

92 F

WESTERN MINES

MYRA FALLS PROPERTY (92-F)
WESTERN MINES

Strathcona Park, Vancouver Island

SUMMARY REVIEW

May 7, 1962

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Review of Myra Falls Property

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Maps: Claims Map and Showings:	1.25" = 1 Mile
	1" = 10 Miles

Addenda -

H. C. Gunning Report - April, 1962
H. C. Gunning Addenda re Development Program April 26, 1962
Western Mines - Ore estimate of January 12, 1962
Western Mines Press Release of May 4, 1962
Western Mines Annual Report of September 30, 1961

J. M. POWELSON

for Terratest Company Limited

May 7, 1962

TERRATEST COMPANY LIMITED

MYRA FALLS PROPERTY OF WESTERN MINES LIMITED
Strathcona Park, Vancouver Island, B. C.

1 - INTRODUCTION

The Location, History, Geology and Ore Potential of the Myra Falls Property of Western Mines in Strathcona Park, Vancouver Island, (see location map) are discussed in detail (with references to prior and current information) in Dr. H.C. Gunning's report of April 1962 for the T.S.E. listing. A copy of this report is enclosed as one of the Addenda to this review. I would particularly recommend careful reading of Dr. Gunning's Summary and his comments on the 'Lynx Group Geology and Ore Potential, Lynx Group', and the 'Lynx Group Core Assay Tables'. To this last table can be added a fourth intersection of ore on Section G-H--a 35 foot section of higher than average grade ore which was cut since Dr. Gunning completed his report.

The following assessment is only for the speculator who fully understands non-ferrous mining exploration and development risks.

2 - CORPORATE DATA -- Listed T.S.E., V.S.E.

Capitalization:

Authorized	5,000,000 shares
Issued (May 1, 1962)	2,823,043 "
Current Price Range	\$2.75 - \$3.00

There are 500,000 shares under option as follows:

250,000	125,000 @ \$2.00 June 26/62 (Taken up on May 4, 1962)
312,500	125,000 @ \$2.50 Sept. 26/62
375,000	125,000 @ \$3.00 Dec. 26/62
437,500	125,000 @ \$3.50 Mar. 26/63
<hr/>	
* 1,375,000	
1	

3 - SUMMARY

This brief review IS NOT an engineering valuation but is an appraisal of the potential of Western's Myra Falls property on Vancouver Island, B. C., based on projections of the current incomplete engineering data. (For an engineering review see Dr. Gunning's report of April, 1962 in the Addenda.) Engineering and geological data now available are inadequate to estimate the production and profit potential, other than within a general framework of possibilities and chances for enlarging the ore and thus mine size indications.

I would interpret current results as indicating an operation, at the Lynx and Paramount areas, in the range of 500 tons per day for +6 years which would net (after amortization of plant) 30 to 50 cents per share per year at current metal prices. Very little extension of the current indicated and inferred ore at the Lynx, which ore zones are open on strike and dip, would raise it to a 1000 tons per day operation with a net of \$0.65 to \$1.10 per share per year for +10 years. (\$17.00 per ton Net Smelter Return ore (1) and \$8.50 per ton operating costs.)

Beyond the above projections there are good chances to extend the Paramount high grade ore zone, now estimated to contain from 50,000 to 100,000 tons upward of +\$20.00 Net Smelter Return ore. The further potential, for a large tonnage increase, lies in the extension of known mineralized areas at the Lynx and the proving of ore in the Price area, and in the chances for ore in the overburdened area along the strike of the mineralized sericite and chlorite schist zone, which zone extends for four miles on strike within the claim group.

- (1) Net Smelter Return Ore - Value at mill of concentrates after all freight and treatment charges.

An interesting recent development is the suggestion arising from hole No. 21 in the Lynx area, where there are four ore grade zones over a drilled intersection which is variably mineralized for over 337.0 feet, probably about normal to the strike of the mineralized zone. The hole is stopped in the sericite schist, the most favorable host rock. That is, there is now firmly introduced an implication that there is room for a large or major tonnage deposit. Further drilling from underground and more surface work is required to answer this query.

4 - ORE AND EXPLORATION POTENTIAL

The drill indicated and inferred ore at the Lynx and Paramount showings were reported by the management (see Addenda) on January 12, 1962, as follows:

	<u>Tons</u>	<u>Au oz</u>	<u>Ag oz</u>	<u>Cu %</u>	<u>Pb %</u>	<u>Zn %</u>
Lynx:	443,000	.056	2.92	1.44	1.31	10.46
Paramount:	100,000	(Somewhat higher grade than above)				

The April Report by Dr. H. C. Gunning for the T.S.E. listing gives the:

Lynx:	493,672	.056	3.7	1.4	1.2	9.1 <u>after 10%</u>
dilution and	448,875	.06	4.09	1.56	1.34	10.02 before dilution

Dr. Gunning's estimate at the Lynx was based on drilling results over 1000 feet of strike length, with the ore lenses open at each end and on the dip. Dr. Gunning states the Paramount ore zone contains 'over 50,000 tons'. Dr. Gunning's report does not include some ore grade intersections at the Lynx over mining widths in G-H and I-J sections. His report was written before the fourth ore intersection was cut in Hole 21 on Section G-H which was 35 feet of .051 oz Au, 1.12 oz Ag, 3.09% Cu, 1.28% Pb and 7.13% Zn and which ore zone was flanked on each side by 30 feet of 0.40% Cu with low zinc values in a strongly pyritized zone. This last intersection is one of the deepest and best in the program, and, in my opinion, could be most significant. It has strong implications that the exploration program might be on the verge of a break-through into a 'large' tonnage deposit. The mineralization and geology are in an environment which, in some respects, is similar to that at the Britannia Mines division of Howe Sound Corp. This is situated on the mainland coast north of Vancouver at Howe Sound, and was a major producer. (+35,000,000 tons and values of +\$200,000,000 at current metal prices).

The Myra Falls property of Western covers a strike length of 4 miles along a zone which in places is over 600 feet in width containing quartz-sericite schist, chlorite schist and some

intermediate types of alteration. Mineralization consisting of pyrite, galena, sphalerite, chalcopryrite and possibly tetrahedrite, (which in places is of ore grade - gold, silver, copper, lead and zinc) occurs as replacement lenses and bands mainly in the quartz sericite schist. Mineralization has been exposed at the Price Group on the southeast portion of the property, at the Paramount a mile to the northwest, and at the Lynx another mile to the northwest (see Claim map). The structural controls and the extent of mineralization and ore are only partly defined as yet. The Lynx ore zone is open at both the Northwest and Southeast ends and on dip. The Paramount zone is open on one limb and on the plunge. The Price zone of mineralization has not been explored by detailed geology or drilling. The overburden and forest cover is generally heavy between the Price, Paramount and the Lynx zones and along the strike at each end.

The exploration and production potential at the Myra Falls property is thus concerned with answering:

Size and grade of:

- (a) Lynx Ore Zone Group of Orebodies.
- (b) Paramount Ore Zone.
- (c) Price Zone Mineralized Area.
- (d) Non-outcropping mineralization.

The \$700,000 to \$800,000 exploration and development program for 1962 and early 1963 is scheduled to test all these chances in part but is mainly concerned with proving the ore continuity and probable size of the initial production operation at the Lynx. Dr. Gunning reports that the Lynx has a 1200 tons per vertical foot potential over a 1000 foot length. There are ore grade intersections beyond this to a total length of over 1300 feet, and the mineralized zone is open on strike. If the additional 300' proves out at same ratio (already there is, within the 1000' length, a new intersection of 35 feet of better than average grade ore) there would be +1600 tons of ore per vertical foot at the Lynx. Exposures and ore intersections are known over a vertical range of 700 feet and the structure is also open on dip; that is, on current drill intersection information there is room for 700' x 1600 t.v.f. = 1,120,000 or ± 1,000,000 tons within the Lynx area to be probed in detail in 1962. If the detailed underground work and drilling shows continuity on strike and dip, or an overlapping pattern of en echelon lenses for the ore intersections cut in the drilling to date, the tons

per vertical foot factor could rise above the 1200 to 1600 tons per vertical foot over the 1000 to 1300 feet or more of strike length in the Lynx area.

5 - ECONOMIC ESTIMATE

The current estimate of grade and recovery based on preliminary metallurgical studies and related mining economics suggest an operating profit of \$8 to \$10 per ton of ore after direct operating costs of \$8.00 to \$8.50/ton. If the Lynx underground drifting, drilling, and raising confirm the indicated and inferred ore potential of +1,000,000 tons, then without any further extension on strike of the Lynx or any ore from the Paramount or Price areas we are concerned with an estimate (at current metal prices) of

1,000,000 tons @ \$8.00 to \$10/ton operating profit =
 \$8,000,000 to \$10,000,000

or about \$6,000,000 to \$8,000,000 return after plant amortization.

Should the 1962 exploration and development program be successful, the plant and further pre-production development can be financed by debt money from the Japanese or other metal users in the Pacific Basin area, so no or little further equity dilution would be necessary beyond the current options. If the balance of current options are exercised there will be about 3,400,000 shares outstanding which at \$6,000,000 to \$8,000,000 net operating return would be \$1.75 to \$2.35 per share after plant amortization and before taxes become effective.

6 - SPECULATIVE POTENTIAL

I think the risk on the current picture is on order of \$1.00 on downside from the \$2.75 to \$3.00 current price with chances for extensions wide open on strike and dip at the Lynx to double or triple the tonnage in a small area. There are further chances to expand the Paramount to a larger tonnage and a subsequent profitable operation. There are chances to find ore at the Price. There are exploration chances along strike in covered areas between the Lynx and Paramount and the Paramount and Price (15,000-20,000 feet of total strike length on the property).

Thus, I think we are concerned with a 1:2 chance of break-even on the current drill indicated and inferred ore picture, with chances on the upside, because of the nature of ore, minerali-

zation and geology, of coming up with a substantial tonnage (5,000,000 tons) property which would return a gross of \pm \$85,000,000 and \pm \$50,000,000 or say \$30,000,000 after taxes or \$9.00 per share upward). The geological and structural environment and some recent results suggest some further chances for a large or major deposit or complex of deposits which could contain 15,000,000 tons +. That is, within the structure there is room for large mineral deposits.

The above tonnage potentials are illustrated by the following geometry:

Drilling indicates 1200 tons per vertical foot of \$17.00 Net Smelter Return or value at the mill ore on 1000' of the partially explored strike length at the Lynx and this t. v. f. would require 1000' depth for 1,200,000 tons. There are ore intersections over 1300' of strike and a 700' vertical range at the Lynx and which ore zone is still open at both ends and on dip. If the same tons per vertical foot ratio holds, this would make 1,600,000 tons per 1000' of depth. The recent 35' of \$19.00 Net Smelter Return ore in hole No. 21 is an intersection within the 1000' length referred to and is thus an additional plus factor on tons per vertical foot within the partially explored zone at the Lynx.

