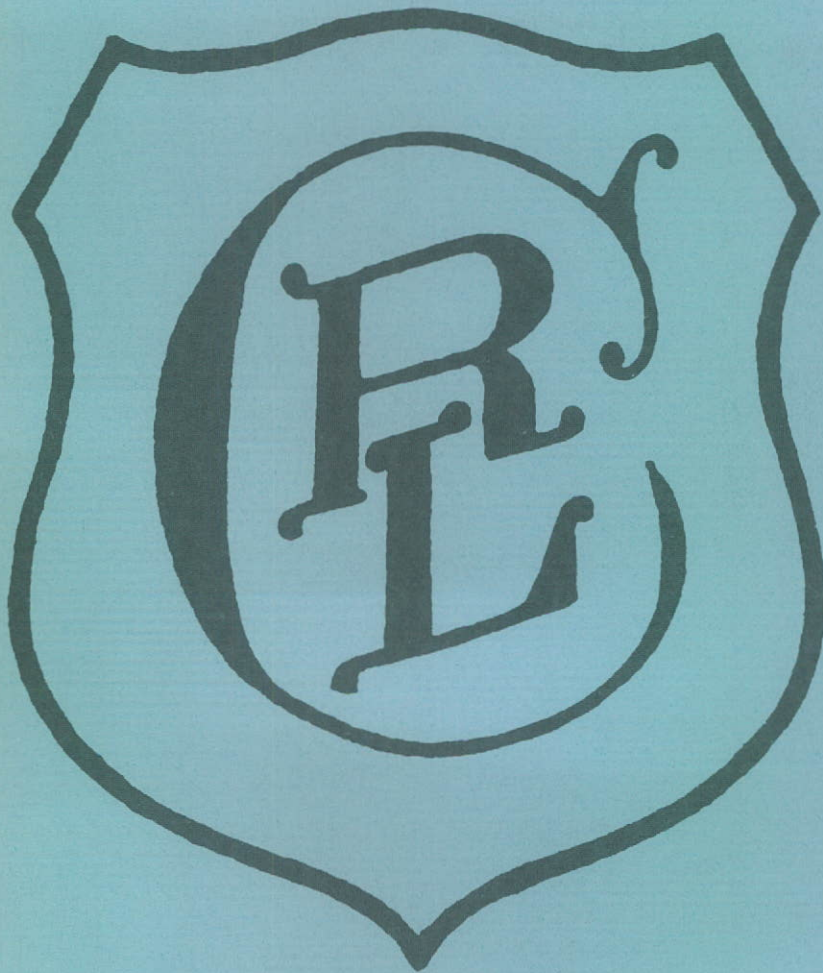


CIMA RESOURCES LIMITED



HOWARD ROSS LIBRARY  
OF MANAGEMENT  
SEP 26 1979  
McGILL UNIVERSITY

ANNUAL REPORT 1976



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PRESIDENT:

William B. Warke

DIRECTOR:

Carl I. Jacobsen,  
President, Vanport Shipping

DIRECTOR:

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

SECRETARY:

George Goulet,  
Partner, Lawrence & Shaw

AUDITORS:

Coopers and Lybrand

SOLICITORS:

Lawrence & Shaw

REGISTRAR &  
TRANSFER AGENT:

Guaranty Trust Co. of Canada.

BANKERS:

Bank of British Columbia

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## REPORT TO THE SHAREHOLDERS

I am pleased to report that since the election of the Board at the last Annual General Meeting, the Board and the President have endeavoured to bring the Company into a sound and stable financial situation, and I feel that this has been achieved by disposing of obligations which became a source of drain on the cash flow as well as tending to maintain a high degree of overhead.

The disposal of Atlas Gas and Oil Limited has off-set continuing expenses and overhead costs. Furthermore, the re-negotiating of our interests in the SELWYN and TINTINA Ventures from 20 percent participating demand obligations down to 10 percent non-participating interest has resolved the exposure that could have been financially disastrous to the Company. We have also reduced the approximate \$185,000.00 owing to Cyprus Anvil to approximately \$85,000.00, which \$85,000.00 is to be paid when and with Cyprus Anvil's complete and full discussion and their fullest co-operation in assisting us.

