,855)
	1,676,680	991,991
Depreciation and write-offs	286,701	162,455
Income before taxes	1,389,979	829,536
B.C. Mining Tax (no Federal Income Tax payable)	201,151	103,692
Net Income	\$1,188,828	\$ 725,844
Shares Outstanding	5,210,616	5,206,216
Earnings per share (cents)	23	14

**OPERATING STATISTICS**

	Three months ended June 30	
	1973	1972
Tons or ore milled	92,646	96,769
Ore grades %		
Copper	1.40	2.03
Zinc	7.93	6.00
Recoveries %		
Copper	79.12	89.91
Zinc	83.72	76.04
Concentrates grades %		
Copper	26.21	24.35
Zinc	54.15	53.56
Average metal prices		
U.S. cents per pound		
Copper	73.80	49.99
Zinc	22.20	17.89

OCT 29 1973

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**WESTERN MINES LIMITED**

505 Burrard Street, Vancouver 1, B.C.

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J.H.S.

P.M.K.

G.M.H.

R.D.S.

B.C.B.

I.D.E.

M.D.R.

J.H.F.

E.C.I.

**3**

REPORT TO SHAREHOLDERS FOR THE  
QUARTER ENDED SEPTEMBER 30, 1973



WESTERN MINES LIMITED

To the Shareholders:

**EARNINGS**

Net income for the three months ended September 30, 1973 amounted to \$2,108,446 or 40 cents per share compared to \$280,898 or 5.4 cents per share for the similar period last year. Favourable metal prices were the primary reason for the substantial increase in earnings.

Net income for the first nine months of 1973 amounted to \$4,300,861 or 83 cents per share compared to \$1,799,180 or 35 cents per share for the same nine month period of last year. The 1973 figures are subject to audit.

**PRODUCTION**

The tonnage milled was restricted to about nine hundred tons per day because of metallurgical problems. The circuit modification referred to in the previous period report will not be completed until November owing to delays in material deliveries.

**OUTSIDE EXPLORATIONS**

Work continued on the E B L and Kayjun group in the Barriere Lakes area.

Drilling has indicated about two million tons of oxide ore on the Blue Jay property in Nevada. The data are being compiled and studied.

**UNION AGREEMENT**

Following several weeks bargaining a new two-year agreement has been negotiated, terminating September 30, 1975.

W.G. Jewitt,  
President

Vancouver, B.C.  
October 19, 1973

**SUMMARY OF EARNINGS**

(Prepared without Audit)

	Three Months ended September 30 1973	Nine Months ended September 30 1973	Nine Months ended September 30 1972
Concentrate revenue less treatment and marketing charges	\$4,825,969	\$11,705,639	\$6,581,697
Operating costs and administration	2,014,084	5,734,601	4,094,026
Operating profit	2,811,885	5,971,038	2,487,671
Misc. deductions (or credits)	107,764	154,261	(64,693)
	2,704,121	5,816,777	2,552,364
Depreciation and write-offs	293,052	868,772	496,158
Income before taxes	2,411,069	4,948,005	2,056,206
B.C. Mining Tax (no Federal Income Tax payable)	302,623	647,144	257,026
Net Income	\$2,108,446	\$4,300,861	\$1,799,180
Shares outstanding	5,210,616	5,210,616	5,207,816
Earnings per share	40	83	35

**OPERATING STATISTICS**

	Three Months ended September 30 1973	Nine Months ended September 30 1973	Nine Months ended September 30 1972
Tons of ore milled	82,682	274,113	284,008
Ore grades %			
Copper	1.31 ✓	1.36	1.94
Zinc	8.65 ✓	8.06	5.69
Recoveries %			
Copper	65.44	76.18	90.67
Zinc	83.10 ✓	82.31	77.42
Concentrate grades %			
Copper	28.38 ✓	27.10	24.57
Zinc	52.39 ✓	53.23	52.95
Average metal prices			
U.S. cents per pound			
Copper	91.30 ✓	75.05	47.78
Zinc	22.44 →	21.45	17.71

*Can Flaw - operation - 5,169,000 or 11/share*

FEB 20 1974

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**WESTERN MINES LIMITED**

505 Burrard Street, Vancouver 1, B.C.

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<input checked="" type="checkbox"/>	W.J.
<input checked="" type="checkbox"/>	D.M.H.
<input checked="" type="checkbox"/>	G.M.H.
<input checked="" type="checkbox"/>	M.D.R.
<input checked="" type="checkbox"/>	I.D.B.
<input checked="" type="checkbox"/>	R.D.S.
<input type="checkbox"/>	G.R.
<input type="checkbox"/>	T.W.B.
<hr/>	
<input checked="" type="checkbox"/>	E.C.J.

