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Annual Report 1979



CIMA RESOURCES LIMITED



McGILL UNIVERSITY



Directors

Herbert D. Drechsler, Ph.D., P.Eng.
President, HDD Resource Consultants, Ltd.
Vancouver, B.C.

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

Carl Irmann-Jacobsen
President, Vanport Shipping Agency Ltd.
Vancouver, B.C.

William B. Warke
President of the Company

Officers

William B. Warke
President

Selwyn B. Jones
Vice-President

G. Barry Finlayson
Secretary

Gladys E. Ellis
Assistant Secretary

Executive Head Office

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

Registered Office

2500 - 595 Burrard Street
Vancouver, B.C. V7X 1L1

Front Cover

Mt. Hundere lead/zinc/silver property.
The top circle shows the drill and the area where the blocked out ore body is located.

The bottom circle shows the last trench dug before snow fell in October 1979. The assays from this trench are similar to those on the ore body above.

The distance between the circled areas is approximately 145 metres.

Transfer Agent & Registrar

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

Shares Listed

Vancouver Stock Exchange
NASDAQ

Bankers

Bank of Montreal
595 Burrard Street
Vancouver, B.C. V7X 1L5

Auditors

Coopers & Lybrand
28th Floor, Royal Center
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.



History of Cima Resources Limited

Cima Resources Ltd., formerly Atlas Explorations Ltd., was incorporated in 1966 to carry out mineral exploration on a scale and intensity that would ensure optimum probabilities of major mineral discoveries. Using integrated saturation exploration, Atlas carried out a primary exploration program based out of Ross River in the 1966 field season, probably the largest comprehensive aerial and ground search for minerals ever conducted in Western Canada.

By 1969, Atlas was aggressively exploring and developing mineral, petroleum and natural gas properties and continued producing from a copper mine in Chile and an oil well in Ontario. Expanded mineral exploration was made possible by a financing agreement with Dynasty Explorations.

In 1975, when Dynasty amalgamated with Cyprus Anvil Mining Corporation, Atlas was reorganized. The name of the company was changed to Cima Resources Ltd., and it was at this time that William B. Warke bought control and assumed management of Cima.

Cima maintained the best of the Atlas properties which were the result of a total investment of over \$5,000,000 in exploration and many years of work in the Yukon. The properties wholly owned and joint ventured to date total 2,369 claims.

The economic climate from 1975 to 1977 was not conducive to mining development and exploration. Cima utilized this time to streamline its complex corporate structure into a more cohesive unit that could facilitate effective administration of its claims and properties.

Through an intensive program in the 80's on its mineral-rich properties, Cima aspires to take a major part of the development of the natural resource industry in the Yukon.

It is the company's objective to establish a strong financial base with a continuous cash flow which will allow it to proceed with extensive exploratory work and development of its properties.



William B. Warke, President

To our shareholders:

1979 was an exciting year for Cima Resources Limited. The Mt. Hundere project was our major program for 1979 and with the proven ore tonnage results from last year's exploration program, we are about to reach the point that every mining company aims for — production.

The mineralization on the Mt. Hundere property proved to be very high grade (15.6% lead, 18.9% zinc and 2.36 ounces per tonne silver). In 1980 our goal will be to find out how far the ore body extends. With only the results of drilling of 80 metres thus far received, studies by Canadian Mine Services and by Trenaman Mining Limited have indicated that the present deposit could be mined at a profit. Extending our known reserves will be the aim in drilling on the Mt. Hundere property this summer.

I visited Chile last spring to resolve the corporate situation of Cima Mines Ltd. in Chile and to negotiate with Empresa Minera de Mantos Blancos on our Quetena property. The preliminary offer to option the property has been accepted by Cima and the final option agreement is in its final stage of drafting in Spanish and in English. We look forward to the Quetena having major drilling and exploration programs in the very near future with a view to going into production.

Risby Tungsten Mines Ltd., a company controlled by Cima Resources Ltd., has previously optioned out the Cab claims to Hudson Bay Exploration and Development to explore and drill on the known mineralization. Including this year's \$50,000 payment to Risby, which we recently received, and projected costs for continuing drilling while extending explorations, Hudbay's total 1980 budget for the Cab tungsten project is proposed at \$300,000. Evaluating findings from last year's work in a 1979 Progress Report, Hudbay determined results warranted inclusion of comprehensive property wide geological mapping in the 1980 works program, with special emphasis on known mineralized zones.

