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ANNUAL REPORT

OF

WESTERN EMPIRE GOLD MINES, INC.

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1933

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To the President, Board of Directors and Stockholders of
WESTERN EMPIRE GOLD MINES, INC.:

I herewith submit the following report of the activities of this Corporation for the year 1933.

ORGANIZATION AND CORPORATE STRUCTURE.

The Corporation was organized under the Laws of Nevada, January 17, 1933, with an authorized capital of $2,500,000.00, divided into 2,500,000 shares, all common stock, of par value One Dollar each. 2,000,000 shares were issued to John B. Haley for the Amazon Mine. The other 500,000 shares have never been issued from the Treasury.

Mr. Haley donated 637,600 shares of his stock to Western Empire Gold Mines, Inc. for the purchase of properties and for sale for the purpose of raising funds for the corporation. Part of this stock has been sold. The corporation now owns 238,605 shares. The total capital stock reserve is therefore 500,000 shares of unissued stock plus 238,605 shares of fully paid treasury stock, a total of 738,605 shares.

There were 1,761,395 shares outstanding as of December 31, 1933.

After the first perfunctory steps of organization, the following persons were elected as members of the Board of Directors:

Judge Geo. A. Bartlett	Reno, Nevada
John B. Haley	Reno, Nevada
George S. Kearney	Reno, Nevada
Walter Gordon Clark	Los Angeles, California
Charles Meyer	Virginia City, Nevada

The following were elected as officers:

Judge Geo. A. Bartlett	President
John B. Haley	Vice President
George S. Kearney	Vice President
S. R. Tippett	Secretary-Treasurer
Charles L. Richards	Resident Agent

Mr. Clark was appointed Consulting Engineer. Mr. Clark, Mr. Haley and Mr. Kearney constituted the Executive Committee. May 15th, Mr. Kearney was appointed General Manager, in charge of all operations. In June, Mr. Haley resigned as Vice President and Director and retired from active connection with the company, since which time Mr. Kearney has been the only Vice President. Mr. Tippett was elected to succeed Mr. Haley as Director and was also appointed Resident Agent succeeding Mr. Richards.

LISTING AND ESCROW AGREEMENT.

The 2,000,000 issued and fully paid shares were listed for trading on the New York Mining Exchange February 24, 1933. The Security Transfer & Registrar Company, 39 Broadway, New York City, was appointed transfer agent and registrar.

When an added tax on stock transfers was proposed in New York the New York Mining Exchange closed and the New York Mining Exchange, Inc., of New Jersey was organized and opened an exchange room at 2861 Boulevard, Jersey City, New Jersey. The new exchange agreed to list all stocks formerly listed on the New York Mining Exchange without further charge. We transferred our listing to the new exchange.

To serve this new exchange, the Security Transfer and Registrar Company opened a new branch office at 910 Bergen Avenue, Jersey City, New Jersey. Stock certificates of our company should be sent to this branch office for transfer.

After buying the Amazon Mine from Mr. Haley, the corporation acquired the Keyes Mine from the Belmont-Uncle Sam Mining Company for 140,500 shares of stock and the assumption of a note for $15,000. It also bought the Wilson group of mining claims from the Reorganized Wilson Mining Company for 125,000 shares of stock.

This stock and that owned by the Officers and Directors was placed in escrow so it could not be sold for personal account until the corporation's financing was completed. The underwriter's contract expired September 30th, and no further corporate financing having been done, the Belmont-Uncle Sam and Reorganized Wilson Mining Companies formally demanded the release of their stock in December. The escrow was therefore vacated.

FINANCING ARRANGEMENTS.

In February, 1933, a contract was written with Arthur J. Spellman, of Boston, Mass., under which he bought 100,000 shares and took an option on an additional 200,000 shares at progressively increasing prices. The first 100,000 shares were paid for and delivered and then Mr. Spellman bought 30,995 shares under his option. The average price he paid for the stock purchased by him was 67c per share. He promised to buy enough to yield the Corporation at least $150,000.00 but actually paid only $87,993.45.

The stock was listed at Mr. Spellman's request. We agreed to send him reports of operations weekly. At his request these reports were sent directly to Mark Hamilton. Other than this we had nothing to do with Mr. Hamilton. We mention this because we receive letters frequently from stockholders who are under the impression that Mr. Hamilton was an Agent for this Corporation, but this is not the case.

When the Federal Securities Act took effect July 26th, the underwriter retired from business.

