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Myra Falls

WESTMIN
RESOURCES
LIMITED

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Geological Survey Branch
Ottawa

WESTMIN



LETTER TO SHAREHOLDERS

The year 1993 was one of a holding pattern. While progress was made in several areas, Myra Falls Operations were largely shut down for eight months due to a labour dispute with the Canadian Auto Workers Union which represents the hourly paid employees. Months of intensive negotiations which, from management's perspective needed to result in a collective agreement that would address productivity and very high labour rates in the context of dismal metal markets, were unfruitful and the Company declared a lockout in late April. As of March 15 1994, the issues remain unresolved.

The combination of the Myra Falls dispute, the lowest real copper and zinc prices for more than a decade, high smelter costs and reduced investment income, caused revenue to fall from \$105.7 million in 1992 to \$37.0 million this year. With Myra Falls on a lockout, Premier Gold reduced to underground mining only, and interest and depreciation costs roughly cut in half, total expenses were significantly reduced from \$123.0 million in 1992 to \$63.8 million in 1993. The result was a net loss of \$27.0 million in 1993 compared to \$18.1 million the previous year. After preferred dividends, the losses were respectively \$0.83 and \$0.71 per common share.

Cash flow from operations deteriorated from a surplus of \$6.7 million in 1992 to a \$15.3 million deficit in 1993, but better than that which would have resulted had operations continued under the old Myra Falls labour contract. Because of a major reduction in interest expense and substantially less funds required to redeem preferred shares, the Company's financing requirement decreased from \$110.5 million in 1992 to \$31.5 million in 1993. Capital spending in 1993 dropped to \$4.8 million from \$6.6 million the year before because the labour dispute resulted in an inability to maintain the 1992 development pace on the Battle Zone. Outside exploration, at \$2.3 million, rose \$0.5 million in 1993 compared with the previous year due to acquisition of and exploration spending on the Johnson River Project in Alaska.

In July of 1993 Westmin converted its \$100 million investment in Noranda Inc. 7.75 percent, Class C Convertible Preferred Shares to Noranda common shares, which were subsequently sold and the proceeds were used to reduce debt. At year end the total corporate debt stood at \$82.8 million, down from \$152.7 million in 1992.

Prior to the lockout, Myra Falls had been making steady progress toward becoming more efficient. Overall cash operating costs per tonne had been reduced from \$68.54 in 1991, to \$54.95 in 1992, to \$51.84 for the first quarter of 1993 and the metal recoveries and product quality had also been improving. Just prior to the lockout it was announced that, despite its productivity gains, the Lynx Mine would be closed temporarily because it was suffering unsustainable cash drains at current metal prices.

The most profound effect of the work stoppage has been the recognition by supervisory staff of how low productivities were in the normal fullscale operations. There is strong resolve to remedy that situation upon the eventual return to work.

The recently-discovered Battle and Gap Zones at Myra Falls were the focus of some development activity, despite the absence of the majority of the employees. While total reserves did not increase, significant additions to proven and probable reserves were made, as definition drilling upgraded 383,000 tonnes of Battle Zone ore to the possible category and added another 268,000 tonnes to proven/probable reserves in the Battle and Gopher Zones. Drilling on the margins of the Battle Zone indicated more complexity than was originally interpreted from the wide-spaced primary drill pattern, but confirmed very high grades and good mineability.

A major rehabilitation of the coarse ore bin and crusher was completed during the summer months. The critical part of the job was to repair and restabilize the rock walls in the underground bin above the crusher through which all ore production is handled. The fine ore bin which lies below the crusher was repaired in January of 1994.

At Premier Gold modest production from the old underground mine, restarted in 1992, was augmented by production from the Glory Hole area. Adits were driven from the walls of the open pit and ore remnants from mining early in the century were drawn out using large trackless equipment. The property ended the year with more prospects for ore sources than it had in the previous year and covered its cash operating costs in 1993. However, after provision of closure obligations, and two large exploration programs, one at Premier itself and the other at 50 per cent owned SB, the operation incurred a deficit of \$1.3 million in 1993 compared with one of \$2.0 million in 1992.

