



IMA
RESOURCES LIMITED

A large, stylized version of the IMA logo graphic, consisting of multiple concentric, curved horizontal lines that form a partial 'C' shape, dominating the center of the cover.

ANNUAL REPORT 1980

ROSS LIBRARY
MANAGEMENT

1981

Directors

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

Selwyn B. Jones
President of the Company

Louis P. Lees
*President, Panorama Petroleums Ltd.
Calgary, Alberta*

Louis P. Starck
*President, G.M. Resources Limited
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*

Bankers

Bank of Montreal
385 Burrard Street
Vancouver, B.C. V6C 2G8

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. V7X 1L1

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.

CIMA RESOURCES LIMITED

905 - 355 Burrard Street
Vancouver, British Columbia

NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS

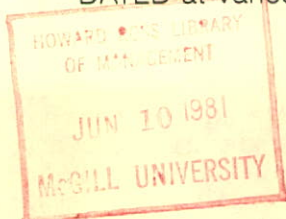
TAKE NOTICE that the Annual General Meeting of the Shareholders of Cima Resources Limited (the "Company") will be held in the Board Room at the registered office of the Company, 2500 - 595 Burrard Street, Vancouver, British Columbia, on Friday, June 26, 1981 at the hour of 10:00 o'clock in the forenoon (Vancouver time) for the following purposes:

1. To receive and consider the financial statements of the Company and its subsidiaries for the fiscal year ended December 31, 1980, together with the auditors' report thereon.
2. To receive the report of the directors of the Company.
3. To establish the number of directors at six.
4. To elect directors for the ensuing year.
5. To appoint auditors for the ensuing year and to authorize the directors to fix their remuneration.
6. To consider and, if thought advisable, to pass a resolution approving the granting of Director's Stock Options to Hector Waller, such option to be exercisable as to 20,000 shares at a price of \$1.31 per share and to expire on November 13, 1981, to Louis Lees, such option to be exercisable as to 20,000 shares at a price of 98¢ per share and to expire on February 5, 1982, to Louis Starck, such option to be exercisable as to 20,000 shares at a price of 88¢ per share and to expire on April 21, 1982, and to Alan Savage, such option to be exercisable as to 20,000 shares at a price to be determined in accordance with the policies of the Vancouver Stock Exchange and to expire on June 25, 1982.
7. To consider and, if thought advisable, to pass a resolution approving the granting of a Share Option to each of Bernard Fahy and Hector Waller for 20,000 shares, such options to be for a one-year term and to be at exercise prices determined in accordance with policies of the Vancouver Stock Exchange and based on the closing bid price for shares of the Company on the Vancouver Stock Exchange on the day prior to the grant of the option.
8. To consider and, if thought advisable, to pass a resolution approving the granting of Share Options to directors appointed prior to the next general meeting of the Company, such options to be for one-year terms and to be at exercise prices determined in accordance with the policies of the Vancouver Stock Exchange based on the closing bid price for shares of the Company on the Vancouver Stock Exchange on the day prior to the grant of the option.
9. To transact such other business as may properly come before the meeting.

The report of the directors and the consolidated financial statements for the fiscal year ended December 31, 1980 together with the auditors' report thereon form part of the Annual Report of the Company, a copy of which accompanies this Notice.

Shareholders who are unable to attend the meeting in person and who wish to ensure that their shares will be voted at the meeting are requested to complete, sign and mail the enclosed form of proxy in accordance with the instructions set out in the proxy and in the information circular accompanying this Notice.

DATED at Vancouver, British Columbia, this 4th day of June, 1981.



By Order of the Board

SELWYN B. JONES
President

CIMA RESOURCES LIMITED

905 - 355 Burrard Street
Vancouver, British Columbia

INFORMATION CIRCULAR as at May 25, 1981

SOLICITATION OF PROXIES

This Information Circular is furnished in connection with the solicitation of proxies by the management of Cima Resources Limited (the "Company") for use at the Annual General Meeting of Shareholders to be held on Friday, June 26, 1981 at the time and place and for the purposes set forth in the accompanying Notice of Meeting. All costs of this solicitation will be borne by the Company.

APPOINTMENT AND REVOCATION OF PROXIES

The individuals named in the accompanying form of proxy are the President and a Director of the Company. A SHAREHOLDER WISHING TO APPOINT SOME OTHER PERSON (WHO NEED NOT BE A SHAREHOLDER) TO REPRESENT HIM AT THE MEETING HAS THE RIGHT TO DO SO, EITHER BY INSERTING SUCH PERSON'S NAME IN THE BLANK SPACE PROVIDED IN THE FORM OF PROXY OR BY COMPLETING ANOTHER FORM OF PROXY. A form of proxy will not be valid unless it is completed and delivered to Guaranty Trust Company of Canada, 800 West Pender Street, Vancouver, British Columbia, before the close of business on June 25, 1981.

A Shareholder who has given a proxy may revoke it by an instrument in writing delivered either to the registered office of the Company at any time up to and including the last business day preceding the day of the meeting or, if adjourned, any reconvening thereof, or to the Chairman of the meeting on the day of the meeting or, if adjourned, any reconvening thereof, or in any other manner provided by law. A revocation of a proxy does not affect any matter on which a vote has been taken before the revocation.

EXERCISE OF DISCRETION

The persons named in the enclosed form of proxy will, if the instructions are certain, vote the shares represented thereby on any poll, and where a choice with respect to any matter to be acted upon has been specified in the form of proxy, the shares will be voted in accordance with the specification so made. ON A POLL THEY WILL VOTE SUCH SHARES FOR THE APPROVAL OF EACH MATTER FOR WHICH NO SPECIFICATION HAS BEEN MADE.

The enclosed form of proxy confers discretionary authority upon the person appointed proxy thereunder with respect to amendments or variations of matters identified in the Notice of Meeting, and with respect to other matters which may properly come before the meeting. At the time of the printing of this Information Circular the management of the Company knows of no such amendment, variation or other matter.

