

**Progress Report
To May 31, 1963**

REPORT TO SHAREHOLDERS OF WESTERN MINES LIMITED

Dr. Bell
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PARAMOUNT CAMP ESTABLISHED FOR UNDERGROUND CREWS SINKING THE LYNX SHAFT AND DRIVING THE PARAMOUNT 1350 LEVEL AND LYNX 1350 LEVEL.

WESTERN MINES LTD. (N.P.L.)

DIRECTORS:

- R. J. Armstrong, P.Eng.
- E. C. Hammond
- A. W. Johnston, P.Eng.
- J. M. Powelson, P.Eng.
- H. M. Wright, P.Eng.
- R. T. Hager
- H. H. Huestis
- J. A. McLallen
- J. E. R. Wood, P.Eng.

OFFICERS:

- H. M. Wright, President
- R. T. Hager, 1st Vice-President
- H. H. Huestis, 2nd Vice-President
- H. M. Turner, Secretary-Treasurer

MINE STAFF:

- G. H. McDougall, Mine Manager
- Wm. Blair, Mine Engineer
- A. H. Manifold, Chief Geologist
- E. S. Haigh, Chief Accountant

CONSULTING MINING ENGINEER:

J. A. C. Ross, P.Eng.

REPORT TO SHAREHOLDERS OF WESTERN MINES LIMITED

To The Shareholders:

The Directors are pleased to present the following interim report covering operations at the Myra Falls property of the Company.

SUMMARY

At the Lynx property, lateral development, raising and diamond drilling have served to confirm the ore reserves presented in the Annual Report for 1962. This confirmation assures production and efforts are now being concentrated on adding to the ore reserves. To implement this, a contract has been let for the sinking of a 4-compartment production shaft to a depth of 650 ft. below the 1200 ft. level, the undertaking of some trial stoping and a start on the erection of permanent camps and other facilities.

Simultaneously with the shaft sinking, a new level is being driven on the Lynx ore bodies at an elevation of 150 ft. above the 1200 ft. level.

At the Paramount mine, an adit has been started at the 1350 ft. elevation to explore ore indicated by diamond drilling. At the moment of writing, this heading has advanced approximately 160 ft. and has intersected the ore zone where expected at a distance of approximately 120 ft. from the portal. The ore has been followed for about 40 ft., showing a width of 10 ft. and grade higher than that obtained in the Lynx.

As will be seen by reference to the attached longitudinal section, the Lynx and Paramount are separated by the valley of Myra Creek and are approximately 4,000 ft. apart. The ground between these two mines is considered very favourable for the finding of additional ore. On completion of the shaft at the Lynx, a drive will immediately be undertaken from the new bottom level to connect ultimately with the Paramount workings. Results from this could be of major importance to the operation.

At the same time as the underground work is being carried on, improvements and additions to the service facilities; camps, transportation and other ancillary services, are being made.

LYNX MINE

At the Lynx mine a total of 2,797 ft. of drilling and the 552 ft. of raising were completed since the beginning of the fiscal year. This work was directed chiefly to an investigation of the Lynx shear zone and ore bodies, the cutting of diamond drill stations and the location of the internal shaft site. A total of 26,087 ft. of underground diamond drilling has now been completed from the 1200 ft. level.

This work was carried out, for the most part, with a view to confirming the ore reserve estimates quoted by the Company's consulting engineer, J. A. C. Ross, P.Eng., in the last Annual Report. It was not directed toward the finding of additional ore and hence the figure for ore reserves has not been materially altered.

Lynx ore reserves, therefore, may still be quoted at 1,487,000 tons grading 0.09 oz. gold, 3.37 oz. silver, 1.8% copper, 1.2% lead and 9.8% zinc. It is anticipated that when reserves are again calculated there will be grade increase because of drill results at lower horizons in the Lynx zone.