It should be noted here that the geometry of the sericite and chlorite mineralized zone, as related to the surface topography and overburden has not allowed low cost exploration by surface drilling of the full width of the favorable zone for mineralization and ore at the Lynx. This exploration will be done from underground by crosscuts, drilling and raising. The zone of alteration reaches widths of +600 feet.

The 1300' of the Lynx zone is 6.5% of the strike length (20,000') of the Myra Falls property along the potential exploration area for sulphide ore bodies in the sericite and chlorite schists. Mineralization is reported in the same or similar zones on properties to the northwest and southeast of the Myra Falls property of Western Mines Limited.

J. M. POWELSON

for Terratest Company Limited

May 7, 1962

NOOTKA DISTRICT
CLAYOQUOT DISTRICT

LYNX GROUP

PARAMOUNT GROUP

PRICE GROUP

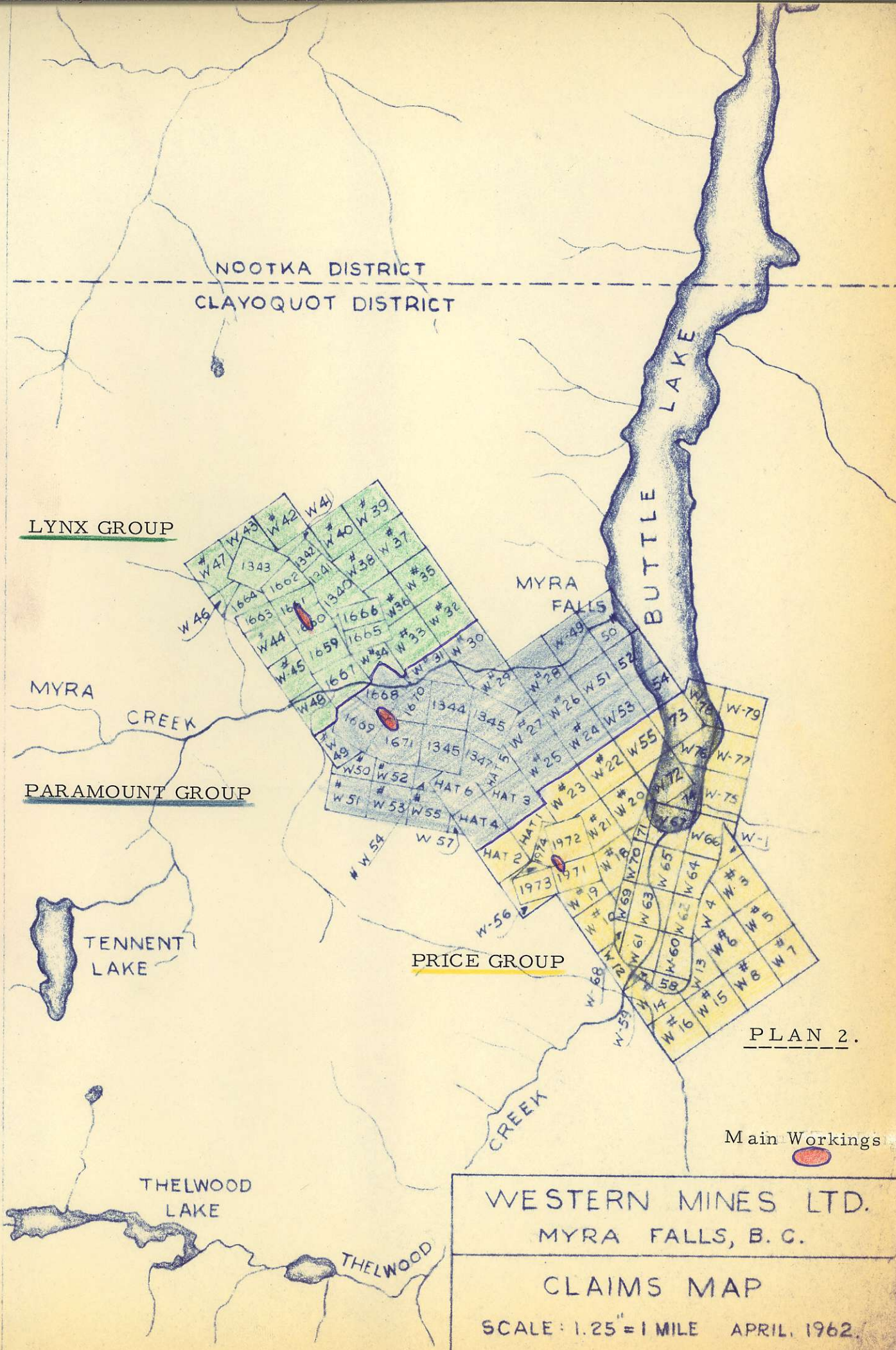
PLAN 2.

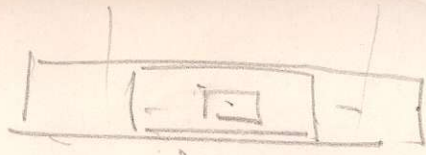
Main Workings

WESTERN MINES LTD.
MYRA FALLS, B. C.

CLAIMS MAP

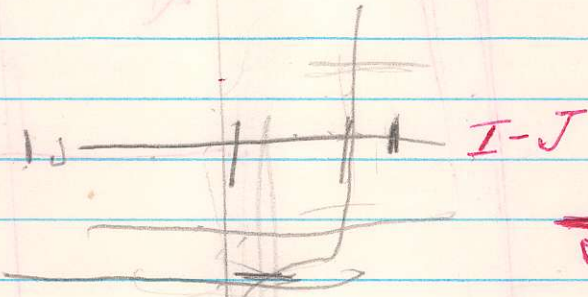
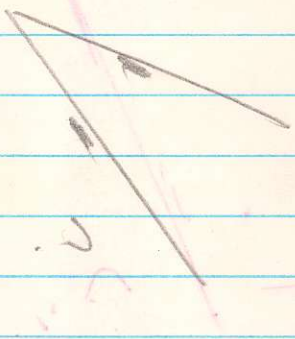
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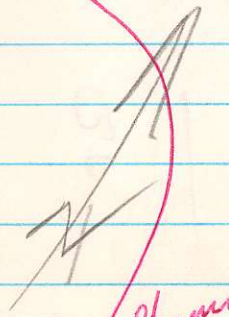
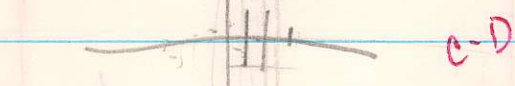


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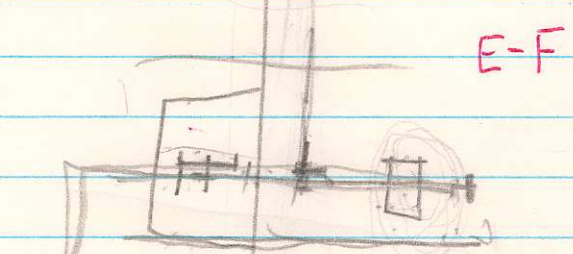
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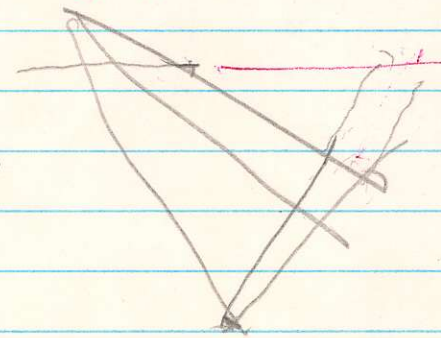
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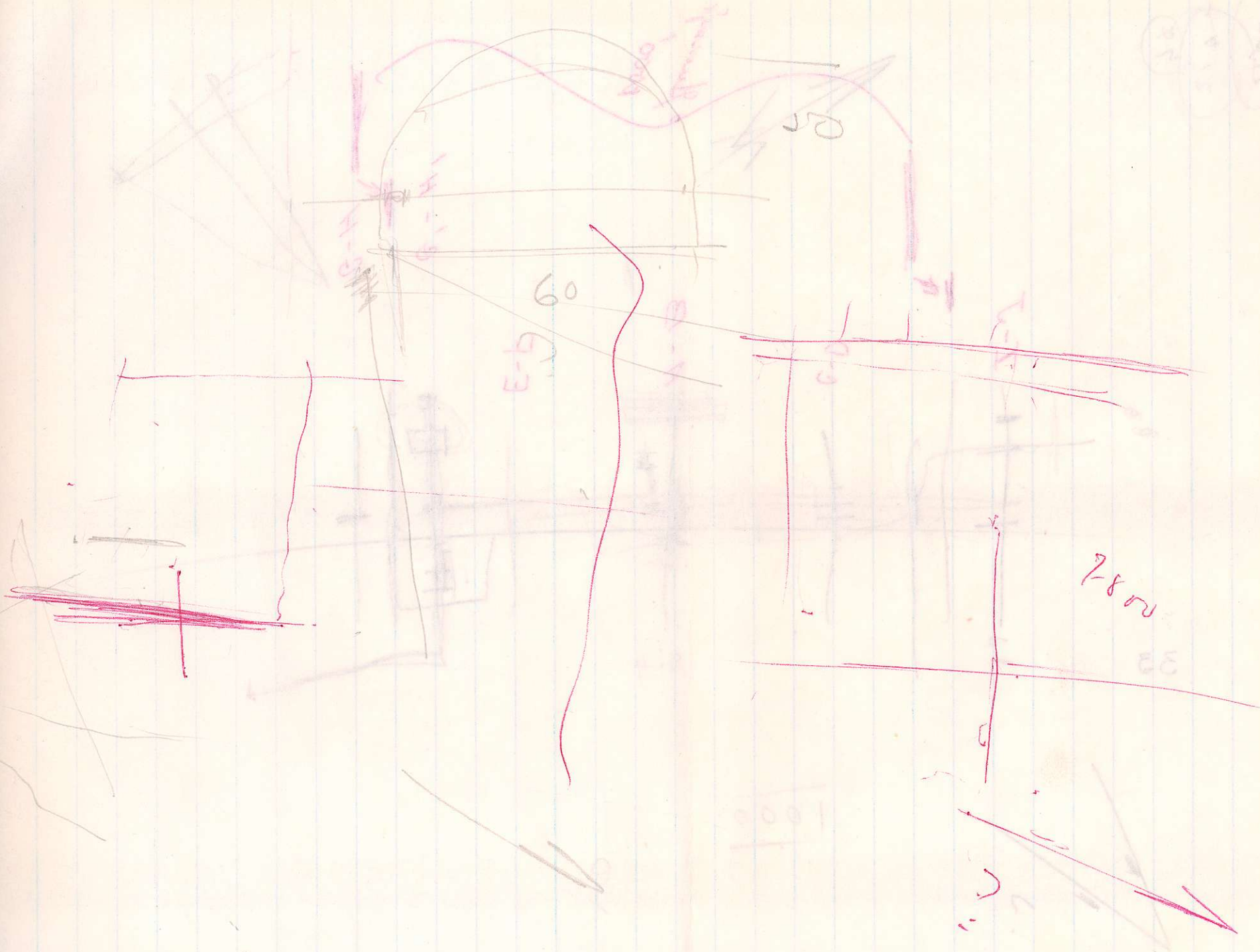
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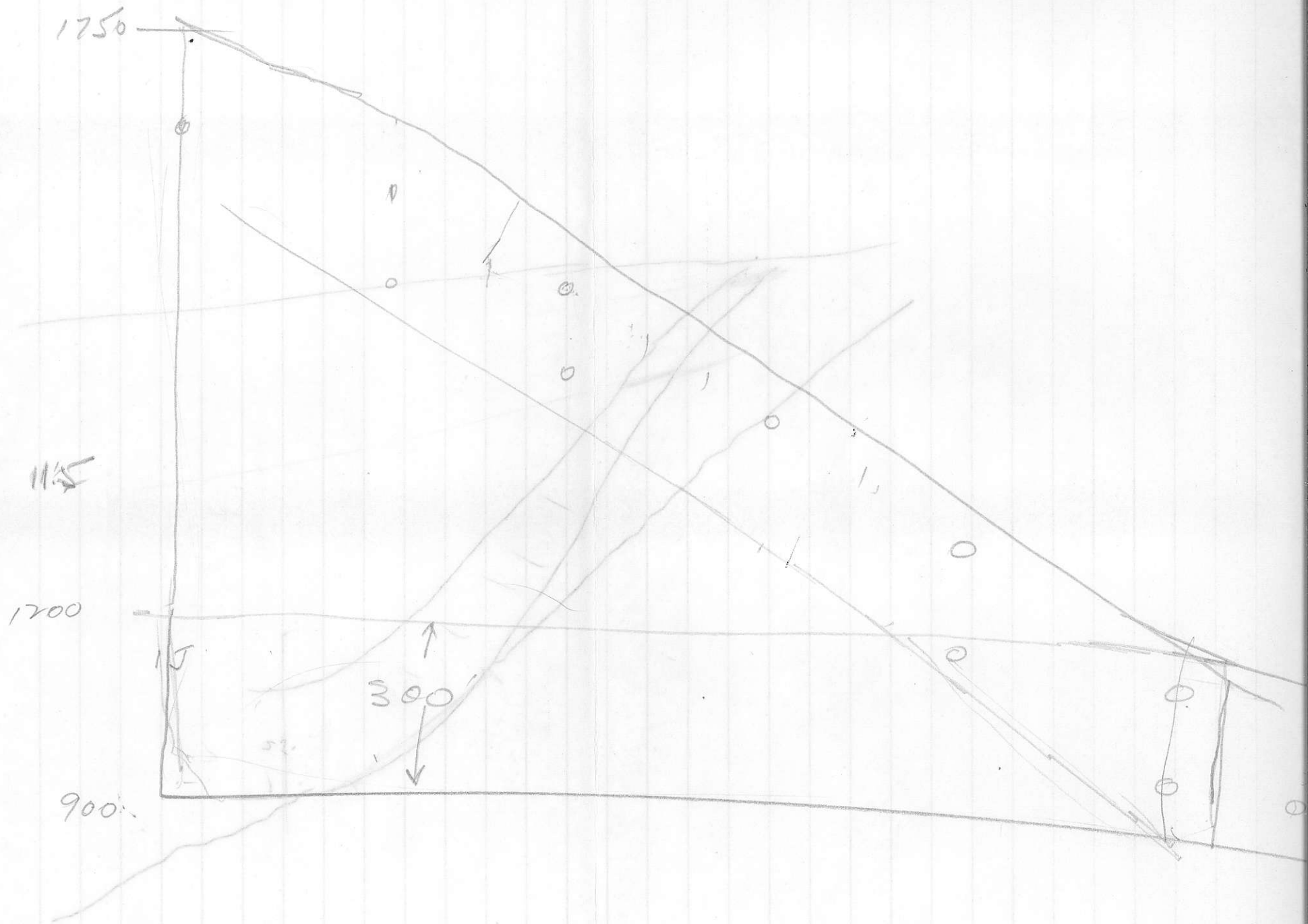