VOTING SHARES

As of May 25, 1981 the Company had outstanding 2,812,444 fully paid and non-assessable common shares without par value, each share carrying the right to one vote.

To the knowledge of the directors and senior officers of the Company, the only persons who or corporations which beneficially own, directly or indirectly, shares carrying more than 10% of the voting rights attached to all outstanding shares of the Company are William B. Warke the holder of 290,896 shares, representing 10.34% of those outstanding, and Vancouver Stock Exchange Service Corp., the holder of 419,115 shares, representing 14.9% of those outstanding. The Company does not know who the beneficial owners are of the shares registered in the name of Vancouver Stock Exchange Service Corp.

Any Shareholder of record at the close of business on June 15, 1981 who either personally attends the meeting or has completed and delivered a form of proxy in the manner and subject to the provisions described above will be entitled to vote or to have his shares voted at the meeting.

ELECTION OF DIRECTORS

The Board of Directors presently consists of five directors, Mr. Louis Lees and Mr. Louis Starck having been appointed to the board by the directors on February 3, 1981 and April 22, 1981, respectively. It is intended to increase the size of the board from five to six for the ensuing year.

The term of office of each of the present directors expires at the Annual General Meeting. The persons named below will be presented for election at the meeting as management's nominees and the persons named in the accompanying form of proxy intend to vote for the election of these nominees. Management does not contemplate that any of these nominees will be unable to serve as a director, but should that occur for any reason before the meeting, the persons named in the accompanying form of proxy reserve the right to vote for another nominee in their discretion. Each director elected will hold office until the next annual general meeting of the Company or until his successor is elected or appointed, unless his office is earlier vacated in accordance with the Articles of the Company or the provisions of the Company Act of British Columbia.

Pursuant to Section 135 of the British Columbia Company Act, advance notice of the Annual General Meeting was published in the Vancouver Sun newspaper on May 1, 1981 and was mailed to the Superintendent of Brokers for British Columbia and to the Vancouver Stock Exchange on April 27, 1981.

The following table sets out the names of the nominees for election as directors, the country in which each is ordinarily resident, all offices of the Company now held by each of them, their principal occupations, the period of time for which each has been a director of the Company and the number of shares of the Company beneficially owned by each, directly or indirectly, as at May 25, 1981.

Name, Position and Country of Residence*	Principal Occupation or Employment*	Period a Director of the Company	Shares Beneficially Owned*
Selwyn B. Jones President and a Director Resident of Canada	President of the Company	June 6, 1980 to date	11,000
Bernard Fahy Director Resident of Canada	Chartered Accountant Partner, Thorne Riddell & Co.	July 3, 1979 to date	100,849
Hector Hugh Waller Director Resident of Canada	Director of United Hearne Mines; President of New Jericho Development Corporation since November 3, 1980; President of Arctic Red Mines Limited since 1979; Manager and Director of Highmont Mining Corporation until 1979	September 14, 1980 to date	1,000
Louis Philip Lees Director Resident of Canada	President and a Director, Panorama Petroleum Limited	February 3, 1981 to date	Nil
Louis Philip Starck Director Resident of Canada	President and Chief Executive Officer, GM Resources Limited	April 22, 1981 to date	Nil
Alan C. Savage Resident of Canada	President, Invex Resources Limited since 1978; prior thereto Registered Representative, Midland Doherty Ltd.	—	Nil

*The information as to country of residence, principal occupation and shares beneficially owned is not within the knowledge of the management of the Company and has been furnished by the respective nominees.

REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

During the financial year ended December 31, 1980 aggregate remuneration in the amount of \$99,964 was paid to directors and senior officers of the Company.

DIRECTORS' AND SENIOR OFFICERS' OPTIONS

On November 14, 1980 the directors approved the granting of a Director's Stock Option to Hector Waller, such option to be exercisable as to 20,000 shares at a price of \$1.31 per share. The option expires on November 13, 1981.

On February 3, 1981 the directors approved the granting of a Director's Stock Option to Mr. Louis Lees, such option to be exercisable as to 20,000 shares at a price of 98¢ per share and on April 22, 1981 approved the granting of a stock option to Mr. Louis Starck, such option to be exercisable as to 20,000 at a price of 88¢ per share. These options expire on February 5, 1982 and April 21, 1982, respectively.

The Shareholders will be asked to approve the above options by way of special resolution together with an option to Alan C. Savage in the amount of 20,000 common shares in the event he is elected to the Board of Directors. The option to Mr. Savage will be for a one-year term and will provide for the acquisition of the shares at a purchase price per share determined in accordance with policies of the Vancouver Stock Exchange based on the closing bid price for shares of the Company on that Exchange on June 25, 1981. No shares may be issued pursuant to the above options until such time as a determination and ruling under Section 55 of the Securities Act is obtained.

Shareholders will also be asked to approve new options for two directors of the Company whose existing options will expire in the coming year. Regulatory regulations provide that a director may not have more than one option in existence at any one time. Shareholders will be asked to approve the grant of options to these two directors on the basis that options will be granted when allowed by regulatory regulations at prices determined in accordance with policies of the Vancouver Stock Exchange based on the closing bid price for shares of the Company on the Exchange on the day prior to the grant of the options.

On this basis, approval will be asked for the following one-year options:

Director	Option Shares
Bernard Fahy	20,000
Hector Waller	20,000

Management is of the view that it is in the best interests of the Company to be able to grant options to directors who may be appointed to the Board of Directors between annual general meetings of the Shareholders of the Company and to be able to obtain regulatory approval of such options without having to wait until the next general meeting of the Company. The Shareholders will therefore be asked to approve in advance the granting of options with respect to an aggregate of no more than 40,000 shares to directors so appointed at prices established in the manner described above. No shares may be issued pursuant to these options or to the options to Messrs. Fahy and Waller until such time as regulatory approval is obtained.