I am happy that consolidation and reduction of debts incurred by the Company over a number of years has been accomplished to the extent that we now see our Company in an improved financial position. Further very interesting developments have taken place, which you will be acquainted with at the Annual General Meeting. I feel that the future can be faced with much encouragement. The Company is now ready to move forward again, and to re-commence development of the many fine properties which it holds. It is contemplated that one or more underwritings will be necessary to carry out this program.

### Risby Tungsten - Cab Group

Recent work by the Geological Survey of Canada has shown that granitic rocks in Pelly Mountains form part of a faulted off segment of a continuous belt of tungsten-associated intrusives in the MacMillan Pass - Canada Tungsten Area. Since the Cab property is associated with these granitic rocks within this MacTung-Cantung tungsten province, it must be considered regionally significant. Since discovery, escalating tungsten prices have raised the average value from \$26.00 to \$110.00 per ton. A mineralized zone several thousand feet long, with varying values, was originally indicated. This presents an extensive drill target to probe for economic sections.

### Plata Group: 20%

This property has geology and mineralization similar to the Keno Hill area, and like the history of that camp, can be expected to produce high grade silver ore on a limited-reserve basis for many years.

### Plata and Inca Groups:

During the 1976 field season, Harman Management conducted a bulk sampling and preliminary economic evaluation program on mineralization from three vein zones on the Plata Group. The program was successful in outlining various grades and vein widths at depth and testing the feasibility of direct shipping small tonnages of high grade mineralization from this remote location.

A 100-ton bulk sample grading 248 ounces per ton silver and 72 percent lead and obtained by air drilling, blasting and cat trenching was shipped by combined helicopter, fixed wing, truck, rail and barge to the



Asarco Smelter at East Helena, Montana. Operational costs of \$450.00 per ton and transportation costs of \$380.00 per ton deducted from the Net Smelter Return of \$1,065.00 per ton indicate an approximate profit of roughly \$235.00 per ton shipped.

To date, much of the higher grade mineralization has been removed from small structures not amenable to further open cut trenching, which have very small tonnage potential. Zone 2, the only structure on the Plata Group appearing to have sufficient tonnage potential for a small scale mining operation, has an average grade of 160 ounces per ton silver and 72 percent lead. The economic potential of mining this grade of mineralization, at current metal prices and using similar mining and transportation methods, is very low. The feasibility of mining and shipping Zone 2 mineralization by more refined techniques should be explored.

A detailed report and analysis of the bulk sampling programs will be made available so that a decision on further development can be made.

Pas, Gull and Prevo Groups: 10% carried

The Pas property immediately adjoins Canex Placer's huge bedded lead-zinc deposit at Howard's Pass, and is transected by the continuously mineralized northeast limb of the main synclinal zone.

Further work by Placer and U. S. Steel on claims adjacent to the Gull group indicate a strong continuation of the Gull geochemical anomaly. Efforts were made to secure a tractor for trenching on the Gull in late August, but ground conditions were such that the contractor refused to risk transferring the only available machine across to the area of interest. A cut grid and detailed geochemical sampling is planned for 1977 to pinpoint the geochemical anomaly up-slope source, for trenching and/or drilling in 1978 in conjunction with one or two deep holes on the Pas claims. A minimum work program will be carried out on the remaining Prevo claims which are also adjacent to Placer/U.S. Steel claims on which exploration is ongoing.

TINTINA VENTURE: 10% Carried

This is part of the highly deformed belt that contains massive sulphide lead-zinc mineralization throughout much of its length. Due mainly to complicated structure, there are no reliable surface clues to mineralization, and new finds will be made increasingly by extensive grid drilling.