G'-H'

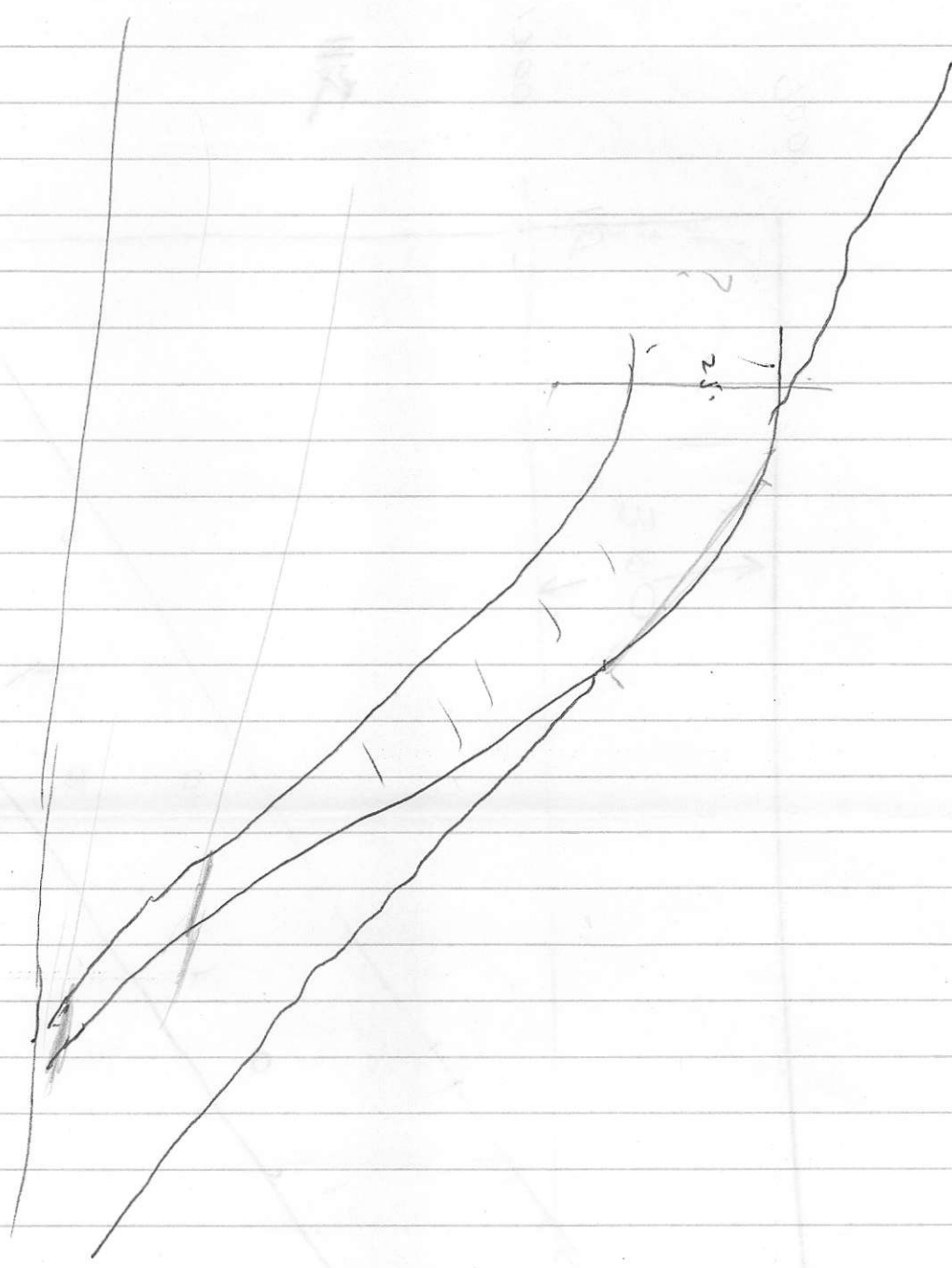


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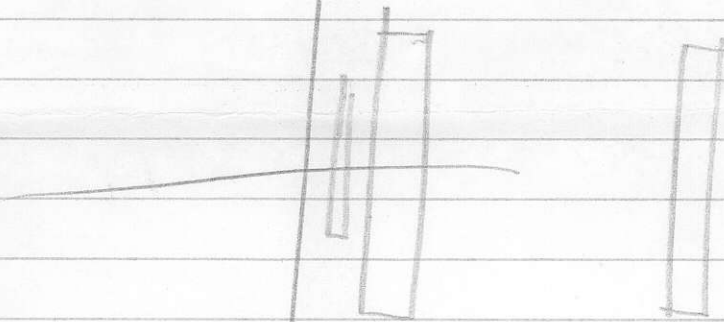
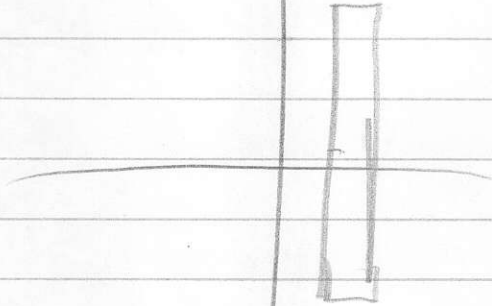
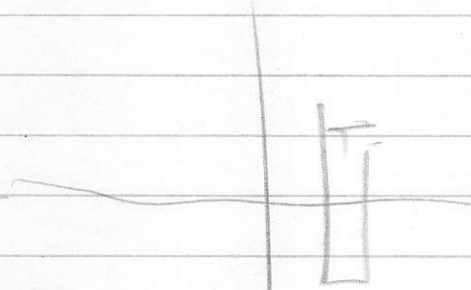




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REPORT

-on-

MYRA FALLS PROPERTY
Strathcona Park, Vancouver Island, B.C.

-of-

WESTERN MINES LIMITED
(N.P.L.)

By:

H.C. GUNNING, P.Eng.
Consulting Geologist

APRIL, 1962

H. C. GUNNING, P. ENG.
CONSULTING GEOLOGIST
1245 Beach Avenue,
Vancouver 5, B. C.

TO THE President & Board of Directors,
WESTERN MINES LIMITED
850 West Hastings Street,
Vancouver 1, B. C.

WESTERN MINES LIMITED - MYRA FALLS PROPERTY
STRATHCONA PARK, VANCOUVER ISLAND, B. C.

PROPERTY

The property consists of 23 crown granted claims and 84 contiguous claims staked since June 1960. The Crown granted claims, known as the Price Creek (or Cross group), Paramount and Lynx groups, and six located claims are under option from P. M. Reynolds and Associates of Vancouver.

