

On behalf of the Board of Directors, I am pleased to present your Company's annual report and financial statements for the year ending March 31, 1986.

In the past year the Company was active mainly in the oil and gas sector with the drilling of 13 wells, recompletion of one well, and a farm-out on another well. This resulted in nine successfully completed wells, 6 in Manitoba, 1 in Saskatchewan and 2 in Alberta. As well the recompletion was successfully completed from a Viking to a Cardium producer. Costs for the wells were partially offset by a flow-through share offering which grossed the Company \$79,200. As a result of the drilling activities the company is presently involved in 20 producing oil wells with interests ranging from 1.25-4.0%.

For the year ending March 31, 1986, oil revenue net of royalties was \$96,540. The lack of increase over the 1985 revenue is related to increased royalties, decreased production in Saskatchewan and the dramatic decline in oil prices. Should oil prices increase and drilling activities resume, the Company has the potential of participating in 18 development wells.

The Company received \$5,640 royalties from a high-grading operation on its Sulphurets Property. Extraction problems prevented the Company receiving a 12% Net Smelter Royalty on approximately 800 pounds of handcobbed ore assaying 600-800 oz. gold. It is likely that the Company will be receiving additional funds related to the high-grading operation.

At present, the Company is pursuing funds in order to place the Sulphurets Property into production. A 25 ton per day operation would have a life span or at least 3 years by surface mining methods before having to go underground. The Company's consulting geologist feels that the property is in the bonanza section of an epithermal system and should extend to a 1000 foot depth. This would mean that the property has a potential for 200,000 tons of material yielding in excess of 0.5 oz. per ton gold.

Catear is presently pursuing a law suit against Noko Resources in recognition of the 49% interest earned on its behalf as well as for its partners in the Manitoba Stratabound Project. Noko Resources Inc. have taken the position that Catear Resources Ltd. has not earned the 49% interest in the mineral claims even though the mining recorder of the Mineral Resources Division, Mines Branch, Manitoba Energy and Mines, The Pas has accepted the proof of the expenditures to Catear Resources Ltd. as satisfaction of the work required to maintain the mineral claims. Catear's management feel that this position is unfounded and are confident that the courts will recognize the 49% interest earned.

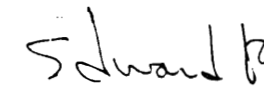
Catear in conjunction with a private Calgary company has staked three placer leases in Alaska, U.S.A. Preliminary testing, with test samples up to 20 yards each on these leases indicates \$20/ yd. gravel at \$330 oz/US gold. Testing has indicated a potential 60,000-100,000 yards of gravel in two separate benches.

Catear is also negotiating a lease/purchase on a Tertiary river channel in the Coalmont area of B.C.. Gravel's carry both gold and platinum and are in the same channel from which \$400,000 was recently obtained downstream from Catear's location. Based on the previous activities in this area, a potential of 200,000 yards of gravel are available on the property.

Catear's objective for the upcoming year is to place the Alaska Placer and Sulphurets Properties into production in order to increase cash flow. As well the Company will be examining exploration and development of low risk oil plays.

The continued support of the shareholders is greatly appreciated and directors wish to express their gratitude.

On Behalf of the Board



E.R. Kruchkowski
President

SHAREHOLDERS



SULPHURETS PROPERTY

The project area is located in the Skeena Mining Division, 72 km. north of Stewart, B.C.. It lies near Brucejack Lake at the headwaters of Sulphurets Creek. Geographic coordinates are longitude 130 degrees 10 minutes and latitude 56 degrees 28 minutes.

The claim areas are underlain by broad zones of strongly silicified, sericitized and pyritized rocks.

The Gold Wedge claim is underlain by several narrow zones of silicified, sericitized and pyritized rocks; two trending N.E. and one N.W..

Quartz veins and veinlets are particularly abundant throughout the above three alteration zones. One only partially exposed in outcrops is about 6 metres wide striking N.W.. One of the N.E. striking trends is 1-3 metres wide and its stockwork carries lenses of quartz with native gold, electrum (pale yellow, white and red) in association with argentiferous tetrahedrite and coarse arsenopyrite crystals. Minor pyrargyrite, galena, sphalerite and pyrite is associated with the native gold. Pyrite is very abundant in the wall rocks and sericite schists within the stockwork zones. Calcite often comprises up to 10% of the veinlets and barite is noted locally.

The gold occurs as fine fracture fillings, near massive seams, and specks within white quartz. It also occurs as narrow sheets and seams within the sericite schists, generally where the quartz veinlets have pinched out. Coarse sheets of gold are also present within fault gauge and along slippage surfaces. The gold in quartz generally is concentrated in minor flexure structures in the veinlets and in or near sheared surfaces.

Another N.E. trending zone is present approximately 200 metres west of the above zones. It has been traced along a strike length of 100 metres and indicates similar type mineralization to the above two veins. Narrow massive tetrahedrite veinlets are present and a speck of native gold has been identified in the sulphosalt.

Small scale mining using a gas powered rock drill and hand cobbing of the quartz material has produced in excess of 200 ounces of gold from the property.

