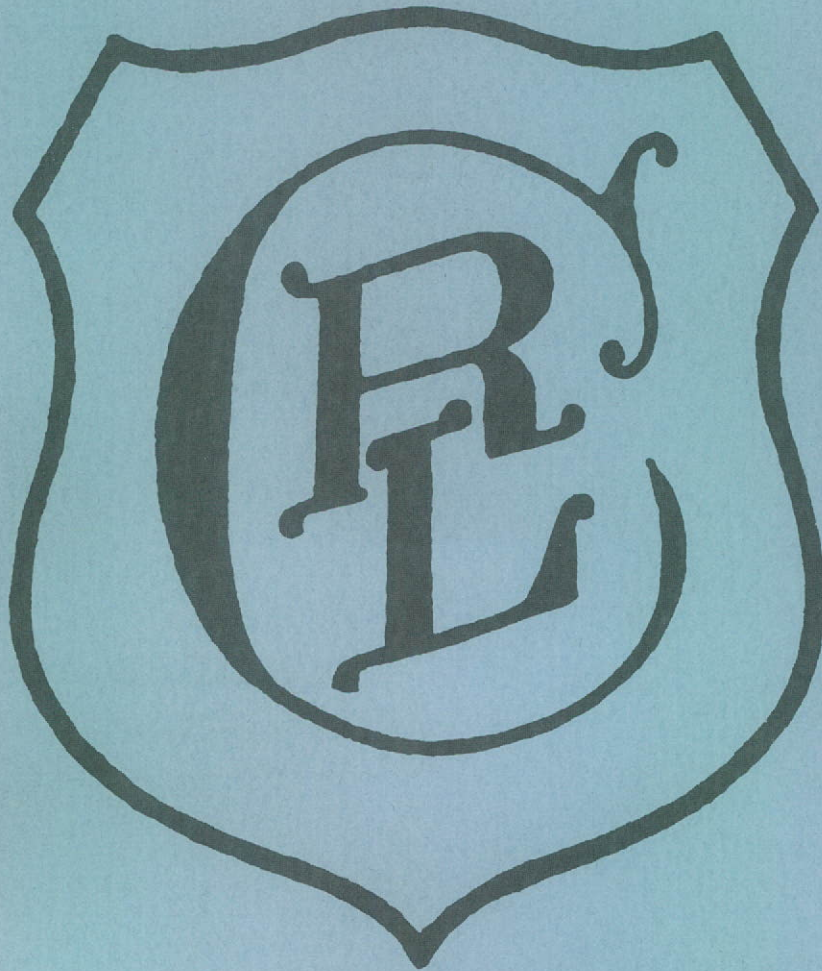


CIMA RESOURCES LIMITED



HOWARD ROSS LIBRARY  
OF MANAGEMENT

SEP 26 1979

MCGILL UNIVERSITY

ANNUAL REPORT 1978

\*\*\*\*\*

PRESIDENT : William B. Warke

DIRECTORS : Carl Irmann-Jacobsen  
President, Vanport Shipping Agency

Allen G. LaCroix  
Barrister & Solicitor

Bernie Fahy, C.A.  
Partner - Thorne Riddell & Co.

SECRETARY: George Barry Finlayson  
Barrister & Solicitor, Lawrence & Shaw

AUDITORS : COOPERS & LYBRAND

SOLICITORS : LAWRENCE & SHAW

STOCKBROKER : BOND STREET INTERNATIONAL SECURITIES LTD.

REGISTRAR &  
TRANSFER AGENTS : GUARANTY TRUST CO. OF CANADA

GEOLOGICAL CONSULTANTS: WAYLAND S. READ LTD.

OFFICE STAFF:

Eppie Canning

Gladys Ellis

Charlotte Rae Guy

\*\*\*\*\*



## CIMA RESOURCES LIMITED

MARINE BUILDING

355 BARRARD STREET

VANCOUVER, B. C. V6C 2G8

June 1, 1979

Dear Shareholder:

In keeping with management policy to build the asset value of Cima Resources, Ltd. we are pleased to announce that Risby Tungsten Mines Ltd. in which Cima Resources has management control, and a large shareholding, is trading on the Vancouver Curb Exchange and has completed a very successful 1978 field program.