Two developments are of outstanding importance:

1. At the south end of the Lynx mine, extending toward the Paramount, an additional length of 120 ft. of ore has been indicated in drilling. Unfortunately, physical conditions preclude any extension of this exploration work by additional drilling and the full extent of this ore will not be known until the new deeper levels are available for development.
2. The second factor of importance was the fact that the deepest ore, intersected some 350 ft. below the 1200 level, was of exceptionally good grade averaging 0.11 oz. gold, 3.4 oz. silver, 3.7% copper, 2.1% lead and 18.3% zinc. The vertical extensions of the ore to date are open both up and down. The north end of the 1200 ft. level is not at present in ore but there is known mineralization on surface further to the north 500 ft. vertically above the 1200 level.

Development on the 1200 Lynx level has been stopped temporarily to permit preparation for shaft sinking. A contract has been let covering this work and the preparatory stages are already well advanced with actual sinking scheduled for some time in July. Once this is underway, it is planned to return to the ore zones to carry out additional raising and trial stoping with the dual objective of becoming acquainted with the habits of the ore bodies and of accumulating a stockpile for the mill start-up period. The two raises completed to date from the 4N and 7N crosscuts have both reached points approximately 150 ft. above the 1200 level, still in ore. This is most encouraging from the point of view of demonstrating the vertical continuity of the ore shoots.

As noted above, a start has been made on a new level at the Lynx mine 150 ft. above the 1200 level - known as the 1350 level. The heading has now advanced approximately 50 ft. and has reached solid rock. Progress should now be rapid and it is anticipated that the favourable zone will be reached about the end of June.

The following table summarizes the exploratory and development work at the Lynx up to April 30, 1963:

DIAMOND DRILLING

Type	Zone	To Sept. 30, 1962 Feet	Oct. 1, 1962 to April 30, 1963 Feet	Total Feet
Surface	Paramount	2,517*	599	3,116
Surface	Price		565	565
Surface	Lynx	11,469		11,469
Underground	Lynx	<u>3,290</u>	<u>26,087</u>	<u>29,377</u>
Total Drilling		<u>17,276</u>	<u>27,251</u>	<u>44,527</u>

UNDERGROUND HEADINGS

Drifts	Lynx	977	1,899	2,876
Crosscuts	Lynx	765	898	1,663
Raises	Lynx	—	552	552
		<u>1,742</u>	<u>3,349</u>	<u>5,091</u>

*excludes 4,300 feet by previous operators.

PARAMOUNT MINE

The Paramount Mine, situated some 4,000 ft. from the Lynx Mine across the valley of Myra Creek, has been known for many years and has been explored by limited surface diamond drilling. A nominal ore reserve figure of 100,000 tons was included in the last Annual Report.

The geological setting and mineralization at the Paramount are similar to those at the Lynx, with which it appears to be on strike.

As soon as snow conditions permitted this spring, a start was made on underground exploration of the Paramount ore. An adit has been collared and as of May 31, 1963 has progressed approximately 160 ft. of which the last 40 ft. have been in good ore of a tenor somewhat above that anticipated on the basis of the diamond drilling. From the drill indications, this ore shoot should have a minimum length of 400 ft. and the width should be on the order of 6 ft. or better. Grade to date, from limited sampling returns, is 0.035 ounces gold; 5.63 ounces silver; 1.14% copper; 4.19% lead; and 29.92% zinc over a ten foot sampling width.

The Paramount shear zone, in which this ore occurs, appears to have a width of at least 150 ft. and perhaps as much as 300 ft. and there are indications in the surface diamond drilling of additional ore, probably parallel to the shoot presently being explored. The current programme calls for lateral diamond drilling from the present drift to outline any additional ore of this nature which may exist.

As soon as the shaft presently being sunk at the Lynx is completed, a drive will be started from the bottom of this shaft toward the Paramount and a raise will ultimately be driven from this to connect with the Paramount workings. This drive will be along highly favourable ground and the chances of finding additional ore are excellent.

PRICE MINE

The Upper Price showings, which to date have received little exploration, are geologically similar to the Paramount and Lynx, and are situated approximately 7,000 ft. south of the former, giving a total length to the potential zone of approximately 12,000 ft. Limited diamond drilling recently on one of the Lower Price showings returned an ore grade intersection over a width of 6 ft. Additional drilling is planned during the coming summer.