Active interest in Cima Resources Ltd.'s large portfolio of properties warranted the addition of Mr. E. A. Scholz and Dr. Herbert D. Drechsler to the Board of Directors. We were extremely saddened by the sudden death of Mr. Scholz. Dr. Drechsler brings much experience and expertise to Cima and we are fortunate to have him with us.

In addition, I am happy to announce the appointment of Mr. Selwyn B. Jones as Vice President. Mr. Jones is fully conversant with the many properties of Cima and will be especially valuable as we move closer to putting Mt. Hundere into production. Mr. Jones was previously Vice President Administration of Cyprus Anvil Mining Corporation.

Roger Kidlark is our new geologist. Since obtaining his Bachelor of Science degree from the University of Toronto in 1974, Mr. Kidlark has gained Canadian-wide experience in the exploration and development of mineral properties. During the last few years his efforts have been concentrated on exploration in the Yukon Territories. Mr. Kidlark was previously employed with AMAX of Canada Ltd.

We continue to work on our joint venture projects. A reconnaissance program of percussion drilling is planned by United Keno Hill Mines Ltd. on the LEO-KPO claims in the Galena Hill area, in which Cima Resources holds a 40% participating interest.

Cyprus Anvil has reported that its plans for 1980 include a portable spectrum I.P. across the apparent conductive horizon on the Lower Anvil Creek with drilling contingent on the results in '81. Cima holds a 10% carried interest in this project.

Continuing assessment of the potential extension of the Howard's Pass Formation "active zone" onto the GULL and PAS claims will be maintained during 1980 as Canex-Placer and U.S. Steel continue drilling efforts on their adjacent "Anniv and XY Sub-Basins."

The East Swim Project (Tintina Anvil) is considered promising for new lead-zinc sulphide discoveries. Plans for 1980 include a single hole on the FOTO claims to test 3E graphite conductors as potential host rocks, which will provide continued assessment for the claim block as a whole.

Cima holds a 10% carried interest in each of these Cyprus Anvil projects.

I wish to take this opportunity to thank all of our loyal employees for the supportive work that they have done during the year.

We are grateful to our shareholders for the years of loyalty and faith, and believing in our company's potential. We hope this year's developments will fulfill your expectations.

