



ANNUAL REPORT 1981

HOWARD ROSS LIBRARY
OF MANAGEMENT
1983
MCGILL UNIVERSITY

Directors

Bernard Fahy
Partner, Thorne Riddell & Co.
Vancouver, B.C.

Selwyn B. Jones
President of the Company

Alan C. Savage
President, Imperial Metals Corporation
Vancouver, B.C.

Louis P. Starck
President, L. P. Starck and Associates Ltd.
Calgary, Alberta

Hector H. Waller
President, Arctic Red Resources Ltd.
Vancouver, B.C.

Officers

Selwyn B. Jones
President

G. Barry Finlayson
Secretary

Executive Head Office

905-355 Burrard Street
Vancouver, B.C. V6C 2G8

Registered Office

2500-595 Burrard Street
Vancouver, B.C. V7X 1L1
Tel. (604) 685-5226

**Transfer Agent &
Registrar**

Guaranty Trust Company of Canada
800 West Pender Street
Vancouver, B.C. V6C 2V7

Shares Listed

Vancouver Stock Exchange — *CIUV*
NASDAQ — *CIMAF*

Auditors

Coopers & Lybrand
28th Floor, Royal Centre
1055 West Georgia Street
Vancouver, B.C. V6E 3R2

Solicitors

Lawrence & Shaw
2500-595 Burrard Street
Vancouver, B.C.

Additional copies of this Annual
Report may be obtained from the
Executive Head Office of the
Company at 905-355 Burrard Street,
Vancouver, B.C. V6C 2G8

PRESIDENT'S REPORT

To our Shareholders:

A major turnaround in the financial affairs of your Company was achieved in 1981. Your Company was finally freed from the inhibiting debt position which had restricted its activities in the past six years; it also undertook the highest level (over \$600,000) of research and exploration expenditures on its mineral properties since 1974; in addition, all subsidiary companies, except Mt. Hundere Mines Limited (N.P.L.), were consolidated into the parent company. Notwithstanding these heavy cash demands - the retirement of outstanding debt alone absorbed in excess of \$500,000 - your Company ended the year with a satisfactory working capital position.

A key factor in management's program to rejuvenate your Company was, however, the funds anticipated to be received in December, 1981, upon exercise of the warrants attached to the public and private issues of shares during the year. In spite of the highly successful exploration results which we reported upon regularly, gradually worsening economic conditions caused a general weakening of share prices and the anticipated - and vitally necessary - new funds were not received. In the matter of raising additional funds, it would be misleading to suggest that we can look to the remainder of 1982 with any great degree of optimism. The Canadian economic condition militates against a quick resurgence of exploration activity or of the investor confidence necessary to stimulate it.

Faced with ever worsening economic conditions in 1982, your management has instituted severe cost control measures which have included reduction in staff and in office premises. These cost saving measures are further reflected in the production of this year's Annual Report.

Notwithstanding cost restrictions, a geochemical program based on extensive research on several precious metal and base metal targets in southern B.C. will be undertaken in the 1982 season.

As well, continued development of the Mt. Hundere project has not been affected by these adverse conditions. Our joint venture partner, Canadian Mine Services Ltd. has confirmed that a further drilling program will commence on July 1st, 1982, to test extension of the high grade silver deposit at depth in the East Zone where last year's drill program indicated an additional 580,000 ozs. of silver in high grade veins. Production of this deposit is now predicated almost exclusively on the advent of favourable metal prices.

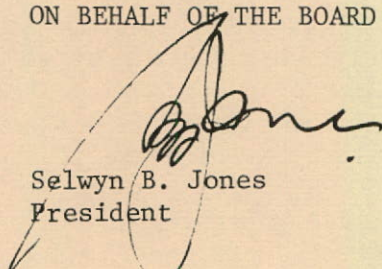
As though to compound the general economic difficulties, management was advised on May 3rd, 1982, that judgement was entered against your Company in the Supreme Court of British Columbia in a claim, instituted in February, 1980, for non-fulfilment of an agreement entered into in May, 1979. Damages awarded, plus costs, will amount to approximately \$30,000. We have been advised that there are valid grounds in law for appeal against the judgement.