SHARE PURCHASE OPTIONS

Particulars of all options to purchase shares of the Company that were granted to employees under the Company's Employee Stock Option Plan since June 1, 1980 are as follows:

Number of Shares Under Option	Date Granted	Exercise Price Per Share	Expiry Date	Price Range of Shares on the Vancouver Stock Exchange in the 30-day period preceding Date of Grant
8,000	July 23, 1980	\$1.26	July 22, 1981	\$1.70 - \$1.45
86,000	August 1, 1980	\$1.26	July 31, 1983	\$1.80 - \$1.45
9,000	April 22, 1981	\$0.88	April 21, 1984	\$1.20 - \$1.00
		in first year, \$1.13 in second year, \$1.38 in third year		

Since June 1, 1980 directors and employees of the Company purchased common shares of the Company pursuant to stock options granted to them as follows:

No. of Shares Purchased	Date of Purchase	Price Per Share	Price Range of Common Shares on the Vancouver Stock Exchange in the 30-day period preceding Date of Purchase
25,000	June 6, 1980	\$0.42	\$1.70 - \$1.40
33,000	June 6, 1980	\$0.93	\$1.70 - \$1.40
3,000	June 6, 1980	\$0.93	\$1.70 - \$1.40
25,000	November 15, 1980	\$1.26	\$1.40 - \$1.05
2,000	March 30, 1981	\$0.74	\$1.20 - \$0.96

APPOINTMENT OF AUDITORS

Coopers & Lybrand, Chartered Accountants, Vancouver, British Columbia, auditors of the Company since its inception, will be nominated at the meeting for reappointment at a remuneration to be fixed by the directors.

INTERESTS OF MANAGEMENT IN MATERIAL TRANSACTIONS

By way of an agreement made February 3, 1981, the Company agreed to sell to Imperial Metals & Power Ltd. ("Imperial") 150,000 shares in the capital of the Company at a price of \$1.00 and granted to Imperial a non-transferable share purchase warrant to acquire an additional 150,000 shares at a price of \$1.25 per share. By way of the same agreement, the Company agreed to sell to Invex Resources Limited ("Invex") all of the shares in the capital of Risby Tungsten Mines Ltd. ("Risby") held by the Company and by its subsidiary, Atsui Mining Corporation Limited (N.P.L.). The proceeds of this sale were used to repay a loan in the amount of approximately \$120,000 owed by the Company to Risby. Mr. Alan Savage, one of management's nominees for election as a director of the Company, is the President of both Invex and Imperial.

OTHER BUSINESS

Management is not aware of any matter to come before the meeting other than as set forth in the Notice of Meeting. If any other matter properly comes before the meeting, it is the intention of the persons named in the form of Proxy to vote the shares represented thereby in accordance with their best judgment on such matter.

President's Report

To our shareholders:

As revealed by the financial summary appended to this report, your Company has been severely handicapped in recent years by a shortage of working capital. As a result, growth has inevitably been restricted.

However, since mid-1980 a new and revitalized management team has succeeded in resolving the problem. Early in 1981, adequate working capital was raised, which will enable us to achieve the challenging objectives we have set ourselves for 1981 and the following years.

Understandably, difficult decisions had to be faced. No turnaround in a company's fortunes is normally achieved without what the late Dean Acheson called an 'agonizing re-appraisal' of where we have been and the new direction in which, hopefully, we are now headed.

All of the mineral properties owned by your Company and its subsidiaries were acquired before 1975. Since then, we have explored the CAB tungsten group, owned by Risby Tungsten Mines Ltd., and also the Mt. Hundere lead/zinc/silver project (of which details are given later in this report). Most of our mineral properties, however, both in Canada and in Chile, have remained inactive in spite of their known development potential.

In order to renew our exploration efforts, we had, first of all, to overcome our long-standing financial difficulties. The re-establishment of confidence — perhaps the greatest single unstated asset in a company's balance sheet — is the vital

pre-condition for encouraging new investment. I believe that in our case the groundwork has been successfully laid through the sale of our shareholdings in Risby Tungsten Mines Ltd. to Invex Resources Ltd. At the same time, Imperial Metals & Power Ltd., a subsidiary of Invex, subscribed for a private placement of treasury shares of Cima Resources. (Details of these transactions are set out in the Notes to the Financial Statements.) Simultaneously, Canarim Investments Ltd. agreed to underwrite a fixed-price issue of 600,000 shares of your Company.

From this significantly improved financial position, your Company has now begun to explore actively our numerous mineral properties in the Yukon. We are also on the lookout for new opportunities, which will range beyond base and precious metals to include oil and gas properties. Our search will be governed by the need to generate a long-term cash flow.

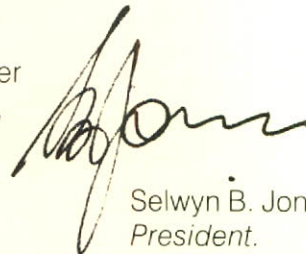
You will perceive that these are challenging goals. To meet them, your Board of Directors has been re-constituted and now includes senior mining executives broadly experienced in mineral exploration, mining and oil and gas development. The advice they have to offer will play an important role in your Company's progress.

Equally important, of course, is the confidence and support of our more than two thousand shareholders. As confidence and communication are linked, we intend to issue regular, factual quarterly reports, starting in 1981. These will be mailed directly to our shareholders.

No company can hope to succeed without the loyalty, dedication, and competence of its employees. Our recent difficult months were a testing time for these qualities, and our entire staff, in my opinion, acquitted themselves nobly; their contribution to our New Look has been notable.

Philosophically, our management team acknowledges the paramount importance of retaining the trust and the confidence of our shareholders. For this reason, we both welcome and support the efforts made by the regulatory bodies to protect shareholders and investors against misleading information and questionable management practices. We intend to be diligent in our efforts, frank in our reporting, and professional in our stewardship of your Company's assets. This will apply equally to all those with whom your Company has dealings. The priceless ingredient in the successful operation of any company remains the integrity of its management. Of this we are, and shall remain, deeply conscious.