On behalf of the Board of Directors



President

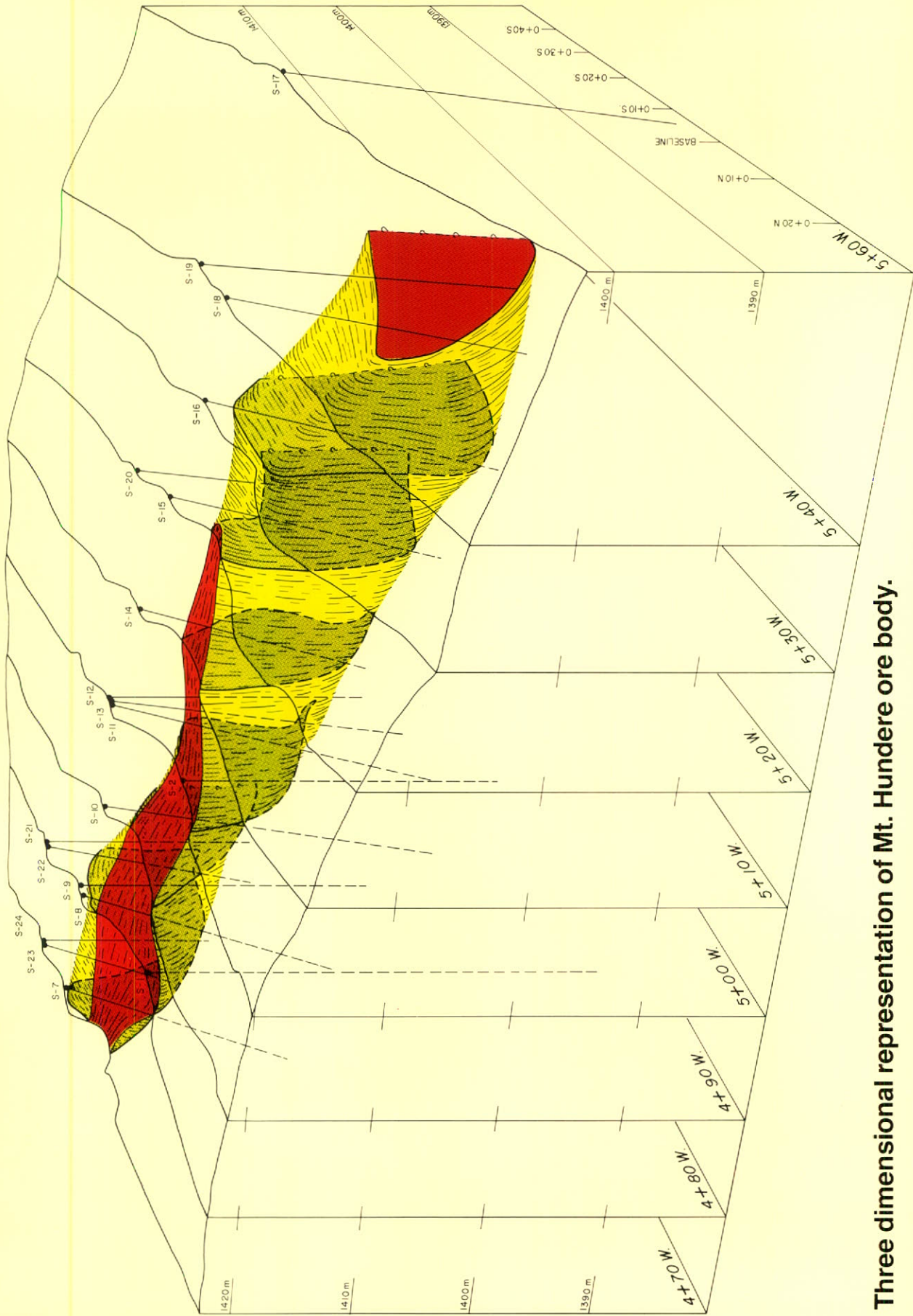
April 30, 1980



Interested visitors to Mt. Hundere property, 1979: Gupta Boggaram, project geologist; Lal Gondi, C.M. Oliver & Co. Ltd.; Dick Addison, Canarim Investment Corp. Ltd.; G. Aucoin, Hosford, Impey & Welter; Rolly Trenaman, Trenaman Mining Ltd.; Wayland Read, consulting geologist; Ken McRory, Wright Engineering Ltd.; and John McAndrews, consulting geologist for Risby Tungsten Mines Ltd.



Company President William B. Warke at the Mt. Hundere drill site with drillers.