On a more positive note, however, the Mt. Hundere and the Pike properties have been considerably enhanced as a result of the 1981 exploration program. Additionally, the agreement concluded in 1981 on the Quetena copper property in Chile will, it is anticipated, provide income in this and future years (see note 4b to Financial Statements). These positive factors combined with our freedom from the dead hand of interest-bearing debt enable us to look at 1982 as a year of challenge rather than concern; a year in which the dedication of management and the supportiveness of shareholders will be equally tested and measured.

Some of the goals which we had set for our Company for 1982 must necessarily be set aside; not discarded, but merely deferred. The immediate and vital goal will be to sustain our Company through the most difficult economic circumstances to beset Canada since the 1930's.

Your Board of Directors and I accept that challenge. The task will be less onerous and the burden more easily borne if you, our shareholders, continue to offer the support and confidence which you had evidenced in the past and for which we extend to you our sincere thanks.

ON BEHALF OF THE BOARD



Selwyn B. Jones
President

EXPLORATION and DEVELOPMENT

Mt. Hundere Property

The 1981 drill program on this project comprised nineteen holes, fifteen of which were drilled in the East Zone. Five of these holes encountered high grade silver values ranging from 5.20 oz./tonne to 54.19 oz./tonne.

The program was undertaken by Cima crews pursuant to a joint venture agreement with Canadian Mine Services Ltd. (CMS). Total expenditures of \$270,000 were met by CMS as part of its required contribution of \$1.2 million to earn a 60% interest in the property (for details see note 4a to Financial Statements).

Upon completion of the 1981 drill program, the Mt. Hundere deposit reserves were:-

	<u>Exploration Program</u>	<u>Tonnes</u>	<u>% Lead</u>	<u>% Zinc</u>	<u>Oz./Tonne Silver</u>
Main Zone	1979	66,442	15.6	18.9	2.36
	1980	59,486	12.6	13.8	2.32
East Zone	1980/81	(93,321	6.17	7.12	1.44
		(43,953	7.00	4.59	13.46
TOTAL		263,202	10.14	11.18	3.88

Further extension of high grade silver values will be tested in a 1000 metre drilling program to be undertaken by CMS commencing in July, 1982.

Pike Property

A \$150,000 program of geological mapping and diamond drilling on the Pike properties in 1981 indicated an initial 350,000 tonnes of silver/copper mineralization grading 0.5% copper with 2 oz./tonne silver. The mineralized area is 200 metres in length and remains open to depth.

Joint venture participation is being sought to pursue the considerable potential of this property.

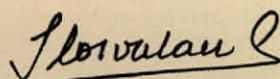
Chilean Properties

Agreements were negotiated in 1981 with Chilean nationals to maintain and develop the Quetena and Sierra Gorda properties in northern Chile (for details see notes 4b and 4c to Financial Statements).

Although the Chilean mining industry is experiencing similar difficulties to those in Canada, considerable interest is being evidenced in the Sierra Gorda Mining District. The extensive and critical data generated by Cima drilling programs in the period 1967 - 1970 is of significant interest to potential developers in this area and we are persisting in our efforts to seek a potential buyer.

B.C. Exploration Program

A total of 30 base and precious metals exploration targets were defined by intensive research in preparation for an extensive geochemical program in 1982. This program is ready to proceed as soon as snow conditions permit.



I.R. Corvalan, P.Eng.
Chief Geologist

Coopers
& Lybrand

chartered accountants

a member firm of
Coopers & Lybrand (International)

AUDITOR'S REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of Cima Resources Limited as at December 31, 1981 and the consolidated statements of net deficit and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1981 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Coopers & Lybrand

Vancouver, B.C.
March 12, 1982

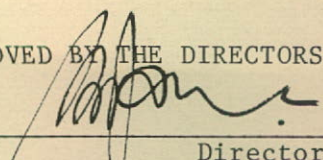
CIMA RESOURCES LIMITED
CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 1981