(a) Lower Anvil Creek, Gran, Aro, Roto, Lorna Groups:

The claim groups in the Lower Anvil Creek Property were included in a joint venture with Preussag Canada Ltd. where, for expenditures of \$150,000.00 before December 1st, 1977, Preussag can earn 40% of C.A.M.C.'s interest. Thereafter, costs will be shared 60% C.A.M.C., 40% Preussag. Some eighty miles of old Turam E.M. grid was re-cut for gravity survey, which was completed in October, 1976. Preliminary evaluation of this data, together with re-plotted geology and Turam on new 1" - 1,000' topographic maps, indicate two .4 mg/l. anomalies associated with Turam responses indicative of graphitic phyllite which warrant drill testing. Similar gravity anomalies are associated with Grum-type sulphides in phyllitic rocks to the east. Two, and possibly three, holes for a total of 3,000 feet will be drilled in 1977, at a total cost of \$70,000.00.

(b) East Swim Area, Hoho, Bram, Capa, Delta, Echo, Foto and Bud Groups:

As previously reported, two holes, for a total of 1,234 feet were drilled on conductors in the Cub Lake area on the Foto group in early 1976. Both holes intersected graphitic phyllite in the first 200 feet but with no significant sulphide intersection. Compilation of existing geology and ground and airborne surveys was undertaken in the winter of 1976/77, and is nearing completion. This work indicates continuity of one, and possibly two, graphitic



phyllite zones underlying the subject claim blocks. While a joint venture with a third party is still contemplated, C.A.M.C. have budgeted \$130,000.00 for fill-in Turam and gravity surveys, and a further two diamond drill holes in 1977. These will be largely sited to fulfill assessment requirements but will test the best available targets from current geophysical work. Negotiations are continuing with at least two interested parties for an expanded and accelerated joint venture on these claim groups. Drilling probably in early 1978.

Pike Claims:

Even though extensive geophysical and geochemical surveys, trenching and diamond drilling has been carried out, the Pike property remains poorly known. Outcrop is sparse, and graphitic zones accounted for many of the drilled anomalies. Mineralization, though widespread, is spotty and low grade. The property is difficult to interpret, further geologic work, followed by a drill program, being required to assess its potential.

Scott and Pay Claims (Fortin Lake):

Field studies by the Geological Survey of Canada in 1975 indicate the large potential for bedded lead-zinc deposits within the Selwyn Basin and suggest that, among others, both the Fortin Lake and Scott Group area should be re-evaluated for such shale-hosted deposits. Zinc-rich shales at Fortin Lake are similar to the host rocks at both Vangorda-Swim Lakes and Howard's Pass, and the Scott area contains bedded barite at the same stratigraphic position and setting as the major barite-lead-zinc "Tom" deposit at MacMillan Pass. Both the Scott and Pay properties contain large geochemical anomalies, parts of which remain untested by drillings.

Bot Claims: 40%

Equipment to trench the magnetic anomalies in 1976 was not available in time to carry out assessment work. The claims were therefore re-staked for the joint venture in September 1976. The anomaly is still worthy of investigation and every effort will be made to carry out the proposed trenching in 1977.

CLAIM STATUS:

Assessment work was filed on all current claim blocks during 1976, or cash paid in lieu where acceptable work was not available. All claims showing expiry dates in 1977 and early 1978 have work planned to cover assessment filing before the dates shown.

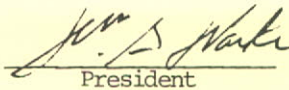
Mount Hundere Property:

We are, at this moment, working with a Mining Company who wish to work beginning this year on our Mount Hundere property, to high-grade and ship from this property, and we expect to have some possible income from this as early as next year. This has a twofold benefit to the Company; first, as mentioned, and secondly, that more information will be obtained on the Mount Hundere Holdings.

Your Directors have been successful in obtaining an option on an oil-producing property in New York-Pennsylvania State, and it is our intention to endeavour to put this into production within the next two years toward obtaining a cash flow for the Company.

Your Directors are enthusiastic and happy with our assets, and look forward to the development of the Company in 1977/78.

On behalf of the Board May 9th, 1977.

