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**Directors and Officers
as at December 31, 1981**

J.H. Farris

Chairman

D.G. Leighton

President

J.S. Brock

Director

V.H. Bradley

Secretary

MALABAR MINES LTD.

Registrar and Transfer Agent

Guardian Estates

470 Granville Street

Vancouver, B.C.

Legal Counsel and

Registered Office

Bull, Housser and Tupper

3000 Royal Centre

1055 West Georgia Street

Vancouver, B.C.

ANNUAL REPORT 1981

Auditor

Peat, Marwick, Mitchell & Co.

2100-505 Burrard Street

Vancouver, B.C.

Listing

Vancouver Stock Exchange

Ticket Symbol — MBA

Year Ending December 31, 1981

MALABAR MINES LTD.

TO OUR SHAREHOLDERS:

In 1981 Malabar Mines Ltd. concentrated efforts on uranium and base and precious metal exploration in the northwestern U.S.A. and in southern B.C.

URANIUM

The Basin Uranium Project in the northwestern U.S.A. has been the principal focus on the Company's activities for the past 2 years. The project has involved considerable research and investigation into the occurrence and extraction of uranium from young deposits of generally limited size. Results have indicated the technical feasibility of producing yellow-cake in an environmentally sound manner from relatively small operations at production cost levels very competitive with existing U.S. mines.

Despite the fact that the world uranium market is currently very depressed, Malabar is optimistic as to the outlook for the Basin Project due to the potential for substitution of product where existing mines with supply contracts are realizing minimal or negative cash flow from current sales.

Financing of a major land acquisition and production program has been discussed with large U.S. and foreign firms, but due to the current economic environment no significant developments have occurred. As an alternative Malabar intends to pursue the financing of a limited pilot project in which the economics and technical aspects of the process can be demonstrated and some cash flow generated. This would in time lead to a full-scale developmental program.

MASSIVE SULPHIDE PROJECTS

During the year three massive sulphide properties were staked by the Company in search of Kuroko-type deposits. Two prospects were staked near Grants Pass in southern Oregon in the Caloko project and one was staked northwest of Cowichan Lake, Vancouver Island, B.C. On the latter property one ore grab sample from a quartz-rich zone yielded an assay of 0.4 oz Au/ton.

At this point in time due to financial constraints it is Malabar's intention not to expend any large sums on these prospects, but rather to concentrate on optioning them to majors who will be able to explore more aggressively.

PRECIOUS METALS

On the Bodie gold prospect in Washington State the Company sold its option during the year for \$20,000 U.S. cash but retains a 15% net proceeds interest. The operator has reported progress in obtaining regulatory approvals for commencement of retreatment of the gold-bearing tailings on the property.

Late in 1981 the Company decided to increase its emphasis on precious metal exploration. In this regard agreement was reached in April, 1982 with Ventures West Minerals Ltd. to acquire the latter's substantial holding of 23 properties, covering 1463 claim units, in the Queen Charlotte Islands, B.C.

In addition to the above acquisition the Company also proposes to acquire the 60% interest in the Basin Project and the 20% carried interest in the Caloko Project also now held by Ventures West Minerals. The total consideration for these three acquisitions will be 2,725,000 new shares.

As a result of these acquisitions and assuming maximum success in the proposed private placement noted below, Ventures West Minerals will hold 57% of the new issued and outstanding share capital and will assume administrative and operating control of the Company.

FINANCING

It is proposed to finance ongoing exploration in the Queen Charlotte Islands by way of a private placement of up to 1,875,000 new common shares at \$0.80 per share in units of 31,250 shares at a cost of \$25,000 per unit. To facilitate such issue at \$0.80 per share it is proposed to consolidate existing common shares on the basis of 1 new share for each 4 existing shares. In accordance with Vancouver Stock Exchange requirements upon consolidation, it is proposed to change the Company's name to Excelsior Minerals Ltd.

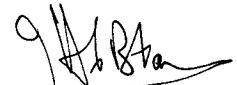
It is with regret that the Company received the resignation of Douglas Leighton as President and Director on May 3, 1982. His patient efforts over 1981, one of the most trying years ever for the mineral industry, are appreciated.