The favourable results from this program directed by the company's consulting geologist Wayland S. Read, P. Eng., on the CAB group of mineral claims near Ross River, Yukon caught the attention of Hudson Bay Exploration and Development Company Ltd. which has just entered into an option agreement to explore this group. We hope this will be profitable for both the shareholders of Hudson Bay and Risby Tungsten. The first option payment check has been deposited in the Risby Tungsten bank account.

A delay in arranging the 1978 underwriting caused a major setback in Cima's planned exploration program and a loss of momentum that management is working hard to correct.

Funds from the underwriting presently being finalized will go towards exploration of the high grade lead, zinc, silver MICA property and the PIKE property with open pit copper-silver potential in the Watson Lake Mining District, as well as assessment and evaluation programs on additional holdings. Discussions are continuing with major companies concerning joint venturing of properties.

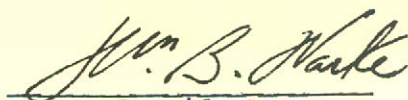
We feel that the increase in metal prices and favourable investment climate will be good for the mining industry.

The company has been advised that its joint venture agreements with Cyprus Anvil Mining Corporation are all being held in good standing. Cima Resources holds 10% carried interest in the 140 claims Lower Anvil Creek project, 211 claims Selwyn project and 434 claims Tintina Anvil project and 20% carried interest in the 244 claims Plata project.

We are pleased to welcome to our Board of Directors Mr. Bernie Fahy, a distinguished and well recognized professional accountant.

Many thanks to our directors, bankers, lawyers, brokers, geologist, and our shareholders. We appreciate your cooperation and assistance in building our company.

ON BEHALF OF THE BOARD

  
 President

# COOPERS & LYBRAND

CHARTERED ACCOUNTANTS

OFFICES THROUGHOUT CANADA  
AND IN PRINCIPAL AREAS  
OF THE WORLD

MAILING ADDRESS

P. O. BOX 11128, ROYAL CENTRE  
1055 WEST GEORGIA STREET  
VANCOUVER BRITISH COLUMBIA, CANADA V6E 3R2

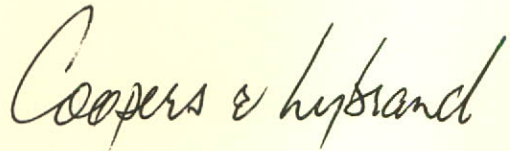
TELEPHONE (604) 682-7821  
28<sup>TH</sup> FLOOR, THE ROYAL BANK OFFICE TOWER  
1055 WEST GEORGIA STREET  
VANCOUVER, BRITISH COLUMBIA, CANADA  
V6E 3R2

CABLE ADDRESS: COLYBRAND, VANCOUVER, B. C.  
TELEX: 04-507630

## AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of Cima Resources Limited as at December 31, 1978 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, 1978 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 2, 1979

CHARTERED ACCOUNTANTS

CIMA RESOURCES LIMITED

CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 1978

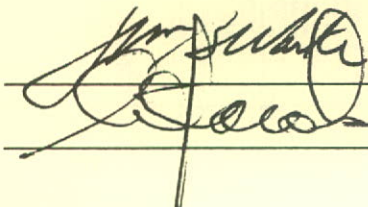
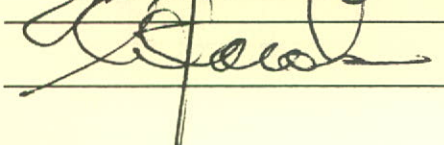
A S S E T S		
	1978	1977
	\$	\$
CURRENT ASSETS		
Cash	22,940	5,049
Marketable securities		198,250
Accounts receivable and prepaid expenses		<u>2,755</u>
	22,940	206,054
MINERAL PROPERTIES AND RELATED DEFERRED COSTS		
- per Schedule	3,196,374	3,190,428
INVESTMENT IN AFFILIATED COMPANY (note 1)	86,138	
OFFICE EQUIPMENT (net of accumulated depreciation of \$731; 1977 - \$529)	809	1,010
DUE FROM AN AFFILIATED COMPANY	4,178	
OTHER ASSETS	<u>6,560</u>	<u>6,560</u>
	<u>3,316,999</u>	<u>3,404,052</u>