In our Progress Report of July 31st we stated that an application for registration under the Act was being prepared. This was begun but not finished. Our attorneys pointed out apparently unavoidable dangers that might result from mere registration and that the corporation might be forced into bankruptcy although complying with every requirement of the act.

As advised by our attorneys, we have not registered this corporation and do not expect to do so in the immediate future. This precludes any more corporate financing and forces us to arrange for our construction and further development from other sources, principally from profits from our small production. It will extend the time before we reach a settled earning basis but our attorneys and management feel this is the wisest course to pursue.

OPERATING CONDITIONS.

Since almost the inception of the Corporation conditions have been unsettled. Beginning with the suspension of banks March 3rd and continuing through the development of the Government's Recovery Program, with rapid changes in business and labor relationships, credit conditions and commodity prices, the Management has faced an extremely difficult task. We have been unable to plan programs extending over a period of months because we had no assurance that conditions existing when such plans might be promulgated would still be existing when it came time to carry them out. We have had to proceed cautiously and be always ready to meet new conditions as they arose.

Our financing was cut off some $60,000 short of what we were definitely promised and expected to receive. We had to sharply curtail operations in September. It became apparent in October that we would get no further aid from the underwriter, regardless of promises to that effect, so plans for mine development and mill construction had to be revised.

Operations at the Keyes Mine were suspended in October. Your Manager decided to temporarily suspend work on the north group of properties, including the Keyes, Wilson and Monte Cristo, and to concentrate on developing the Amazon-Mt. Bullion group and bringing it into production. The option on the Monte Cristo Mine, adjoining the Keyes Mine, lapsed in November.

The Milwaukee Mine has continued producing on a small scale and the profits therefrom have carried the operating expenses of the company.

DETAILS OF MINE DEVELOPMENT AND OPERATION.

Amazon Mine

The Amazon Mine comprises two patented and one unpatented claims which include a little more than one half mile of the Bolivar Lode one mile due south of Silver City. This is one of the principal branches of the main Comstock Lode.

The Amazon Mine was opened by a vertical shaft 500 feet deep that was sunk in 1877-78. The collar of this shaft was caved in and the timbering gone. Below 140 feet it was filled with muck and broken timber. Later an inclined shaft had been sunk about 60 or 80 feet in the outcrop back of the old vertical shaft. This was also caved. More recently a crosscut tunnel had been driven to cut the veins at shallow depth. The portal of this tunnel was also caved.

We reopened the tunnel and examined the veins therein and then began work in the 500 foot vertical shaft. The collar was retimbered and the caved area around it filled in. The shaft was reopened and retimbered to a point four feet above the floor of the 300 foot level where water was encountered. The work was let on contract which automatically expired when water was reached.

Because of the uncertain business outlook the shaft work was suspended but the vein was entered on the 300 foot level and the old reports found to be quite accurate. Complete inspection was impossible because of the 4 foot depth of water on this level.

The property contains two veins some 50 or 60 feet apart, with a stock-work of low-grade mineralized rock between them. There appears to be a very large body of low-grade ore that can be worked with a mill operating on the property. It cannot be measured yet but apparently contains many hundreds of thousands of tons above the present lowest development.

Mt. Bullion Mine

In June we took a lease and option on the Mt. Bullion Mine, consisting of three unpatented claims adjoining the Amazon Mine, and under a separate contract we acquired the adjoining unpatented Josephine Claim.

The Mt. Bullion Mine had been worked through tunnels, the principal one of which is 750 feet long, with a branch tunnel begun along a branching vein. A winze had been sunk 40 feet near the end of the tunnel. Two other tunnels and several surface cuts show altogether five veins on this property, all containing low grade gold values.

We extended the branch tunnel 15 feet and encountered a vein, called the No. 2 vein, parallel to the Mt. Bullion vein. We drifted on it for 80 feet. The average width is 5½ feet and the average value $5 per ton. Above this short drift this vein is estimated to contain 4,000 tons of ore that are immediately available. The whole vein is much longer and we expect the oreshoot to be at least 500 feet long.

Several thousand tons of ore have been mined from the Mt. Bullion vein above the tunnel. About 3,000 tons remain in large pillars and some sections that were not worked. The higher grade ore was of course extracted by the old miners. What they left is the lowest grade ore in that vein. Our sampling shows an average value of $7.25 per ton for this remaining ore. The average width is 3 feet, 7 inches.