  
\_\_\_\_\_  
President

**COOPERS & LYBRAND**  
CHARTERED ACCOUNTANTS

OFFICES THROUGHOUT CANADA  
AND IN PRINCIPAL AREAS  
OF THE WORLD

MAILING ADDRESS  
P.O. BOX 1128, ROYAL CENTRE  
1055 WEST GEORGIA STREET  
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TELEPHONE (604) 682-7821  
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1055 WEST GEORGIA STREET  
VANCOUVER, BRITISH COLUMBIA, CANADA  
V6E 3R2

CABLE ADDRESS: COLYBRAND, VANCOUVER, B.C.  
TELEX: 04-507830

**CIMA RESOURCES LIMITED**

CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 1976

A S S E T S

CURRENT ASSETS	1976	1975
	\$	\$
Cash	33	105
Marketable securities (notes 2 and 4)	328,250	666,250
Accounts receivable and prepaid expenses	460	12,292
	328,743	678,647
MINERAL PROPERTIES AND DEFERRED COSTS	3,145,834	3,514,049
FIXED ASSETS (note 3)	1,102	451,378
OTHER ASSETS	6,560	8,384
	3,482,239	4,652,458

L I A B I L I T I E S

CURRENT LIABILITIES		
Bank advances (note 4)	108,500	1,004,315
Accounts payable and accrued liabilities	95,598	85,883
Due to Cyprus Anvil Mining Corporation (note 5)		185,297
Due to shareholder	8,445	
Net amount payable on sale of Atlas Oil and Gas, Limited (note 9)	184,427	
	396,970	1,275,495
DUE TO CYPRUS ANVIL MINING CORPORATION (note 5)	85,297	
MINORITY INTEREST IN SUBSIDIARY COMPANIES	230,141	230,141
	712,408	1,505,636
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	138,700	515,691
	2,769,831	3,146,822
	3,482,239	4,652,458

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of Cima Resources Limited as at December 31, 1976 and the consolidated statements of earnings, net surplus 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.

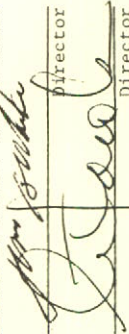
In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1976 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

*Loopuo: by brand*

Vancouver, B. C.  
March 18, 1977

CHARTERED ACCOUNTANTS

SIGNED ON BEHALF OF THE BOARD

  
Director

# CIMA RESOURCES LIMITED

CONSOLIDATED STATEMENT OF NET SURPLUS  
FOR THE YEAR ENDED DECEMBER 31, 1976

DEFICIT - BEGINNING OF YEAR	1976	1975
	\$	\$
Net loss for the year	5,997,088	5,306,416
	<u>376,991</u>	<u>690,672</u>
DEFICIT - END OF YEAR	6,374,079	5,997,088
LESS: CONTRIBUTED SURPLUS - BEGINNING AND END OF YEAR	<u>6,512,779</u>	<u>6,512,779</u>
NET SURPLUS - END OF YEAR	<u>138,700</u>	<u>515,691</u>

# CIMA RESOURCES LIMITED

CONSOLIDATED STATEMENT OF EARNINGS  
FOR THE YEAR ENDED DECEMBER 31, 1976

WRITE-OFF OF ABANDONED MINERAL PROPERTIES AND RELATED DEFERRED COSTS	1976	1975
	\$	\$
GENERAL AND ADMINISTRATIVE COSTS	145,610	202,647
GAIN ON SALE OF MARKETABLE SECURITIES	84,673	104,174
LOSS FOR THE YEAR FROM OIL AND GAS OPERATIONS (note 9)	(164,548)	
PROVISION FOR ACCOUNT RECEIVABLE		140,581
DIVIDEND INCOME	<u>(38,100)</u>	<u>10,000</u>
LOSS FOR THE YEAR BEFORE EXTRAORDINARY ITEMS (loss per share: 1976 - 2¢; 1975 - 30¢)	27,635	395,902

## EXTRAORDINARY ITEMS

Write-off of investment in Atlas Oil and Gas, Limited and provision for loss on disposal (note 9)  
Provision for non-recovery of exploratory gas permits and write-down of fixed assets to estimated net realizable value

349,356

294,770

NET LOSS FOR THE YEAR (net loss per share: 1976 - 29¢; 1975 - 53¢)