LOCATION AND ACCESS (See Plans 1 and 2)

The claims cover a strip up to 12,000 feet wide extending over four miles in a northwesterly direction past the southern tip of Buttle Lake, in Strathcona Park. They are in mountainous terrain drained by Myra, Thelwood and Price Creeks. Buttle Lake is 725 feet above sea level and 24 miles in length. Its northern end is 28 miles by gravel road from Campbell River on the east coast of Vancouver Island, some 100 miles north-west of Vancouver. From near the mouth of Myra Creek a jeep road leads 2 miles west up Myra Creek Valley to the Lynx and Paramount workings. A permanent Base Camp has been established recently at the south end of Buttle Lake a mile east of the Price group which is accessible by logging road and foot trail from the base camp. The lower workings on all three groups are at elevations between 1200 and 1500 feet above sea level, the Paramount being separated from the Price by a ridge some 3500 feet high.

HISTORY

The claims were originally staked and prospected by James Cross and associates of Victoria, B. C. Between 1919 and 1925 the Paramount Mining Company, under control of Joseph Errington and Associates of Toronto, put in several trenches on the Lynx and other claims, drove an 80 feet adit and excavated several open cuts on the

HISTORY - continued

Paramount and drilled ten holes, (Nos. 1 to 10 inclusive) aggregating 2169 feet on the main Paramount showing. G.A. Clothier recorded assays of samples from the Price Group in the B.C. Minister of Mines Report, 1929, Page 384. In 1930 reconnaissance geological mapping of the area was carried out by H.C. Gunning for the Geological Survey, Canada, and a report published (Geological Survey, Canada, Summary Report, 1930, Part A, Pages 66-72). Between 1946 and 1960 the properties were examined by several engineers and geologists, including C.S. Ney, (1946) A.O. Hall (1949), S.B. Willisroft (1952), New Jersey Zinc Co., (1954), A.C. Skerl (for North-west Ventures) (1956) and W.T. Irvine (1960) for C.M.&S. Company. In 1952, the Granby Consolidated Mining, Smelting & Power Company Ltd., optioned the property and drilled four holes (Nos. 11 to 14) totalling 1925 feet on the Paramount, near but south-east of the previous drilling.

P.M. Reynolds and Associates consolidated the properties under option in 1960 and in that year drilled two holes (Nos. 15 and 16) on the Paramount.

Western Mines Limited optioned the properties from P.M. Reynolds and Associates in May, 1961, have drilled six holes (W101 to W106 inclusive) aggregating 1812 feet on the Paramount, and excavated and sampled two major trenches there. A sample from one trench was submitted to Consolidated Mining and Smelting Company for preliminary metallurgical testing.

Western Mines' major effort has been concentrated on the Lynx group. By the end of March twenty-one diamond drill holes had been completed or abandoned for a total drilled footage of 8417 feet over a strike length of 1250 feet along the main Lynx mineralized zone. The work was under the Supervision of J.A.C. Ross and A.O. Hall, Consulting Engineers.

Statements of results were made public in the Ninth Annual Report of Western Mines Limited, for the year ended September 30, 1961 and in an interim statement by Mr. Ross dated January 12, 1962, copies of which accompany this report.

For about a month in the summer of 1961 the first detailed geological mapping of the main mineralized areas on the three groups was undertaken by geologists, T.W. Muraro and J. Richardson of the Geological Department of Consolidated Mining and Smelting Company of Canada and a geological report with illustrative maps was prepared under date of July 31, 1961. Sam B. McBeath has logged and sampled all the drilling by Western Mines on the Lynx and Paramount Groups and has prepared plans and sections to illustrate the results.

Original copies or compilations of all prior information were made available to the present writer in March 1962.

GEOLOGY

The present writer's report on a reconnaissance study of the geology of Buttle Lake Area is published in the 1930 Summary Report, Part A, Geological Survey of Canada, pages 56 to 78. It includes descriptions of the surface showings at the Lynx, Paramount and Price Creek groups, with special emphasis on the Lynx. Since then no comprehensive study of the areal geology has been undertaken. The results of recent localized, surface mapping by Consolidated Mining and Smelting Company have been made available to the writer and have been discussed with the field geologist who did the work.

The writer visited the property from March 30 to April 2, 1962, inclusive; with the assistance of the resident geologist drill cores were relogged, interpretations discussed, and a special effort was made to examine in detail mineralized sections at the Lynx and in two typical holes at the Paramount, checking visual estimates of base metal content against assay results of company sampling. In view of good correspondence in this regard it was not considered advisable to remove the remaining half-cores for additional assaying, thus depriving the owners of material that is apt to be needed for further study as development proceeds. Snow and rugged terrain prevented re-examination of the surface showings but it is said that at the Lynx, little or no surface development has been done since 1930.

A high percentage of the surface is covered with a heavy growth of timber and bush and the valley of Myra Creek between the Lynx and Paramount Groups is mantled by deep overburden.

The known rocks in the claim area include much bedded agglomerate and tuff, chiefly of intermediate to basic composition, but including distinctive thin-bedded horizons of dense cherty material and softer argillaceous to visibly fragmental members that in places exhibit graded bedding. These, with intervening, thicker layers of agglomerate, should serve as useful horizon markers if detailed studies are made at a later date. Flows and dykes of andesitic to dacitic appearance are present and it is known that limestone occurs in the upper part of the stratigraphic succession but none has been found on the claims. On the basis of a few fossil collections from well north of the property the entire assemblage is believed to be of Permian or greater age, underlying the Triassic volcanic rocks and associated sediments that are exposed throughout much of the northern and central parts of Vancouver Island.

In the mineralized areas on the property the rocks are in large part so highly sheared and altered that their original composition and their attitudes are unknown. In lower Myra Creek and along the southern shores of Buttle Lake the bedded pyroclastics, in layers from a fraction of an inch to tens of feet in thickness have a general northwesterly strike and dip to the southwest at angles varying from about 10 to 40 degrees. Similar strata have been observed 1000 to 1500 feet above the lake and some 500 feet west of the

GEOLOGY - continued

Lynx schistose zone. However, sufficient detailed geology has not been done to demonstrate the original nature of the strata that are incorporated in the schistose zones though it appears, from drill core, that agglomerates and tuffs, and some flows, are represented. It is thought, from a few surface exposures and from some debatable correlations in drill cores, that dips of 75° or more to the southwest may prevail along the south western side of the Lynx schist zone. The regional structure of the Paleozoic rocks is believed to be a major anticline or elongated dome, some 20 miles long at least and up to 8 miles wide. There is evidence of minor folds, with gently plunging axes, within the major structure, and of gentle northerly plunges at the Lynx. Some four miles west of the south end of Buttle Lake the Paleozoic strata are truncated by the north easterly contact of a major granitic intrusion of presumably post-Triassic age.

At each of the three groups the rocks are locally converted to schists containing varying proportions of quartz, chlorite and sericite and lesser amounts of epidote, pyrite and other accessory minerals. They are termed quartz-sericite schist, chlorite schist, or intermediate types. Some varieties are telcose. The most abundant type in mineralized zones is quartz-sericite schist. The general strike of the schistosity is northwest, with dips vertical to steep southwest. Some minor folding and contortion of the schistosity has been observed. Faults are known to exist. One set is parallel to the schistosity; both on surface and in drill core examples can be seen to carry crushed rock or gouge. Another set has a northerly strike, is perhaps the dominant one in the area, and is known to offset the schist zones. Faults in other directions also are known.

The mineralized bodies of schist contain varying proportions of pyrite, sphalerite, chalcopyrite, galena and accessory amounts of a mineral resembling tetrahedrite. Pyrite is much more widespread than the ore minerals, particularly on the footwall of mineralized sections and toward the footwall of the Lynx zone. Gangue is chiefly quartz, chlorite and sericite (and some talc) with, locally, appreciable amounts of barite and dolomite, the latter chiefly in veins with quartz. At surface and in the cores higher grade accumulations of the ore minerals, with or without pyrite, occur either as fine-grained replacements conformable with the schistosity or as irregular to tabular veins crosscutting the schistosity at various angles. In lower-grade bodies the sulphides are disseminated in the schist. A number of core intersections indicate that chalcopyrite and to a lesser extent sphalerite are more abundant where quartz-carbonate veins or extreme silicification occur, but this does not seem to apply to a number of massive sulphide intersections in the cores.

Other than as indicated above, the structural control, and therefore the expectable form and continuity of the sulphidic bodies is not known. Drilling at the Lynx suggests that sulphide bodies close to the Hanging (southwest) well of the Schist zone would be expected to exhibit the maximum continuity parallel to the schistosity or to the related hanging wall fault zone.

GEOLOGY - continued

THE LYNX GROUP

Summarized results of the work to date are shown in Plan 3 and the accompanying longitudinal section and cross sections (Sections A-B, C-D, E-F, G¹H¹, GH and I-J).

Assays were made by J.R. Williams & Son Ltd., 580 Nelson Street, Vancouver 2, B.C.

Surface exposures show that the schist zone is 500 feet wide at Section A-B but that there are within it bodies of relatively unshattered greenstone. Hole 5, Section C-D, demonstrated a width of over 500 feet without reaching the footwall. Hole 11, Section E-F, intersected a width of over 600 feet of schist. Several of the drill cores indicate that the south western limit of the schist zone should be interpreted as a fault zone dipping steeply southwest.

ORE POTENTIAL, LYNX GROUP

The available data do not permit firm estimates of ore reserves on the Lynx. The mineralized blocks shown in plan and in cross sections and detailed in the following table are "Possible" ore blocks that are believed to give, in total, a reasonable gross potential for the ground that has been tested rather than limits of ore that may be mined. They are best considered as giving a rough measure of the ore potential in the block of ground 1000 feet in strike length included in the calculations, without significance as to the actual form or dimensions of "orebodies". It is to be noted that mineralized sections in Holes 14, 15 and 17 (Section I-J) and hole 18 (Section G-H) are not included in the calculations. In other words, both ends of the block are "open". Also, several mineralized intersections have not, for one reason or another, been included and metal values in many places extend beyond the assay limits taken for the blocks.

The average of the four main sections included in the tonnage calculations, without allowing for dilution, is, in round figures, 1200 tons per vertical foot. As mentioned above, the mineralized zone is open at both ends.

- from about 100' W of I-J - to G-H.

1,000,000 tons - Ross (see rough long-section)

- CMS is thinking in terms of 1000 tons a day
but is using lower grade tonnage than Gunning
& Ross says CMS is figuring on about 1/2 of his operating
profit.

- Ross thinks in terms of 15% dilution

Cominco says 100,000 ^{tons} in Param & good chance of 200,000 tons

Newcladian on strike on SE - has drilled 2-4 blank holes & is
Newmont has ^{small} block of Western Mines stock shipping the drill out.

CM & S now 20% & can maintain this.
fill from 28%

150,000 + 20,000 = 250,000 shares.
in 3 million share Co.

