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DEPT. OF MINES  
AND PETROLEUM RESOURCES  
ECONOMICS DIVISION

Rec'd FEB 25 1977




**WESTERN MINES LIMITED**

**INTERIM REPORT TO SHAREHOLDERS  
QUARTER ENDED DECEMBER 31, 1976**

BOX 49066 - THREE BENTALL CENTRE  
VANCOUVER, B.C. V7X 1C4

WESTERN MINES LIMITED

CONSOLIDATED STATEMENT OF EARNINGS

(Subject to Audit)

	Year Ended December 31 Expressed in Canadian Currency	
	1976	1975
REVENUE		
Concentrate revenue less treatment and marketing charges	\$15,655,679	\$14,595,706
<i>Production Basis</i>		
OPERATING COSTS (INCOME)		
Production	10,113,320	8,635,772
Administration	481,377	630,721
Depreciation and amortization	1,489,697	1,609,445
Exploration	3,034,990	1,544,927
Deferred development written off	—	272,009
Interest earned	(456,452)	(755,749)
Write down of investments to current value	4,217	37,146
Loss on disposal of fixed assets	39,559	554
Other revenue and expenses	(46,938)	(154,293)
	<u>14,659,770</u>	<u>11,820,532</u>
EARNINGS BEFORE TAXES	995,909	2,775,174
Income and Mining Taxes		
Current	1,058,000	2,387,000
Deferred	(381,000)	(276,000)
	<u>677,000</u>	<u>2,111,000</u>
NET EARNINGS	<u>\$ 318,909</u>	<u>\$ 664,174</u>
Shares outstanding less repurchased	5,328,938	5,213,566
Earnings per share	6¢	13¢
Cash flow per share	39¢	44¢
Dividend per share	10¢	40¢

CONSOLIDATED STATEMENT OF  
CHANGES IN FINANCIAL POSITION

(Subject to Audit)

	Year Ended December 31 Expressed in Canadian Currency	
	1976	1975
SOURCE OF WORKING CAPITAL		
Net earnings for the year	\$ 318,909	\$ 664,174
ADD:		
Items not requiring the use of Working Capital		
Depreciation and amortization	1,489,697	1,609,445
Loss on disposal of fixed assets	39,559	554
Deferred income and mineral resource taxes	(381,000)	(276,000)
Write down of investments	4,217	37,146
Deferred development written off	—	272,009
Mineral property costs	580,500	—
From operations	<u>2,051,882</u>	<u>2,307,328</u>
Proceeds on disposal of fixed assets	18,389	85,644
Share capital issued (net of shares issued for mineral properties)	48,969	61,732
Other	—	3,855
Reclassification of current taxes payable to deferred taxes	228,148	—
	<u>2,347,388</u>	<u>2,458,559</u>
USE OF WORKING CAPITAL		
Dividends	532,894	2,085,426
Investments (net)	31,053	262,420
Fixed asset additions	597,672	445,175
Deferred development	101	48,289
	<u>1,161,720</u>	<u>2,841,310</u>
Increase (decrease) in Working Capital	1,185,668	(382,751)
Working Capital — beginning of year	<u>10,759,351</u>	<u>11,142,102</u>
Working Capital — end of year	<u>\$11,945,019</u>	<u>\$10,759,351</u>

OPERATING STATISTICS

	Year Ended December 31	
	1976	1975
TONS OF ORE MILLED	296,846	287,393
ORE GRADES		
Copper %	1.19	1.12
Zinc %	7.73	7.59
Lead %	1.42	1.42
Gold oz.	.09	.08
Silver oz.	4.94	4.49
RECOVERIES %		
Copper	78.30	78.10
Zinc	82.00	82.60
Lead	81.10	80.90
CONCENTRATE GRADES %		
Copper	27.70	28.30
Zinc	52.90	52.40
Lead	42.90	43.50
AVERAGE METAL PRICES (U.S. DOLLARS)		
Copper	\$ .64	\$ .56
Zinc	.38	.39
Lead	.20	.19
Gold	124.84	161.02
Silver	4.35	4.42
Cadmium	2.66	3.35

## To The Shareholders:

### FINANCIAL

Subject to final audit, 1976 earnings amounted to \$318,909 (6¢) compared to 1975 earnings of \$664,174 (13¢). Cash flow from operations was \$2,051,882 (39¢) compared to \$2,307,328 (44¢) in 1975. Net tax expense in 1976 was \$677,000 compared to \$2,111,000 in 1975, a decrease in the effective tax rate from 76% to 68%. After payment of a dividend of \$532,894 (10¢ per share), year end working capital was \$11,945,019, an increase of \$1,185,668 from the end of 1975.

Net smelter return for 1976 was \$15.7 million compared to \$14.6 million in 1975; however, mine operating costs increased from \$30.04 per ton in 1975 to \$34.07 per ton in 1976, reflecting inflationary pressures, a higher percentage of ore mined from underground and a higher rate of mine exploration and development. Outside exploration costs were up from \$1,554,927 to \$3,034,990 which includes \$273,000 on the Price Creek property adjacent to the Myra and Lynx mines and \$580,500 on mineral properties purchased from Brascan Resources Limited for 89,722 shares.