You will find in this annual report a review of your Company's highly successful field program in 1980 and of programs to be undertaken during 1981. These mark but the beginning of expanded, imaginatively conceived exploration which will, I am confident, help your Company to regain the eminence and the prestige associated with its founder Dr. Aaro E. Aho. This will offer you, our shareholders, far greater opportunities to reap the potential benefits now made possible by a broader exposure to natural resource development.



Selwyn B. Jones
President.

May 29, 1981

Consolidated Financial Summary

	(1) 5 months ended May 31 1981 (unaudited)	1980	12 months ended 1979	12 months ended December 31 1978	1977
	\$	\$	\$	\$	\$
SOURCE OF FUNDS:					
Sales of treasury shares	817,480	412,961	359,691	145,024	—
Sales of investments	223,751	—	80,000	218,215	143,024
Dividend income	—	—	—	—	27,300
Property option payments	50,000	—	—	—	—
TOTAL FUNDS RECEIVED	1,091,231	412,961	439,691	363,239	170,324
EXPLORATION & DEVELOPMENT					
EXPENDITURES (2)	58,279	509,021	253,268	38,332	44,594
OTHER EXPENDITURES	63,255	149,015	199,091	134,014	148,239
CURRENT ASSETS					
— end of period	720,795	54,116	46,827	22,940	206,054
CURRENT LIABILITIES					
— end of period	172,561	473,457	237,236	195,897	421,870
WORKING CAPITAL (DEFICIENCY)					
— end of period	548,234	(419,341)	(190,409)	(172,957)	(215,816)
TRADING RANGE OF					
SHARES (V.S.E.)	\$0.96- \$1.25	\$1.05- \$2.75	\$0.35- \$2.50	\$0.30- \$0.58	\$0.30- \$0.56
TREASURY SHARES ISSUED					
— during period	752,000	315,509	480,158	551,212	—
TREASURY SHARES ISSUED					
& OUTSTANDING					
— end of period	3,414,444	2,662,444	2,346,135	1,866,777	1,315,565

(1) Based upon receipt of initial proceeds from public offering at an assumed price of \$1.20 per unit of 600,000 units each comprising one common share and two Series A Warrants, the latter exercisable within six months of initial issue. The offering will take place within 10 days of June 3, 1981.

(2) Exploration and development expenditures in 1981 will total approximately \$550,000 including approximately \$320,000 which will be contributed by a joint venture partner.

Exploration and Development

MT. HUNDERE PROPERTY

In 1980, 26 drill holes were completed on the Mt. Hunderere Project for a total of 970 metres. Total expenditures during 1980 amounted to approximately \$296,750. Drilling to date has indicated the following proven and probable reserves in the South-Showing deposit.

Geologically Proven Reserves

Block	Tonnes	Grades		
		Lead %	Zinc %	Silver oz/tonne
Main Zone	124,000	13.8	16.4	2.25
East Zone	122,000	4.6	7.0	2.91
TOTAL	246,500	9.2	11.7	2.58

Probable Reserves

West Zone	18,290	13.8	7.0	2.91
-----------	--------	------	-----	------

The deposit has not been completely outlined and has excellent potential for additional reserves.

The Mt. Hunderere Property of 104 mineral claims is located approximately 56 kilometres north of Watson Lake, Yukon Territory. A four-wheel-drive road 24.9 kilometres long provides access from the Robert Campbell Highway.

The claim block is underlain by a 10-kilometre-long northwest-trending Lower Cambrian, and possibly older, sedimentary sequence which consists of inter-bedded phyllite, slate, and limestone. The thickest limestone unit averages less than 33 metres in width, and trends across the central portion of the property. The sequence may represent deep-water marine sediments that have undergone low-grade regional metamorphism.

The sulphide mineralization has four modes of occurrence:

- Galena-bearing quartz veins.
- Sphalerite and galena-bearing calcite and quartz veins.
- Galena and sphalerite skarn units.
- Galena and sphalerite disseminated in phyllite and limestone.

The sulphide mineralization is related to contact metamorphic effects, and quartz-fluorite, quartz, calcite and quartz-calcite veining is common. All veining occurs along three main joint directions in the sedimentary units, though not all veins are sulphide bearing.

Galena-bearing and sphalerite-bearing skarn units have been reported in four locations on the

property, and galena and sphalerite also occur disseminated in the phyllite unit at the east end of the deposit.

The highly successful 1980 field season comprised linecutting, soil sampling, geological mapping, and diamond drilling to extend the known reserves.

The geochemical sampling program located two new drill targets in the West Zone and the North Zone where readings of 28,000 ppm lead and 29,000 ppm zinc were recorded in soils. These values suggest good potential for additional high-grade reserves similar to the 30% + combined lead/zinc Main Zone.

Drilling in the East Zone, in addition to increasing the proven geological reserves, also revealed the existence of an argentiferous-bearing quartz vein at the base of the Zone. The vein was intersected in two drill holes which returned values of 26 ounces of silver per tonne and 34.8 ounces of silver per tonne over widths of 1.22 metres and 1.83 metres respectively at an approximate depth of 20 metres. Since the quartz content of the skarn and the

Mineral Properties in Yukon Territory

grade and width of the quartz vein all increase towards the east, this area of the Mt. Hundere Property has good potential for high-grade silver reserves.