Mr. Leighton's position will be filled by Victor F. Erickson, President of Ventures West Minerals Ltd.

On behalf of the Board

Chairman

President



MALABAR MINES LTD.
Financial Statements

Balance Sheet

December 31, 1981 (with comparative figures for 1980)

	1981	1980
Assets		
Current assets:		
Cash and term deposits	\$ 2,492	\$ 70,133
Accounts receivable and accrued interest	—	4,675
Due from related company	3,634	30,121
Total current assets	6,126	104,929
Deferred exploration and administrative expenditures (Note 1) (Schedule)	<u>424,923</u>	<u>315,229</u>
	<u>\$431,049</u>	<u>\$420,158</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 48,076	\$ 26,133
Shareholders' equity:		
Capital stock (Note 2):		
Shares without par value.		
Authorized 5,000,000 shares;		
issued 2,705,503 shares	490,802	490,802
Deficit, per accompanying statement	107,829	96,777
	<u>\$431,049</u>	<u>\$420,158</u>

See accompanying notes to financial statements.

On behalf of the Board:

Director

Director

Statement of Deferred Exploration and Administrative Expenditures
Year ended December 31, 1981
(with comparative figures for 1980)

	1981	1980
Exploration:		
Assays	\$ 2,111	\$ 6,626
Claims	2,589	17,464
Consulting fees	46,777	25,197
Field accommodation and supplies	4,591	461
Personnel	6,399	4,275
Telephone	27	—
Transportation	8,679	993
	<u>71,173</u>	<u>55,016</u>
Administrative:		
Accounting and audit	3,450	3,000
Advertising	162	—
Legal	4,365	2,044
Licences and fees	330	528
Office and general	2,405	950
Rent	1,080	1,946
Salaries and employee benefits	62,987	—
Telephone	129	1,287
Transfer agent and stock exchange	1,921	968
	<u>76,829</u>	<u>10,723</u>
Total expenditures for the year	148,002	65,739
Deferred expenditures, beginning of year	315,229	266,175
Recoveries during the year	(24,988)	(6,983)
Expenditures written off to deficit:		
Claims abandoned during the year	(5,254)	(8,082)
Exploration and administrative expenditures not deferred	(8,066)	(1,620)
Deferred expenditures, end of year	<u>\$424,923</u>	<u>\$315,229</u>

See accompanying notes to financial statements.

Statement of Deficit

Year ended December 31, 1981
(with comparative figures for 1980)

	1981	1980
Deficit, beginning of year	<u>\$ 96,777</u>	<u>\$95,309</u>
Add (deduct) changes during the year:		
Gain on granting of option on mineral property	—	(1,000)
Interest income	(2,268)	(8,874)
Exploration, administrative and other expenditures written off	13,320	11,342
Net loss for the year	<u>11,052</u>	<u>1,468</u>
Deficit, end of year	<u>\$107,829</u>	<u>\$96,777</u>

See accompanying notes to financial statements.

Statement of Changes in Financial Position
Year ended December 31, 1981
(with comparative figures for 1980)

	1981	1980
Funds provided:		
Interest income	\$ 2,268	\$ 8,874
Recovery of exploration and administrative expenditures	24,988	6,983
Proceeds from issue of capital stock	—	61,000
Gain on granting of option of mineral property	—	1,000
Total funds provided	<u>27,256</u>	<u>77,857</u>
Funds applied:		
Exploration and administrative expenditures	<u>148,002</u>	<u>65,739</u>
Increase (decrease) in working capital	(120,746)	12,118
Working capital, beginning of year	<u>78,796</u>	<u>66,678</u>
Working capital (deficiency), end of year	<u>\$ (41,950)</u>	<u>\$78,796</u>



Peat, Marwick, Mitchell & Co.