Outlook

The labour dispute at Myra Falls Operations, which was a dominant feature of Westmin's performance in 1993, will also have a significant impact in 1994. The dispute, although ostensibly about wages, benefits and contract language covering such items as seniority rights, is really about change and adaptation. The changes are required to enable the Operation to adapt to a highly competitive world with modern, low-cost, producers operating on top quality resources, in political jurisdictions having lower taxes and wages and fewer bureaucratic obstacles. Westmin believes it can successfully compete in this world while still paying wages and taxes near the top of the industry, as well as demonstrating the highest safety and environmental standards anywhere and still generating profits for investors. But it cannot be done without change; the old ways are gone.

Management is well on its way to mapping out these changes which will take the Myra Falls Operations and the whole Company into the 21st Century. The mapping exercise took the form of developing a Strategic Plan which management worked on at the corporate level for much of 1993. A significant outcome of the strategic planning process was the establishment of five key goals for Westmin, which are:

- 1/ **Be The Supplier of Choice to Smelters and Refiners**
- 2/ **Achieve growth in Shareholder Value**
- 3/ **Generate Positive Free Cash Flow at the Bottom of the Metal Market Cycle**
- 4/ **Be the Best and Most Respected Team in the Mining Industry**
- 5/ **Have a Quality Focus in All That We Do**

There are a number of specific, measurable, objectives which are associated with these goals and which are being incorporated into Westmin's programs and budgets. The management team also created a slogan which captures the plan in one line: *A Mining Company With A Focus On Growth Through Quality.*

Unlike many of our competitors, we see our future in western North America. We see our growth in the same products we now produce; copper and zinc concentrates, precious metals and coal. We see building on the strengths we have now; abilities to effectively find and develop deposits, to mine efficiently underground, to process and market complex ores and to deal successfully with sensitive environments. Most importantly, we see our Company by 1998, having twice as many operations as we now have, all with long life reserves. Because many other operators will be competing to develop those operations, Westmin's advantage must be in the quality people we have and can attract.

Realization of the goals and objectives has to start with bringing Myra Falls up to its potential. Much of this has been accomplished and the balance will be when the labour dispute ends. While production from the Battle and Gap Zones has been delayed, their high grade has been, at least partially, confirmed. Furthermore, the work stoppage has afforded staff the opportunity to advance the planning for the extraction of the ore and to satisfy themselves that the full productive capacity of all employees will be attained throughout the property when a return to work is eventually achieved. Some long term problems have been put to rest by the maintenance work that has been done at the operation. The benefits of capital investments in high output equipment in 1993 and previous years will contribute to the success of the operation.

Premier Gold, through the single-minded perseverance of its people, has paid its way for a year beyond the time when its closure was contemplated. It is well positioned to keep doing that, at least for the medium term. The promising exploration leads developed last year will be the subject of a comprehensive effort in 1994. Because the operation has been kept viable, more custom milling and joint

venture opportunities are being attracted. Early in 1994, an agreement was signed with the Snip Mine (operated by Cominco) to process its concentrates into doré; this contract will provide a good, long-term, base for operations at Premier.

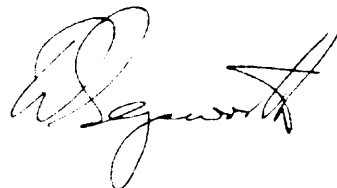
While we have anticipated an improvement in the metals markets for some time, it now appears inevitable, although perhaps still some ways off. Supplies of concentrate have been reduced with several mine closures throughout the world and smelting terms have started to reflect that, especially for zinc. Stocks of metal remain high although copper has been declining now for several weeks. Zinc stocks are still increasing but should soon reverse with the change in the concentrate market. Dumping of Eastern European stocks appears to be declining. Many technical analysts feel that gold has broken out of its long declining trend and silver prices are currently strong.

Exploration beyond the mine sites will continue to be directed at base and precious metal targets outside of British Columbia, although good opportunities inside the province will not be ignored. As with the huge and promising Fairchild Lakes Properties in the Yukon, and the high-grade Johnson River gold-zinc project in Alaska, joint ventures and farm-ins to lever Westmin's initial investments will be the order of the day until cash from operations is available.

