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## Myra Falls Operations



Myra Falls Operations is a modern, underground, mining operation producing copper and zinc concentrates containing high precious metal values. The ores are derived from volcanogenic, massive sulphide deposits contained within a 3,000 hectare mining lease surrounded by Strathcona Provincial Park on Vancouver Island. The highly mechanized mine uses bulk mining methods and state-of-the-art technology and computerization. It directly employs about 430 people who reside in the communities of Campbell River and the Comox Valley.

Myra Falls has achieved a significant turnaround over the past five years, with operating costs reduced by 24 per cent, employee productivity increased by 54 per cent and ore reserves rising to an all time high. Nineteen ninety-five saw a return to normalcy after results of the previous two years were distorted by a labour dispute. Revenues for 1995 rose to \$85.1 million with operating costs of \$56.5 million (\$47.17 per tonne) leaving a healthy margin. The operation generated cash flow of \$28.1 million before depreciation and capital expenditures, a significant improvement over 1994.

Throughout most of the year, underground operations supplied uniform tonnages and grades of ore to the mill. This consistency, along with circuit modifications in the mill, caused metallurgical performance to improve. Underground productivities continued to improve and power consumption (supplied mainly by the Company's now fully automated hydroelectric plants) was reduced by 2000 KW or nearly 17 per cent. Concerted efforts were made to improve customer relations by improving delivery performance and hosting a "customer appreciation" tour of operations in July.

Delineation drilling in the H-W and Battle Zones outlined an additional 1.4 million tonnes of reserves during 1995. Furthermore, exploration efforts led to the discovery and extension of two new deposits, known as the Marshall and Trumpeter Zones, within the mining lease. Both of these zones will be further investigated in 1996 as part of a \$2.5 million exploration program.

### **Mining**

In 1995, 1.2 million tonnes of ore were mined from the H-W and Battle Mines compared with 0.2 million tonnes from H-W in 1994, which was affected by the labour dispute. The proportion of

Cash flow from operations increased dramatically to \$32.1 million in 1995 versus a deficit of \$27.2 million the previous year. Capital spending increased to \$19.9 million in 1995, compared with \$3.8 million last year; a result of resumed development of the Battle/Gap zones and initial spending on the Wolverine project. Exploration was \$5.7 million, more than double 1994; however \$3.2 million of expenditures on the Wolverine project were capitalized.

## OUTLOOK

Westmin's strategic plan, formalized two years ago, called for the Company to more than double in size over the next five years. The specifics included having three to five profitable mines of similar stature to Myra Falls. The components are now in place for this to happen and for Westmin to develop into a significant, western-Canadian based, mining company.

As the underlying foundation of this strategy, Myra Falls is now operating on a competitive and sustainable basis and will be doubling its zinc production by 1997 — without reducing production levels of other metals. Westmin's high-grade zinc/precious metals Wolverine discovery in the Yukon is a very attractive project and through aggressive acquisitions the Company now has exposure to an extensive land package in the region where further discoveries seem highly probable as exploration progresses. With the funds raised through the treasury issue and the pending sale of the coal assets, Westmin has reduced debt and increased financing ability to take on some of those new opportunities the strategic plan contemplates.



Paul M. Marshall, Chairman



Walter T. Segsworth, President and C.E.O.





*Rock bolter, H-W Mine, Myra Falls Operations*



195 Ann. Rpt.

Battle Zone ore should increase from about 5 per cent in 1995 to 24 per cent in 1996 as development progresses. At the same time a plan has been initiated to increase the average mining rate from 3,300 tonnes per day in 1995, to 3,650 tonnes per day in 1996 and 3,850 in 1997. The production increase will come from continued development of the Battle and Gopher Zones and the completion of the 24 Level rail haulage system out to the area beneath these developing zones.

### **Battle/Gap Zone Development**

Development of the higher grade Battle Zone progressed throughout the year from two levels of the H-W Mine. On 18 Level, mining crews advanced faces for developing infrastructure, accessing and developing stopes within the ore and providing drifts for ventilation and diamond drilling. On 24 Level, mining crews continuously advanced the tracked drift which will serve as the rail haulage level for the Battle Zone as well as reduce ore haulage costs. The Gopher Zone was the main target of ore production efforts during the year. This zone, with ore reserves of roughly one million tonnes, is slightly separated from the main Battle Zone and was accessed by 18 Level development crews late in the first quarter. The first longhole stope was put into production in late August and by year-end the second longhole stope was coming on stream.

