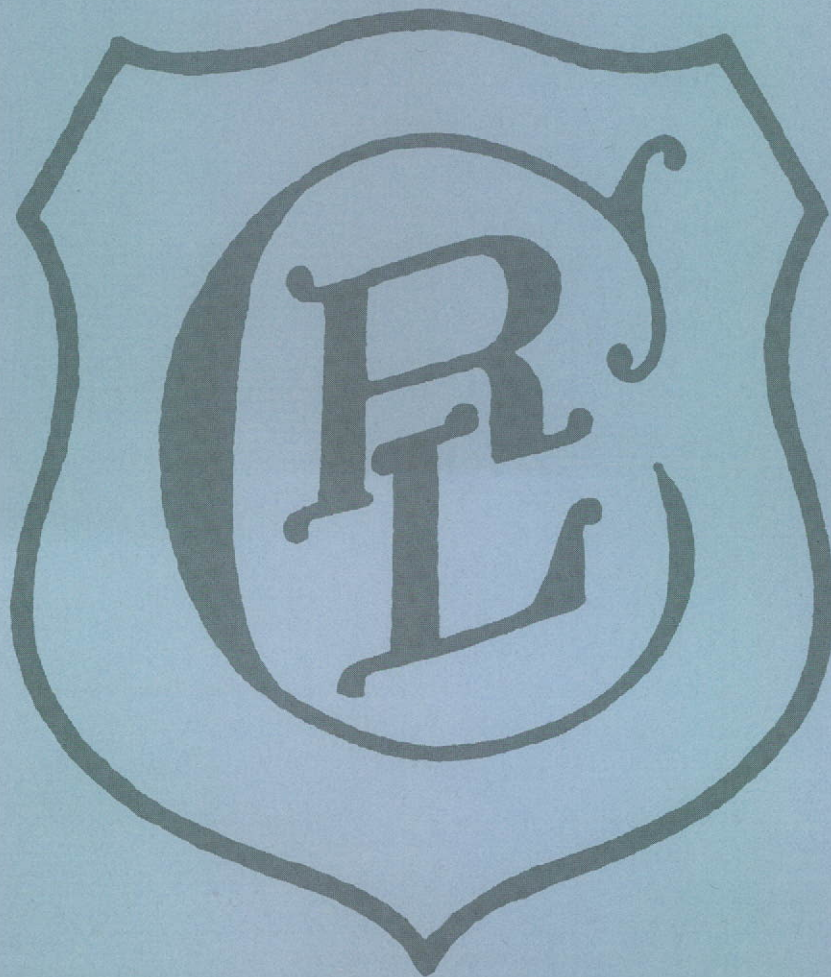


CIMA RESOURCES LIMITED



HOWARD ROSS LIBRARY
OF MANAGEMENT
SEP 26 1979
MCSTILL UNIVERSITY

ANNUAL REPORT 1977

PRESIDENT:

William B. Warke

DIRECTOR:

Carl I. Jacobsen,
President, Vanport Shipping

DIRECTOR:

Allen G. LaCroix,
Partner, LaCroix, Stewart & Company

SECRETARY:

G. Barry Finlayson
Lawyer, Lawrence & Shaw

AUDITORS:

Coopers and Lybrand

SOLICITORS:

Lawrence & Shaw

REGISTRAR &
TRANSFER AGENT:

Guaranty Trust Co. of Canada.

BANKERS:

Bank of British Columbia



TELEPHONE 685-5226

CIMA RESOURCES LIMITED

MARINE BUILDING

355 BURRARD STREET

VANCOUVER, B. C. V6C 2G8

NOTICE TO THE SHAREHOLDERS

I would consider 1977-1978 as a turnaround period for your Company, which has from 1975 had a Bank debt and others of approximately \$1,250,000.00. In 1976 it was approximately \$750,000.00. In December 1977 it was approximately \$421,000.00. Today it is \$80,000.00 to the Bank of British Columbia and approximately \$89,942.00 for Legal, Accounting, Corporation Capital Tax and sundry. We feel this is a very dramatic change in progressive financing for your Company.