376,991

690,672



# CIMA RESOURCES LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN WORKING CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 1976

## SOURCE OF WORKING CAPITAL

Disposal of Atlas Oil and Gas, Limited (note 9)	1976	1975
Disposal of non-current assets	\$	\$
Less: Write-off of investment and provision for loss	603,255	
	<u>349,356</u>	
Net source of working capital on disposal	253,899	61,500
Gain on sale of marketable securities	164,548	
Dividend income	38,100	
Sale of interest in mineral properties	100,000	
Reclassification of amount due to Cyprus Anvil Mining Corporation	<u>85,297</u>	
	<u>641,844</u>	<u>61,500</u>

## USE OF WORKING CAPITAL

Loss on oil and gas operations	112,761
Deferred exploration, development and administration costs	118,148
Fixed asset purchases	<u>1,378</u>
	<u>232,287</u>
INCREASE (DECREASE) IN WORKING CAPITAL	(170,787)
WORKING CAPITAL (DEFICIENCY) - BEGINNING OF YEAR	<u>(426,061)</u>
WORKING CAPITAL (DEFICIENCY) - END OF YEAR	<u>(596,848)</u>

## WORKING CAPITAL (DEFICIENCY) IS REPRESENTED BY:

Current assets	328,743
Current liabilities	<u>396,970</u>
WORKING CAPITAL (DEFICIENCY) - END OF YEAR	<u>(68,227)</u>

# CIMA RESOURCES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 1976

## 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
Mt. Hundere Mines Limited (N.P.L.)	68.87
Atsui Mining Corporation Limited (N.P.L.)	94.74
Fortui Mining Corporation Limited (N.P.L.)	69.47

The excess of the net book values of these subsidiary companies over the cost of shares at the dates that control was acquired (\$809,753) has been allocated to mineral properties. Subsequent to the year end, the company sold its 100% interest in its other subsidiary, Atlas Oil and Gas, Limited. Accordingly, the accounts of Atlas Oil and Gas, Limited are not included in the 1976 consolidated financial statements (note 9).

### Values

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

### Conversion of Foreign Currency

- (i) Current assets and current liabilities - at exchange rates as at December 31, 1976.
- (ii) Mineral properties and deferred costs and fixed assets - at exchange rates when incurred, acquired or constructed.

### Mineral Properties and 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, 1976

#### 2. MARKETABLE SECURITIES

As at December 31, 1976 the company held 50,500 shares of Cyprus Anvil Mining Corporation. These shares are carried at the written-down amount of \$328,250 (\$6.50 per share) which is lower than the quoted market price of \$517,625 (\$10.25 per share).

#### 3. FIXED ASSETS

	1976		1975	
	Cost	Accumulated Depreciation	Net	Net
	\$	\$	\$	\$
Office equipment	1,378	276	1,102	1,378
Pipeline and gas processing plant (note 9)	—	—	—	450,000
	1,378	276	1,102	451,378

#### 4. BANK ADVANCES

	1976	1975
	\$	\$
(a) (i) Bank overdraft, after deducting outstanding cheques	—	—
(ii) General purpose demand loan	—	—
Interest payable at the prime bank rate plus 1% (at December 31, 1976 - 10-3/4%)	93,500	500,000
(iii) Revolving demand loan	—	—
Interest payable at the prime bank rate plus 1-1/2% (at December 31, 1976 - 11-1/4%)	15,000	50,000
(iv) Pipeline loan	—	—
Interest payable at the prime bank rate plus 1-1/2%	—	409,000
	108,500	1,004,315

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

## CIMA RESOURCES LIMITED

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1976

#### 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).

CAPITAL STOCK	1976	1975
	\$	\$
Authorized -	—	—
10,000,000 shares without par value	—	—
Issued and fully paid -	—	—
1,315,565 shares	2,631,131	2,631,131

The company has agreed to offer Cyprus Anvil Mining Corporation 25% of each new issue of the company's shares on the same terms as offered to others.

#### 7. 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 \$13,666.

#### 8. 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.

#### 9. SUBSEQUENT EVENT - SALE OF ATLAS OIL AND GAS, LIMITED

Subsequent to December 31, 1976, 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.