We shipped nine tons to the mill and found that the values are almost entirely free and the ore can be satisfactorily treated by plain amalgamation, the cheapest kind of milling known.

The ore continues downward as shown by exposures in the winze and a couple of small underhand stopes. To permit continuing the winze as an inclined shaft from the surface we drove a raise directly above the winze to within a few feet of the surface. It will be "holed thru" presently.

A tunnel known as the Alhambra tunnel, 1,500 feet long, starts on the Metropolitan Claim (not owned by us), crosses through the Alhambra Claim and runs nearly 950 feet into Mt. Bullion ground. It cuts two good veins in the Mt. Bullion claims that have been identified in surface exposures. The first is 8 feet wide and of good mill grade but the average value is not yet determined. The second is 12 feet wide and averages $4.60 per ton across the full width. It is on the footwall side of the No. 2 vein that is exposed in the branch from the Mt. Bullion tunnel. When the Alhambra tunnel is extended 200 feet it should cut both the No. 2 vein and the Mt. Bullion vein 245 feet vertically below the level of the Mt. Bullion tunnel.

All of the veins in the Mt. Bullion property can be worked through this tunnel provided surface rights can be bought from the owners of the Metropolitan Claim. Negotiations for these rights are now in progress.

We estimate the average grade of the ore in all the veins in the Mt. Bullion group at $5.50 per ton and the mill recovery at $5.00. With a 100 ton mill on this property, mining and milling costs should not exceed $2 per ton, and possibly $1.75. The estimated profit is therefore at least $3 per ton.

If we can buy the surface rights of the Metropolitan Claim we can build our mill near the portal of the Alhambra tunnel and deliver ore to it very cheaply through that tunnel. We estimate an indicated possible 400,000 tons of ore in the Mt. Bullion Mine above the level of the Alhambra tunnel. This can be easily developed and very cheaply mined on almost any scale desired. The Comstock veins go to great depth, so we expect a very much larger tonnage below this tunnel level.

Milwaukee Mine

The Milwaukee Mine was acquired February 1st, 1933, by taking an assignment from H. B. Bulmer of a lease and option contract that he held from the owners of the property. It originally consisted of three unpatented mining claims, the Milwaukee, Milwaukee No. 2 and Three Brothers. The purchase price was $30,000.00 under the lease and option, with an additional payment to Mr. Bulmer of $11,700.00 and 35,000 shares of stock for the assignment of the contract and the development work and equipment that he had placed on the property. Under the lease and option the Three Brothers Claim could be segregated from the other two, in which case $10,000 of the purchase price would apply to that claim only. The Three Brothers Claim is almost undeveloped and has no equipment on it. We dropped the option on the Three Brothers Claim in August and continued with the option on the Milwaukee and Milwaukee No. 2 Claims.

These two claims were equipped with a small but complete electrically operated mine plant and had been operated in 1932 by Mr. Bulmer who had extracted some high-grade ore from the 200 foot level and had just finished sinking the shaft to the 300 foot level (measured from the collar of the new shaft) when we took over the assignment of his contract.

Our first work was to install adequate pumps, which proved difficult for our power line connections were inadequate and we had trouble with the pump motors because of low voltage. After we rebuilt the power line the pumps worked better. We drifted north on the 300 foot level under the old stopes. We encountered bunches of ore 25 feet from the shaft and started our first stope 57 feet north of the shaft but the ore was low grade and we continued drifting without stopping to mine at this point.

After another 90 feet of drifting stope raise No. 2 was started in good ore. From there northward for 240 feet we had ore all the way, but with occasional lean pillars and some pinches where it was too narrow to be mined. Some of this ore was of very good grade and some only medium.

We had planned to develop the mine fully before beginning steady production but the retirement of the underwriter forced us to start producing the first of August. This raised the cost of operations fully $4 a ton over what we had figured on. The value of the first two shipments, from that part of the vein within 100 feet of the shaft, was low enough to bring the general average below expectations and we lost money on this first ore. The later operations showed a consistent profit.

December 1st we began drifting south from the shaft on the 300 foot level. A shaft was sunk several years ago at a point 250 feet south of our present shaft and good ore taken out with a hand windlass. Our south drift is aimed to cut this oreshoot. Indications of ore have been encountered but no commercial ore as yet. December 31st we were about 120 feet short of the point where we expect to find ore.