As you will note from the Financial Statements, there has been a large reduction in liabilities, including Bank indebtedness, and at the same time a return to the market to generate new funds for Cima and a Subsidiary Company. Property work has increased from one property in 1976 to four properties in 1977, and while budgets have been modest these programs have been very beneficial to your Company.

Risby Tungsten Mines Ltd., a Company controlled by Cima Resources and its Subsidiary, Atsui Mining Corporation, has been reactivated. An underwriting has been arranged to finance an extensive 1978 exploration and development program on this attractive Yukon tungsten property.


The PIKE silver-copper property has been optioned to Craigmont Mines Ltd. An initial \$10,000.00 payment has been received, with a following \$20,000.00 option due in August. Annual payments on this working option will be \$35,000.00 in 1979 and escalate to \$60,000.00 from 1980.

The Cima Resources underwriting will supply funds to do work on four of our Yukon properties; the BOT asbestos property now 100% owned, the NAR silver-lead property, the SCOT lead-zinc-silver property, and the Shanghai Silver-lead property.

As the Company's present properties are optioned or joint-ventured, we will be looking to increasing the Company's holdings through exploration and acquisition.

Your Directors and I would like to thank our Geologist, Lawyers and Accountants for the co-operation given in assisting us to develop the Companies to their present potential.

On behalf of the Board June 2nd, 1978


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

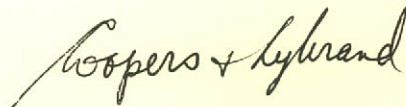
TELEPHONE (604) 682-7821
28TH FLOOR, THE ROYAL BANK OFFICE TOWER
1055 WEST GEORGIA STREET
VANCOUVER, BRITISH COLUMBIA, CANADA
V6E 3R2

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, 1977 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, 1977 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.
April 11, 1978
except for note 10
which is as of
May 12, 1978

CHARTERED ACCOUNTANTS

CIMA RESOURCES LIMITED

CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 1977

A S S E T S

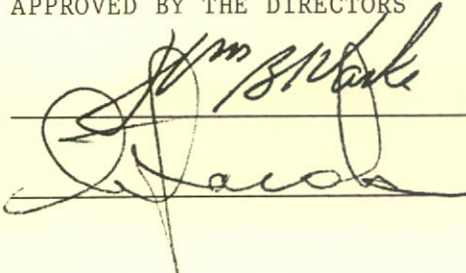
	1977 \$	1976 \$
CURRENT ASSETS		
Cash	5,049	33
Marketable securities (notes 2 and 4)	198,250	328,250
Accounts receivable and prepaid expenses	<u>2,755</u>	<u>460</u>
	206,054	328,743
MINERAL PROPERTIES AND RELATED DEFERRED COSTS		
- per Schedule	3,190,428	3,145,834
FIXED ASSETS (note 3)		
	1,010	1,102
OTHER ASSETS		
	<u>6,560</u>	<u>6,560</u>
	<u>3,404,052</u>	<u>3,482,239</u>

L I A B I L I T I E S

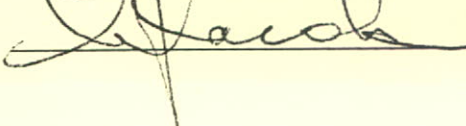
CURRENT LIABILITIES		
Bank advances (note 4)	321,928	108,500
Accounts payable and accrued liabilities	89,942	95,598
Due to shareholder	10,000	8,445
Net amount payable on sale of Atlas Oil and Gas, Limited		<u>184,427</u>
	421,870	396,970
DUE TO CYPRUS ANVIL MINING CORPORATION (note 5)	85,297	85,297
MINORITY INTEREST IN SUBSIDIARY COMPANIES	<u>242,641</u>	<u>230,141</u>
	<u>749,808</u>	<u>712,408</u>

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

CAPITAL STOCK (note 6)	2,631,131	2,631,131
NET SURPLUS	<u>23,113</u>	<u>138,700</u>
	<u>2,654,244</u>	<u>2,769,831</u>
APPROVED BY THE DIRECTORS	<u>3,404,052</u>	<u>3,482,239</u>