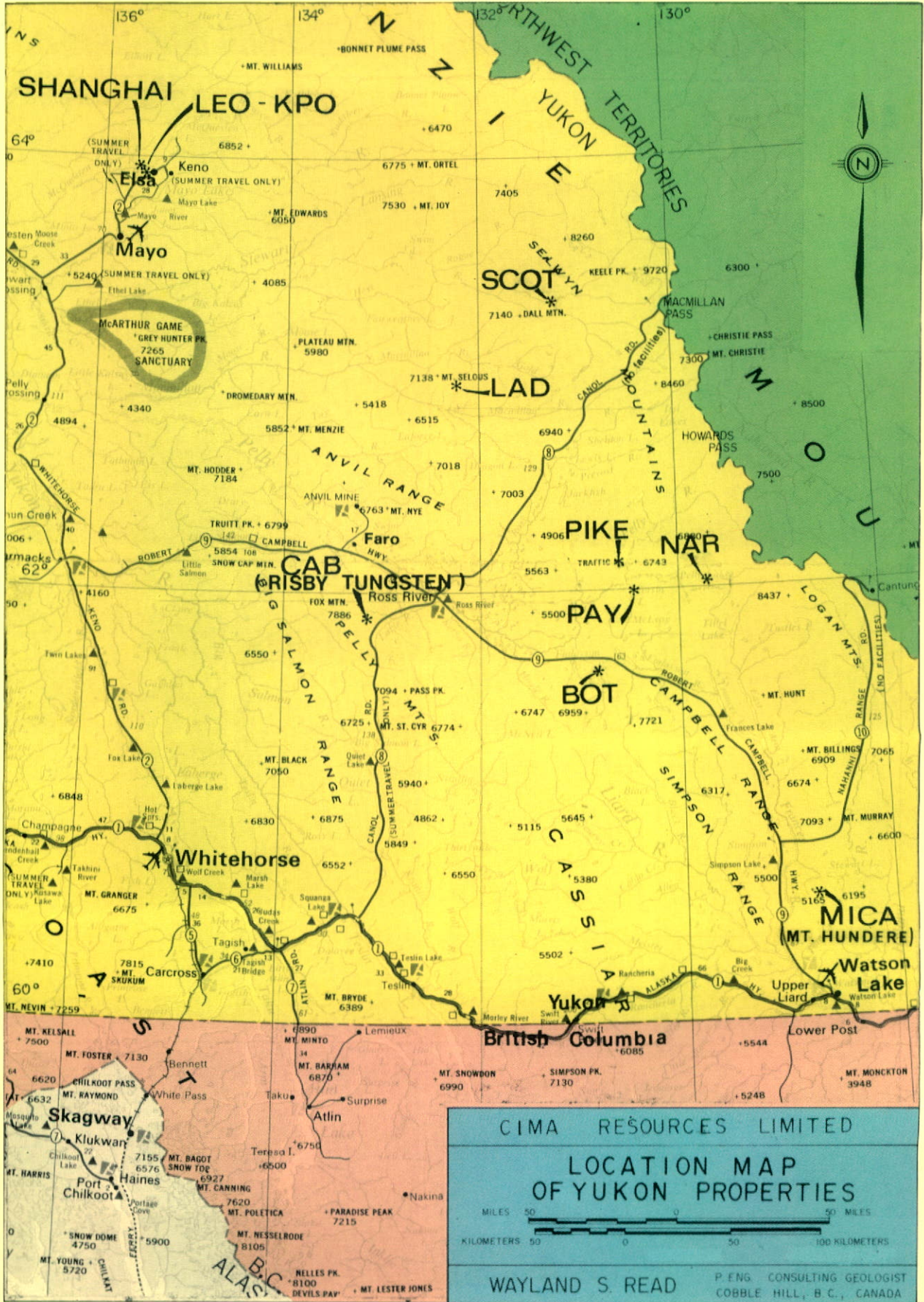
Three dimensional representation of Mt. Hundere ore body.

Location: 49 miles by road north of Watson Lake, Yukon.

Reserves: undiluted 71,236 tonnes.

Grades: 15.6% lead, 18.9% zinc (combined lead plus zinc 34.5%), silver 2.36 oz/ton, cadmium 0.104%.

The zone is open to the southwest and additional drilling has been recommended by W.S. Read, P.Eng. to further test and enlarge the deposit while final feasibility studies are being prepared.





Schedule of Mineral Properties and Related Deferred Costs

As at December 31, 1979

Claim Group	Company	% ownership of claims	Total claims at December 31, 1978
Pike/Nar/Pay	Atsui-Fortin	100	36
Cima	Mt. Hundere	100	
Mica	Mt. Hundere	100	8
Sierra Gorda/Quetena (Chile)	Cima Mines	100	886
Kpo/Leo	Cima Mines	30	36
Shanghai	Cima Mines	90	8
Grancobre	Cima Resources	N/A	
Lad	Cima Resources	100	42
Scott	Cima Resources	100	42
Bot	Cima Resources	100	10
Lower Anvil	Cima Resources	10	140
Tintina	Cima Resources	10	476
Selwyn Lake	Cima Resources	10	228
Plata	Cima Resources	20	200
Inca	Cima Resources	20	44
			2,156

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



CIMA RESOURCES LIMITED

Costs incurred to December 31, 1978 \$	Costs incurred for the year ended December 31, 1979 \$	Less: Costs recovered \$	Costs incurred to December 31, 1979 \$	Total claims at December 31, 1979
817,260	15,139		832,399	106
	24,943		24,943	89
95,022	175,810		270,832	14
674,363	20,000	14,874	679,489	899
119,874	880		120,754	36
1,131,580			1,131,580	8
5,000			5,000	
119,012			119,012	42
63,489	15,446		78,935	80
6,920	1,050		7,970	10
19,722			19,722	140
71,681			71,681	473
72,451			72,451	228
				200
				44
3,196,374	253,268	14,874	3,434,768	2,369