CLAIM HOLDINGS

An option has been taken on 16 Bama claims owned by Yankee Dundee Mines Limited and 8 additional claims were staked by the Company. The total number of claims now held consists of 23 crown grants, 2 claims held by mineral leases and 117 located claims with 16 additional under option. Total strike length held along the favourable zone is of the order of 4½ miles.

METALLURGY

Metallurgical tests on the ore are being carried out at the laboratories of The Consolidated Mining and Smelting Company of Canada Limited as well as at a number of independent testing laboratories. While no final flowsheet has been worked out, it appears that no major difficulties will be encountered in making an adequate recovery of the various minerals and in producing a desirable grade of concentrates.

It is at present planned to make three products, a copper concentrate, a lead concentrate, and a zinc concentrate. A number of inquiries have already been received from smelters interested in purchasing these products.

CONSTRUCTION

While it is not yet possible to place an upper limit on the daily tonnage to be milled, it is apparent to the Directors that the operation has progressed beyond the prospect stage and that production plans must now be formulated. It thus becomes possible to plan construction of permanent buildings.

An all-metal machine shop has recently been completed, foundations are being poured for a diesel powerhouse and a start is to be made in the immediate future on an assay office. New temporary camps have recently been erected to serve the Paramount and Lynx mines. These are to be superseded by permanent bunk houses and a cookhouse; and a number of dwellings for married personnel are under consideration.

At the same time, it has been necessary to take steps to improve transportation facilities between Campbell River and Buttle Lake and on Buttle Lake itself. A new 5-ton truck has been purchased and a 35 ft. aluminum passenger vessel is being constructed for transportation of personnel on the lake.

PARK USE PERMITS

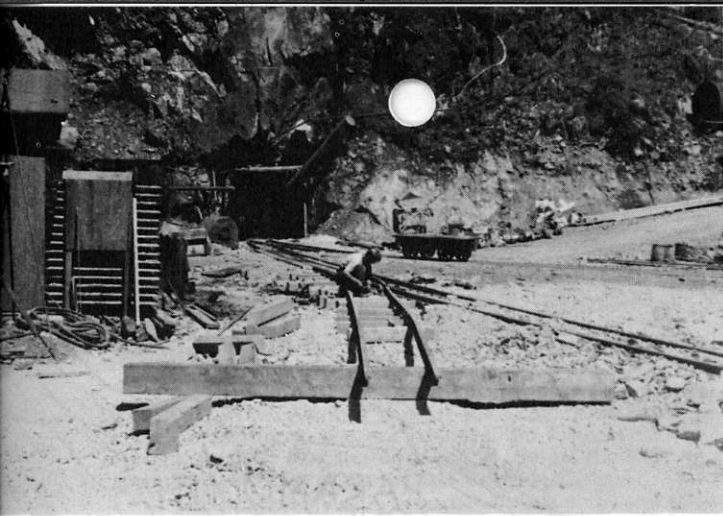
The properties of Western Mines are entirely within Strathcona Provincial Park and it is necessary to obtain the permission of the Provincial Parks Branch of the Department of Recreation and Conservation for the use of any areas within the Park for docks, roads, building sites or other purposes. It is the earnest desire of the Company to carry out their operations in a manner that will cause the least possible disturbance to the use of the Park and therefore, every effort is being made to ensure that the choice of building sites and types of buildings to be erected conform to this principle.

We are grateful to the officials of the Provincial Parks Branch for their cooperation in this respect. During the month of May, permission was granted by them for clearance of a 25-acre tract in the vicinity of the Lynx portal for the purpose of constructing the permanent surface plant, including a mill. Logging of this area is now in progress. Authority to proceed with respect to other permits for housing and dock sites are being processed by the Parks Branch.