 _____ Director



 _____ Director

CIMA RESOURCES LIMITED
CONSOLIDATED STATEMENT OF NET SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 1977

	1977 \$	1976 \$
NET SURPLUS - BEGINNING OF YEAR	<u>138,700</u>	<u>515,691</u>
CHANGES DURING YEAR -		
Write-off of investment (note 7)		(349,356)
Write-off of abandoned mineral properties and related deferred costs		(145,610)
Write-off of costs of mineral properties on acquisition of subsidiary (note 1)	(7,500)	
Unallocated administration costs	(148,421)	(84,673)
Gain on sale of marketable securities	13,034	164,548
Dividend income	<u>27,300</u>	<u>38,100</u>
	<u>(115,587)</u>	<u>(376,991)</u>
NET SURPLUS - END OF YEAR	<u><u>23,113</u></u>	<u><u>138,700</u></u>

REPRESENTED BY:

Contributed surplus	6,512,779	6,512,779
Deficit	<u>(6,489,666)</u>	<u>(6,374,079)</u>
	<u><u>23,113</u></u>	<u><u>138,700</u></u>

CIMA RESOURCES LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN WORKING CAPITAL

FOR THE YEAR ENDED DECEMBER 31, 1977

	1977 \$	1976 \$
SOURCE OF WORKING CAPITAL		
Net source of working capital on disposal of Atlas Oil and Gas, Limited (note 7)		253,899
Gain on sale of marketable securities	13,034	164,548
Dividend income	27,300	38,100
Issue of shares in subsidiary to minority shareholder	5,000	
Sale of interest in mineral properties		100,000
Reclassification of amount due to Cyprus Anvil Mining Corporation		<u>85,297</u>
	<u>45,334</u>	<u>641,844</u>
USE OF WORKING CAPITAL		
Deferred exploration and development costs	44,594	28,826
Unallocated administration costs	148,168	84,397
Fixed asset additions	<u>161</u>	
	<u>192,923</u>	<u>113,223</u>
INCREASE (DECREASE) IN WORKING CAPITAL	(147,589)	528,621
WORKING CAPITAL (DEFICIENCY) - BEGINNING OF YEAR	<u>(68,227)</u>	<u>(596,848)</u>
WORKING CAPITAL (DEFICIENCY) - END OF YEAR	<u>(215,816)</u>	<u>(68,227)</u>
REPRESENTED BY:		
Current assets	206,054	328,743
Current liabilities	<u>421,870</u>	<u>396,970</u>
WORKING CAPITAL (DEFICIENCY) - END OF YEAR	<u>(215,816)</u>	<u>(68,227)</u>

CIMA RESOURCES LIMITED

SCHEDULE OF MINERAL PROPERTIES AS AT DECEMBER 31, 1977

Claim group	Total	Costs	Costs	Total	Costs
	claims at December 31, 1976	incurred to December 31, 1976	incurred for the year ended December 31, 1977	claims at December 31, 1977	incurred to December 31, 1977
		\$	\$		\$
Pike	16	681,462	7,494	16	688,956
Nar	4	114,609	1,428	4	116,037
Cab	54	6,480	15,905	54	22,385
Mica - Watson Lake	8	91,223	1,599	8	92,822
Pay - Watson Lake	16	8,816	6,984	16	15,800
Sierra Gorda/ Quetena	1,338	647,532		1,127	647,532
Kpo/Leo (Galena Hill)	36	119,177	697	36	119,874
Shanghai	8	1,131,437	143	8	1,131,580
Grancobre		5,000			5,000
Hess - Lad	74	110,060	7,535	42	117,595
- Scott	42	59,263	2,809	42	62,072
Tintina					
- Bot	10	6,920		10	6,920
- Lower Anvil	134	19,722		126	19,722
- Tintina	464	71,681		464	71,681
Selwyn - Summit Lake	228	72,451		228	72,451
Plata - Plata	272			212	
- Inca	44			44	
Empress		1			1
	<u>2,748</u>	<u>3,145,834</u>	<u>44,594</u>	<u>2,437</u>	<u>3,190,428</u>

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

CIMA RESOURCES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1977

1. SIGNIFICANT ACCOUNTING POLICIES

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
Risby Tungsten Mines Ltd.	82.41
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.