The mine plant has been enlarged, the head-frame alone being left unchanged. We replaced the 15 HP hoist with a 22½ HP hoist. The one-drill compressor has been replaced by a 12 in. x 10 in. Ingersoll-Rand high speed compressor capable of supplying three big drills. The pumping plant has been entirely revised, a new hoist house and change room built and an old house repaired for living quarters for the foreman, who now lives at the mine.

$14,444.71 and 10,000 shares of stock have been paid on the purchase price of the two Milwaukee claims and the equipment taken over from Mr. Bulmer, leaving a balance of $17,255.29 and 25,000 shares that we still owe. The money payments are being met out of royalties.

We have mined considerable low-grade ore that has been thrown on the dump and may be milled later but cannot be handled profitably now. Our production has been limited by lack of mill facilities, for the only outlet for our ore is the Trimble Mill at Silver City, which up to the middle of November took an average of only 8 tons per day. In November Mr. Trimble agreed to give us the use of one battery of 5 stamps whenever we needed it, thus increasing our possible outlet to 12 tons per day.

Mr. Trimble charges $2.50 a ton for milling and makes a 90% recovery. It costs about 70c a ton to deliver ore to his mill. The average recovery on the ore mined in 1933 was $20.94 a ton. The total cost, including mining, milling and

marketing the product, averaged $20.06 per ton, so our actual net profit was only 88c a ton.

This is partly due to the necessity of writing off an abnormally large amount of development against this ore, partly to the fact that some of the first ore mined was low grade, partly to milling in a custom mill where hauling and treatment are over $3 a ton, and largely to the fact that we had to begin producing under adverse conditions before we were ready because of our financial upset late in July.

During the last four months of 1933, the cost was $18.87 per ton, the recovery for the same period was $21.87, and the net profit $3.00 per ton. Under normal conditions, with a mill of our own, our profit should have been $9 per ton from this ore, or a total of $11,000.

We still have about 200 tons of ore to take out north of the shaft above the 300 foot level. Between the 200 and 300 foot levels the vein pinched so the average width of the high-grade ore was less than 14 inches between those two levels. The ore is wider above than below the 200 foot level and is wider on the 300 foot level than a few feet above it. We expect it to widen out again and give a greater tonnage below the 300 foot level.

We should reach the oreshoot south of the shaft early in February. We do not know how large this shoot will be but from statements of former workmen we expect it to be at least half the size of the north shoot and probably of slightly higher value. The "backs" above the 300 foot level in the south shoot will be at least 150 feet so we estimate at least 1,000 tons of high-grade ore in that shoot above this level.

It will be impossible to sink the shaft while we are still mining on the 300 foot level. We are preparing for sinking operations now but will not begin them until ore production is stopped. We plan to continue producing from the Milwaukee Mine, suspending only long enough to sink the shaft, and we expect better operating results in 1934 than we had last year.

Keyes Mine

The Keyes Mine consists of two patented and one unpatented claims located one and one-fourth miles east of the north end of Virginia City. It is at the north end of the Brunswick Lode which lies parallel to and about one and one-half miles east of the Comstock Lode.

The mine has been operated intermittently since the 70's and needed repairs and further development before production could be maintained. The mine plant, all electrically driven, consisted of a hoist, two pumps, an old Sullivan air compressor, three air drills, a blacksmith outfit for sharpening drill steel by hand and incidental tools, cars, track, pipe, etc.

We began work April 1st. The shaft was repaired and largely retimbered. We replaced the 90 KW transformers with a bank of 225 KW capacity and made the following additions to the equipment: A 12 in. x 12 in. Sullivan air compressor, four pneumatic drills, a pneumatic drill sharpener with oil-fired furnace, a mine ventilation system consisting of two blowers and 1200 feet of galvanized iron fan pipe, several cars, two sinking pumps, a 10 HP auxiliary hoist for underground sinking and many additional tools and several hundred feet of pipe and rails. The underground wiring was replaced with armored cable and heavily waterproof insulated wire. A change house with shower-bath and a storehouse to serve all the properties were built.

Drifts were extended north and south on the 400 foot level and 422.6 tons of ore were mined from a stope above this level in the higher grade portion of the oreshoot. The ore was trucked to the flotation mill of the Recovery Milling Company in April and May for a mill test. It was somewhat diluted and the ore was also of lower grade than was indicated in the drift faces where it had been sampled. The average assay value of the ore that was shipped was $12.60 per ton at the metal prices at which the gold and silver were later sold.

Trucking to the mill, milling and marketing the product cost $4.33 per ton. Mining cost $3.99, including a proportionate charge for development and overhead expense. The total cost per ton was $8.32.