L I A B I L I T I E S

CURRENT LIABILITIES		
Bank advances (note 2)	80,000	321,928
Accounts payable and accrued liabilities	115,464	89,942
Due to shareholder	<u>433</u>	<u>10,000</u>
	195,897	421,870
AMOUNTS DUE TO CORPORATIONS (note 3)	109,133	85,297
MINORITY INTEREST IN SUBSIDIARY COMPANIES	<u>230,141</u>	<u>242,641</u>
	<u>535,171</u>	<u>749,808</u>

S H A R E H O L D E R S ' E Q U I T Y

CAPITAL STOCK (note 4)	2,776,720	2,631,131
NET SURPLUS	<u>5,108</u>	<u>23,113</u>
	<u>2,781,828</u>	<u>2,654,244</u>
APPROVED BY THE DIRECTORS	<u>3,316,999</u>	<u>3,404,052</u>

  
 \_\_\_\_\_ Director  
  
 \_\_\_\_\_ Director

CIMA RESOURCES LIMITED  
 CONSOLIDATED STATEMENT OF NET SURPLUS  
 FOR THE YEAR ENDED DECEMBER 31, 1978

	1978	1977
	\$	\$
NET SURPLUS - BEGINNING OF YEAR	<u>23,113</u>	<u>138,700</u>
CHANGES DURING YEAR -		
Cash received in respect of Atlas Oil and Gas, Limited - partial recovery of previous loss	22,573	
Equity in affiliated company (note 1)	86,138	
Recovery (write-off) of costs of mineral properties on acquisition of subsidiary (note 1)	7,500	(7,500)
Unallocated costs - per Schedule	(131,677)	(148,421)
Gain (loss) on sale of marketable securities	(2,539)	13,034
Dividend income	<u>27,300</u>	<u>27,300</u>
	<u>(18,005)</u>	<u>(115,587)</u>
NET SURPLUS - END OF YEAR	<u><u>5,108</u></u>	<u><u>23,113</u></u>

REPRESENTED BY:

Contributed surplus	6,512,779	6,512,779
Deficit	<u>6,507,671</u>	<u>6,489,666</u>
	<u><u>5,108</u></u>	<u><u>23,113</u></u>

CIMA RESOURCES LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN WORKING CAPITAL

FOR THE YEAR ENDED DECEMBER 31, 1978

	1978	1977
	\$	\$
SOURCE OF WORKING CAPITAL		
Reduction in equity of former subsidiary (note 1)	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	
Advances from Llonarke Investments Limited	23,836	
Proceeds on issuance of capital stock	145,589	
Gain on sale of marketable securities		13,034
Dividend income		27,300
Issue of shares in subsidiary to minority shareholder		5,000
	<u>219,383</u>	<u>45,334</u>
USE OF WORKING CAPITAL		
Advance to an affiliated company	4,178	
Deferred exploration and development costs	38,332	44,594
Unallocated administration costs	131,475	148,168
Loss on sale of marketable securities	2,539	
Fixed asset additions		161
	<u>176,524</u>	<u>192,923</u>
INCREASE (DECREASE) IN WORKING CAPITAL	42,859	(147,589)
WORKING CAPITAL DEFICIENCY - BEGINNING OF YEAR	<u>215,816</u>	<u>68,227</u>
WORKING CAPITAL DEFICIENCY - END OF YEAR	<u><u>172,957</u></u>	<u><u>215,816</u></u>
REPRESENTED BY:		
Current liabilities	195,897	421,870
Current assets	<u>22,940</u>	<u>206,054</u>
WORKING CAPITAL DEFICIENCY - END OF YEAR	<u><u>172,957</u></u>	<u><u>215,816</u></u>

CIMA RESOURCES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1978

1. SIGNIFICANT ACCOUNTING POLICIES

Operations

The company is in the exploration stage and, on the basis of information to date, does not yet have economically recoverable reserves. The underlying value of the mineral properties and related deferred costs is entirely dependent on the existence and economic recovery of such reserves in the future.

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.)	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.