	Assets	
	1981	1980
	\$	\$
CURRENT ASSETS		
Cash	196,015	42,114
Accounts receivable	<u>14,796</u>	<u>12,002</u>
	210,811	54,116
MINERAL PROPERTIES AND RELATED DEFERRED COSTS (note 4)	3,700,509	3,943,789
INVESTMENT IN AFFILIATED COMPANY (note 5)		73,389
FIXED ASSETS (note 6)	19,624	15,248
OTHER ASSETS - at cost	<u>5,663</u>	<u>6,560</u>
	<u><u>3,936,607</u></u>	<u><u>4,093,102</u></u>

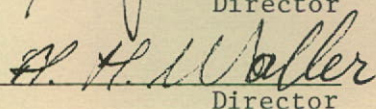
	Liabilities	
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	29,541	195,440
Short-term secured loan		158,771
Advances from an affiliated company		<u>119,246</u>
	29,541	473,457
MINORITY INTEREST IN SUBSIDIARY COMPANIES (note 7)	<u>20,160</u>	<u>210,141</u>
	<u>49,701</u>	<u>683,598</u>

	Shareholders' Equity	
CAPITAL STOCK (note 8)	4,320,102	3,549,372
NET DEFICIT	<u>433,196</u>	<u>139,868</u>
	<u>3,886,906</u>	<u>3,409,504</u>
	<u><u>3,936,607</u></u>	<u><u>4,093,102</u></u>

APPROVED BY THE DIRECTORS



 Director



 Director

CIMA RESOURCES LIMITED
CONSOLIDATED STATEMENT OF NET DEFICIT
FOR THE YEAR ENDED DECEMBER 31, 1981

	1981	1980
	\$	\$
NET DEFICIT - BEGINNING OF YEAR	<u>139,868</u>	<u>120,037</u>
CHANGES DURING YEAR		
General and administrative expenses - per Schedule	113,072	141,271
Exploration and development costs written off (note 4)	51,578	
Revaluation of 10% net smelter interest received (note 3)	34,586	
Shares of subsidiary gifted (note 3)	321,263	
Gain on acquisition of minority interest (note 7)	(76,809)	
Gain on sale of shares of affiliated company (note 5)	(150,362)	
Recovery of prior years' corporation capital tax		(16,143)
Shares of subsidiary gifted to company		(20,000)
Reclassification of other loan		<u>(85,297)</u>
	<u>293,328</u>	<u>19,831</u>
NET DEFICIT - END OF YEAR	<u><u>433,196</u></u>	<u><u>139,868</u></u>
REPRESENTED BY:		
Contributed surplus	6,512,779	6,512,779
Deficit	<u>6,945,975</u>	<u>6,652,647</u>
NET DEFICIT - END OF YEAR	<u><u>433,196</u></u>	<u><u>139,868</u></u>

CIMA RESOURCES LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 1981

	1981	1980
	\$	\$
SOURCE OF WORKING CAPITAL		
Proceeds on issuance of capital stock		
- for cash	761,980	302,056
- for investment in shares of subsidiary company	8,750	
- for exploration and development work		110,905
Proceeds on sale of shares of affiliated company (note 5)	223,751	
Recovery of prior years' corporation capital tax		16,143
Option payment received (note 4(a))	50,000	
Other	3,761	
	<u>1,048,242</u>	<u>429,104</u>
USE OF WORKING CAPITAL		
Deferred exploration and development costs	330,183	509,021
General and administrative expenses	108,061	138,339
Fixed asset additions	9,387	10,676
	<u>447,631</u>	<u>658,036</u>
INCREASE (DECREASE) IN WORKING CAPITAL	600,611	(228,932)
WORKING CAPITAL (DEFICIENCY) - BEGINNING OF YEAR	<u>(419,341)</u>	<u>(190,409)</u>
WORKING CAPITAL (DEFICIENCY) - END OF YEAR	<u>181,270</u>	<u>(419,341)</u>
 REPRESENTED BY:		
Current assets	210,811	54,116
Current liabilities	29,541	473,457
WORKING CAPITAL (DEFICIENCY) - END OF YEAR	<u>181,270</u>	<u>(419,341)</u>

CIMA RESOURCES LIMITED
CONSOLIDATED SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 1981

