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WESTERN MINES LTD.

Capitalization - Common Shares $2 p.v. Authorized - 7,500,000: Issued - 5,161,616

| | |
|---|---|
| Current Price - $4.15 | Current P/E - 3.5:1 |
| Share Earnings - - - - 1968 - 84¢ 1969 - - - - | 81.6¢ |
| 3 Months ended December 31, 1969 | 46.4¢ |
| Calendar Year ended December 31, 1969 | $1.18 |

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Directors have approved changing the fiscal year-end from Sept. 30 to Dec. 31. There will be a report issued for the 3-month period ended Dec. 31, 1969. The next fiscal-year earnings figure will be fully comparable with the $1.18 per share indicated above.

The Company:

The mining properties of Western Mines are comprised of three blocks of continuous claims covering about 5,000 acres. The main group, called the Lynx, is held directly. The other two groups, which are held through wholly-owned subsidiaries, are known as the Paramount and the Price. The property is located in the Strathcona Provincial Park in the central area of Vancouver Island. The company operates with a "Park Use Permit" which expires in 1986 but with right of renewal for the full exploitation of the property. Campbell River is the servicing and shipping point for the company.

The concentrator, rated at 750 tons per day, commenced operations early in 1967. Initially, operations were plagued by metallurigcal and labour troubles and being located in a Provincial Park, special consideration had to be given to the problem of tailings disposal. Gradually, these difficulties were overcome with resulting improvement in recovery, costs and earnings. Currently, the plant is treating over 1,000 tons per day with improving recoveries.

Ore Reserves:

The poor market performance in the past has been due in part to the supposedly poor ore reserve position. There is no justification for concern in regard to this at the present time.

Until recently, Western Mines has been handicapped by a lack of funds to carry on adequate exploration programs, as the company is committed to pay 80% of its operating profit to a trustee for the retirement of outstanding income debentures. Even under these circumstances, reserves have been well maintained. As

Sept. 30, 1967 reserves were stated as 1,322,000 tons; at Sept. 30, 1969 they were 1,303,000 tons of only slightly lower grade. This is a loss of only 19,000 tons over an operational period of two years. The latest report showed reserve grade as 1.9% copper, 8.0% zinc, 0.07% lead, 0.06 oz. gold and 1.8 oz. silver per ton.

Exploration:

Mine exploration work has been stepped up in the past few months at the Lynx property and exploration programs have been resumed on the Price and Paramount properties. In addition to these programs, a large block of ground totalling 202 claims has been acquired on Quadra Island offshore from Campbell River. This ground is well regarded as a copper prospect.

General:

The annual report covering the fiscal year ended Sept. 30, 1969 showed working capital of about $5.5 million and total long-term debt of $7.5 million. Operating profit for the quarter ended Dec. 31, 1969 was $2,611,619. It is obvious that with a few more good quarters the company can be debt-free and in a position to consider paying dividends. The tax-free period ended Feb. 1st of this year but preproduction expenses, which amounted to over $9.5 million, will be written off for tax purposes and should result in tax-free operations until mid-1971 at least.

Outlook:

The main metals produced by Western Mines are copper, zinc and silver. Of the three, the outlook for zinc is perhaps the least attractive, but in general, for these metals the prices for the next 2 years should remain firm.

The rate of earnings of 46¢ per share for the three months ended Dec. 31, 1969 can hardly be expected to continue but yearly earnings in the range of $1.25 - $1.50 net per share should be a reasonable expectation until taxation begins.

The P/E ratio of 3.5 based on earnings for the 1969 calendar year is unrealistically low. An 8 - 10 times multiplier would be more in line for an equity of this calibre.

The stock has been long overdue for a strong upward move and can be considered an excellent buy in the $4.10 - $4.25 range.

A. G. Vance