During the year Risby Tungsten Mines Ltd. (Risby), a subsidiary company (82.41% owned at December 31, 1977), issued 625,000 additional shares. This reduced the shareholdings of Cima Resources Limited (Cima) and its subsidiary company, Atsui Mining Corporation Limited (N.P.L.), to 26% and 22% respectively. By virtue of this reduction in Cima's consolidated shareholdings of Risby, the consolidation method of accounting for the investment in Risby is no longer appropriate. The investment has been accounted for during the year using the equity method of accounting, whereby the carrying value of Cima's investment in Risby has been adjusted to reflect changes in the issued capital stock of Risby made during the year.

Translation of Foreign Currency

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



CIMA RESOURCES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1978

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Mineral Properties and Related Deferred Costs

The company records its interest in mineral properties at cost. Exploration and administration costs relating to these mineral properties are deferred until the properties to which they relate are placed into production, allowed to lapse or are abandoned. These costs will be amortized over the estimated useful life of the properties following commencement of production or written off if the properties or projects are sold or allowed to lapse.

2. BANK ADVANCES

	1978	1977
	\$	\$
(a) (i) Operating demand loan with interest payable at the prime bank rate plus 2%	80,000	80,000
(ii) Bank overdraft		4,904
(iii) General purpose demand loan with interest payable at the prime bank rate plus 2%		<u>237,024</u>
	<u>80,000</u>	<u>321,928</u>
(b) The loan is secured by a general assignment of book debts and by the limited guarantee of two shareholders.		

3. AMOUNTS DUE TO CORPORATIONS

	1978	1977
	\$	\$
(a) Cyprus Anvil Mining Corporation, without interest or fixed repayment terms	85,297	85,297
(b) Llonarke Investments Ltd., with interest at 12-1/2% and without fixed repayment terms	<u>23,836</u>	<u>          </u>
	<u>109,133</u>	<u>85,297</u>

CIMA RESOURCES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1978

4. CAPITAL STOCK

	1978	1977
	\$	\$
Authorized - 10,000,000 shares without par value		
Issued and fully paid - 1,866,777 shares (1977 - 1,315,565)	2,776,720	2,631,131

During the year the company issued 516,212 shares for cash consideration of \$133,339 and 35,000 shares for consideration of the personal guarantee of the company's bank loan by the president at a deemed value of \$12,250.

The company has granted options on 65,000 shares to three directors exercisable at \$.37 per share for a maximum of 43,336 shares until September 10, 1979 and the balance at \$.42 to September 15, 1980.

5. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

During the year no directors' fees were paid. Remuneration paid to senior officers, including directors, or to management companies controlled by them amounted to \$27,539.

6. CONTINGENT LIABILITY

Grants totalling \$256,022 had been received in prior years under 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.

7. MANAGEMENT AGREEMENT

The company entered into an agreement, effective May 1, 1977, to pay an annual management fee of \$48,000 to a company controlled by the President.

On May 12, 1978, the company and the company controlled by the President agreed to amend this agreement effective May 1, 1977. The reduction in fees relating to the year ended December 31, 1977, in the amount of \$14,000 has been applied against the fees charged in the current year.

8. SUBSEQUENT EVENT

On April 9, 1979 the directors authorized the sale of 100,000 shares of Risby Tungsten Mines Ltd. owned by Cima Resources Limited and its subsidiary Atsui Mining Corporation Ltd. (N.P.L.) at \$.80 per share. Sale of these shares is dependent upon receiving approval from the Superintendent of Brokers. All shares offered for sale have been subscribed to and \$40,000 has been received as a deposit to March 31, 1979.

CIMA RESOURCES LIMITED

SCHEDULE OF UNALLOCATED COSTS

FOR THE YEAR ENDED DECEMBER 31, 1978

	1978	1977
	\$	\$
ADMINISTRATIVE COSTS		
Management fees	16,500	31,575
Office and other	18,453	9,669
Rent	3,892	5,255
Salaries	<u>3,861</u>	<u>11,937</u>
	<u>42,706</u>	<u>58,436</u>
CORPORATE COSTS		
Audit	22,815	17,450
Capital tax and licence fees	16,364	16,230
Guarantee fees	12,250	
Interest and bank charges	14,558	36,035
Legal	14,677	9,783
Shareholders' reports	3,018	2,784
Trust company and stock exchange fees	4,666	8,522
Depreciation	<u>202</u>	<u>253</u>
	<u>88,550</u>	<u>91,057</u>
GEOLOGICAL CONSULTING FEES	<u>7,827</u>	<u>5,550</u>
TOTAL UNALLOCATED COSTS	139,083	155,043
LESS: Administrative costs allocated to mineral properties and related deferred costs	<u>7,406</u>	<u>6,622</u>
UNALLOCATED COSTS PER STATEMENT OF NET SURPLUS	<u><u>131,677</u></u>	<u><u>148,421</u></u>