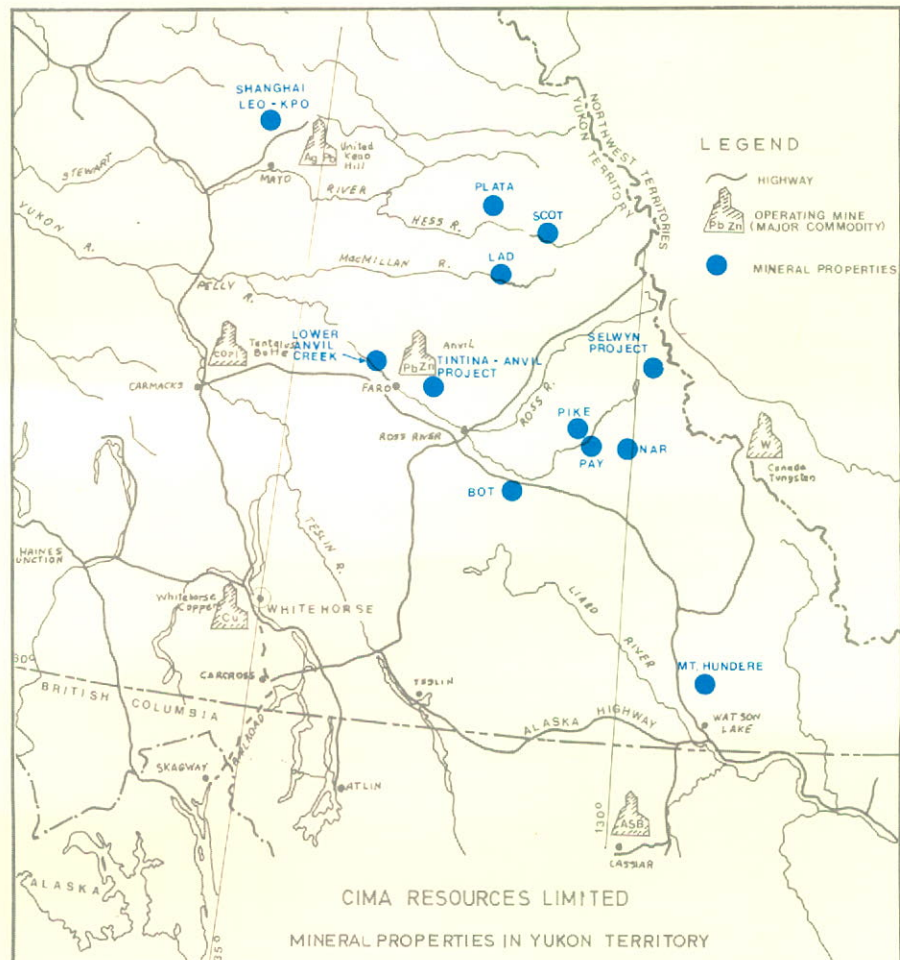
Extending the high-grade silver reserves in the East Zone and testing the high-priority geochemical anomalies in the West Zone and the North Zone will be the main thrust of the 1981 Program estimated to cost approximately \$320,000.

The feasibility study prepared in October, 1980, by H.A. Simons (International) Ltd. on the 246,500 tonnes of proven reserves to date, indicated that the deposit could be profitably mined at then current prices, subject to a more accurate assessment of metal recoveries. Metal recovery proved hard to predict because of the varying ore grades and varying degrees of oxidation. This will be resolved by a

bulk sampling program.

A further weakening in the prices of silver metal and of lead metal since the date of the study supports management's decision to define additional reserves before proceeding to a final production decision. The 1981 Field Program will be directed to this end.

Recognizing the strong potential for additional reserves and anticipating the decision to start production, Cima has entered into an agreement with Canadian Natural Resources Ltd. ("C.N.R.") of Calgary for further exploration and development of the Mt. Hundere Property. In accordance with this agreement, C.N.R. will spend \$1.2 million on the property and, if justified, will obtain all pre-production financing. Cima will maintain a 40% working interest or, at its option, convert to a 25%-carried net profits interest.



PIKE PROPERTY

The PIKE Property consists of 48 contiguous claims located approximately 80 kilometres north-east of Ross River, Yukon Territory. The claims were staked to cover a copper/silver showing revealed during a regional prospecting, geochemical, and geophysical program over the Traffic Mountain area in 1966.

In subsequent years a coincident geochemical, magnetic, and electromagnetic anomaly with a linear extent of over two miles was defined. Trenching revealed two zones of mineralization associated with a high level silicic dyke. Zone One, which returned values of 0.61% Cu and 2.44 oz/tonne Ag, was exposed over an area 600-feet long and 45-feet wide. Zone Two has not been tested.

The PIKE Property has long been considered to have excellent potential for a large tonnage deposit, and a drilling program was recommended in 1975 by the late Dr. Aaro E. Aho.

In 1980, the grid over Zone Two was re-cut and extended in preparation for an initial 2,000-ft. drilling program which will be undertaken in 1981 at a cost of approximately \$150,000.

NAR PROPERTY

The 42-claim NAR group was staked to cover lead, zinc, and copper showings discovered during the regional prospecting program referred to above, and follow-up prospecting and soil sampling revealed high silver values. Extensive coincident magnetic and geochemical anomalies over areas of high-grade float indicate a high potential for an economic deposit.

Representative samples from this highly regarded property returned the following encouraging values:

AREA I: Consists of a 2x30 foot area of frost rubble of quartzite and quartz breccia with filling and replacement lead-zinc. A sample of 30 representative rock chips returned values of .02 oz/ton Au, 48.9 oz/ton Ag, 0.11% Cu, 9.5% Pb, and 3.8% Zn.

AREA II: A 5x20 foot area of diopside-pyrrhotite skarn float returned values of .02 oz/ton Au, 53.8 oz/ton Ag, .01% Cu, 14% Pb, and 1.2% Zn.

AREA III: Consists of a large diopside-pyrrhotite skarn boulder which assayed: Tr Au, 4.56 oz/ton Ag, 0.15% Cu, 9.3% Pb, and 13.9% Zn.

A program of geological mapping and trenching to delineate drilling targets is being undertaken in the 1981 season at an estimated cost of \$40,000.

Other Yukon Properties

Field programs have been prepared on each of the following properties and will be undertaken in 1981, subject to personnel availability, or 1982. Further work by the Company or by joint venture partners will be predicated upon the results obtained from these initial re-evaluation programs.