LYNX GROUP

SECTION	BLOCK OR DRILL HOLE	AVERAGE CORE ASSAYS					TRUE THICKNESS	TONS @ 10 Cu. Ft. / Ton	
		Au(Ozs)	Ag(Ozs)	Cu%	Pb%	Zn%			
A-B	W 1A	0.16	7.7	6.8	7.4	27.6	3.5 ft.	875.	
	8A	0.10	3.8	1.4	1.8	15.6	17.0 ft.	34000.	
	8B	0.03	3.9	0.9	0.8	5.1	16.0 ft.	64000.	
	8C	0.05	6.8	2.1	1.6	9.6	10.0 ft.	40000.	
	9A	0.08	25.1	1.9	4.3	21.3	5.0 ft.	20000.	
	9B	0.07	1.2	1.7	1.0	16.0	12.0 ft.	48000.	
C-D	10A	0.045	1.9	0.8	1.5	10.5	10.0 ft.	30000.	
	12A	0.06	2.4	1.8	1.1	5.8	24.0 ft.	96000.	
	12B	0.07	8.5	0.5	1.8	5.4	4.0 ft.	4000.	
	12C	0.01	1.4	0.4	1.4	4.3	6.0 ft.	Omit from calculation	
E-F	7A	0.05	3.3	2.4	0.8	9.5	7.0	7000.	
	11A	0.05	1.7	1.0	1.3	8.6	17.0	38250.	
	13A	0.12	3.5	3.45	1.0	21.7	4.0	6000.	
	13B	0.005	0.2	0.6	0.1	7.2	8.0	Omit	
G-H	21A	0.046	2.1	0.93	0.73	6.0	20.0	45000.	
	21B	0.005	0.4	0.63	0.17	8.3	6.0	Omit	
	21C	0.21	6.0	4.4	2.2	22.2	7.0	15750.	
AVGE		0.06	4.09	1.56	1.34	10.02	11.2	<i>Arithmetic Average</i> 448,875 TONS	
G-H			<u>ADDITIONAL INTERSECTIONS</u>						
	18A	^{-60°}	0.02	0.3	1.5	0.1	3.7	9.0	Omit
	or 18A		0.02	0.2	1.15	0.1	1.7	20.0	Omit
	W 2A		Barren						
	3A		0.02	0.7	0.4	0.4	3.4	9.0	Omit
	4A		0.01	1.2	0.3	0.6	4.7	9.0	Omit
	5A		0.01	0.5	0.2	0.2	1.2	25.0	Omit
11B		0.04	2.0	1.7	1.5	10.9	0.5	Omit	
I-J	W14A	0.08	3.6	0.7	0.7	3.7	35.0	Omit	
	15A	0.015	0.7	0.3	0.7	2.4	2.0	Omit	
	17A	TR.	2.5	0.4	1.0	4.8	8.0	Omit	
	17B	0.04	16.8	0.8	7.8	42.1	1.0	Omit	
ABOVE	AVGE	0.06	4.09	1.56	1.34	10.02		448,875	
PLUS 10%	DILUTION	0.056	3.7	1.4	1.2	9.1		493,672 TONS	

*based on
Tulsequah
↳ - mill test at C.M.S.S.
somewhat better.*

ESTIMATED NET SMELTER RETURN PER TON LYNX GROUP

	HEAD ASSAY	RECOVERY %	NET METAL	UNIT PRICE	NET SMELTER RETURN
Au	.056 ozs.	85	0.475	\$35.00	1.66
Ag	3.7 ozs.	87	3.22	\$ 1.05	3.38
Cu	1.4 %	80	1.12	\$ 0.22 ✓	4.93
Pb	1.2 %	75	0.9	\$ 0.05 ✓	0.90
Zn	9.1 %	75	6.8	\$.045 ✓	6.11
TOTAL N.S.R. ...					\$16.98
Assumed Operating Cost Per Ton ...					<u>9.00</u> *
Estimated Profit Per Ton ...				SAY	<u>\$ 8.00</u>

*J.A.C. Ross, Consulting Mining Engineer, has estimated costs as follows, for a 500 tons per day operation:

Exploration and Development	\$ 1.50 per ton
Mining (undergrad) (<i>shrinkage method</i>)	\$ 3.50
Milling	\$ 2.50
Administration	\$ 1.00
<hr/>	
TOTAL ...	\$ 8.50 per ton

extra 50¢ by Leaning

PARAMOUNT GROUP

The workings on this group have not been examined by the writer. Plan 4 is a compilation of all work to date supplied by Western Mines and is accompanied by a vertical section through Trench "C". Their complete accuracy cannot be guaranteed since the source information is variable, some of it is 40 years old, and final detailed surveys have not been made.

From the plan it will be seen that the Schistose rocks here are at least 250 feet wide at surface. The schistosity strikes N40° W. dips very steeply, and the schists are bounded on the east by a fault zone of steep easterly dip that trends west of north. A second fault, trending north, displaces the schists on the west. To the south, the schists appear to dip beneath the relatively unshered cover of volcanic rocks and this attitude is corroborated by the fact that the vertical drill holes W.101 and W.102 intersected ore and schist beneath the volcanic rocks in which they are collared. A southeasterly plunge is suggested by intersections of mineralized schist in several drill holes at points southeast of the adit and it would seem that vertical drill holes to the south and southeast of the main surface showings will be required to test for possible extensions in these directions.

To the northwest there is some 4,000 feet of drift-covered, low ground between the Paramount showings and the southerly drill holes at the Lynx group.

The "ore" block indicated in the section through Trench "C" would yield 150 tons per foot of length. The unweighted average of the four intersections is 0.09 oz. Au, + 4.5 oz. Ag, 1.8% Cu, 2.0% Pb, 12.1% Zn.

It is estimated that the Paramount has a possible ore reserve of over 50,000 tons at a grade similar to or better than that at the Lynx.

PRICE CREEK GROUP

No development has been done at the Price Creek group by Western Mines. Schist similar to that at the Paramount and Lynx groups is exposed at at least three places on the claims, at elevations between 1300 and 2000 feet above sea level and narrow widths of sulphide mineralization similar to that at the Lynx and Paramount have been exposed in open cuts. Additional details are given in the writer's report of 1930 for the Geological Survey, Canada. The showings are on the general strike extension of the Paramount Lynx schist zone but it is not known that there is a direct connection between the Paramount and Price Creek. The writer has not reexamined the showings since 1930.

No ore potential can be estimated for the Price Creek group at this time. It needs additional study and exploration before its potential value can be determined.

SUMMARY

1. Western Mines Limited has under option a large property at Myra Falls, Buttle Lake, in Strathcona Park on Vancouver Island, B. C.
2. Diamond drilling on the Lynx Group has indicated a potential of 1200 tons per vertical foot in a strike length of 1000 feet, to an average depth of 400 feet. The estimated operating profit is \$8.00 per ton.
3. Additional potential is indicated by drill holes (Section G-H and I-J) that extend the known length of the mineralized zone by at least 300 feet beyond the 1000 feet used in the tonnage calculations.
4. An additional possible tonnage of at least 50,000 tons is indicated at the Paramount group, 4000 feet southeast of the Lynx workings and the intervening ground is covered by overburden.

CONCLUSIONS

1. Underground development and diamond drilling are required at the Lynx to supply data for firm estimates of tonnage and grade.
2. The development program planned and presently underway by Western Mines includes the following work and expenditures.

(a) Purchase of camp and equipment	\$ 70,000.00
(b) Road Construction	\$ 20,000.00
(c) Lynx Property Development	
3,000 feet of drifting and crosscutting	\$195,000.00
560 feet of Raising	\$ 25,000.00
2,500 feet of Test Hole Drilling	\$ 11,000.00
30,000 feet of diamond drilling	\$162,000.00
(d) Paramount Property	
2,000 feet of diamond drilling	\$ 15,000.00
(e) Price Property	
Road Construction	\$ 10,000.00
Trenching and diamond drilling	\$ 24,000.00
(f) Geological Mapping, Engineering, Administration and Miscellaneous	\$175,000.00
TOTAL ...	<u>\$707,000.00</u>

CONCLUSIONS - continued

3. This expenditure would allow for adequate testing of the Lynx group for a strike length of about 1300 feet to the 950 foot level, using an adit and crosscuts at the 1250 foot level.
4. Development to this depth in the 1000 feet of strike length calculated above would give additional potential at the average figures used of 200,000 tons or a total of say 700,000 tons, dilution included, if estimated widths and grades persisted. Average depth of the ground so tested would be 530 feet from surface, without allowing for any depth extensions below the deepest drilling.
5. Allowing for indicated strike extension and for possible depth extensions below the 950 foot level, the potential of the property is sufficient to justify the projected expenditures, provided that sufficient encouragement is obtained as the work proceeds to warrant completion of the programme.

H. C. GUNNING,
Professional Engineer

CERTIFICATE

I, Henry C. Gunning, of the City of Vancouver, do hereby certify as follows:

1. That I am a Consulting Geologist and have practiced my profession in excess of twenty-five years.
2. That I live at 1245 Beach Avenue, Vancouver 5, B.C.
3. That I am registered as a Professional Engineer in the Province of British Columbia.
4. That I am a graduate engineer with degrees of Bachelor of Applied Science, Geological Engineering from the University of British Columbia and Science Master and Doctor of Philosophy (Geology) from Massachusetts Institute of Technology.
5. That my knowledge of this property was acquired:
 - (a) By personal examination of the property and surrounding area as geologist for the Geological Survey, Canada, 1930.
 - (b) By examination of records supplied by Western Mines Limited and Consolidated Mining and Smelting Company of Canada.
 - (c) By personal examination of diamond drill cores at the property March 30 to April 2, 1962 inclusive.
6. That I have no interest either directly or indirectly, nor do I expect to receive any interest either directly or indirectly in the properties or securities of Western Mines Limited.

Dated at Vancouver this 14th Day of April, 1962.

H. C. GUNNING,
Professional Engineer

ADDENDUM FOR REPORT ON
MYRA FALLS PROPERTY, STRATHCONA PARK
VANCOUVER ISLAND, BRITISH COLUMBIA
OF
WESTERN MINES LIMITED

The development program at the Lynx Group is planned to include:

(1) An adit with portal approximately 60 feet north of the collar of diamond drill hole W18, at elevation close to 1250 feet (see Plan 3). It will angle north for approximately 150 feet and then turn northwest, roughly following the section line on Plan 3, as a drift along or parallel to the hanging wall mineralized zones intersected in the various drill holes. A total of 1150 feet of driving will be required to reach latitude 16,600 N, the estimated northwest end of mineralized block 12A. Allowance is made for an additional 700 feet of crosscutting and drifting, either from this point or from a footwall drift, to test the intersections obtained on Holes 14, 15 and 17, at the extreme northwest end of the drilled area. It is also planned to drive from the main adit a crosscut 300 feet into the footwall approximately along section A-B. It will pass block 9B and possible downward extensions of blocks 8B, 8C and 7A. Some 300 feet of drifting is planned on one or more of these footwall lodes. The remaining 550 feet of the 3000 feet estimate is allowed for crosscuts in mineralized zones at intermediate points and for preparation of diamond drill sites underground.