### **Milling**

Ore from the mine is processed through the modern 4,000 tonnes per day mill facility which separates and concentrates the ore into three products. The mill operated for a total of 363 days in the year, processing 1.2 million tonnes of ore. The average daily throughput was 3,299 tonnes per day. In 1995, the mill produced copper concentrate grading 25.69% copper with significant gold and silver content and zinc concentrate containing 50.31% zinc from ore grades which averaged 2.03% copper, 2.71% zinc, 1.86 g/t gold and 22.49 g/t silver. The mill also produced gold concentrate assaying 16,925 g/t (544 oz/tonne) gold.

In 1995 total production amounted to 84,741 tonnes of copper concentrate, 53,230 tonnes of zinc concentrate, and 4.7 tonnes of gold concentrate. The 1995 mill recoveries for copper and zinc concentrate were 89.5 per cent and 82.6 per cent respectively compared with 89.0 per cent and 80.2 per cent in the last full year of production before the labour dispute. These improvements



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*Development Jumbo Drill, Gopher Zone, Myra Falls Operations*

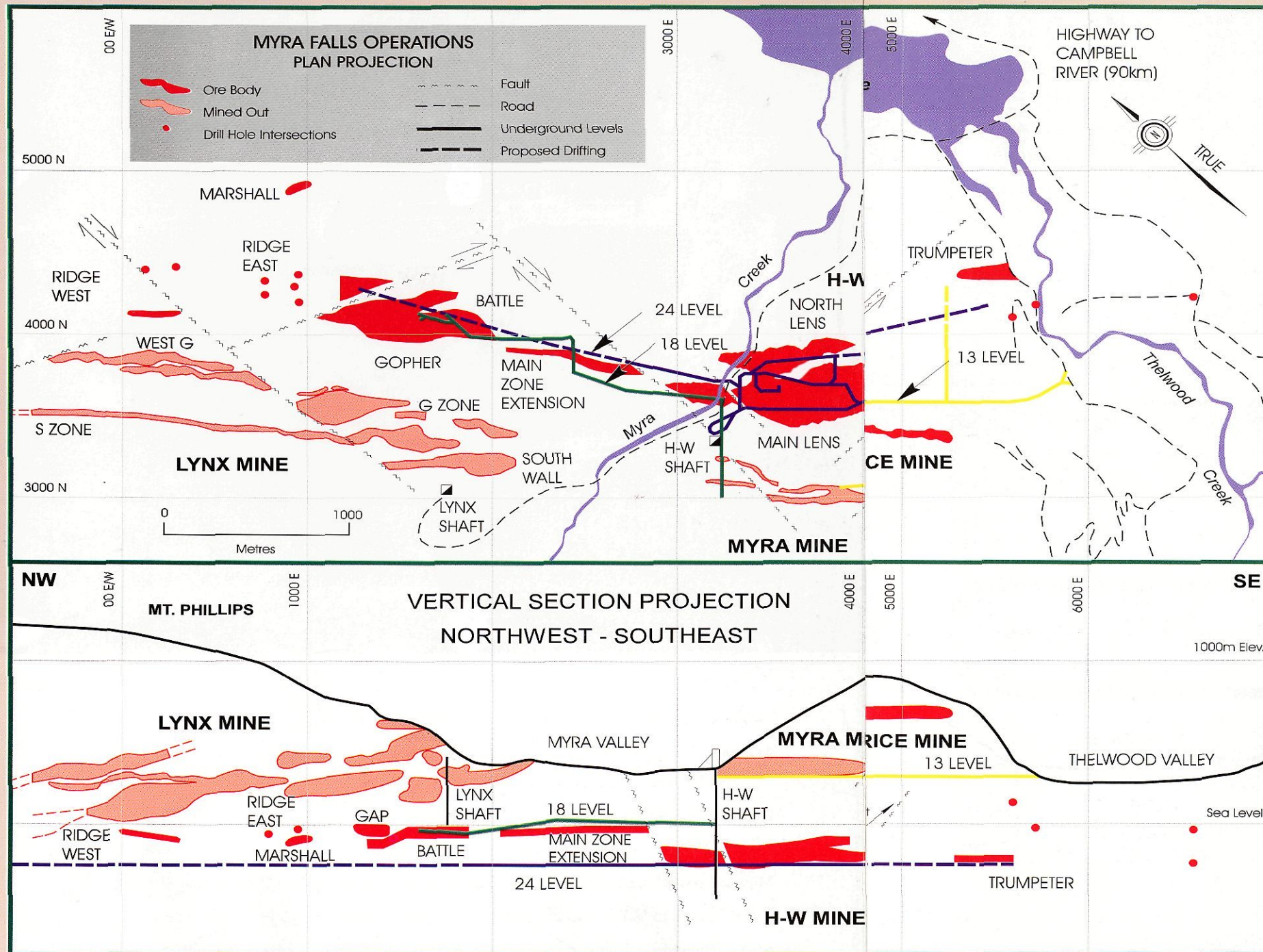
can be attributed to more consistent feed deliveries, improved grade control from the mine, as well as grinding and flotation circuit modifications that were carried out during the year.