SCOT (42 claims)

The Scot claims group, about 100 miles north northwest from Ross River, Yukon, is in a geological environment very similar to the Tom deposit (owned by Hudson Bay Exploration and Development Co. Ltd.). The claims were originally staked to cover high zinc soil geochemical anomalies discovered during a regional geochemical sampling project carried out by the Company in 1968. Work on the claims group between 1968 and 1971 consisted of soil and silt sampling, geological mapping, magnetic and electromagnetic surveys and a gravity survey on all or part of the 67,200 foot grid. A limited diamond drill program to test the major gravity and geochemical targets was conducted in 1972.

The source of the attractive zinc geochemical anomaly on the Scot group still remains to be found. Past work has concentrated on a carbonate host source. Future studies will place more emphasis on a shale host and expand the area of coverage to a zone of barite mineralization reported by the Geological Survey of Canada.

LAD (42 claims)

The Lad claims are located on the east side of Mt. Selous. The claims were staked to cover a well-mineralized district 3 by 6 miles in extent. Previous work resulted in 14 separate occurrences of strong silver-lead-zinc-copper mineralization in vein fracture zones and shear

impregnations. Assays indicate up to a 2:1 silver-lead ratio. One of the strikes 50 feet in length averaged 6 oz/ton silver, 6% lead, 3% zinc and 2% copper over 1 to 10 foot widths with grab samples of 37 oz/ton silver, 18% lead, 17% zinc and 4.5% copper.

SHANGHAI (8 claims)

The Shanghai claims are located in Elsa, Yukon, north of McQuestin River, adjacent to the United Keno Hill mines. The claims are in a favourable geological area and considerable surface and underground work was done in the 1960's on the lead, silver, zinc area.

BOT (10 claims)

The BOT claims cover a chrysotile asbestos fibre occurrence in a 200 to 500 foot wide dyke of serpentinized periodotite close to Big Campbell Creek on the Finlayson Lake, over an inferred strike length of 5,000 feet.

Only a small portion of the dyke crops out, but a magnetometer survey indicated a southeast extension of observed host rock plus at least two other parallel fault-offset dykes. The strongest magnetic anomalies in areas of no outcrop may correspond to highest grade of asbestos mineralization.

PAY (16 claims)

The PAY claims are located east of Fortin Lake. In 1967, 22 diamond drill holes were completed to test a 3-mile long zone of high geochemical anomalies. Zinc mineralization was intersected in all holes, some sections 30 to 60 feet thick. Assays varied from .5-5% zinc. Soil sampling of gold-silver mineralization showed values of .14 to 20 oz/ton silver and 0.16 to 0.76 oz/ton gold.

Joint Venture Properties

Cima Resources retains carried interests in several properties in the Anvil District owned and managed by Cyprus Anvil Mining Corporation. Cyprus Anvil has reported on the properties as follows:

Lower Anvil Creek (Cima 10% carried)

A 2,000-foot diamond-drill hole was originally planned for the Lower Anvil Creek Joint Venture Area in 1981 as part of continued testing of the Mt. Mye/Vangorda Formation Transition Zone (ore horizon in Anvil District) in that area. Borehole siting was dependent on a program of spectral I.P. profiling and orientation studies in the main deposit area. This was not achieved due to delays in availability of the prototype.

This program will be postponed to 1982. Limited spectral I.P. grid lines will be cut in 1981 to hold all favourably situated claims in good standing. No work was undertaken in 1980.

Selwyn Project (Cima 10% carried)

No exploration work is planned in 1981 on the Gull, Prevo, and Pas claims adjacent to the Howard's Pass deposits. Cyprus Anvil intends to update its exploration data base through consultation with Placer geologists in 1981. All favourably located mineral claims will be held in good standing by payment-in-lieu of assessment work. No work was completed on these claims in 1980.

Tintina Anvil (Cima 10% carried)

No exploration work was completed directly on the Capa, Echo, Foto, Delta, and HoHo-Bram claim groups in 1979 or 1980. Representation work from diamond drilling on adjacent Cyprus Anvil claims has been filed to keep the Tintina Anvil

package in good standing. No work is planned on these claims in 1981.

Plata Project (Cima 20% carried)

No work was undertaken by Cyprus Anvil on the Plata and Inca groups in 1980, and none is proposed for the 1981 season. Claim holdings in the project will either be selectively reduced in December 1981 or maintained in good standing by payment-in-lieu.

LEO-KPO Properties

(Cima 40% participating)

United Keno Hill Mines Ltd. holds a 60% interest and manages the LEO-KPO claims in which Cima retains a 40% participating interest. United Keno reported as follows on its 1980 program:

In the 1980 exploration program, 10 holes were completed on each of the LEO and KPO groups.

The 10 holes drilled on the LEO group totalled 1,690 feet, with 5 holes reaching target depths of 180 feet. The remaining 5 holes were within 40 feet of target depth. Anomalous silver and lead were cut in one hole.

Depth	ppm Ag	ppm Pb
90-95	2,042	21.4
115-120	1,681	24.7

This intersection correlated with intersections to the north-east and south-west. There were no ore-grade intersections on this structure.

10 holes were drilled on the KPO group totalling 1,755 feet, with 8 holes reaching target depth of 180 feet, but no vein structures were intersected.

Cima's contribution to this program amounted to \$4,625.

Chilean Properties

Quetena

The Quetena project in Northern Chile comprising 395 claims has been inactive since cessation of the in-situ copper-leaching operation in 1970. Though the possibility of additional reserves was evident, funding for further exploration was not available either from inside or outside the company.

Negotiations commenced in 1979 to sell the Quetena properties, and these negotiations were successfully concluded in March 1981 when the properties were optioned to Empresa Minera De Mantos Blancos S.A. Under the terms of the agreement, Mantos Blancos may obtain full title to the properties by maintaining the properties in good standing and by making payments to Cima of U.S. \$70,000 in 1982 and U.S. \$75,000 in each of the years 1983-1986 inclusive.