The latest year has been a particularly difficult one for our employees. The labour dispute at Myra Falls has called on staff to work long hours at unfamiliar tasks in difficult and uncertain circumstances. They have done it well with great spirit and enthusiasm and for this we thank them. Employees at Premier and Vancouver also deserve thanks for continuing to exceed all reasonable expectations. As well, our shareholders have again earned our gratitude for their tremendous support as we work through another year of change.



Paul M. Marshall
Chairman



Walter T. Segsworth
President

MYRA FALLS OPERATIONS

Located in the heart of Vancouver Island, Myra Falls Operations is comprised of two underground mines and a 3,650 tonnes per day milling facility. Copper concentrate containing significant gold and silver values, zinc concentrate, and for the first time a new high-grade gold concentrate are produced at the mine site.

Low metal prices combined with high operating costs forced the Company to re-examine its operations in 1993. On April 19, a decision was made to shut down mining operations at the Lynx Mine (250 tonnes of ore per day) and to do some additional restructuring. This resulted in the layoff of 73 staff and hourly employees.

Negotiations began in February 1993 with the Canadian Auto Workers Union, Local 3019 which represents 360 unionized employees. After several months of bargaining no agreement could be reached between the Company and the Union bargaining committee, and the Company locked out the employees effective April 24 1993. Under current provincial legislation the only way the Company could legally end the previous contract was to lock out the unionized employees. The lockout remained in effect on March 15 1994.

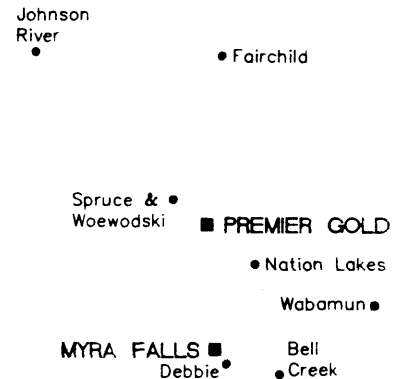
Revenues for the year were \$16 million reflecting full production of concentrate for the four month period leading up to the lockout and limited production by management staff during the fourth quarter. Revenues were down substantially from 1992 levels as a result.

During the labour dispute approximately 85 staff employees performed maintenance on existing equipment and facilities. Extensive training, focused on improving the management skills of all supervisory staff, was also carried out. In October mining and milling recommenced on a limited basis.

H-W Mine

As a result of the labour dispute the H-W Mine produced only 391,038 tonnes of ore in 1993 compared with 1,080,928 tonnes in 1992. Approximately 37,000 tonnes were produced in the fourth quarter by a small team of non-union staff.

Maintenance work scheduled for the summer was also conducted by non-union staff. The biggest project was the complete refurbishing of the underground coarse ore bin in the H-W Mine. This bin, a cavity excavated from rock and roughly the size of a narrow 15 storey building, is situated vertically above the crusher and nominally contains



Exploration and Mining Properties

- Mine
- Exploration Property

7,000 tonnes of broken ore. After years of continuous impact from falling ore and the effects of water and air, the walls had become eroded and unstable. This demanding task required the replacement of the throat at the bottom of the bin, the construction of two large concrete baffles, and extensive reinforcement and lining. The job was done much more thoroughly than had been originally contemplated. A similar, although less extensive job, was completed in the fine ore bin (below the crusher) in January 1994. The critical main ore handling system, with proper care, should last the life of the mine.

Lynx Mine

Despite productivity improvements over the last few years the small but labour-intensive mining operation at Lynx did not justify continued operations during 1993's low metal prices. It was shut down after producing a total of 42,815 tonnes in 1993.

Battle/Gap Zone Development

Development work for accessing the Battle Zone continued during the first four months of 1993. It is anticipated that the first Battle Zone stope will go into production about six months after full operations resume.

Milling

The mill processed 433,410 tonnes of ore in 1993, compared with 1,171,629 in 1992. This year's figure was equivalent to 3,386 tonnes per operating day, 158 tonnes higher than the previous year.