The mill demonstrated the possibility of saving up to 94% of the values but actually recovered commercially only 62.5%. Part of the machinery was worn out and kept breaking and did poor work. The mill was rebuilt later in the year but we sent no more ore to it.

We incurred a net loss of $1.96 a ton on the ore actually mined and milled. This being the first production, mining costs were higher than normal. Conditions in the Keyes Mine are such that costs will be higher than in the Amazon and Mt. Bullion mines in any case, but on a 100 ton daily production we should hold our mining costs, including proportionate overhead and development charges, to not more than $2.25 per ton.

It cost $1.40 to truck the ore to the mill. The milling charge of $2.75 was excessive. We made mill tests on our ore and investigated milling practice in the district. We believe we can mill this ore for not over $1.50 per ton in a mill of our own. On quantity production in such a mill, milling and marketing costs are estimated at $1.75 per ton. The total costs when we have our own mill at the Keyes Mine are estimated at $4 per ton, less than half of those for this first run.

With the added value due to higher prices for gold and silver, we estimate the average value of the high-grade ore at $12.50 per ton and the mill recovery at $11.50. The net value of the high-grade ore is estimated at $7.50 per ton when our own mill is running. When the ore is treated in a custom mill it will be only $4.50 per ton.

There is a very large body of low-grade mineralized vein matter, the average value of which is not determined. It is lensy and large sections are not ore. Other sections can be handled at a profit in large scale operations, that is, 300 to 500 tons daily. There is a big tonnage that should mill close to $4 a ton. In large scale operations total costs should not exceed $2.50 per ton. No estimate of such low-grade tonnage can yet be given.

A 100 ton mill to treat the Keyes ore will cost about $30,000. We planned the construction of a mill in 1933 but were forced to postpone it because of finan-

cial conditions. We continued mine development and drove the south drift beyond the Keyes end lines into Monte Cristo ground to cut the Monte Cristo oreshoot below its old workings.

The 400 foot shaft is the only opening for the principal workings of the Keyes Mine. To comply with Nevada laws it was necessary to have another opening as soon as possible. We planned to get this by connecting with the Monte Cristo workings and cleaning out the Monte Cristo shaft.

We investigated the Monte Cristo as far as possible and thought the mine was drained. It apparently was not for beginning October 12th we got a heavy flow of water from the Monte Cristo that forced us to pull the Keyes pumps October 16th. The mine filled to within 180 feet of the surface. Most of the equipment was removed but one drill, a small pump and motor in the winze, the winze hoist and a few hand tools were submerged.

Steady pumping at 500 gallons a minute should unwater both mines in two weeks. Including installation of a big pump, it will cost between $2,500 and $3,000. Cleaning up the mine after the water is pumped out will cost another $500. Due to the lateness of the season and our financial condition we suspended work in the Keyes Mine until next spring.

One of our Directors, Charles Meyer, formerly owned the Keyes Mine and has been active in the work on it for both the Belmont-Uncle Sam Mining Company and Western Empire Gold Mines, Inc. He proposed in December to pump the mine out, clean it out and continue its development if he were given a lease on it. The company owes him a balance of $2,000.00 on a note owed to him by the Belmont-Uncle Sam Mining Company that Western Empire Gold Mines, Inc., assumed as part of the purchase price of the property. Mr. Meyer agrees to take this balance without interest from royalties on his production from the Keyes Mine, thereby relieving the company from having to raise the money to meet the last payment on his note.

The Directors and Management believe it is to the best interests of the corporation to give Mr. Meyer a lease, on the following general terms:

The lease to be for five years; all work to be subject to inspection and approval by Western Empire Gold Mines, Inc.; all expense to be borne by Mr. Meyer; the company to be absolved from all liability in connection therewith; royalties to be paid to the company on net mill or smelter returns, as follows: 7½% on ore yielding a net mill or smelter return up to $10 per ton, 10% on ore yielding $10.01 to $20.00, inclusive, 15% on ore yielding $20.01 to $30.00, inclusive, 20% on ore yielding over $30 per ton; Mr. Meyer to take the $2,000 balance on his note against the corporation, without interest, from such royalties. The corporation will retain ownership of the mine.

The Directors and Management believe it will be advantageous to have the Keyes Mine operating and producing royalties rather than to have it idle and under expense for watchman, etc. The property will deteriorate when idle.