## CIMA RESOURCES LIMITED

## SCHEDULE OF MINERAL PROPERTIES

AS AT DECEMBER 31, 1978

Claim Group	Company	% ownership of claims	Total claims at December 31, 1977
Pike/Nar/Pay	Atsui - Fortin	100	36
Cab	Risby Tungsten	N/A	54
Mica	Mt. Hundere	100	8
Sierra Gorda/Quetena	Cima Mines	100	1,127
Kpo/Leo	Cima Mines	30	36
Shanghai	Cima Mines	100	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	126
Tintina	Cima Resources	10	464
Selwyn Lake	Cima Resources	10	228
Plata	Cima Resources	20	212
Inca	Cima Resources	20	44
Empress	Cima Resources	N/A	
			2,437

Certain administrative costs have been allocated in proportion to the direct expenditure incurred in each claim group.

Costs incurred to December 31, 1977 \$	Less: Costs of a former subsidiary (note 1) \$	Less: Costs written off \$	Costs incurred for the year ended December 31, 1978 \$	Total claims at December 31, 1978	Costs incurred to December 31, 1978 \$
820,793		10,000	6,467	36	817,260
22,385	22,385				
92,822			2,200	8	95,022
647,532			26,831	886	674,363
119,874				36	119,874
1,131,580				8	1,131,580
5,000					5,000
117,595			1,417	42	119,012
62,072			1,417	42	63,489
6,920				10	6,920
19,722				140	19,722
71,681				476	71,681
72,451				228	72,451
				200	
				44	
1		1			
<u>3,190,428</u>	<u>22,385</u>	<u>10,001</u>	<u>38,332</u>	<u>2,156</u>	<u>3,196,374</u>

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# THE YUKON INTERESTS OF CIMA RESOURCES

Cima Resources Limited holds management control of Risby Tungsten Mine Ltd. and also holds from 100% to control position in the following Yukon ventures:

**Mount Hundere Mines:** 30 claims, lead-zinc-silver 33 miles north of Watson Lake. Cima interest 68.87%

**Risby Tungsten:** 160 claims, tungsten, 30 miles southwest of Ross River, Cima interest: majority shares.

**Cima's Bot Claims:** 10 claims, chrysotile asbestos, near Campbell Creek. Cima interest: 100%.

**Fortin Mining:** 16 claims, zinc-silver-gold, east of Fortin Lake. Cima interest: majority shares.

**Atsui Mining:** 16 claims, copper, silver, 52 miles east of Ross River; and 4 claims, copper-lead-zinc-silver southeast of Pelley Lake. Cima interest 95%.

**Hess Venture:** 42 claims in silver-lead-zinc-copper, east side of Mt. Selous; and 42 claims, zinc, Hess River area. Cima interest: control.

**Cima Mines:** 8 claims in silver-lead-zinc area of Elsa, north of McQuestin River. Cima interest 100%.

Cima holds participating interest in:

**United Keno's Galena Hill:** 36 claims, zinc-silver, adjoining United Keno Mine. Cima interest: 40%.

Cima owns carried interests in three other developing Yukon prospects:

