

BC

Western Mines Limited

& Subsidiary Companies

annual report of the board to the shareholders 1974

OPERATIONS

Production

Difficulties with a high labour turnover, absenteeism and an inadequate labour supply necessitated a re-scheduling of working days and a consequent drop in output. Operating days were reduced from 363 to 336 and the tonnage milled averaged 814 tons per calendar day for a total of 297,290 tons as compared to 354,240 tons in 1973. The ore grades fed to the mill averaged close to the ore reserve grade.

Copper concentrate produced totalled 10,320 tons, zinc concentrate 37,346 tons and lead concentrate 8,648 tons. The high silver-lead concentrate was combined with the normal lead concentrate.

The open pit produced 26.6% of the mill feed, 41% came from the Lynx underground and 32.4% from the Myra.

Mine Exploration and Development

LYNX - MYRA

The rate of underground development, totalling 15,500 feet, was about the same as last year. Diamond drilling at 76,878 feet was substantially less than in 1973. Of this total, 15,199 feet was surface drilling, including a deep hole 2,000 feet west of the underground workings, incomplete at year-end. No new ore was found in this surface drilling but the study is continuing.

PRICE

The adit was extended a further 2,700 feet to an almost perfect breakthrough at 5,012 feet. Diamond drilling, totalling 7,968 feet, encountered

mineralization in several holes but no ore shoots were developed. However, good potential remains for additional ore which will be investigated by drilling pending a change in political and economic conditions.

Ore Reserves

	<u>Tons</u>
Lynx	1,041,700
Myra Standard	642,200
Myra High Grade	117,000
Stock Pile	87,000
	<u>1,887,900</u>

	<u>Gold</u> oz./ ton	<u>Silver</u> oz./ ton	<u>Copper</u> %	<u>Lead</u> %	<u>Zinc</u> %
Lynx	.06	2.2	1.3	0.9	7.4
Myra Std.	.09	5.3	0.9	1.5	7.4
Myra H.G.	.21	17.3	0.7	3.2	10.4
Stock Pile	.05	1.2	0.8	0.6	5.5
	<u>.08</u>	<u>4.1</u>	<u>1.1</u>	<u>1.2</u>	<u>7.5</u>

Total reserves increased by a net 216,800 tons, as compared to the reserves at the end of 1973. Most of the new ore was found in the Lynx "G" zone which remains the most favourable area for further additions to the ore reserves.

The longitudinal and cross sections at the end of the report give a more complete picture of the location of ore bodies within the Lynx and Myra Falls Mines.

Plans 1975

Due to rapid escalation in costs, decline in copper prices and most particularly, the savage taxation to which mining companies are now exposed, operations at Myra Falls were curtailed

in February resulting in the layoff of 75 men. Operating plans have been under continuous study since the beginning of the year, and notwithstanding the fact that a small loss is anticipated for 1975, the present operating rate of 880 tons milled per day will be maintained for the time being, but with a complete cessation of mine exploration and a reduced level of development directed towards ore reserves already discovered. Under these circumstances, there should be little change to the present employment situation at the mine.

However, this plan is contingent upon metal prices maintaining their present levels and the situation will be subject to quarterly review by the Board of Directors.

OUTSIDE EXPLORATION & NEW PROJECTS

Six mineral projects and one coal property were evaluated during the year. In addition, oil exploration continued in conjunction with Summit Resources. Details of these projects are summarized below, together with an outline of plans for 1975:

Granite Mountain

Diamond drilling, totalling 12,700 feet, indicated additional areas of low grade ore beyond the 90 million tons averaging 0.33% copper and 0.02% molybdenite previously reported by the owner. No higher grade ore zones were located but a considerable portion of this large property remains to be explored when the political situation is more favourable. Western has earned a 50% interest in the property.

East Barriere Lake and Cat Properties

Further exploration failed to expand the low grade ore reserves and these projects have been terminated.

Blue Jay, Nevada

Fifty-three percussion holes and six diamond drill holes were completed by the Company during the course of the year. This work has expanded the proven ore reserves to 5 million tons at 0.47% copper, plus an additional 5 million tons of inferred ore. Grade and metallurgical characteristics of the ore zone were further tested by means of 350 feet of drifting and cross cutting. The viability of the project is being examined in the light of this new information in conjunction with studies being undertaken by the Minerals Division of the Du Pont Company. A program for 1975 has not yet been committed.

Cobre Grande, Arizona

725 feet of diamond drilling failed to show ore and the option was terminated.

Amy Group, Vancouver Island

Reconnaissance work on this wholly owned Vancouver Island group of claims has been deferred pending a more favourable environment for the mining industry in British Columbia.

Mt. Freegold, Yukon Territories

Western Mines has a 60% interest in a joint venture which undertook a geo-chemical survey of 6 airborne magnetic

anomalies in the Carmacks area of the Yukon. As a result of this program, a major copper-molybdenum anomaly has been located and a drilling program is planned in the current year.

Sun Mine, Colorado

The Sun Mine, near Steamboat Springs, Colorado, dormant since 1949, was investigated as a potential entry point into the energy coal market in the U.S.A. Unfortunately, a 910 foot drilling program undertaken by the Company failed to confirm continuity of excellent outcrop conditions and the project has been abandoned.

Summit Resources Limited

Participation with Summit Resources in oil exploration projects continued in 1974. Of six holes completed in North Central Alberta, the N.G.S. well, west of Edmonton, is under test to determine whether it is to be classed as an oil or gas producer, Wood River No. 2 is a small producer and the Kneehill structure requires further exploration. The three other holes were dry and abandoned.

In a joint enterprise with Summit, an electromagnetic survey identified a number of anomalies in a Montana oil field, three of which will be drilled in 1975.

Plans 1975

The exploration office has been moved to Vancouver and the explora-

tion function will in the future report directly to the President.

Work will continue on evaluation of coal properties in the U.S.A. which have potential to yield a new source of earnings to the Company in the near future. Hard rock exploration will concentrate on development projects or on those projects in which the Company has particular expertise. At the present time, it is not planned to extend activities in oil and gas projects beyond those which are already committed. All outside exploration activities in British Columbia have been terminated.

FINANCIAL**Earnings**

The accounts combined with the U.S. subsidiary, which carried on exploration operations only, reflect consolidated net earnings in 1974 of \$2,822,915 or 54 cents per share which compares with 1973 earnings of \$6,193,676 or \$1.19 per share, before an extraordinary item, and \$5,533,926 or \$1.06 per share after the extraordinary item.

Even though production of concentrates was lower in 1974, the net return from their sale was higher than in 1973. This was a result of all time high metal prices received. This gain was more than offset by increased operating costs, depreciation, outside exploration, federal and provincial income taxes and new provincial royalties.