A production history is as follows:

- Pre-1980 A total of approximately 39 pounds of selected material yielded 7.0 ounces of gold.
- 1980 34.7 pounds of rock yielded 3.61 ounces of gold.
- 1983 Approximately 60 ounces of gold was obtained from 208 pounds of quartz. This weight represented approximately 30 tons of pre-cobbed quartz for an average of 2 oz/ton gold.
- 1985 During 1985, approximately 300 tons of material was processed out of which over 200 ounces of gold was obtained. This production established the presence of gold along a strike length of at least 120 feet and a depth of at least 40 feet.

Results to date on the high-grading operation and geochemical analysis indicate that the mineralization is related to an epithermal gold system. Because the present trenching appears to be near the top of the system, it is likely that at least 1000 feet of depth extent could be expected (epithermal systems generally have 1000 feet of "bonanza" type mineralization). Using a 400 foot strike length and 6 feet of width, 200,000 tons of mineralized rock may be present. Due to the high grade but erratic gold pockets, the average grade is hard to estimate. It appears that the native gold is present in amounts up to approximately 1 oz./ton.

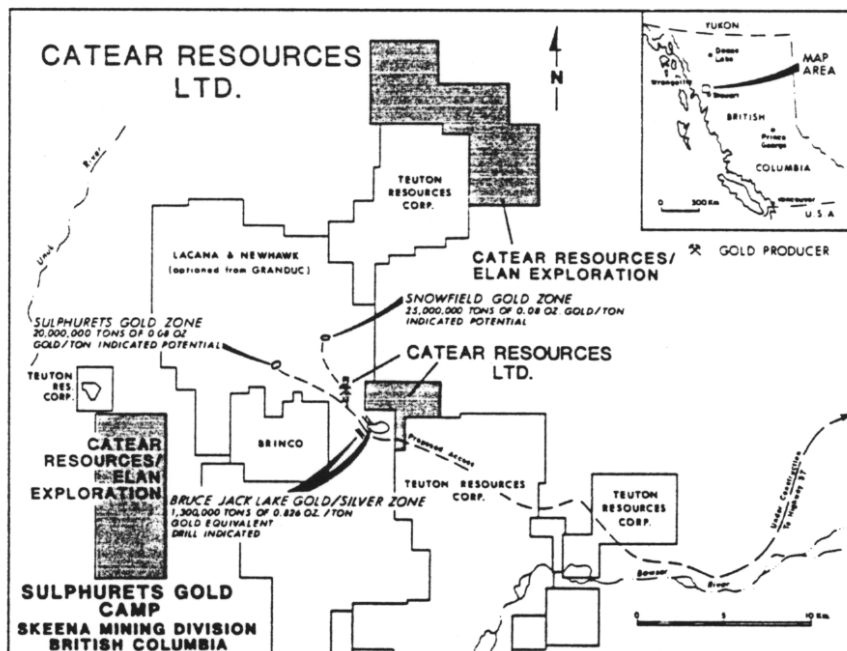
An average of the sulphide bearing quartz without native gold indicates a value of 1.12 oz gold/ton. This quartz is part of the stockwork forming approximately 20-40% of the zone. This would indicate an average of .2 oz gold/ton in sulphide bearing quartz plus up to 1 oz gold/ton in native gold over the whole zone for an average of 1-1.2 oz gold/ton. This compares well with the adjacent Newhawk-Lacana Brucejack Lake zone with an indicated 1,300,000 tons of .826 oz gold equivalent/ton.

In addition to the northeast zone, a northwest trending zone up to 20 feet wide and 200 feet long appears to be related to the above mineralization. Assuming the same depth extent as the first zone and the above dimensions, a total of 333,000 tons of quartz is indicated. The material in this zone is likely lower in grade than the first zone, but proper evaluation has not been conducted. The presence of narrow tetrahedrite bearing veinlets in the zone similar to the first zone presents an excellent exploration potential.

The Gold Wedge claim is entirely within the Lacana-Newhawk block. Work by these companies has indicated high grade results over substantial widths in diamond drill holes. The latest published drill hole results by Lacana-Newhawk are as follows:

Drill Hole	Intersection	oz/ton gold	oz/ton silver
86-137	74.0 feet	0.41	13.13
including	13.6 feet	1.55	44.68
86-138	14.3 feet	1.96	3.11
86-148	28.5 feet	0.36	57.42
including	6.6 feet	1.30	209.38

Catear feels that similar results may be obtained on their property in the Sulphurets area. Presently the Company is discussing potential production for the Gold Wedge with various financing groups. This would involve a 25 ton per day operation for approximately 6 months of the year.





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STOCK EXCHANGE LISTED

Vancouver Stock Exchange
Trading Symbol: CAA.A

CAPITALIZATION

20,000,000 Class A Common Shares
No Par Value
5,000,000 Class B Preferred Shares
Par Value \$10
3,721,054 Shares Issued Including
750,000 Escrow

ANNUAL MEETING

September 30, 1986 at 2:00 pm.
Bourne Lyall Offices
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