Copper and zinc concentrate production totalled 28,220 tonnes and 18,705 tonnes respectively. These volumes were down by 59 and 68 per cent respectively compared with 1992. Copper head grades and recoveries were slightly higher than last year, however zinc head grades declined to 2.77 per cent from 3.18 per cent. Zinc recoveries slipped as well.






The two gravity concentrators, installed in the mill grinding circuits in 1992, produced a total of 2,000 kilograms of high-grade gold concentrate which contributed revenues of about \$600,000 to the Company.

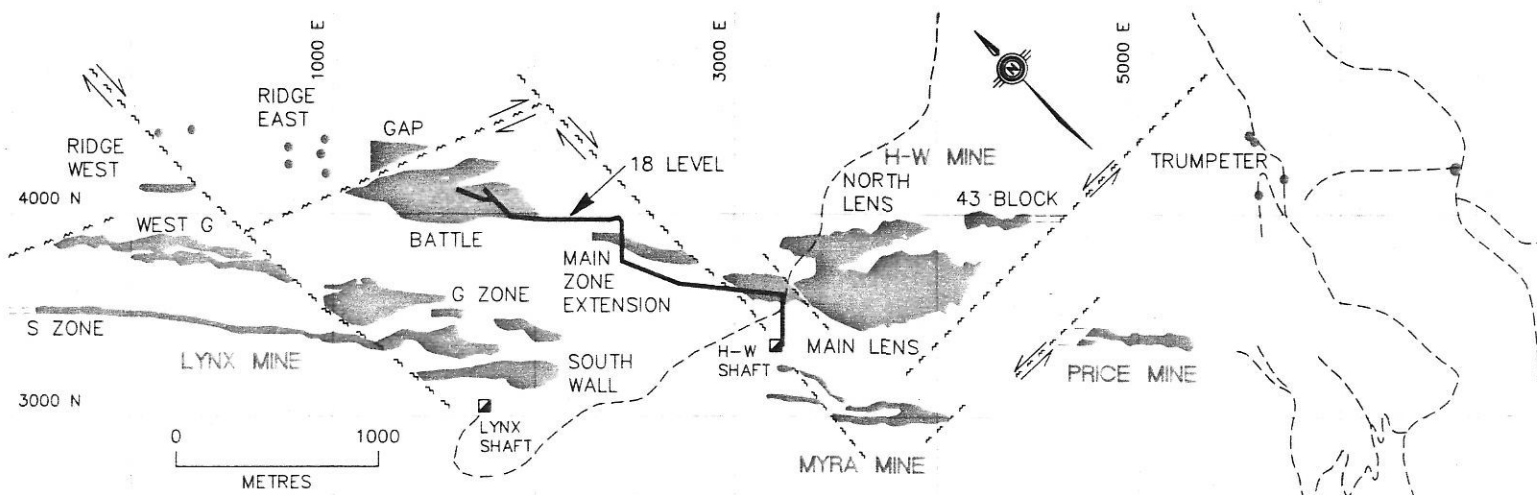
Metallurgical research work continued to focus on improving recoveries of payable metals in the three concentrates as well as enhancing the quality of the concentrates. The quality initiatives focused on producing concentrate with less variability in grade and better separation between payable metals and impurities.

Production Summary

	1993	1992	Since Start-up
Ore Milled (tonnes)	433,410	1,171,629	14,257,647
Source of ore in per cent			
from Lynx	9.6	8.6	37.4
from Myra	-	-	7.3
from H-W	90.4	91.4	55.3
Number of operating days	128	363	8,943
Average tonnes per operating days	3,386	3,228	1,594
Grade of Ore			
Gold (g/t)	1.89	2.01	2.14
Silver (g/t)	21.93	27.14	62.43
Copper (%)	1.88	1.73	1.87
Lead (%)	0.14	0.22	0.60
Zinc (%)	2.77	3.18	5.55
Copper Concentrate			
Tonnes	28,220	68,352	931,997
Copper grade (%)	25.11	25.56	24.26
Copper recovery (%)	86.50	86.42	86.02
Zinc Concentrate			
Tonnes	18,705	58,720	1,224,736
Zinc grade (%)	50.32	52.11	51.68
Zinc recovery (%)	78.40	82.16	81.18