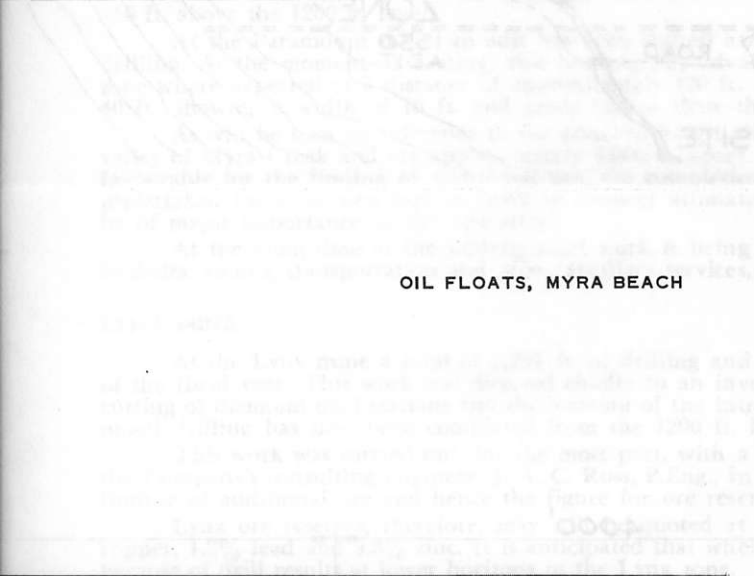
FINANCIAL

The company's financial position is more than adequate to cover the development programme presently planned.

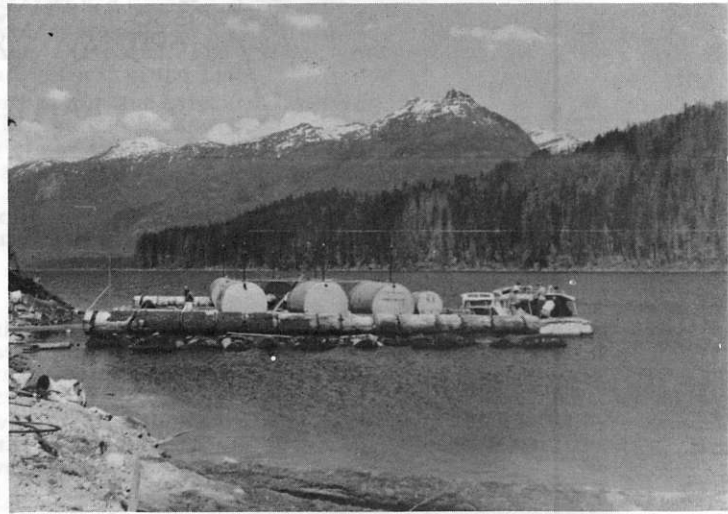
On behalf of the Board,
H. M. Wright, President.