The corporation is committed to a policy of concentrating its efforts on the Mt. Bullion-Amazon mines, the construction of a mill thereon and bringing those mines into profitable production before spending any money on the northern group of properties. It will probably be unable to resume work in the Keyes Mine during 1934 and maybe not until the middle of 1935. Before it can make any appreciable profit it will have to build a mill, which may not be completed before the end of 1935.

Mr. Meyer agrees to begin work immediately and start production as soon as possible at no expense to the corporation. He feels he has a good chance to begin producing in the early summer of 1934, fully one year ahead of the time the corporation can expect to do so.

The Directors and Management believe it is to the best interests of the corporation to grant a lease to Mr. Meyer. They want an expression of opinion from the stockholders before doing so. On the proxy form sent to each stockholder with Notice of Annual Meeting there is a place for voting for or against this lease. Each stockholder is requested to vote on this question.

Wilson Mine

The Wilson property originally included 8 unpatented mining claims and was bought from the Reorganized Wilson Mining Company for 197,100 shares of Western Empire stock. It was acquired as a reserve for future expansion, the Keyes vein being known to extend into the Wilson ground.

We found that the Reorganized Wilson Mining Company could not pass title to three of the claims. On a settlement that company accepted 125,000 shares of stock for the five claims it did deliver to us and returned 72,100 shares to our Treasury.

There have been no operations on the Wilson property except surface explorations and measurements.

Monte Cristo Mine

The Monte Cristo Mine, consisting of four patented lode mining claims, adjoins the Keyes Mine on the southwest and was acquired under lease and option to be worked thru the Keyes Mine.

The old maps show an ore body 500 feet south of the Keyes oreshoot. This is reported to have yielded several hundred thousand dollars worth of ore, the high-grade averaging $17 per ton and the low-grade $7.

As stated in the detailed report on the Keyes Mine, we drifted southerly from the 400 foot level of the Keyes Mine to reach a point under the old Monte Cristo stopes. We found showings of ore shortly after entering the Monte Cristo property that indicated an oreshoot between the Keyes oreshoot and that formerly worked in the Monte Cristo.

There are probably some old stopes in the Monte Cristo Mine north of those shown on the maps for when we were still 200 feet north of our objective we encountered a heavy flow of water in a porous streak in the rock and had to pull the pumps on the 400 foot level of the Keyes Mine. This undoubtedly came from old stopes in the Monte Cristo Mine and can be readily pumped out.

Mr. Haley had assigned to Western Empire Gold Mines, Inc. an option he had taken to buy the Monte Cristo Mine, requiring a payment of $2,500 January 1st and a total price of $150,000.00. After analyzing the property we decided the

price was too high. For this reason as well as the unsettled business conditions, we dropped the option.

We believe we can get another option on the Monte Cristo at a lower price and easier terms when we are ready to do so. We are now under no expense regarding this mine and will do nothing more with it until we resume operations on the north group of properties.

PROPOSED MILLS.

The organizers of the Corporation chose properties they believed would be especially valuable when operated on a large scale, so the cost of production and treatment could be kept below the value of the very large bodies of low-grade ore. To do this mills must be operated on or close to each property, because transporting low-grade ore costs too much. It was therefore part of the original plan to build one or two mills as soon as mine equipment and development warranted it.

Results of the mill runs made on ore from the Keyes, Milwaukee and Mt. Bullion mines confirmed the earlier ideas about the treatments required for those ores. The Keyes mill will be the more complicated and expensive for the ore requires a more elaborate treatment. The Silver City Mill can be very simple in design, the ore being free milling and amenable to simple amalgamation.

We figured on a mill of 100 tons capacity for the northern (Keyes) group, to be built on our own patented land, and began to assemble machinery and equipment for this mill, at the same time planning another 100-ton mill for the Silver City group.

When our financing was cut off in July we had to postpone all mill work but were assured that our financing would be continued later, at least enough to build one mill. We completed our plans and purchased some building material but did not get the promised money and so had to forego mill construction in 1933.

When the Keyes Mine was shut down we abandoned all thought of building the Keyes mill for the present and concentrated on plans for the Silver City mill. We assured ourselves that we have sufficient ore in the Amazon-Mt. Bullion mines to warrant construction of a 100-ton mill and also that we could get all of the custom ore we wanted to treat on terms that would yield us a nice profit.