4

REPORT TO SHAREHOLDERS FOR THE  
QUARTER ENDED DECEMBER 31, 1973



TO THE SHAREHOLDERS:

WESTERN MINES LIMITED

EARNINGS

Estimated net income for the fiscal year ended December 31, 1973 is \$5,533,926 or \$1.06 per share. This is after an extraordinary writedown of the Ainsworth, B.C. mining properties in the amount of \$659,750. The estimated income before this extraordinary item is \$6,193,676 or \$1.19 per share. The comparable 1972 net income was \$1,978,726 or \$.38 per share.

Unusually high metal prices throughout 1973 were the primary reason for the increased earnings. The Myra mine, which came into production in late 1972, supplied approximately 21% of the mill feed but was a contributing factor in the improved results due to the high silver and gold content.

PRODUCTION

Production continued to be restricted because of difficulties in meeting government regulations concerning the quality of the mill effluent. Ore fed to the mill in 1973 averaged 972 tons per day.

A recent report from the British Columbia Research Council states as follows: "It is concluded that the disposal of tailings into Buttle Lake has had no detrimental effect on the quality of the water for domestic purposes."

OUTSIDE EXPLORATION

Granite Mountain

An option was taken on this large low-grade copper property whereby Western Mines Limited may eventually acquire a 65% interest. The property is situated near the sea coast about fourteen miles north of Powell River.

Summit Resources

Western Mines participated in financing a drilling project in the Wood River district, Alberta, originated by Summit Resources, thereby earning a 20% working interest. Oil flowed to surface after cutting a 60 foot porous horizon at a depth of about 5,750 feet. The estimated rate of allowable production is 250 - 300 barrels per day. The estimated present value of Western's interest, discounted at 10%, is about \$250,000. Participation in further drilling projects is planned.

W.G. Jewitt  
President

Vancouver, B.C.  
February 11, 1974

SUMMARY OF EARNINGS  
(Prepared subject to Audit)

	Three months ended December 31 1973	Year ended December 31	
		1973	1972
Concentrate revenue less treatment and marketing charges	\$5,603,653	\$17,309,292	\$8,877,383
Operating costs and administration	2,354,898	8,089,499	5,846,238
Operating profit	3,248,755	9,219,793	3,031,145
Misc. deductions (or credits)	(5,275)	148,986	25,165
	3,254,030	9,070,807	3,005,980
Depreciation and write-offs	328,359	1,197,131	744,579
	2,925,671	7,873,676	2,261,401
Income and Mining Tax	1,032,856	1,680,000	282,675
	1,892,815	6,193,676	1,978,726
Extraordinary write-down	659,750	659,750	-
Net Income	\$1,233,065	\$ 5,533,926	\$1,978,726
Shares outstanding	5,210,616	5,210,616	5,207,816
Cash flow per share	\$.43	\$1.55	\$.52
Earnings per share before extraordinary item	\$.36	\$1.19	\$.38
Earnings per share - Net	\$.23	\$1.06	\$.38

OPERATING STATISTICS

	Three months ended December 31 1973	Year ended December 31	
		1973	1972
Tons of ore milled	80,127	354,240	379,406
Ore grades %			
Copper	1.40	1.37	1.85
Zinc	8.83	8.22	6.07
Recoveries %			
Copper	75.76	76.27	88.60
Zinc	82.57	82.51	77.80
Concentrates grades %			
Copper	27.20	27.03	24.70
Zinc	53.78	53.34	53.10
Average metal prices U.S. cents per pound			
Copper	93.96	79.78	48.97
Zinc	22.58	21.74	17.77

*Blue file 992 F*

*Western Mines*

*21.74*



AUG 16 1974

WESTERN MINES LIMITED

Statement of Source and Use of Funds  
Six Month Period ended June 30

	<u>1974</u>	<u>1973</u>
<b>Source of Funds</b>		
From operations	\$1,667,031	\$2,192,415
Add:		
Charges to operations not requiring the use of funds	580,152	575,720
Employee share option exercised	2,450	6,830
	<u>2,249,633</u>	<u>2,774,965</u>
<b>Use of Funds</b>		
Dividends	1,042,323	781,592
Fixed asset additions	287,740	272,412
Deferred development	160,224	101,051
Mortgages repaid	—	154,485
Investments	6,050	1,994
	<u>1,496,337</u>	<u>1,311,534</u>
Increase in Working Capital	753,296	1,463,431
Working Capital — beginning of period	8,185,693	2,811,668
Working Capital — end of period	<u>\$8,938,989</u>	<u>\$4,275,099</u>

*3,000,000*  
6,000 / 5.2 M.L.  
Can - 1.15 / 8 share

W.I. ✓  
D.M.H. ✓  
G.M.H. ✓  
M.D.R. ✓  
I.D.B. ✓  
E.S. ✓  
G.R.  
T.W.B.  
  