**Selwyn Project:** 211 claims lead-zinc at Howard's Pass on NWT-Yukon border. Cima interest: 10%.

**Tintina Anvil:** 652 claims, lead-zinc, in the Anvil Mountain Range. Cima interest: 10%.

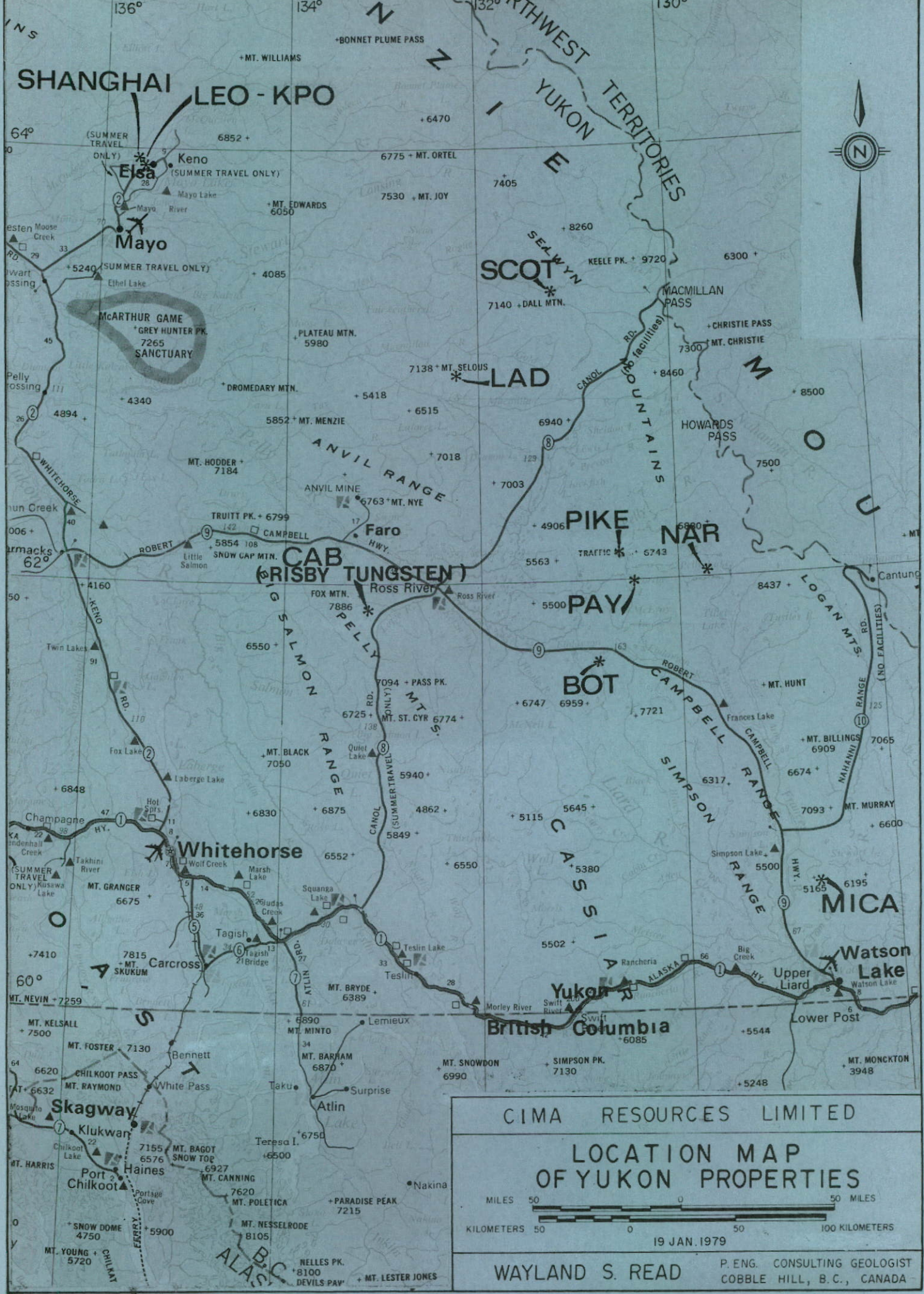
**Plata Project:** 244 claims, silver-lead, in the Hess Mountains. Cima interest: 20%.



CIMA RESOURCES LIMITED

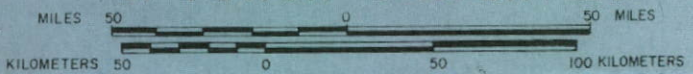
9th Floor, Marine Bldg.,  
355 Burrard Street  
Vancouver B.C. V6C 2G8  
Telephone 685-5226

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CIMA RESOURCES LIMITED

LOCATION MAP  
OF YUKON PROPERTIES



19 JAN. 1979

WAYLAND S. READ

P. ENG. CONSULTING GEOLOGIST  
COBBLE HILL, B.C., CANADA

**CIMA RESOURCES LIMITED**

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