### **Exploration and Geology**

Minesite exploration tested two areas of the property. The Trumpeter Zone surface drilling program in the Thelwood Valley was completed in January 1995 following up on the successful fall 1994 work. The recent drilling added significant strike length to this high-grade ore zone. The 1996 exploration program will include 300 metres of development on 13 Level of the Price Mine to provide a drill platform for an underground drilling program to test the western extension of



195 Ann. Rpt.



Production Summary			
	1995	1994	Since Start-up
Ore Milled (tonnes)	1,197,399	251,560	15,706,606
Number of operating days	363	94	9,431
Average tonnes per operating day	3,299	2,676	1,665
Grade of Ore			
Gold (g/t)	1.86	1.91	2.11
Silver (g/t)	22.49	27.21	58.69
Copper (%)	2.03	1.94	1.87
Zinc (%)	2.71	2.80	5.22
Copper Concentrate			
Tonnes	84,741	16,389	1,033,127
Copper grade (%)	25.69	24.83	24.33
Copper recovery (%)	89.46	83.50	85.58
Zinc Concentrate			
Tonnes	53,230	9,555	1,287,521
Zinc grade (%)	50.31	52.25	51.79
Zinc recovery (%)	82.65	70.92	81.33



Geological Reserves  
as of January 1 1996

Zone/Deposit	Proven & Probable (Tonnes)	Gold (g/t)	Grades			Zinc (%)
			Silver (g/t)	Copper (%)		
H-W	7,933,915	2.3	33.3	1.8	4.1	
Lynx	285,600	3.1	95.8	1.8	10.3	
Price	185,000	1.5	66.4	1.4	10.4	
Gap	527,721	3.8	120.1	1.8	13.2	
Battle	2,741,798	1.2	17.6	2.1	10.8	
Gopher	794,731	1.3	29.4	2.3	14.3	
Gnu	419,525	0.7	31.9	1.7	13.9	
Extension	348,435	0.9	35.7	1.1	3.7	
Trumpeter	227,935	3.1	66.7	4.1	4.4	
6 Level	120,500	1.3	91.4	0.4	6.0	
Marshall	60,100	1.2	54.1	0.7	11.9	
TOTAL						
as of January 1 1996	13,645,260	2.0	38.1	1.9	7.0	
as of January 1 1995	12,526,235	2.0	46.1	1.9	7.1	

Zone/Deposit	Possible (Tonnes)	Gold (g/t)	Grades			Zinc (%)
			Silver (g/t)	Copper (%)		
K424	-					
Gap	212,653					
Gopher	171,623					
Gnu	37,276					
Battle	607,374					
Extension	338,298					
Ridge East	399,700					
Ridge West	267,900					
Trumpeter	62,907					
Marshall	30,000					
TOTAL						
As of January 1 1996	2,127,731					
As of January 1 1995	2,187,800					

Not calculated, but expected in total to be the same as, or higher than, average reserve grade.