	1981	1980
	\$	\$
Audit and accounting	28,548	39,786
Capital tax and licence fees	7,537	5,857
Consulting		11,383
Depreciation	5,011	2,932
Interest and bank charges	4,834	24,928
Legal	24,692	19,359
Management fees and expenses		20,000
Office and other	30,232	25,026
Underwriting costs	3,543	10,523
Rent	18,749	15,079
Salaries and benefits	64,401	43,879
Shareholders' reports	15,663	12,106
Trust company and stock exchange fees	14,148	7,983
	217,358	238,841
Less: Interest income	22,199	
Administrative expenses allocated to mineral properties and related deferred costs	82,087	97,570
GENERAL AND ADMINISTRATIVE EXPENSES - per Statement of Net Deficit	113,072	141,271

CIMA RESOURCES LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1981

1. NATURE OF OPERATIONS

The company is in the process of exploring and developing its mineral properties and, on the basis of information to date, has not yet determined whether these properties contain ore reserves which are economically recoverable. The underlying value of the mineral properties and related deferred costs is entirely dependent on the existence of economically recoverable reserves, the ability of the company to obtain the necessary financing to complete development, and upon future profitable production.

CIMA RESOURCES LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1981

2. SIGNIFICANT ACCOUNTING POLICIES

Deferred Exploration and Development Expenses

Exploration and development expenses relating to mineral properties are deferred until such time as mineral properties are brought into production, abandoned or sold, at which time they are amortized on the unit of production basis or written off.

Principles of Consolidation

The consolidated financial statements include the accounts of the company and its subsidiary companies as follows:

	<u>% Interest held</u>	
	1981	1980
Cima Mines Limited	100.00	100.00
Atsui Mining Corporation Limited (N.P.L.)	100.00	94.74
Mt. Hundere Mines Limited (N.P.L.)	96.67	89.62
Fortin Mining Corporation Limited (N.P.L.)		69.47

The excess of the net book values of these subsidiary companies over the cost of shares at the dates of acquisition has been allocated to mineral properties.

Translation of Foreign Currency

Certain mineral properties and related deferred costs incurred in a foreign currency have been translated at rates of exchange prevailing when the properties and costs were acquired or incurred.

Depreciation

Depreciation of office equipment is calculated at 20% per annum and amortization of leasehold improvements at 11% per annum, both using the straight-line method.

Loss per Share

Loss per share has not been calculated as it is not considered meaningful at this stage in the company's operations.

CIMA RESOURCES LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1981

3. REORGANIZATION

As a result of a reorganization carried out during the year, certain assets and liabilities, including mineral properties and associated tax pools previously held by subsidiary companies, have been transferred to the parent company.

The shares of a subsidiary company, Fortin Mining Corporation Limited (N.P.L.) ("Fortin"), were gifted back to Fortin in consideration for a 10% net smelter interest in Fortin's mineral properties and the transfer to the company of Fortin's tax pools. The 10% net smelter interest has been recorded at the nominal amount of \$1 and the balance of the company's interest in Fortin's assets written off in the consolidated statement of net deficit.

4. MINERAL PROPERTIES AND RELATED DEFERRED COSTS

Claim Group	% Ownership of claims	Costs incurred to December 31, 1980 \$	Costs incurred for the year ended December 31, 1981 \$	Disposals and write-offs for the year ended December 31, 1981 \$	Costs incurred to December 31, 1981 \$
Lad	100	125,499	6,297		131,796
Mt. Hundere (note 4(a))	100	720,197	92,089		812,286
Pike/Nar	100	389,576	147,578		537,154
Pay	10	467,494	4,392	(471,885)	1
Scot	100	85,213	5,738		90,951
Sierra Gorda/ Quetena (Chile) (notes 4(b) and 4(c))	100	703,320	23,205		726,525
Other	Various	<u>1,452,490</u>	<u>50,884</u>	<u>(51,578)</u>	<u>1,451,796</u>
		3,943,789	330,183	(523,463)	3,750,509
Option payment received (note 4(a))			<u>(50,000)</u>		<u>(50,000)</u>
		<u>3,943,789</u>	<u>280,183</u>	<u>(523,463)</u>	<u>3,700,509</u>

CIMA RESOURCES LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1981

A portion of administrative costs are allocated annually in proportion to the direct expenditure incurred in each claim group.