Myra Falls Operations

-  Ore Bodies
-  Drill Hole Intersections
-  18 Level Tunnel
-  Faults
-  Roads



Exploration

Mine exploration work at Myra Falls was much reduced in scope in 1993 due to the ongoing labour dispute. Exploratory drilling did continue in the Lynx Mine during the first quarter of the year and was successful in two areas. Additional drilling on the Battle and Gap Zones, from Lynx 14 and 15 Levels, confirmed ore projections and upgraded ore reserve confidence levels. A deep exploration hole was drilled to test the "North Downtrop" area which is thought to represent H-W stratigraphy well north of the Gap and Battle Zones. This area had previously been poorly explored and unmineralized, where tested. The results were encouraging as the hole intersected a significant thickness of strongly altered and well-mineralized H-W rhyolite at an elevation easily accessible from planned Gap Zone development.

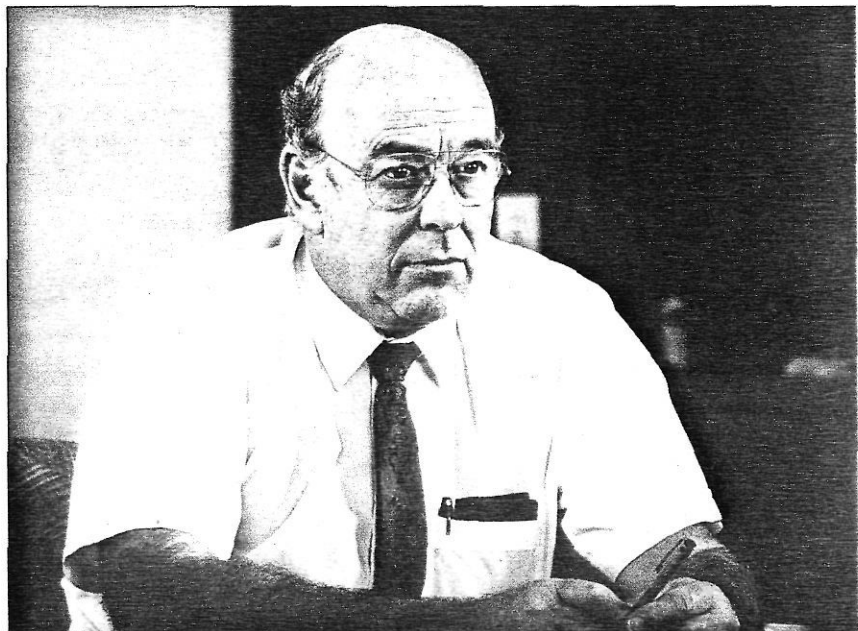
Battle Zone definition drilling and access development continued during the year and H-W 18 Level advance has reached well to the West above Battle Zone ore. Diamond drilling from this position upgraded ore reserves in the Battle Zone itself and partially delineated a new zone of high-grade ore, since named the Gopher Zone. Staff geologists continued the drilling program with considerable success after the labour dispute began.

Environmental Program

The environmental facilities at Myra Falls, including the expanded water treatment system,

performed well in 1993. With improvements made in electronic monitoring of pH and water flow levels it is now possible to monitor much of the system's performance from the mill control room, thereby increasing the efficiency of monitoring and control. These and other enhancements have improved the operating team's ability to manage peak flow conditions in the water treatment system that occur during heavy rainfall. Previous permit excursions generally occurred during extreme events.

During the work stoppage in 1993 the Company made significant improvements in its emergency preparedness and environmental management systems. These efforts included formal training in these systems and an audit of environmental performance and operating procedures. The minor deficiencies identified are being addressed to ensure continual improvements in environmental performance at the site.