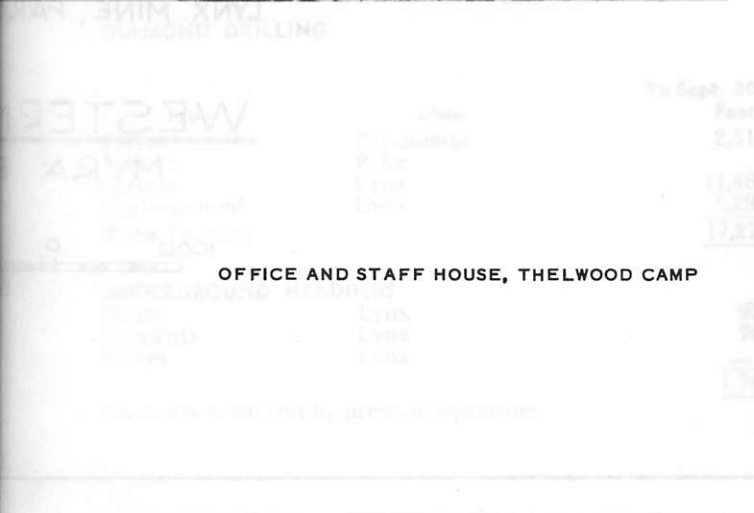
THE LYNX 1200 PORTAL



OIL FLOATS, MYRA BEACH

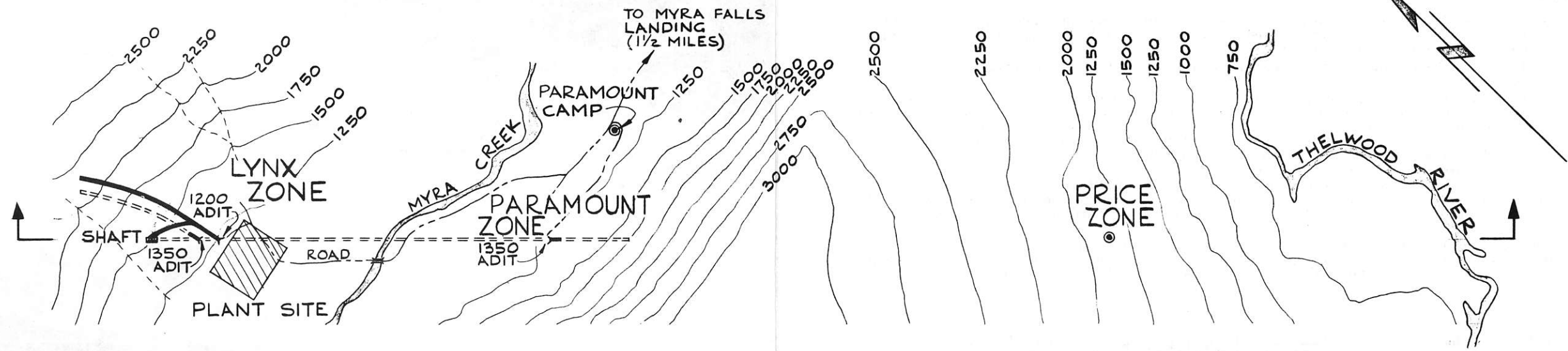


THE NEW LYNX SHOP

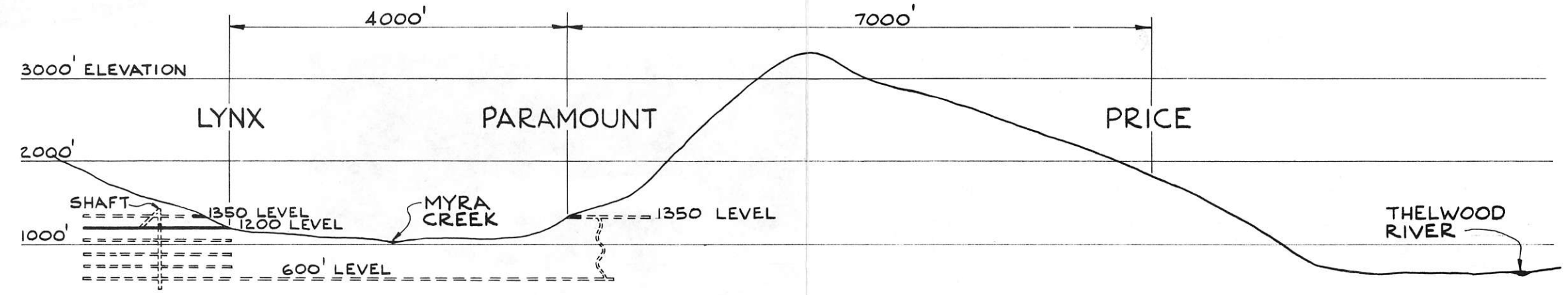


OFFICE AND STAFF HOUSE, THELWOOD CAMP



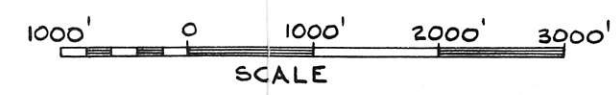


PLAN



LONGITUDINAL SECTION
 SHOWING RELATIONSHIP BETWEEN
 LYNX MINE, PARAMOUNT MINE & PRICE MINE

WESTERN MINES LTD.
 MYRA FALLS, B.C.



BY :- J. A. C. ROSS P. Eng.
 CONSULTING MINING ENGINEER