(2) A raise to surface, some 360 feet in length, to provide ventilation and additional drill sites if required. Two hundred feet of other raising is allowed for testing and sampling the mineralized zones.

(3) Twenty-five hundred feet of test-hole drilling to sample mineralized zones where the full widths cannot be sampled in drifts or crosscuts. Many of these short holes should be at intervals of 25 to 50 feet to determine properly the form and grade of mineralized zones.

(4) The estimated 30,000 feet of diamond drilling includes 25,000 feet of underground drilling, to probe to a depth of about 300 feet below the 1250 level and above that level. This will be accomplished by rings of holes at strike intervals of about 150 feet. The remaining 5,000 feet is an allowance for surface drilling, at an estimated cost of \$7.50 per foot, on the northwest and southeast extremities of the known mineralized zones. The southeast extremity will not be accessible from the adit.

It is believed that unless unexpected difficulties are encountered the underground programme can be completed by the end of 1962. Item (f) of the estimate therefore covers a period of ten months, March to December inclusive, 1962. The entire programme will, of course, be subject to reappraisal and readjustment as new results become available.

April 26, 1962.

H. C. Gunning, P. Eng.

Addenda - #1

WESTERN MINES LIMITED

MYRA FALLS, B. C.

Buttle Lake

Vancouver Island

The following is a conservative estimate of the ore reserve indicated by diamond drilling that has been completed to December 31st, 1961:

<u>Property</u>	<u>Classification</u>	<u>Tons</u>
Lynx	Drill Indicated including Dilution	293,000
Lynx	Inferred or Possible	150,000
Lynx Total		443,000
Paramount	Drill Indicated (Similar to Lynx but drilling indicates somewhat higher grades for gold, silver, copper)	100,000
TOTAL		543,000

The drilling has given the following grades for the 443,000 tons on the Lynx Property:

<u>Au</u>	<u>Ag</u>	<u>Cu</u>	<u>Pb</u>	<u>Zn</u>
<u>oz.</u>	<u>oz.</u>	<u>%</u>	<u>%</u>	<u>%</u>
0.056	2.92	1.44	1.31	10.46

On the basis of these figures it has been estimated that at a production rate of 500 tons per day using conservative metallurgical figures and operating costs, ore of this grade should return a net operating profit of approximately \$9.00 per ton.

January 12, 1962

Vancouver, B. C.

Western Mines Limited
(N. P. L.)

3 cc to R Powelson /

May 4, 1962

NEWS RELEASE

Assays for the lower ore intersection in Hole 21 on the Lynx Zone (Section G' H') have returned the following excellent values:

Footage From	To	Intersection Length	Gold oz/ton	Silver Oz/ton	Copper %	Lead %	Zinc %
355-1/2'	390-1/2'	35'	0.051	1.13	3.09	1.28	7.13

The following higher grade intersections are included within the above zone.

355-1/2'	373	17.5'	0.069	1.50	4.27	1.72	9.83
383-1/2'	390-1/2	7.0'	0.077	1.89	4.47	1.93	10.86

The 35 foot zone is flanked on both sides by approximately 30 feet of low grade mineralization averaging about 0.40% copper. It is not possible to determine true widths until additional intersections have been returned. Hole 21 is located at the southern end of the Lynx Zone and collared at an elevation of 1289 feet above sea level. All intersections in this hole are located below the proposed adit level in an area covered by deep overburden. The hole was terminated at 590 feet and was still in the quartz sericite schist formation. Hole 22 at a dip of -45° is presently being drilled beneath Hole 21 and on the same bearing.

J.A.C. Ross
Managing Director

WESTERN MINES LIMITED

(NON-PERSONAL LIABILITY)



Ninth Annual Report

For the year ended September 30th, 1961

WESTERN MINES LIMITED

(NON-PERSONAL LIABILITY)

For the period ending September 30, 1961

AUTHORIZED CAPITAL	- - -	3,000,000	Ordinary Common
			Shares par value \$2.00 each
ISSUED	- - - - -	1,855,043	
REMAINING IN TREASURY	- - -	1,144,957	

DIRECTORS

E. C. HAMMOND ✓	R. T. HAGER ✓
H. H. HUESTIS ✓	J. A. McLALLEN ✓
J. A. C. ROSS, P.ENG. ✓	J. E. R. WOOD, P.ENG. ✓
✓ H. M. WRIGHT, P.ENG.	
<i>Powelson, Bob Armstrong</i>	

OFFICERS

H. M. WRIGHT, P.ENG.	- - - - -	President
R. T. HAGER	- - - - -	Vice-President
H. M. TURNER	- - - - -	Secretary Treasurer

CONSULTING ENGINEERS

J. A. C. ROSS & ASSOCIATES LTD.

REGISTRAR & TRANSFER AGENT

THE EASTERN TRUST COMPANY
424 Burrard Street,
Vancouver 1, B.C.

VANCOUVER OFFICE:

850 West Hastings Street,
Vancouver 1, B.C.

EXCHANGE LISTING

Shares of this Company are listed
on the Vancouver Stock Exchange

WESTERN MINES LIMITED

(NON- PERSONAL LIABILITY)

President's Report

Vancouver, B.C.
November 27, 1961

TO THE SHAREHOLDERS — WESTERN MINES LIMITED

The Ninth Annual Report of your Company is submitted along with the Balance Sheet, Profit & Loss Statement, Auditor's Report and the Report of Mr. J. A. C. Ross, P.Eng., Managing Director.

There has been no change in the situation with respect to our Ainsworth property which remains shut down because of severely depressed prices for lead and zinc. This plus the quotas on shipments of lead and zinc moving to the United States along with a tariff wall precludes an economical operation at Ainsworth under existing conditions. This situation will eventually improve and when it does we have at Ainsworth a good lead-zinc ore potential worthy of careful development. To this end, earlier this year we were approached by a large producer of lead and zinc who are interested in an arrangement for exploring our Ainsworth properties. These discussions will be reviewed early in 1962.

Under date of July 31, 1961 your Directors reported to all registered shareholders our interest in the Buttle Lake area, Vancouver Island, B.C. Since that time an active exploration programme has been underway ably guided by Mr. J. A. C. Ross, P.Eng. and Mr. A. O. Hall, P.Eng. A report on the results to date is included herein. Shareholders will be gratified at the results so far obtained. In connection with this Buttle Lake programme, we acknowledge with thanks the help of The Consolidated Mining and Smelting Company of Canada Limited for their fine co-operation in the technical aspects of the project and to Davidson & Co. Ltd. for arranging the necessary financing.

During the year there was a change in the Board of Directors and we welcome the newcomers, Mr. J. A. McLallen and Mr. H. H. Huestis.

Your Directors are pleased and encouraged with the improved affairs of the Company and are hopeful that the continuing exploration at Buttle Lake will result in a successful producing mine.

The employees at Buttle Lake have our thanks for a well-done job under difficult conditions. Again, we record our appreciation of the efforts of Mr. H. M. Turner, who has been with the Company since its inception.

On behalf of the Board of Directors,
H. M. WRIGHT, P.Eng., President.

WESTERN MINES LIMITED

(NON- PERSONAL LIABILITY)

Managing Director's Report

November 23, 1961

The President and Directors,
Western Mines Limited,
Vancouver, B.C.

Gentlemen:

AINSWORTH PROPERTY

The properties at Ainsworth have been maintained in good standing but have remained inactive due to the depressed market conditions for lead and zinc. A major producer of lead and zinc has, however, shown interest in the property and may continue negotiations next year.

BUTTLE LAKE PROPERTY

In May the Company optioned from P. M. Reynolds and Associates the Lynx, Paramount and Price groups of mineral claims located near the south end of Buttle Lake on Vancouver Island.

This property comprises 23 Crown Granted and six located mineral claims. With an additional thirty-six claims staked by the Company, it has been possible to consolidate into one property an area approximately 6,000 feet wide and 21,000 feet in length covering a fairly well defined shear zone.

It is most significant that important mineralization appearing on the three properties apparently occur within the common favourable structure.

The location of the properties are shown in the map accompanying this report. Access to property is by 28 miles of good gravel highway from Campbell River to Upper Campbell Lake, 24 miles by water transportation to the south end of Buttle Lake and thence along Myra Creek via two miles of jeep road constructed by the Company this summer.

A tent camp has been established on Myra Creek 1½ miles from Buttle Lake and at the present time three diamond drills are testing the Paramount and Lynx showings.

The Consolidated Mining and Smelting Company, a major shareholder of Western Mines Limited, completed a geological study and mapped the more important structures. They have continued to assist in financing the project and supplying valuable technical assistance in conducting the exploration work at the property.

LYNX PROPERTY

Mapping of this property indicated the favourable quartz-sericite schist zone to have widths up to 600 feet. Open cuts have uncovered good mineralization locations within this zone.

Drilling to date has indicated two parallel ore zones approximately 220 feet apart and most recently at depth, a possible third zone between the other two. The westerly showing so far has proven vertical continuity of 150 feet and is open at depth and along strike. The following intersections have been cut in this zone.

D.D. Hole No.	Intersection		True Width in Feet	Gold oz./T	Silver oz./T	ASSAY RESULTS		
	From	To				Copper %	Lead %	Zinc %
W1	23.0	26.5	3.5	0.16	7.7	6.7	7.4	27.6
W8	116.0	120.0	4.0	0.09	4.6	3.3	2.1	25.6
	120.0	125.0	5.0	0.01	1.5	0.5	0.3	3.0
	125.0	127.0	2.0	0.04	1.7	0.6	0.8	9.4
	127.0	134.0	7.0	0.20	5.6	1.4	3.0	20.7
		18.0	0.10	3.7	1.4	1.8	15.6	
W9	147.0	158.0	11.0	0.06	17.8	1.4	3.0	15.8
Totals and Averages			11.0	0.10	8.8	2.0	2.8	16.7

Using an X-ray drill shallow holes were drilled on 100 feet centers along the westerly contact of the altered quartz-sericite zone. Scattered mineralization was present in all holes drilled with high grade mineralizations occurring in two. The zone to the east was cut by Hole W7, a shallow hole near the surface, and presumably by hole W8 at 150 vertically below where the mineralized zone widens to 40 feet (core recovery from this zone was very poor). The intersection in Hole W7 assayed over 7.5 feet 0.05 oz/ton gold, 3.6 oz/ton silver, 2.4% copper, 0.80% lead and 9.6% zinc. Core recovered from Hole W8 suggests a grade comparable to the upper intersection. Hole W9 is being deepened to probe for a further downward extension at a depth

of approximately 300 feet vertically below the surface. It is planned to continue to explore along the strike of these zones this winter with large drills capable of cross cutting the entire favourable structure. A possible third zone may have been located between the other two zones as indicated by a most recent intersection assaying over 15 feet as follows.