Bill Diment, Mine Manager, Myra Falls Operations

Geological Reserves as of January 1 1994

Zone/Deposit	Proven & Probable Geological Reserves (Tonnes)	Grades				
		Gold (g/t)	Silver (g/t)	Copper (%)	Lead (%)	Zinc (%)
H-W	8,306,700	2.2	41.0	1.7	0.5	4.4
Lynx	285,600	3.1	95.8	1.8	1.1	10.3
Price	185,000	1.5	66.4	1.4	1.3	10.4
Gap	634,200	3.2	151.5	1.8	1.1	13.3
Battle	2,540,200	1.2	24.9	2.5	0.4	12.8
Gopher	150,300	0.9	15.1	2.3	0.2	10.0
Extension (W37)	231,100	1.2	60.4	1.7	0.4	3.8
Trumpeter	61,200	3.2	68.9	6.3	0.3	4.6
6 Level	120,500	1.3	91.4	0.4	0.9	6.0
TOTAL As of January 1 1994	12,514,800	2.0	45.4	1.9	0.5	6.7
As of January 1 1993	12,516,300	2.1	45.6	1.9	0.5	6.3

Zone/Deposit	Possible Geological Reserves (Tonnes)	
K424	60,000	Not calculated, but expected in total to be the same as or higher than average reserve grade.
Gap	376,400	
Battle	974,400	
Ridge East	399,700	
Ridge West	267,900	
Extension (W37)	183,000	
Trumpeter	61,200	
TOTAL As of January 1 1994	2,322,600	
As of January 1 1993	2,705,800	

Mineable Reserves as of January 1 1994

Zone/Deposit	Proven & Probable Geological Reserves (Tonnes)	Grades				
		Gold (g/t)	Silver (g/t)	Copper (%)	Lead (%)	Zinc (%)
H-W	5,866,800	1.9	33.0	1.5	0.4	3.8
Lynx	-	-	-	-	-	-
Gap	713,500	2.5	121.2	1.5	0.9	10.6
Battle	2,857,800	0.9	20.0	2.0	0.4	10.3
Gopher	129,600	0.8	13.1	2.0	0.2	8.7
Extension (W37)	136,300	1.0	51.2	1.4	0.3	3.2
TOTAL As of January 1 1994	9,704,000	1.6	35.6	1.7	0.4	6.3
As of January 1 1993	9,729,200	1.7	37.9	1.7	0.4	5.9

Net reduction for the year of 25,000 tonnes (after milling 433,310 diluted tonnes in 1993).
Geological Resources have not been published for 1993 because they are uneconomic under current conditions.

CORPORATE HIGHLIGHTS

	1993	1992
FINANCIAL HIGHLIGHTS		
(thousands except per share data)		
Revenues	36,962	105,724
- Mining	30,863	87,325
- Investment and other income	6,099	18,399
Cash Flow From Operations	(15,277)	6,655
Net Loss	27,021	18,108
Net Loss Per Share	0.83	0.71
Long-Term Debt	81,745	114,992
Capital Expenditures	4,792	6,576
Total Assets	184,578	303,357
Shareholders' Equity	91,935	137,439
Common Shares Outstanding		
Total at December 31	43,378,681	42,968,595
Annual Average	43,220,446	42,070,177
Common Shares traded on the Toronto Stock Exchange	4,202,565	4,716,242
OPERATING HIGHLIGHTS		
Myra Falls Operations		
Ore Milled		
- Tonnes	433,410	1,171,629
- Daily average (tonnes/day)		
- based on operating days	3,386	3,228
- based on 365 days (366 in 1992)	1,187	3,201
Production - Payable Metals		
Gold (oz.)	8,810	28,065
Silver (oz.)	122,626	457,182
Copper (000's lbs.)	14,900	36,983
Zinc (000's lbs.)	17,481	57,385
Geological Reserves (tonnes)	12,514,800	12,516,300
Premier Gold Operations		
Waste Mined (tonnes)	-	1,790,964
Ore Mined (tonnes)	106,060	358,608
Ore Milled		
- Tonnes (1)	162,200	393,074
- Daily average (tonnes/day)		
- based on operating days (tonnes/day)	1,954	2,203
- based on 365 days (366 in 1992)	444	1,066
Production - Payable Metals (Net Interest)		
Gold (oz.)	21,119	38,553
Silver (oz.)	140,544	283,230
Geological Reserves (tonnes)	151,200	107,250

- (1)** 1993 production includes 3,028 tonnes custom milling ore.
1992 production includes 3,944 tonnes custom milling ore.