Sierra Gorda

The Vancouver (494 claims) and Yukon (19 claims) groups lie within the Sierra Gorda Mining District, 150 kilometres north-east of Antofagasta, Chile. Cima Resources, through its subsidiary, Cima Minas Ltda., originally held an option to acquire various other adjacent properties on which a 20-million ton copper/moly deposit was discovered by an exploration program directed by Dr. Aaro E. Aho during the 1967-1970 period. These properties reverted to the Chilean owners in March, 1980, after the Company had been unable to negotiate acceptable terms for continuation of the option.

The Vancouver and Yukon groups, though well located in relation to the known deposit, have been explored by 6 rotary drill holes which gave unsatisfactory results.

In March 1981, an agreement was signed with Eulogio Gordo y Cia, by which that company can earn a 20% interest by maintaining the properties in good standing for two years and endeavouring to obtain financing for further exploration of the properties.

The agreements in respect of the Quetena and Sierra Gorda properties will relieve the Company of continuing costs amounting to more than \$30,000 per year and, additionally, provide a cash flow in future years.

Auditors' Report to the Shareholders

We have examined the consolidated balance sheet of Cima Resources Limited as at December 31, 1980 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, 1980 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.

Vancouver, B.C.
March 6, 1981

Coopers & Lybrand
CHARTERED ACCOUNTANTS

CIMA RESOURCES LIMITED

Consolidated Balance Sheet

as at December 31, 1980

ASSETS

	1980 \$	1979 \$
CURRENT ASSETS		
Cash	42,114	14,326
Accounts receivable and prepaid expenses (note 5)	12,002	32,501
	<u>54,116</u>	<u>46,827</u>
MINERAL PROPERTIES AND RELATED DEFERRED COSTS — per Schedule	3,943,789	3,434,768
INVESTMENT IN AFFILIATED COMPANY (notes 2 and 7)	73,389	73,389
OFFICE EQUIPMENT (net of accumulated depreciation of \$4,750; 1979 — \$1,818)	15,248	7,504
OTHER ASSETS — at cost	6,560	6,560
	<u>4,093,102</u>	<u>3,569,048</u>

LIABILITIES

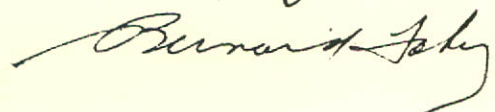
CURRENT LIABILITIES		
Bank loan		60,000
Accounts payable and accrued liabilities	195,440	121,355
Short-term secured loan (note 3)	158,771	
Advances from an affiliated company (notes 2 and 7)	119,246	55,881
	<u>473,457</u>	<u>237,236</u>
OTHER LOANS (note 6)		85,297
MINORITY INTEREST IN SUBSIDIARY COMPANIES	210,141	230,141
	<u>683,598</u>	<u>552,674</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK (note 4)	3,549,372	3,136,411
NET DEFICIT	(139,868)	(120,037)
	<u>3,409,504</u>	<u>3,016,374</u>
	<u>4,093,102</u>	<u>3,569,048</u>

APPROVED BY THE DIRECTORS

 Director

 Director

CIMA RESOURCES LIMITED

Consolidated Statement of Net Deficit

*for year ended
December 31, 1980*

	1980 \$	1979 \$
NET DEFICIT (SURPLUS) — BEGINNING OF YEAR	120,037	(5,108)
CHANGES DURING YEAR		
General and administrative expenses — per Schedule	141,271	192,396
Recovery of prior years' corporation capital tax	(16,143)	
Shares of subsidiary gifted to company	(20,000)	
Reclassification of other loan (note 6)	(85,297)	
Gain on sale of shares of affiliated company		(67,251)
	<u>19,831</u>	<u>125,145</u>
NET DEFICIT — END OF YEAR	<u>139,868</u>	<u>120,037</u>
REPRESENTED BY:		
Contributed surplus	6,512,779	6,512,779
Deficit	6,652,647	6,632,816
NET DEFICIT — END OF YEAR	<u>139,868</u>	<u>120,037</u>

Consolidated Schedule of General and Administrative Expenses

*for year ended
December 31, 1980*

	1980 \$	1979 \$
Audit and accounting	39,786	32,824
Capital tax and licence fees	5,857	6,326
Consulting	11,383	9,394
Depreciation	2,932	1,088
Interest and bank charges	24,928	16,886
Legal	19,359	16,438
Management fees and expenses	20,000	24,000
Office and other	25,026	34,028
Promotion and underwriting costs	10,523	22,830
Rent	15,079	4,035
Salaries and benefits	43,879	11,808
Shareholders' reports	12,106	9,940
Trust company and stock exchange fees	7,983	11,022
	<u>238,841</u>	<u>200,619</u>
Less: Administrative expenses allocated to mineral properties and related deferred costs	97,570	8,223
GENERAL AND ADMINISTRATIVE EXPENSES — per Statement of Net Deficit	<u>141,271</u>	<u>192,396</u>

CIMA RESOURCES LIMITED

Consolidated Statement of Changes in Financial Position

*for year ended
December 31, 1980*

	1980 \$	1979 \$
SOURCE OF WORKING CAPITAL		
Recovery of prior years' corporation capital tax	16,143	
Proceeds on issuance of capital stock		
— for cash	302,056	309,386
— for exploration and development work	110,905	50,305
Repayment of advance by affiliated company		4,178
Proceeds on sale of shares of affiliated company		80,000
Accounts payable written off		14,874
	<u>429,104</u>	<u>458,743</u>
USE OF WORKING CAPITAL		
Deferred exploration and development costs	509,021	253,268
General and administrative expenses	138,339	191,308
Fixed asset additions	10,676	7,783
Repayment of other loans		23,836
	<u>658,036</u>	<u>476,195</u>
DECREASE IN WORKING CAPITAL	228,932	17,452
WORKING CAPITAL DEFICIENCY — BEGINNING OF YEAR	190,409	172,957
WORKING CAPITAL DEFICIENCY — END OF YEAR	<u>419,341</u>	<u>190,409</u>
REPRESENTED BY:		
Current liabilities	473,457	237,236
Current assets	54,116	46,827
WORKING CAPITAL DEFICIENCY — END OF YEAR	<u>419,341</u>	<u>190,409</u>