As a result of this subsequent sale, the assets, liabilities, revenues and expenses of Atlas have not been consolidated in these financial statements for the year ended December 31, 1976.

The company's investment in Atlas, amounting to \$164,929 has been written-off and the net costs to be incurred in connection with the sale amounting to \$184,427 have been fully provided for.

# EXCERPTS FROM — SELWYN BASIN; YUKON AND DISTRICT OF MACKENZIE

(Geol. Surv. Can., Paper 76-1A)

These include the Canex — Placer deposit of Howard's Pass and the Vangorda — Swim belt, both probably in rocks of Ordovician-Silurian age. Shales of similar lithology with unusual amounts of zinc are present just east of Ross River, at Fortin Lake and just northwest of Cantung. The area of potentially productive ground is large and until further geologic guides, in addition to stratigraphic position, are developed, lead-zinc exploration targets will necessarily be governed by access and availability of outcrop.

The Tom Property at Macmillan Pass, a significant deposit of bedded barite, lead and zinc, occurs in a distinctive silvery-weathering, coaly-black shale member within the lower part of the group. Similar looking and stratigraphically positioned laminated barite deposits are present in numerous places over a wide area extending from north-central Coal River map-area in the south, to at least the head of Mountain River in the north, and across a width of more than 100 miles (160 km). These deposits range in thickness up to 500 feet (150 m) or more, and in length to over 5 miles (8 km). Only a few have been examined for lead and zinc, as most are new finds. A unique feature of the Tom Property is an abrupt thickening of the host shale unit coincident with the limits of the deposit. The mineralization occurs near the base of the thickest, least laminated sequence of shale filling an east-west graben-like structure, suggesting an origin of the Red Sea type. A similar structure occurs a few miles northwest of the Macmillan River crossing, in north-central Sheldon map-area. Erosion has removed the 'Black Clastic' group throughout much of Sheldon and Lansing map-areas, probably accounting for the limited barite occurrences in these areas.

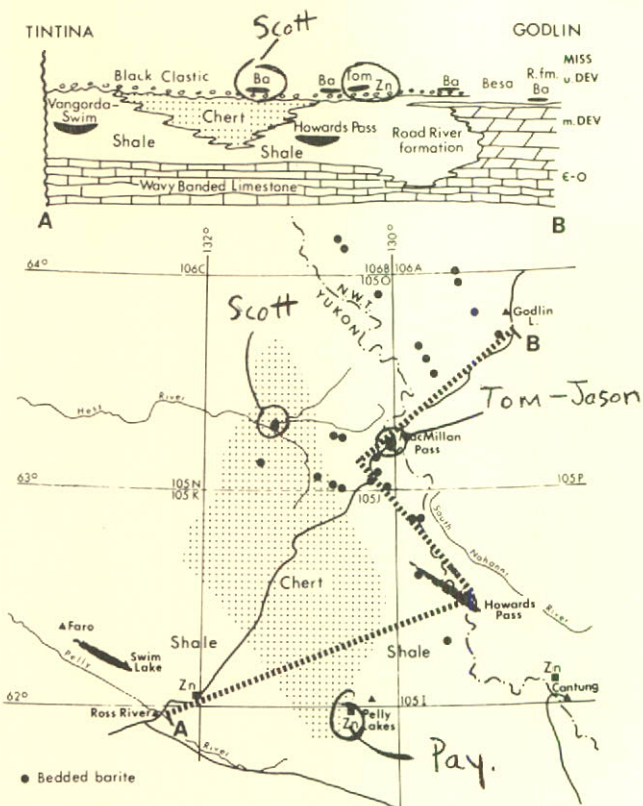


Figure 26.1. Sketch map showing generalized distribution of Ordovician - Silurian shale and chert facies (stippled), and locations of Upper Devonian bedded barite.



Pay claims, 1968 Sheldon Project Base Camp, Fortin Lake, Yukon.









**CIMA RESOURCES LIMITED ANNUAL REPORTS 1976**