E.C.J.



WESTERN MINES LIMITED

INTERIM REPORT TO SHAREHOLDERS  
QUARTER ENDED JUNE 30, 1974

To the Shareholders:

### EARNINGS

The earnings before taxes for the first half of 1974 amounted to \$6,267,493 or \$1.20 per share compared to \$2,536,939 or 49 cents per share for the first six months of 1973. However after providing for estimated provincial and federal taxes, (combined effective rate of 73%) estimated net earnings were \$1,667,031 or 32 cents per share to June 30, 1974 compared to \$2,192,415 or 42 cents per share for the first six months of 1973 even though the average metal prices were the highest in history. The Provincial Government has established basic values for copper of 58 cents per pound, gold of \$82.50 per ounce and silver of \$3.00 per ounce. No basic values have been set for lead, zinc or cadmium and, subject to revision later in the year, a conservative provision has been made for the amount payable under the Mineral Land Tax Act.

The share of a company's profit the Federal and Provincial Governments desire has not been clearly defined. In the event there is a confrontation between the Governments, the estimated profit could be substantially reduced. The accompanying financial statements have been prepared on the basis that the Federal Government will allow deduction of Provincial taxes and royalties in calculating Federal income taxes.

### PRODUCTION

As compared to the similar period in 1973, the tonnage milled was about 26% lower partly owing to the necessity for controlling the quality of the mill effluent, partly owing to a shorter working schedule necessitated by labour difficulties. Costs continued to increase as a result of the rapid escalation in the cost of all supplies and the consequent increase in labour costs.

### EXPLORATION

#### Mining

Drilling on the Granite Mountain property was suspended when the work commitments to 1976 were satisfied. The company is continuing its policy of meeting contract commitments on property located in B.C. but scaling down other exploration activities in British Columbia. Further work is planned on the Blue Jay copper-oxide property in Nevada.

#### Oil

In the Wood River area, Alberta, two further holes drilled in conjunction with Summit Resources Limited failed to attain production. A hole drilled in the Kneehill area, Alberta, encountered 50 feet of favourable oil-bearing porosity and is expected to be productive.

In Montana a program of survey and land acquisition was carried on in a 50/50 partnership venture with Summit Resources. Drilling the first of three holes is expected to start late in September.

W.G. Jewitt  
President

Vancouver, B.C.  
August 5, 1974

## SUMMARY OF EARNINGS

(Prepared Without Audit)

	Three Months	Six Months	
	Ended June 30 1974	1974	Ended June 30 1973
REVENUE			
Concentrate revenue less treatment and marketing charges	\$5,744,682	\$11,030,602	\$6,879,670
OPERATING COSTS (INCOME)			
Production	1,670,425	3,272,736	3,165,441
Administration	359,269	676,989	555,076
Depreciation and amortization	317,478	613,360	575,720
Outside exploration	376,723	568,442	97,290
Interest earned	(218,694)	(335,210)	(50,793)
Gain on disposal of fixed assets	(23,883)	(33,208)	—
	<u>2,481,318</u>	<u>4,763,109</u>	<u>4,342,734</u>
EARNINGS BEFORE TAXES	3,263,364	6,267,493	2,536,936
ESTIMATED PROVISION FOR FEDERAL AND PROVINCIAL TAXES	2,353,291	4,600,462	344,521
ESTIMATED NET EARNINGS	<u>\$ 910,073</u>	<u>\$1,667,031</u>	<u>\$2,192,415</u>
Shares outstanding	5,211,616	5,211,616	5,210,616
Earnings per share — before tax	63¢	\$1.20	49¢
Earnings per share — after tax	17¢	.32¢	42¢
Average Metal Prices			
U.S. cents per pound			
Copper	122.50	112.32	67.17
Zinc	36.50	33.58	21.07
Lead	29.06	28.47	15.06

## OPERATING STATISTICS

	Three Months	Six Months	
	Ended June 30 1974	1974	Ended June 30 1973
Tons of ore milled	73,661	151,275	191,431
Ore grades %			
Copper	1.21	1.30	1.39
Zinc	8.08	8.46	7.81
Lead	1.60	1.61	.89
Recoveries %*			
Copper	73.77	75.75	80.79
Zinc	81.38	81.12	81.95
Lead	82.32	82.57	68.73
Concentrate Grades %			
Copper	27.40	27.50	26.55
Zinc	51.43	51.48	41.79
Lead	39.36	39.12	53.60

\*Recovery shown is that in the corresponding concentrate