Schedule of Mineral Properties and Related Deferred Cost

as at
December 31, 1980

Claim Group	% Ownership of claims	Costs incurred to December 31, 1979 \$	Costs incurred for the year ended December 31, 1980 \$	Costs incurred to December 31, 1980 \$
Lad	100	119,012	6,487	125,499
Mica	100	270,832	424,422	695,254
Pike/Nar/Pay	100	832,399	24,671	857,070
Scot	100	78,935	6,278	85,213
Sierra Gorda/ Quetena (Chile)	100	679,489	23,831	703,320
Other	Various	1,454,101	23,332	1,477,433
		<u>3,434,768</u>	<u>509,021</u>	<u>3,943,789</u>

Notes to Consolidated Financial Statements

for year ended
December 31, 1980

1. SIGNIFICANT ACCOUNTING POLICIES

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.

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 following subsidiary companies:

	Interest held %
Cima Mines Limited	100.00
Atsui Mining Corporation Limited (N.P.L.)	94.74
Fortin Mining Corporation Limited (N.P.L.)	69.47
Mt. Hundere Mines Limited (N.P.L.)	89.62

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.

2. INVESTMENT IN AND ADVANCES FROM AFFILIATED COMPANY

(note 7)

(a) Investment in Affiliated Company

The Company owns 575,002 shares or 34% (1979 — 575,002 or 35%) of an affiliated company, Risby Tungsten Mines Ltd., and accounts for this investment on the equity basis.

(b) Advances from Affiliated Company

Advances from affiliated company are due to Risby Tungsten Mines Ltd. and are comprised of a demand loan in the amount of \$60,000 bearing interest at the prime bank rate plus 2%, accrued interest on the loan of \$13,047, and a non-interest bearing advance payable on demand of \$46,199.

3. SHORT-TERM SECURED LOAN

The amount is comprised of a short-term loan from a shareholder in the amount of \$150,000 and accrued interest at the bank prime rate plus 2%.

As collateral security for the loan, the Company assigned 472,502 escrow shares of Risby Tungsten Mines Ltd. to the shareholder.

The principal and accrued interest were repaid in full by March 6, 1981 and the securities were released on that date.

4. CAPITAL STOCK

	1980	1979
	\$	\$
Authorized —		
10,000,000		
shares without		
par value		
Issued and fully paid —		
2,586,370 shares		
(1979—2,346,935)	3,438,467	3,136,411
Allotted for exploration		
and development work;		
to be issued subject to		
approval by regulatory		
authorities —		
76,074 shares	110,905	
	<u>3,549,372</u>	<u>3,136,411</u>

On March 26, 1980 the Company offered to each of its shareholders the right to subscribe for one additional share of the Company, at \$1.60 per share, for every ten shares held. Subscriptions were received of \$95,123 for 59,452 of the 234,693 shares offered prior to expiry of the offer.

Under a guarantee agreement with a group of shareholders an additional 71,983 shares at \$1.60 per share were purchased by this group.

During the year the Company issued in total 239,435 shares for cash consideration of \$302,056, of which \$210,296 (131,435 shares) was received in connection with the rights offering.

Options have been granted and are outstanding to directors and employees of the Company to purchase 204,000 shares (80,000 shares subject to approval by regulatory authorities) of the Company as follows:

Number of shares	Option price \$	Expiry date
60,000	1.44	June 5, 1981
3,000	1.03	June 29, 1981
8,000	1.26	July 22, 1981
20,000	1.50	July 22, 1981
20,000	1.31	Nov. 14, 1981
3,000	1.13	June 29, 1982
4,000	.74	June 29, 1982
86,000	1.26	July 22, 1983

5. STATUTORY INFORMATION

During the year no directors' fees were paid. Remuneration paid to senior officers, including directors, or to management companies controlled by them, amounted to \$99,964.

Accounts receivable include an amount of \$11,611 due from a shareholder who is also a director of the Company.

6. CONTINGENT LIABILITIES

Grants totalling \$256,022 had been received in prior years under the Northern Mineral Exploration Assistance Regulations. The grants are repayable, with interest, over ten years if the property for which the grants were received should come into production.

A loan of \$85,297 from Cyprus Anvil Mining Corporation without interest or fixed repayment terms may be offset against any possible future property acquisition or disposition negotiated between the Company and Cyprus Anvil. As yet no such negotiations have been undertaken or are contemplated by the Company. The Company has therefore reclassified this loan as a contingent liability and credited net deficit.

7. SALE OF INVESTMENT IN AFFILIATED COMPANY

Pursuant to an agreement dated February 3, 1981, the Company agreed to sell to Invex Resources Limited all its shares in the capital of an affiliated company, Risby Tungsten Mines Ltd., as follows:

	Sale price per share	Number of shares	\$
Shares held in escrow	30¢	472,502	141,751
Free trading shares	80¢	102,500	82,000
		575,002	223,751

The above transaction involved a change of control of Risby Tungsten Mines Ltd. and the closing took place on March 6, 1981.

On February 3, 1981 as part of the above agreement, Cima Resources Limited sold to Imperial Metals & Power Ltd., a company effectively controlled by Invex Resources Limited, 150,000 fully paid and non-assessable treasury shares in the capital of Cima Resources Limited at a price of \$1.00 per share for a cash payment of \$150,000.

In consideration of the purchase of the above shares, an option has been granted to Imperial Metals & Power Ltd. to purchase an additional 150,000 fully paid and non-assessable treasury shares in the capital of Cima Resources Limited at a price of \$1.25 per share, exercisable in whole or in part on or before February 2, 1982.