Risby Tungsten Mines Ltd. (Risby) became a subsidiary during the year following the transfer to the company of 46.41% of Risby's issued share capital; 38% of Risby's issued share capital was held throughout the year by Atsui Mining Corporation Limited (N.P.L.). The company's shares were acquired at no cost and accordingly, the asset value of the minority interest taken over has been written off.

Values

The amount shown for mineral properties and related deferred costs represents costs incurred to date and do not necessarily reflect present or future values.

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.

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.

CIMA RESOURCES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1977

2. MARKETABLE SECURITIES

As at December 31, 1977 the company held 30,500 shares of Cyprus Anvil Mining Corporation. These shares are carried at the written-down amount of \$198,250 (\$6.50 per share) which is lower than the quoted market price of \$274,500 (\$9.00 per share). Subsequent to the year end, the company sold its remaining shares of Cyprus Anvil Mining Corporation for \$198,250 and the proceeds were applied to the general purpose demand loan (see note 4).

3. FIXED ASSETS

	1 9 7 7			1976
	Cost	Accumulated depreciation	Net	Net
	\$	\$	\$	\$
Office equipment	<u>1,539</u>	<u>529</u>	<u>1,010</u>	<u>1,102</u>

4. BANK ADVANCES

	1977	1976
	\$	\$
(a) (i) Bank overdraft	4,904	
(ii) General purpose demand loan with interest payable at the prime bank rate plus 2% (at December 31, 1977 - 10-1/4%)	237,024	93,500
(iii) Operating demand loan with interest payable at the prime bank rate plus 1-1/2% (at December 31, 1977 - 9-3/4%)	<u>80,000</u>	<u>15,000</u>
	<u>321,928</u>	<u>108,500</u>

(b) The loans are secured by the pledging of marketable securities (note 2), a general assignment of book debts and by the limited guarantee of two shareholders.

5. DUE TO CYPRUS ANVIL MINING CORPORATION

This amount is without interest or fixed repayment terms and is secured by a second charge on the marketable securities (note 2).

CIMA RESOURCES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1977

6. CAPITAL STOCK

	1977	1976
	\$	\$
Authorized - 10,000,000 shares without par value		
Issued and fully paid - 1,315,565 shares	<u>2,631,131</u>	<u>2,631,131</u>

The company has granted options on 65,000 shares to three directors on the following basis:

25,000 to the President, exercisable at the rate of 5,000 per year for five years at the maximum discount from market price permitted by the regulations of the Vancouver Stock Exchange

20,000 to each of two other directors, exercisable until June 1980, at the prevailing market price at the time of the grant in the first year, increasing by 10% in each of the subsequent two years.

Subsequent to the year end 35,000 shares were issued to the President at a deemed value of \$12,250 (35¢ per share), being an estimate of the net proceeds which would accrue to the company had they been sold on the open market at that time.

7. SALE OF ATLAS OIL AND GAS, LIMITED

During the year, the company sold the shares of its wholly-owned subsidiary, Atlas Oil and Gas, Limited (Atlas), for \$235,000. A condition of the sale was that, at the time of closing, Atlas would not have any liabilities and, in this connection, the company purchased \$419,427 of Atlas treasury shares. This amount was sufficient to permit Atlas to repay all of its liabilities prior to the sale. The sale was effectively accounted for in the year ended December 31, 1976.

8. 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 \$31,575.

CIMA RESOURCES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1977

9. 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.

10. SUBSEQUENT EVENT

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 cancel this agreement. They further agreed that they would make joint application to the Vancouver Stock Exchange for the purpose of receiving approval for the payment of management fees by the company to the company controlled by the President, for the year ended December 31, 1977 and the year ending December 31, 1978.

No adjustment has been made in these financial statements in respect of fees paid for the year ended December 31, 1977, as it is the intention of the parties that any disallowed portion of these fees shall be applied to the year ending December 31, 1978.



CIMA RESOURCES LIMITED ANNUAL REPORTS 1976