Geological Resources  
as of January 1 1996

Zone/Deposit	Proven & Probable (Tonnes)	Gold (g/t)	Grades			Zinc (%)
			Silver (g/t)	Copper (%)		
H-W	2,513,200	2.4	14.5	0.8	1.1	

Mineable Reserves  
as of January 1 1996

Zone/Deposit	Proven & Probable (Tonnes)	Gold (g/t)	Grades			Zinc (%)
			Silver (g/t)	Copper (%)		
H-W	5,905,782	1.8	24.4	1.5	3.2	
Lynx	-					
Price	-					
Gap	593,686	3.0	102.5	1.4	10.6	
Battle	3,084,523	1.0	14.1	1.7	8.6	
Gopher	894,072	1.0	23.5	1.8	11.4	
Gnu	471,966	0.6	25.5	1.4	11.1	
Extension	200,350	0.7	28.6	0.9	3.0	
Trumpeter	-					
6 Level	-					
Marshall	-					
TOTAL						
as of January 1 1996	11,150,379	1.5	27.5	1.6	6.1	
As of January 1 1995	9,717,800	1.6	35.6	1.7	6.6	

Net increase for the year was 1,432,600 tonnes (after milling 1,197,399 diluted tonnes in 1995).

Trumpeter. Further west on the property an underground drilling program was initiated in March 1995 from 15 Level of the Lynx Mine. This drilling was successful in intersecting zinc-rich, ore grade mineralization over significant thicknesses. This discovery, named the Marshall Zone, after Mr. Paul Marshall, Westmin's Chairman, will be further tested in 1996. Its significance, in addition to the high-grade ore itself, is that it indicates greatly increased ore potential for the northwest part of the property.

Definition drilling of the Battle Zone continued throughout the year. This work confirmed the very high-grade nature of the Gopher Zone and defined stoping areas for initial production. Proven and probable geological reserves for the Battle/Gap Zones were increased by 958,000 tonnes at ore grades comparable to the 1994 reserves.

## **Environment**

Myra Falls Operations continued to maintain high standards of compliance with all permit requirements and to improve environmental performance of the operation.

Although the site has measures in place to prevent spills, incidents do occasionally occur. Four minor spills occurred at Myra Falls Operations in 1995 - all were reported to authorities in compliance with applicable laws and regulations and none resulted in any measurable environmental impact. Corrective measures employed to reduce the potential for future occurrence and minimize environmental damage include: revised operating procedures, scheduled inspections of water collection and storage systems during storm events, modified pipeline layout configurations, revised shutdown and start-up procedures and the continuation of prompt cleanup practices.

During the past two years the Company addressed the environmental compliance concerns raised in its 1993 environmental audit and developed corrective action plans to deal with the remaining operational issues. Environmental management initiatives include risk assessment training for key operating personnel.

Westmin is participating in the Federal ARET (Accelerated Reduction and Elimination of Toxics) program. Through this program, which is voluntary, the Company has implemented initiatives to minimize the use of toxic substances on the site and to reduce discharge of metals from all sources



to the environment. Estimated annual flows and average concentrations of total metals indicates that the total discharge of metals has decreased significantly year over year.

Myra Falls Operations Water Treatment System Effluent		
Year	Total Zinc (Tonnes)	Total Copper (Tonnes)
1995	1.78	0.27
1994	3.30	0.38

The 1995 effluent loadings show significant improvement when compared to the 1994 results. The loadings are very low by industrial standards and close to natural background levels, nonetheless, the goal of the operations is continuous reduction of loadings.

### Monitoring and Compliance

Myra Falls Operations monitors discharges and receiving waters at several points on a daily, weekly and monthly basis. During the year, the site achieved high compliance levels at the Myra Falls Ponds discharge point. The permit compliance rating results are tabulated below. Monitoring of the water quality in Buttle Lake, and downstream, shows that the mine is having negligible environmental effect on the water quality and that metal concentrations in the Buttle Lake remain at pre-mining background levels.