We undertook to build the mill for an absolute minimum cash outlay and have tentatively arranged for most of our milling machinery with small or no immediate cash payments. In December we let a contract to a local contractor to build a mill before March 10th on the Amazon property, taking his pay in stock only, we to assist in getting proper machinery. The contractor had arranged for sufficient money to carry out this project but encountered financial difficulties and we declined to let the mill be started until we were sure it could be finished.

We are now negotiating for the surface rights of a tract of land near the Alhambra tunnel, which taps the Mt. Bullion group and through which ore from all the Amazon-Mt. Bullion veins can be very cheaply mined. If we get these surface rights we will build the mill near the mouth of the Alhambra tunnel, otherwise on the Amazon property as formerly planned. It will cost somewhat less than $20,000 and will treat 100 tons daily.

DEVELOPMENT AND CONSTRUCTION PROGRAM.

We propose to concentrate development on the Mt. Bullion-Amazon group, working through the Alhambra tunnel if we succeed in acquiring surface rights on the Metropolitan Claim, otherwise working in our own tunnels on the upper levels. Development will be confined wherever possible to the veins themselves, so ore will be produced during dvelopment and the costs largely paid out of such ore. The successful operation of this group depends on construction of the proposed mill. Actual construction work on this depends only on obtaining necessary funds for labor and small initial payments for supplies and equipment. Unless the contractor can finance this as he originally planned, it may be necessary to form a milling company and build the mill as a separate project. The Management is working on this problem and will begin construction at the earliest possible date. We must and **will** get this mill built.

We will continue operating the Milwaukee Mine and will sink the shaft to the 400 foot level. We will do no more work on the Keyes group for the present. As discussed elsewhere in this report, the Management recommends acceptance of Mr. Meyer's proposal to lease the Keyes Mine. Each stockholder is urged to vote on this question on the ballot enclosed for that purpose.

POLICY AND FINANCIAL OUTLOOK OF THE CORPORATION.

The corporation owns all of its properties except the Milwaukee and Mt. Bullion Mines. Payments on the Milwaukee Mine are being met out of royalties. On the Mt. Bullion they are only $100 a month and can be easily carried until that mine begins to produce. The only heavy payments that could not be readily met were on the Monte Cristo Mine, which was dropped. While a future asset value was thereby temporarily lost, an immediate contingent liability was avoided and the financial position of the corporation strengthened.

Except as Mr. Meyer may pay royalties from operation of the Keyes Mine, we cannot expect returns from the northern group for some time. This group will stand as a future reserve. The Milwaukee Mine should show a better profit in 1934 than in 1933. We expect it to continue paying for itself and meeting a large part of our operating expenses.

As soon as the proposed mill is built, commercial production from the Mt. Bullion-Amazon group will be begun. The expected profit from the average ore in this group is $3 per ton. At the proposed initial production of only 100 tons daily this mine should yield a profit of approximately $100,000.00 annually.

It will be our policy to increase the scale of operations as rapidly as possible

both in the Mt. Bullion and the Milwaukee Mines. We consider the Mt. Bullion Mine valuable enough to alone pay a satisfactory return on our entire capitalization. We believe that when we get all of our mines producing, we will be able to pay very good dividends.

The increased prices of gold and silver will be of great advantage to us when our production reaches any appreciable size. We have benefitted already but, of course, only to a small extent as yet.

The Management feels that the corporation is in a strong position. It owns most of its properties and has no debts that place it in jeopardy. During the past few months, when business conditions were unsettled and raising funds for development and expansion was problematical, we adopted a conservative policy and preferred to play safe rather than over-reach. This resulted in sharp curtailment of our operations and caused many stockholders to complain because the market price of our stock was depressed.

The Management is endeavoring to build a strong operating company without regard to temporary market fluctuations. We are laying a foundation for the future on as safe and conservative a basis as we can, believing this is the only sure way to make a successful dividend-paying company out of Western Empire Gold Mines, Inc.

Our original plans were upset by the cutting off of our financing and had to be drastically revised. In face of these conditions we have been able to consolidate the position of the company and carry it through a critical period. We feel that we are making real progress along the new lines we have adopted. There have been, and undoubtedly will still be, delays and disappointments but we feel that the corporation is steadily progressing toward the time when it will be earning good profits and paying satisfactory returns on its outstanding stock.

Respectfully submitted,

GEORGE S. KEARNEY
Vice President and
General Manager.

Dated at Reno, Nevada,
January 18, 1934.