0.07 oz. Au.
 1.2 oz. Ag.
 1.7% Cu.
 1.0% Pb
 16.1% Zn

PARAMOUNT PROPERTY

The principal showings in this zone are located at an elevation of about 1,500 feet above sea level, approximately 4,000 feet south-east of the Lynx. Previous work included 16 diamond drill holes totalling about 4,300 feet 60 feet of crosscutting and a minor amount of trenching. This work has indicated a zone estimated to contain 60,000 tons to a depth of 200 feet over a length of 200 feet with an average width of 14 feet. The average grade is estimated at 0.13 oz/ton gold, 7.70 oz/ton silver, 1.47% copper, 1.6% lead and 14.0 zinc.

Two new crosscut trenches 65 feet apart within this zone has indicated the existence of considerable larger tonnages of somewhat lower grade ore. These trenches have returned the following assays:

Width Feet	Gold oz./T	Silver oz./T	Copper %	Lead %	Zinc %
35	0.13	4.60	1.08	1.04	10.0
25	0.11	5.35	2.80	1.13	13.80

Short diamond drill holes have recently indicated that major ore structures may dip flatly into the hillside, and drilling is being continued to determine the actual dip. Should the ore structure be found flat dipping, much of the previous drilling would have been under the major ore structures thus explaining the negative results obtained in many instances. The steep terrain on which the ore occurs will limit the amount of effective diamond drilling that can be done from the surface. A most recent vertical hole (W101) intersecting this structure down dip is higher in grade over a similar width and returned the following assays:

0.10 oz. Au.
 4.9 oz. Ag.
 1.8% Cu.
 1.1% Pb.
 11.1% Zn.

Underground exploration is being planned and will be relatively inexpensive.

PRICE PROPERTY

This property is located 7,000 feet southeast of the Paramount and contains numerous mineralized occurrences at elevations ranging from 900 feet to 1,900 feet above sea level. Previous work has been limited to a number of open cuts showing the same type of high grade mineralization as the Paramount and Lynx.

Prospecting this past summer has located a massive band of pyrite up to 4 feet in width assaying 1.3% copper.

Additional work in this area is planned for next year.

CONCLUSIONS:

The results of the modest programme completed this year have been very encouraging and suggests definite possibility of developing substantial tonnage of good grade of ore, particularly in the Lynx zone. The character of the ore in the three main showings is unusually high grade thus negating the requirement of proving large tonnages to justify an economical producer. The possibility of establishing a small high grade mine is excellent and toward this end serious consideration will have to be given to an underground development programme in the near future. The present drilling programme, which includes widely spaced holes, will be completed before planning an underground programme as larger ore zones may be found and thus indicate more advantageous locations for underground work.

Respectfully submitted,
 J. A. C. ROSS, P.Eng.
 Managing Director

WESTERN MINES LIMITED

(NON-PERSONAL LIABILITY)

BALANCE SHEET

As at September 30, 1961

ASSETS			
Current Assets:			
Cash in banks	\$	31,406.29	
Accounts receivable		2,198.96	
Mine and mill supplies		9,473.99	
Prepaid insurance and property taxes		1,271.05	
	\$	<u>44,350.29</u>	
Non Marketable Securities: at cost			
3,570 shares Table Mountain Mines Limited			3,570.00
Mine, Property, Mineral Claims and Surface Rights: at cost — Note 1			
	For Shares	For Cash	Total
Ainsworth	\$350,000.00	\$ ---	\$350,000.00
Highland Mines	300,000.00	---	300,000.00
Buttle Lake	50,000.00	7,500.00	57,500.00
Daisy-Florence Group	---	7,250.00	7,250.00
	<u>\$700,000.00</u>	<u>\$ 14,750.00</u>	<u>\$714,750.00</u>
Exploration and Mine Development			519,601.56
Plant and Equipment: at cost			
Buildings		\$173,462.48	
Machinery and equipment		248,339.33	
Truck and tractor		21,588.28	
Water and power system		9,250.00	
		<u>\$452,640.09</u>	
Deduct: Accumulated depreciation		27,189.28	425,450.81
			<u>\$ 1,707,722.66</u>

LIABILITIES, CAPITAL AND DEFICIT			
Current Liabilities:			
Accounts payable and accrued—trade			\$ 11,221.05
Capital and Deficit:			
Capital Stock: Notes 2 and 3			
Authorized:			
3,000,000 Ordinary Common shares par value \$2.00 each		\$ 6,000,000.00	
Issued:			
For Cash:			
685,003 shares		\$ 1,370,006.00	
400,000 shares during the year		800,000.00	
		<u>1,085,003</u>	<u>\$ 2,170,006.00</u>
Discount thereon		1,525,000.00	
		<u>\$ 645,006.00</u>	
For mine property, mineral claims and services:			
520,040 shares		1,040,080.00	
250,000 shares during year	\$500,000.00		
Discount thereon	450,000.00	50,000.00	
		<u>1,855,043 shares</u>	<u>\$ 1,735,086.00</u>
Deficit		38,584.39	1,696,501.61

Signed on behalf of the Board:

H. M. WRIGHT, Director

J. A. C. ROSS, Director

The accompanying notes are an integral part of the financial statements.

\$ 1,707,722.66

AUDITOR'S REPORT

To the Shareholders of
Western Mines Limited (Non-Personal Liability)

We have examined the balance sheet of Western Mines Limited (Non-Personal Liability) as of September 30, 1961 and the statements of mine development costs and deficit for the year ended on that date and have obtained all the information and explanations we have required. 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.

In accordance with the requirements of The Companies Act of British Columbia, we have to report that no provision has been made for depreciation of buildings, plant and equipment during the year.

Subject to the foregoing, in our opinion the accompanying balance sheet and statements of mine development costs and deficit, are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the Company as of September 30, 1961 and the results of its operations for the year ended on that date according to the best of our information and the explanations given to us and as shown by the books of the Company.

November 17, 1961
Vancouver, B.C.

J. M. ROSS & CO.
Chartered Accountants

WESTERN MINES LIMITED

(NON-PERSONAL LIABILITY)

STATEMENT OF MINE DEVELOPMENT COSTS

For the Year Ended September 30, 1961

Direct Costs:	Ainsworth	Buttle Lake	Total
Diamond drilling		\$ 8,002.07	\$ 8,002.07
Road construction		5,401.74	5,401.74
Tractor operation and maintenance		5,314.08	5,314.08
Engineering		4,412.20	4,412.20
Cookhouse		2,381.68	2,381.68
Freight and water transport		1,754.71	1,754.71
Truck operation		529.11	529.11
Claim staking		465.00	465.00
Trail construction		441.98	441.98
Small tools		271.73	271.73
Assaying		191.99	191.99
Camp preparation		86.80	86.80
		\$ 29,253.09	\$ 29,253.09
Indirect Costs:			
Salary and employee benefits	\$ 1,467.00	\$ 40.80	\$ 1,507.80
Office	394.78	940.71	1,335.49
Travel	---	1,257.18	1,257.18
Provincial taxes	1,089.15	149.25	1,238.40
Power	1,194.13	---	1,194.13
Insurance	866.84	31.97	898.81
Printing and fiscal	484.75	198.99	683.74
Engineering	500.00	---	500.00
Bad debt expense	460.55	---	460.55
Fees and licenses	80.00	256.00	336.00
Audit	250.00	---	250.00
Legal	---	250.00	250.00
	\$ 6,787.20	\$ 3,124.90	\$ 9,912.10
Total Cost for the Year	\$ 6,787.20	\$ 3,124.90	\$ 9,912.10
Deduct:			
Timber royalty	\$ 2,483.07	\$ ---	\$ 2,483.07
Building rental	915.00	---	915.00
	\$ 3,398.07	\$ ---	\$ 3,398.07
Net Cost for the Year	\$ 3,389.13	\$ 32,377.99	\$ 35,767.12
Development costs to September 30, 1960	455,522.82	---	455,522.82
Prior years shut down costs	11,716.42	---	11,716.42
Mine rehabilitation costs to September 30, 1960	11,435.18	---	11,435.18
Concentrates and Mill supplies	3,502.06	---	3,502.06
Obsolete supplies and materials	1,657.96	---	1,657.96
	\$ 487,223.57	\$ 32,377.99	\$ 519,601.56
Development Costs Per Balance Sheet	\$ 487,223.57	\$ 32,377.99	\$ 519,601.56

WESTERN MINES LIMITED

(NON-PERSONAL LIABILITY)

STATEMENT OF DEFICIT

For the Year Ended September 30, 1961

Deficit at October 1, 1960			\$ 26,918.45
Add: Incorporation expenses written off	\$ 10,892.36		
Loss on investment—Brikon Explorations	2,490.00		
Commission allowed on issue of capital stock	10,000.00	23,382.36	
		<hr/>	\$ 50,300.81
Deduct: Shut down costs transferred to Mine Development		11,716.42	
		<hr/>	
Deficit at September 30, 1961			\$ 38,584.39

NOTES TO BALANCE SHEET

As at September 30, 1961

NOTE: 1 — Under an agreement dated June 1, 1961, with Patrick M. Reynolds, the Company was granted an option and sub-options, to purchase certain recorded and crown granted mineral claims near Buttle Lake, B.C., in consideration for 250,000 shares of the Company which have now been issued, and \$166,500.00 of which \$159,000.00 remains payable on an option basis.

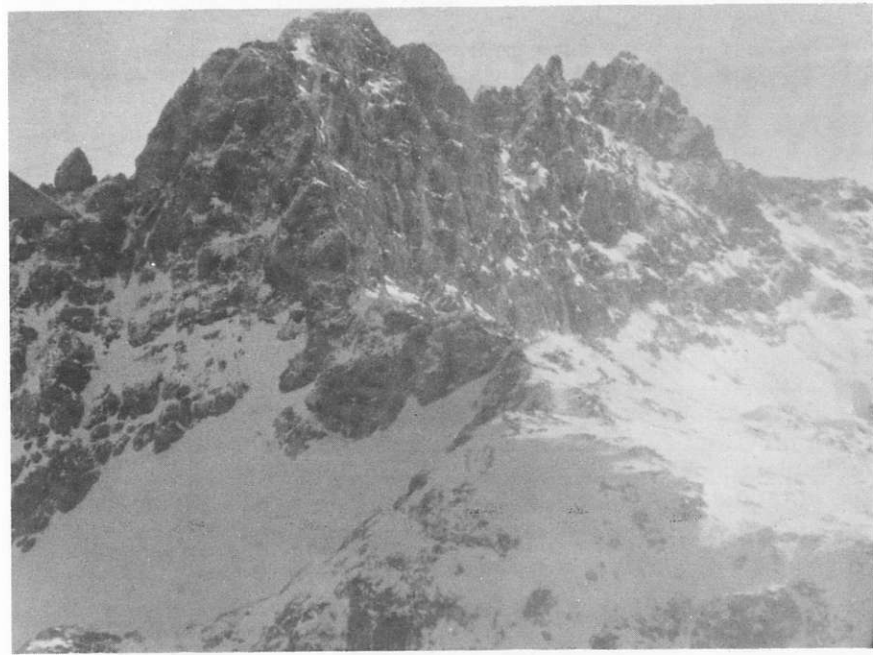
Under an agreement dated July 21, 1954, with William G. Turner, the Company was granted an option to purchase certain crown granted and recorded mineral claims near Ainsworth, B.C., for a price of \$10,000.00 of which \$2,750.00 remains payable on an option basis.