**Consolidated Balance Sheet as at December 31, 1979**

ASSETS	1979	1978
	\$	\$
CURRENT ASSETS		
Cash	14,326	22,940
Accounts receivable and prepaid expenses (notes 3 and 6)	32,501	
	<hr/>	<hr/>
	46,827	22,940
MINERAL PROPERTIES AND RELATED DEFERRED COSTS		
— per Schedule	3,434,768	3,196,374
INVESTMENT IN AFFILIATED COMPANY (note 2)	73,389	86,138
DUE FROM AN AFFILIATED COMPANY		4,178
OFFICE EQUIPMENT (net of accumulated depreciation of \$1,818; 1978 — \$731)	7,504	809
OTHER ASSETS — at cost	6,560	6,560
	<hr/>	<hr/>
	3,569,048	3,316,999
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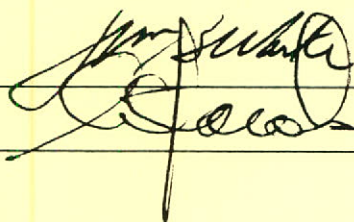
LIABILITIES

CURRENT LIABILITIES		
Bank loan (note 3)	60,000	80,000
Accounts payable and accrued liabilities	121,355	115,464
Due to shareholder		433
Advances from an affiliated company (note 2)	55,881	
	<hr/>	<hr/>
	237,236	195,897
OTHER LOANS (note 4)	85,297	109,133
MINORITY INTEREST IN SUBSIDIARY COMPANIES	230,141	230,141
	<hr/>	<hr/>
	552,674	535,171
	<hr/> <hr/>	<hr/> <hr/>

SHAREHOLDERS' EQUITY

CAPITAL STOCK (note 5)	3,136,411	2,776,720
NET SURPLUS (DEFICIT)	(120,037)	5,108
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	3,016,374	2,781,828
	<hr/>	<hr/>
	3,569,048	3,316,999
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APPROVED BY THE DIRECTORS



Director



Director



Consolidated Statement of Net Surplus

For the Year Ended December 31, 1979

	1979	1978
NET SURPLUS — BEGINNING OF YEAR	\$ 5,108	\$ 23,113
CHANGES DURING YEAR		
Unallocated costs — per Schedule	(192,396)	(131,677)
Gain on sale of shares of an affiliated company	67,251	
Equity in affiliated company		86,138
Recovery of costs of mineral properties on acquisition of subsidiary		7,500
Loss on sale of marketable securities		(2,539)
Cash received in respect of Atlas Oil and Gas, Limited — partial recovery of previous loss		22,573
	(125,145)	(18,005)
NET SURPLUS (DEFICIT) — END OF YEAR	(120,037)	5,108
REPRESENTED BY:		
Contributed surplus	6,512,779	6,512,779
Deficit	6,632,816	6,507,671
NET SURPLUS (DEFICIT) — END OF YEAR	(120,037)	5,108

Auditors' Report to the Shareholders

We have examined the consolidated balance sheet of Cima Resources Limited as at December 31, 1979 and the consolidated statements of net surplus and changes in working capital 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, 1979 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 5, 1980,
except for note 8 which is as of April 21, 1980.

Coopers & Lybrand
CHARTERED ACCOUNTANTS



Consolidated Statement of Changes in Working Capital

For the Year Ended December 31, 1979

	1979	1978
	\$	\$
SOURCE OF WORKING CAPITAL		
Repayment of advance by an affiliated company	4,178	
Proceeds on issuance of capital stock	359,691	145,589
Proceeds on sale of shares of an affiliated company	80,000	
Accounts payable written off	14,874	
Reduction in equity of former subsidiary		17,385
Cash received in respect of Atlas Oil and Gas, Limited — partial recovery of previous loss		22,573
Sale of interest in mineral properties		10,000
Other loans		23,836
	<hr/>	<hr/>
	458,743	219,383
USE OF WORKING CAPITAL		
Deferred exploration and development costs	253,268	38,332
Unallocated administration costs	191,308	131,475
Fixed asset additions	7,783	
Repayment of other loans	23,836	
Loss on sale of marketable securities		2,539
Advance to an affiliated company		4,178
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	476,195	176,524
DECREASE (INCREASE) IN WORKING CAPITAL	17,452	(42,859)
WORKING CAPITAL DEFICIENCY — BEGINNING OF YEAR	172,957	215,816
	<hr/>	<hr/>
WORKING CAPITAL DEFICIENCY — END OF YEAR	190,409	172,957
	<hr/>	<hr/>
REPRESENTED BY:		
Current liabilities	237,236	195,897
Current assets	46,827	22,940
	<hr/>	<hr/>
WORKING CAPITAL DEFICIENCY — END OF YEAR	190,409	172,957
	<hr/>	<hr/>