WESTERN EMPIRE GOLD MINES, INC.
RECEIPTS & DISBURSEMENTS
FOR THE YEAR 1933

RECEIPTS:		
Stock Sales—A. J. Spellman	$89,195.09	
Sale of Product	25,212.47	
Loans	25,499.28	
Sale of 5 Transformers	460.00	
Miscellaneous—Services, etc.	181.06	
Sale of Treasury Stock for machinery	2,500.00	
Total Receipts		$143,047.90
DISBURSEMENTS:		
Property Purchase	$30,848.44	
Property Expense—Deeds, Abstracts, Tax, etc.	2,778.52	
Incorporation Expense	3,331.20	
Organization Expense	1,011.78	
Stock Sales Expense—Deductions made by Security Transfer & Registrar Co. for Transfer Taxes, Certificates, etc.	6,229.05	
Cash Deposits—State & Public	1,232.50	
Payroll	49,040.02	
Equipment	12,944.07	
Mine Operating—Supplies, etc.	16,913.15	
Power	3,050.46	
Milling Ore	4,418.67	
Industrial Insurance	2,556.60	
Rent	480.25	
General Supplies	749.18	
Postage & Publicity	1,355.81	
Miscellaneous General Expense—legal fees, traveling expenses of officers, telephone and telegraph tolls, etc.	5,333.67	
Total Disbursements		$142,273.37
Balance on hand and in Bank—December 31, 1933		$ 774.53

WESTERN EMPIRE GOLD MINES, INC.
Profit and Loss Statement
For the Period Ended December 31, 1933

Milwaukee Mine—Production:			
Ore: 1118.3 tons, gross receipts	$22,712.18		
Less Marketing charges	2,985.06		
		$19,727.12	
Tailings: 180 tons, net receipts		227.75	
Ore: In bins Dec. 31st, estimate 100 tons @ $18.00 per ton	$ 1,800.00		
Less Milling cost @ $2.50 per ton	250.00		
		$ 1,550.00	
Tailings: Dec. 31st estimate on approx. 620 tons @ $1.25		775.00	
Net Returns		$22,279.87	
Expense:			
Stoping	$10,052.09		
Development charged off to this period's operations	5,363.63		
Depreciation of equipment	517.10		
General Overhead—Proportion charged to Milwaukee operations for this period	5,329.86		
		$21,262.68	
Milwaukee Mine—Net Profit			$1,017.19
Keyes Mine—			
Ore: 422.6 tons, gross receipts	$2,685.12		
Less Marketing charges	1,829.00		
Net Returns		$ 856.12	
Expense:			
Stoping	$1,266.44		
Depreciation of equipment	23.31		
General Overhead—Proportion charged to operations for this period	395.20	1,684.95	
Keyes Mine—Net Loss			$ 828.83
Mt. Bullion Mine—			
9.1 tons ore produced incidental to development work, gross receipts	$ 64.23		
Less Marketing charges	52.10		
Net Returns			$ 12.13
Net Profit on Operations			$ 200.49
Add: Other Income—			
Discount Earned		$ 91.64	
Miscellaneous		164.36	256.00
Net Profit to Surplus			$ 456.49

WESTERN EMPIRE GOLD MINES, INC.

BALANCE SHEET

DECEMBER 31, 1933

ASSETS:			
Current—			
Cash on hand and in Bank		$ 774.53	
Cash Deposits with State and Public Service Corporations		1,232.50	
Products in Transit		2,325.00	
Notes Receivable		100.00	
Supplies on Hand:			
Mining	$3,595.15		
Office & Engineering	70.05	$ 3.665.20	
Prepaid Taxes		33.07	
			$ 8,130.30
Fixed—			
Appraised Potential Value of Mining Properties		$3,421,566.20	
Buildings and Equipment		20,507.09	
Development Investment in Properties		171,405.26	
Organization Expense Paid		1,011.78	
Incorporation Expense Paid		3,331.20	
			$3,617,821.53
Capital Stock Reserve—			
Capital Stock—Unissued (Par Value)		500,000.00	
Treasury Stock—Issued and Fully Paid (Par Value)		238,605.00	
			$ 738,605.00
Total Assets			$4,364,556.83
LIABILITIES:			
Payroll Accrued		$ 1,086.03	
Operating Accounts Payable		2,875.59	
Notes and Loans Payable		27,499.28	
Property Purchase Contracts—			
Contingent money payments		24,301.56	
Contingent Stock payments (25,000 shares)		25,000.00	
Capital Stock—Authorized (Par Value)		2,500,000.00	
Surplus		1,783,794.37	
Total Liabilities			$4,364,556.83