NOTE: 2 — Under an underwriting option agreement dated May 23, 1961, with Davidson & Company Limited, three options remained outstanding as at September 30, 1961. Since that date, 200,000 shares have been purchased at 25c per share and 143,000 shares at 35c per share, leaving 57,000 shares on option at 35c until January 26, 1962 for purchase under a sub-underwriting agreement by The Consolidated Mining & Smelting Company of Canada Limited.

Under a further agreement with Davidson & Company Limited dated November 10, 1961, the latter abandoned its option to purchase 200,000 shares at 50c on or before April 26, 1962, under the earlier agreement and purchased 75,000 shares at 50c and were granted options as follows:

- (a): 57,000 shares at 50c on or before April 26, 1962.
- (b): 68,000 shares at 50c on or before February 26, 1962.
- (c): 100,000 shares at 60c on or before May 26, 1962.
- (d): 100,000 shares at 75c on or before July 2, 1962.
- (e): 100,000 shares at \$1.00 on or before September 26, 1962.

NOTE: 3 — Of the issued shares 227,500 shares are held in Escrow subject to release by the Superintendent of Brokers.



High Grade at Buttle

TWO parallel ore zones and possibly a third have been outlined in drilling by Western Mines Ltd. in the Lynx zone of its multi-metal Buttle Lake prospect. The westerly vein, which showed good values on surface, was intersected in a shallow hole at a depth of 23 ft. where it showed a true width of 3.5 ft. assaying 0.16 oz. Au. and 7.7 oz. Ag. with 6.7% Cu., 7.4% Pb., and 27.6% Zn. A -20° hole cut the same shoot at a depth of approximately 75 ft. where a true width of 18 ft. assayed 0.10 oz. Au. and 3.7 oz. Ag. with 1.4% Cu., 1.8% Pb., and 15.6% Zn., and a third hole from the same station, drilled at -45° cut a true width of 11 ft. assaying 0.06 oz. Au. and 17.8 oz. Ag. with 1.4% Cu., 3.0% Pb., and 15.8% Zn. at an estimated vertical depth of 150 ft.

The zone to the east was cut by a shallow hole near surface where an intersection of 7.5 ft. assayed 0.05 oz. Au. and 3.6 oz. Ag. with 2.4% Cu., 0.8% Pb., and 9.6% Zn. and presumably by the extension of hole W8 (the hole that found the intermediate intersection in the westerly shoot) at a depth of 150 ft. below surface. Core suggests a grade comparable to the higher intersection. Hole W9 which made the deepest intersection in the west vein is being extended to explore the persistence of the east vein at an approximate depth of 300 ft. below surface. The third zone was indicated by an intersection in hole W9 between the two known zones. A 15-ft. length of core assayed .07 oz. Au. and 1.2 oz. Ag. with 1.7% Cu., 1.0% Pb., and 16.1% Zn.

On the Paramount group, adjoining and forming a part of the Western Mines holdings, previous work including 16 diamond-drill holes, 60 feet of crosscutting, and some trenching had indicated a zone containing 60,000 tons grading 0.13 oz. Au. and 7.70 oz. Ag. with 1.4% Cu., 1.6% Pb., and 14.0% Zn. in a block 200 ft. long by 200 ft. deep with an average width of 14 ft. Two new crosscut trenches 65 ft. apart have been cut by Western Mines and these suggest an orebody of considerably greater extent. The

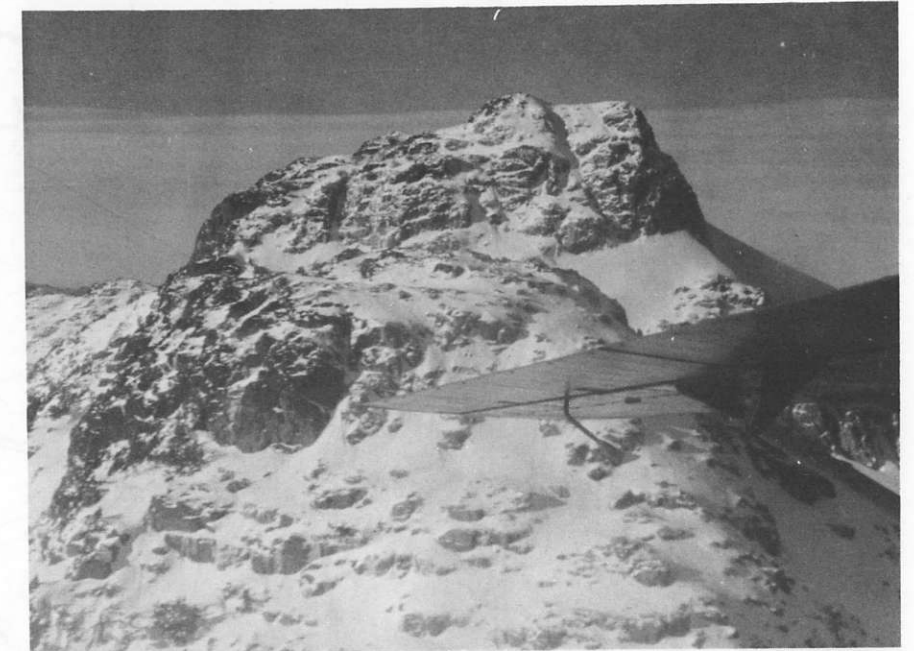
The photo at top left is a peak in the Flower Ridge on the east side of Buttle Lake and the photo at top right is Myra Mountain on the west side of the lake. All other illustration depicts scenes at Buttle Lake, the Western Mines camp, and Myra Falls.

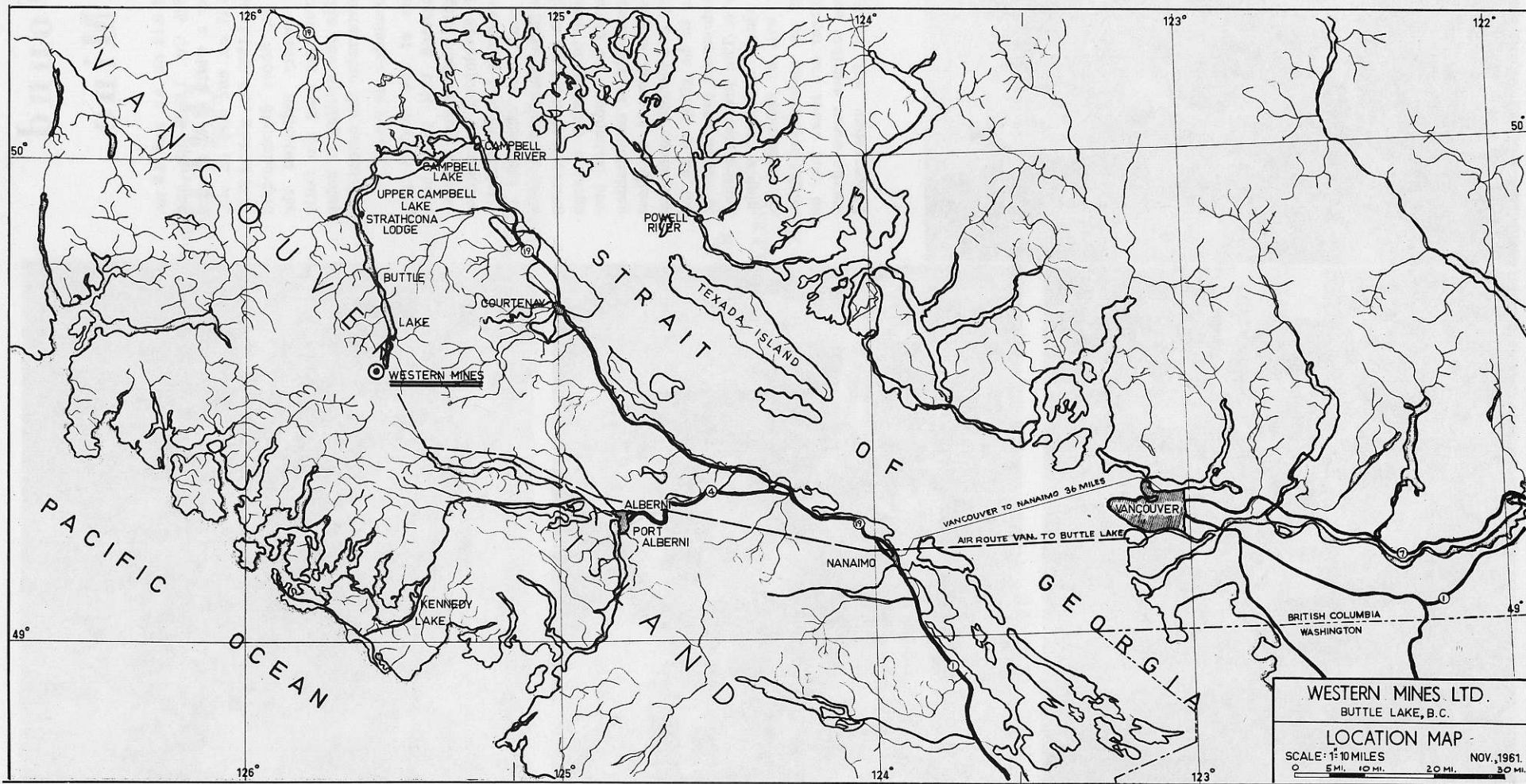
Ore Found Lake Mine

first averaged 0.13 oz. Au. and 4.6 oz. Ag. with 1.08% Cu., 1.04% Pb., and 10.0% Zn. over a width of 35 ft. and the second, 0.11 oz. and 5.35 oz. Ag. with 2.80% Cu., 1.13% Pb., and 13.80% Zn. over 25 ft. Short diamond-drill holes have recently indicated the major ore structures may dip flatly into the hillside and drilling is being continued to determine the actual dip.

Mr. Ross concludes his report:

"The results of the modest programme completed this year have been encouraging and suggest definite possibility of developing substantial tonnage of good-grade ore, particularly in the Lynx zone. The character of the ore in the three main showings is of unusually high grade, thus negating the requirement of proving a large tonnage to justify an economical producer. The possibility of establishing a small high-grade mine is excellent and toward this end serious consideration will have to be given to an underground-development programme in the near future. The present drilling programme, which includes widely-spaced holes, will be completed before planning an underground programme, as larger ore zones may be found and thus indicate more advantageous locations for underground work".





WESTERN MINES LTD.
 BUTTLE LAKE, B.C.
 LOCATION MAP
 SCALE: 1" = 10 MILES
 0 5 MI. 10 MI. 20 MI. 30 MI.
 NOV., 1961.