Schedule of Unallocated Costs

For the Year Ended December 31, 1979

	1979	1978
	\$	\$
ADMINISTRATIVE COSTS		
Management fees	24,000	16,500
Office and other	22,504	18,453
Public relations and promotion	1,580	
Rent	4,035	3,892
Salaries	11,808	3,861
Travel	11,524	
	<hr/>	<hr/>
	75,451	42,706
CORPORATE COSTS		
Accounting and audit	32,824	22,815
Capital tax and licence fees	6,326	16,364
Promotion and guarantee fees	21,250	12,250
Interest and bank charges	16,886	14,558
Legal	16,438	14,677
Shareholders' reports	9,940	3,018
Trust company and stock exchange fees	11,022	4,666
Depreciation	1,088	202
	<hr/>	<hr/>
	115,774	88,550
GEOLOGICAL CONSULTING FEES	9,394	7,827
TOTAL COSTS	200,619	139,083
LESS: Administrative costs allocated to mineral properties and related deferred costs	8,223	7,406
	<hr/>	<hr/>
UNALLOCATED COSTS PER STATEMENT OF NET SURPLUS	192,396	131,677



Notes to Consolidated Financial Statements

For the Year Ended December 31, 1979

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.) (note 8)	68.87

The excess of the net book values of these subsidiary companies over the cost of shares at the dates that control was acquired 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

(a) Investment in an affiliated company

The company owns 575,002 shares or 35% (1978 — 675,002 or 47%) of an affiliated company, Risby Tungsten Mines Ltd. and accounts for this investment on the equity basis.

(b) Advances from an affiliated company

Advances from an affiliated company 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 \$3,169, less a non-interest bearing advance receivable on demand of \$7,288.

3. BANK LOAN

The bank loan is payable on demand with interest at the prime bank rate plus 2% and is secured by a general assignment of accounts receivable and by limited guarantees of two shareholders.

4. OTHER LOANS

	1979 \$	1978 \$
(a) Cyprus Anvil Mining Corporation, without interest or fixed repayment terms	85,297	85,297
(b) Llonarke Investments Ltd., with interest at 12½% and without fixed repayment terms		23,836
	85,297	109,133



5. CAPITAL STOCK

	1979 \$	1978 \$
Authorized — 10,000,000 shares without par value		
Issued and fully paid — 2,346,935 shares (1978 — 1,866,777)	<u>3,136,411</u>	<u>2,776,720</u>

During the year the company issued 421,383 shares for cash consideration of \$309,386 and 58,825 shares for exploration and development work at an ascribed value of \$50,305.

Options have been granted and are outstanding to directors and employees of the company to purchase up to 133,000 shares of the company as follows:

Number of shares	Option price \$	Expiry date
33,000	.93	June 28, 1980
25,000	.42	September 15, 1980
66,000	.74	June 29, 1982
9,000	.93	June 29, 1982

6. 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 \$24,000.

Accounts Receivable include an amount of \$19,549 due from a shareholder who is also an officer and director of the company.

7. CONTINGENT LIABILITY

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.

8. SUBSEQUENT EVENTS

(a) Rights Offering

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. The offer expired on April 16, 1980, by which time subscriptions in the amount of \$95,123 for 59,452 of the 234,693 shares offered had been received.

In connection with the rights offering, the company entered into a guarantee agreement with a group of shareholders under the terms of which the shareholders agreed to purchase sufficient shares of the company, at \$1.60 per share, to make up the deficiency between \$200,000 and the amount realized from the rights offering. As consideration for the shareholders' undertaking this guarantee, the company granted them the right to acquire, at \$1.60 per share, any of the 234,693 shares offered through the offering for which subscriptions were not received.

(b) Acquisition of Shares of a Subsidiary

On April 21, 1980, the company was gifted 200,000 shares of Mt. Hundere Mines Limited (N.P.L.). This increased the company's interest to 89.62% of the issued shares of Mt. Hundere.

CIMA RESOURCES LIMITED

355 BURRARD STREET
VANCOUVER, B.C.
V6C 2G8