(a) Mt. Hundere Property

During the year, the company entered into an option agreement with Canadian Natural Resources Limited ("CNR"). Under the terms of the agreement CNR paid \$50,000 to the company on execution of the agreement and acquired the right to spend or cause to be spent the sum of \$200,000 per year on exploration and development work on the company's Mt. Hundere property. For each \$200,000 expended by CNR a 10% interest in and to the property is earned, to a maximum of a 60% working interest. Upon CNR earning a 60% working interest in the property and the decision being made to place the property into production, each party shall pay for all operating expenses and costs of production on a pro rata basis. The company may then elect not to participate in further expenditures on the property and if the company so elects, its interest shall be reduced from a 40% working interest to a 25% net profits interest after payout.

CNR assigned its interest in this option agreement to its wholly-owned subsidiary, Canadian Mine Services Ltd. ("CMS").

During the year, under terms of the agreement, CMS spent \$268,000 on exploration and development work on the property.

(b) Quetena Property

During the year, the company optioned the Quetena property in Northern Chile to Empresa Minera de Mantos Blancos S.A. ("Mantos Blancos"). Mantos Blancos may obtain full title to the property by maintaining it in good standing and by making payments to the company of \$70,000 U.S. in 1982 and \$75,000 U.S. in each of the years 1983 to 1986 inclusive.

(c) Sierra Gorda Property

The company has entered into an agreement with Eulogio Gordo y Cia pursuant to which that company can earn a 20% interest in the company's mineral claims located in the Sierra Gorda mining district in Chile by maintaining the properties in good standing for two years and endeavouring to obtain financing for further exploration of the properties.

CIMA RESOURCES LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1981

5. SALE OF INVESTMENT IN AFFILIATED COMPANY

During the year, the company sold all of its shares in the capital stock of an affiliated company, Risby Tungsten Mines Ltd., for a total consideration of \$223,751 giving rise to a gain of \$150,362.

As a part of this transaction the company also sold 150,000 fully paid and non-assessable and treasury shares at a price of \$1.00 per share for a total cash payment of \$150,000. An option was granted to purchase an additional 150,000 fully paid and non-assessable shares. This option expired on February 2, 1982 without being exercised.

6. FIXED ASSETS

	1 9 8 1			1980
	Cost	Accumulated depreciation	Net	Net
	\$	\$	\$	\$
Office equipment	23,443	10,183	13,260	15,248
Leasehold improvements	6,738	374	6,364	
	30,181	10,557	19,624	15,248

7. MINORITY INTEREST

During the year, the company purchased all the minority interest shares in its subsidiary company, Atsui Mining Corporation Limited (N.P.L.), by issuing 25,000 shares with an attributed value of 35¢ per share. The effect of this reduction in minority interest has been reflected in the consolidated statement of net deficit.

CIMA RESOURCES LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1981

8. CAPITAL STOCK

	1981	1980
	\$	\$
Authorized - 10,000,000 shares without par value		
Issued and fully paid - 3,414,444 shares (1980 - 2,586,370)	4,311,352	3,438,467
Allotted for issuance subject to approval by regulatory authorities -		
In exchange for shares of subsidiary company - 25,000 shares (note 7)	8,750	
For exploration and development work - 76,074 shares		110,905
	<u>4,320,102</u>	<u>3,549,372</u>

During the year the company issued 750,000 shares for cash consideration of \$760,500 (net of commission of \$49,500), 2,000 shares for cash consideration of \$1,480 under an employee stock option and 25,000 shares in exchange for shares of subsidiary company (note 7).

Options have been granted and are outstanding to directors and employees of the company to purchase 199,500 shares of the company as follows:

Number of shares	Option price \$	Expiry date
20,000	.98	February 2, 1982
20,000	.88	April 21, 1982
60,000	.35	November 15, 1982
4,500	.30	November 15, 1982
86,000	1.26	July 31, 1983
4,500	.35	November 15, 1983
4,500	.40	November 15, 1984