### PRODUCTION

Tonnage milled averaged 933 tons per operating day for a total of 296,846 tons in 1976 compared to 884 tons per operating day and 287,393 tons in 1975. Percentage of ore mined from underground increased once again from 81.8% in 1975 to 91.4% in 1976. On the Lynx and Myra mines horizontal development and diamond drilling were increased by 38% and 73% respectively over the 1975 level and vertical development was maintained at the 1975 level.

Copper concentrate production totalled 9,934 tons (8,877 in 1975), zinc concentrates 35,604 tons (34,416 in 1975) and lead concentrates 7,981 tons (7,613 in 1975). Payable silver and gold contained in the concentrates were 1,068,315 ozs., and 17,382 ozs., respectively (958,187 ozs., and 16,521 ozs., in 1975). In 1976, 41% of revenue was attributable to zinc and 37% to precious metals.

Ore reserves at the Myra and Lynx mines declined by only 27,300 tons in the year and now stand at 1,704,000 tons. Grade of the reserves remains virtually unchanged. In addition there are 54,900 tons of possible reserves indicated by drilling.

### OUTSIDE EXPLORATION & NEW INTERESTS

In addition to the \$2,454,490 expended on

outside exploration projects, the Company managed \$766,000 contributed by partners. Major expenditures provided by the Company were \$273,000 on the Price Creek project, \$619,000 on the Great Slave Reef and West Reef projects and \$647,000 on the uranium projects.

A total of 5,471 feet of drilling were completed on the Price Creek, 11,045 feet on the Sheba Copper project, and 75,802 feet on the Great Slave Reef and West Reef projects which are joint ventures with Du Pont of Canada Exploration Limited. On the Great Slave Reef project, 2,800,000 tons of ore grading 11.9% zinc and 4.1% lead were indicated by drilling during the course of the year.

The U.S. coal acquisition program was suspended in mid year and acquisition activities were concentrated more on Canadian resource oriented opportunities.

### PLANS FOR 1977

At present it is planned to maintain the mine operating, exploration and development rate achieved in 1976. However, continuing depressed copper and zinc prices may require a re-examination of the mine exploration and development program in order to reduce costs. The outside exploration budget will be significantly reduced compared to last year.

The principal area of outside exploration activity will continue to be the Great Slave Reef, West Reef and uranium projects. Additional joint venture negotiations are currently in progress to ensure the maximum exposure possible for your company in mineral exploration activity without incurring an unacceptable level of costs. An active program of investigating possible acquisition candidates in the resource industry in North America will continue to both strengthen and diversify the company's earnings base.



A.W. FARMILO  
Chairman



HUGH R. SNYDER  
President and  
Chief Executive Officer

Vancouver, B.C.  
February 11, 1977

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DEPT. OF MINES  
AND PETROLEUM RESOURCES  
ECONOMICS DIVISION

Rec'd MAR 1 1976




WESTERN MINES LIMITED

**INTERIM REPORT TO SHAREHOLDERS  
YEAR ENDED DECEMBER 31, 1975**

BOX 49066 — THREE BENTALL CENTRE  
VANCOUVER, B.C. V7X 1C4

To The Shareholders:

## **EARNINGS**

Subject to final audit, 1975 earnings before taxes and royalties were \$2,775,174 or \$.53 per share versus \$7,372,915 or \$1.42 per share in 1974. After providing for taxes and royalties, net earnings were \$664,174 or 13 cents per share compared to \$2,822,915 or 54 cents per share in 1974. Effective taxation rate in 1975 was 76% compared to 62% in 1974.

The principal reason for the decrease in earnings was the decline in the net smelter return dropping from \$19.8 million in 1974 to \$14.6 million in 1975. Notwithstanding the increased percentage of ore mined from underground, 82% in 1975 versus 75% in 1974, mine operating costs were contained reflecting the cutback of mine exploration and development expenditures in conjunction with improved underground efficiencies.

After payment of a dividend of \$2,085,426 (40 cents per share), the year end balance sheet shows working capital of \$10,759,351, a decline of \$382,751 from the end of 1974.

## **PRODUCTION**

Tonnage milled averaged 884 tons per operating day for a total of 287,393 tons in 1975 compared to 885 tons per operating day and 297,290 tons in 1974. Copper concentrate production totalled 8,877 tons (10,531 tons in 1974), zinc concentrate 34,416 tons (38,108 tons) and lead concentrate 7,613 tons (8,824 tons). Payable silver and gold contained in the concentrates was 958,187 ounces and 16,521 ounces respectively (992,455 ounces and 18,077 ounces in 1974).

A new two-year labour contract was signed effective October 1, 1975.

## **ORE RESERVES**

Despite reduced development and exploration, proven ore reserves for the year declined by only 156,600 tons from 1,887,900 tons at the end of 1974 to 1,731,300 tons at the end of 1975. In addition there are 123,600 tons of possible ore reserves indicated by drilling. Grade of proven ore reserves is approximately the same as that milled in 1975.