Myra Falls Operations Water Treatment System Effluent Permit Compliance Rating Parameters (Per cent Compliance)						
Year	pH	Total Zinc	Total Copper	Dissolved Lead	Dissolved Cadmium	Toxicity
1995	98.1	99.8	100.0	100.0	100.0	100.0
1994	98.9	100.0	100.0	100.0	100.0	100.0
1993	92.9	97.7	100.0	100.0	100.0	100.0
1992	91.9	98.7	100.0	100.0	100.0	100.0
1991	90.0	98.4	99.2	100.0	100.0	100.0
1990	75.0	90.5	99.6	90.5	100.0	100.0
Permit Limits*	<11	1.00 mg/l	0.60 mg/l	0.05 mg/l	0.005 mg/l	

\*End-of-pipe limits (1 mg/l is equivalent to 1 part per million).



# Corporate Highlights



<b>FINANCIAL HIGHLIGHTS</b>	1995	1994
(thousands except per share data)		
Revenues	\$ 110,733	\$ 34,239
- Mining	106,131	32,718
- Investment and other income	4,602	1,521
Cash Flow From Operations	25,571	(16,708)
Net Income (Loss)	11,764	(24,786)
Net Income (Loss) Per Share	0.12	(0.77)
Long-Term Debt	85,525	119,571
Capital Expenditures	19,938	3,756
Total Assets	227,558	202,097
Shareholders' Equity	\$ 111,116	\$ 50,178
Common Shares Outstanding		
Total at December 31	56,416,071	47,110,120
Annual Average	47,213,790	43,536,239
Common Shares traded on the Toronto Stock Exchange	6,029,335	1,968,796

## OPERATING HIGHLIGHTS

### Myra Falls Operations

Ore Milled		
- Tonnes	1,197,399	251,560
- Daily average (tonnes/24 hour day)		
- based on operating days	3,299	2,676
- based on 365 days	3,281	689
Production: Payable Metals		
Gold (oz.)	22,221	3,977
Silver (oz.)	397,820	95,907
Copper (000 lbs.)	46,132	8,616
Zinc (000 lbs.)	49,651	9,314
Geological Reserves (tonnes)	13,645,260	12,526,235

### Premier Gold Operations

Ore Mined (tonnes)	176,350	151,435
Ore Milled		
- Tonnes (1)	188,072	173,352
- Daily average (tonnes/8 hour day)		
- based on operating days	752	680
- based on 365 days	515	475
Production: Payable Metals (2)		
Gold (oz.)	85,309	60,523
Silver (oz.)	233,204	191,277
Geological Reserves (tonnes)	95,000	113,225

(1) 1995 production includes 7,985 tonnes (1994 - 5,441) of Snip concentrate and 598 tonnes (1994 - 3,737) of other custom milling ore.

(2) 1995 production includes 65,797 ounces (1994 - 43,315) of gold and 32,378 ounces (1994 - 20,800) of silver produced from the processing of Snip concentrate.



## MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The accompanying financial statements of Westmin Resources Limited and all information in the annual report are the responsibility of management and have been approved by the Board of Directors. The financial statements necessarily include some amounts that are based on management's best estimates, which have been made using careful judgment.

The financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada. Financial and operating data elsewhere in the annual report are consistent with the information contained in the financial statements.

In fulfilling its responsibilities, management of Westmin Resources Limited has developed and continues to maintain systems of internal accounting controls including written policies and procedures and segregation of duties and responsibilities.

Although no cost effective system of internal controls will prevent or detect all errors and irregularities, these systems are designed to provide reasonable assurance that assets are safeguarded from loss or unauthorized use, transactions are properly recorded and the financial records are reliable for preparing the financial statements.

The Board of Directors carries out its responsibility for the financial statements in this annual report principally through its Audit Committee, consisting solely of non-executive directors. The Audit Committee meets periodically with management and with external auditors to discuss the results of audit examinations with respect to the adequacy of internal accounting controls and to review and discuss the financial statements and financial reporting matters.

The financial statements have been audited by Deloitte & Touche, Chartered Accountants, who have full access to the Audit Committee, with and without the presence of management. Their report follows.

Vancouver, British Columbia

Friday, February 2 1996



Walter T. Segsworth  
President & Chief Executive Officer



J. Peter Gordon  
Vice-President Finance & Chief Financial Officer