## **OUTSIDE EXPLORATION AND NEW PROJECTS**

Seven exploration projects were actively investigated in 1975 of which four were drilled, including an oil exploration joint venture with Summit Resources in Montana. In addition, three coal operating or development opportunities were investigated in detail in the U.S.A., as well as four metalliferous mine operating or development opportunities but these were discontinued when they did not meet all levels of satisfactory investment criteria.

## **PLANS FOR 1976**

The mine operating rate will continue at the same level as in 1975. In anticipation of a more favourable taxation climate in British Columbia, the mine development and exploration budget has been enlarged and is directed particularly towards locating extensions to the Myra high grade zone.

The search for development or acquisition opportunities in the mineral industry will continue with the primary objective of expanding, as soon as possible, the Company's earnings base. Land accumulation in northern California volcanogenic ore targets is proceeding, and an expanded program on the Great Slave Reef project in the North West Territories is being planned. Preliminary investigation of a number of exploration opportunities in British Columbia, in proximity to known mineralization, is being undertaken.

H.R. Snyder,  
President and  
Chief Executive Officer

Vancouver, B.C.  
February 19, 1976

**WESTERN MINES LIMITED**  
**CONSOLIDATED STATEMENT OF EARNINGS**

(Figures Subject to Audit)

	Year Ended December 31	
	1975	1974
<b>REVENUE</b>		
Concentrate revenue less treatment and marketing charges	<u>\$14,595,706</u>	<u>\$19,843,263</u>
<b>OPERATING COSTS (INCOME)</b>		
Production	8,635,772	9,163,849*
Administration	630,721	274,760*
Depreciation and amortization	1,609,445	1,660,182
Exploration	1,544,927	1,273,363*
Deferred costs written off	272,009	662,954
Interest earned	(755,749)	(899,030)
Write down of investments to current value	37,146	175,000
Loss on disposal of fixed assets	554	181,717
Other revenue	(154,293)	(22,447)
	<u>\$11,820,532</u>	<u>\$12,470,348</u>
<b>EARNINGS BEFORE TAXES</b>	<u>\$ 2,775,174</u>	<u>\$ 7,372,915</u>
<b>PROVISION FOR INCOME TAXES AND ROYALTIES</b>		
British Columbia		
Royalties and mineral land tax	750,000	1,200,000
Mining taxes	372,000	800,000
Corporation income taxes	<u>256,000</u>	<u>755,000</u>
	1,378,000	2,755,000
Canada		
Corporation income taxes	<u>733,000</u>	<u>1,795,000</u>
	<u>2,111,000</u>	<u>4,550,000</u>
<b>NET EARNINGS</b>	<u>\$ 664,174</u>	<u>\$ 2,822,915</u>
Shares outstanding less repurchased	5,213,566	5,181,516
Earnings per share	\$0.13	\$0.54
Cash flow per share	\$0.44	\$1.19
Dividend per share	\$0.40	\$0.40

\*Reclassified

**OPERATING STATISTICS**

	Year Ended December 31	
	1975	1974
Tons of ore milled	287,393	297,290
Ore Grades %		
Copper	1.12	1.28
Zinc	7.59	8.05
Lead	1.42	1.48
Recoveries %		
Copper	78.10	76.60
Zinc	82.60	81.40
Lead	80.90	80.00
Concentrate Grades %		
Copper	28.30	27.70
Zinc	52.40	51.10
Lead	43.50	39.80
Average Quoted Metal Prices (U.S. dollars)		
Copper	\$ .56	\$ .93
Zinc	.39	.37
Lead	.19	.27
Gold	161.02	159.25
Silver	4.42	4.71

**WESTERN MINES LIMITED**  
**CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION**  
*(Figures Subject to Audit)*

	Year Ended December 31,	
	1975	1974
<b>SOURCE OF WORKING CAPITAL</b>		
Net earnings for the year	\$ 664,174	\$ 2,822,915
Add: Items not requiring the use of Working Capital		
Depreciation and amortization	1,609,445	1,660,683
Loss in disposal of fixed assets	554	181,717
Provision for future income and mining tax	(276,000)	680,000
Write down of investments to current value	37,146	175,000
Deferred costs written off	272,009	662,954
From operations	2,307,328	6,183,269
Proceeds on disposal of fixed assets	85,644	251,859
Share capital issued	61,732	2,450
Other	3,855	
	2,458,559	6,437,578
<b>USE OF WORKING CAPITAL</b>		
Dividends	2,085,426	2,084,646
Investments	262,420	23,433
Fixed asset additions	445,175	838,112
Deferred development	48,289	467,375
Share capital repurchased		67,603
	2,841,310	3,481,169
Increase (decrease) in Working Capital	(382,751)	2,956,409
Working Capital — beginning of year	11,142,102	8,185,693
Working Capital — end of year	\$10,759,351	\$11,142,102