CHARTERED ACCOUNTANTS

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of Malabar Mines Ltd. as at December 31, 1981 and the statements of deferred exploration and administrative expenditures, deficit 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 financial statements present fairly the financial position of the company as at December 31, 1981 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, British Columbia, Canada
February 4, 1982

Peat, Marwick, Mitchell & Co.
Chartered Accountants

Schedule of Deferred Exploration and Administrative Costs
Year ended December 31, 1981

1981 Transactions

	Balance, December 31, 1980	Exploration expenditures	Administrative expenditures	Recoveries	Transferred to deficit on abandonment of project	Balance December 31, 1981
Art and Ekwi group of mining claims, Godlin Lakes area, MacKenzie Mining Division, Northwest Territories. The company has a 100% interest in these claims.	\$151,763	\$ 1,240	\$ 53	—	—	\$153,056
MIR property in the Atlin Mining Division of British Columbia. Under an agreement, the company at its option has an 8% carried interest or a 16% working interest in this property.	3,829	—	—	—	—	3,829
IRA mineral property in the Atlin Mining Division of British Columbia. The company has a 100% interest in this property. Under an option agreement a third party can acquire a 75% interest in the property upon expenditure of \$500,000.	1,600	—	—	—	—	1,600
Bennett project in British Columbia. The company, as a member of a joint venture group has a net profits interest of 2% in this project.	2,399	—	—	—	—	2,399
DR mineral property in the Liard Mining Division of British Columbia	1	—	—	—	(1)	—
Basin project in the Western States area of the United States. The company has a 40% interest in this project.	38,371	95,895	7,083	—	—	141,349
Bodie project in Okanogan county, Washington. The company holds a net profits interest in these claims which is for 3% before capital payout and 15% thereafter. This present position arose through the company's sale of its option on the properties. The \$23,988 shown as recoveries on this schedule represents the option payment received.	103,539	7,545	323	(23,988)	—	87,419
Bubble mineral property in the Clinton Mining Division of British Columbia. The company has optioned this property to a third party whereby the company retains a 10% net profit interest with a minimum annual payment of \$1,000.	11,069	—	—	(1,000)	—	10,069
Sid, Kid and Vista group of mineral claims, Yukon Territory. The company has a 16.67% interest in these claims. Under an option agreement, a third party can acquire up to 70% of this interest upon expenditures of up to \$600,000, or a greater percentage if the company elects to have a carried net profits interest.	2,658	—	—	—	—	2,658
Caloko group of mineral claims in Douglas and Josephine Counties, Oregon. These claims are held 100% by a related party on behalf of the company.	—	8,260	354	—	—	8,614
Nitinat property in southern Vancouver Island, British Columbia. The company has a 100% interest in this property. Under a prospector's agreement dated March 1, 1981, a third party is to receive 10% of any net consideration received by the company after recovery of costs.	—	13,358	572	—	—	13,930
Slag project in Butte, Montana.	—	5,037	216	—	(5,253)	—
Mag property in Princeton, British Columbia. These claims are held 100% by third parties, on behalf of the company. (No costs incurred to date.)	—	—	—	—	—	—
	<u>\$315,229</u>	<u>\$131,335</u>	<u>\$8,601</u>	<u>\$(24,988)</u>	<u>\$(5,254)</u>	<u>\$424,923</u>

NOTES TO FINANCIAL STATEMENTS December 31, 1981

1. Significant accounting policy:

Deferred exploration and administrative costs:

The company defers exploration expenditures (net of recoveries), including the acquisition and administrative costs directly related to specific mineral projects until such time as the extent of mineralization has been determined and the properties are either developed or the company's mineral rights are allowed to lapse. General exploration and administrative costs which cannot be allocated to specific mineral projects are expensed in the period in which they are incurred.

2. Capital stock:

(a) Escrowed shares:

600,000 of the issued shares are held in escrow, subject to release on the approval of regulatory authorities.

(b) Pooling agreement:

Under the terms of a pooling agreement dated March 31, 1978, 150,000 shares have been placed with a trust company and cannot be sold from the pool without the consent of regulatory authorities.

3. Income taxes:

At December 31, 1981, the amount of deferred exploration and administrative costs available for income tax purposes exceeded the amount recorded in the accounts by \$106,253 (1980 — \$101,000). The future income tax benefits which may result from the use of these amounts has not been recorded.

4. Related party transactions:

(a) During the year consulting fees of \$40,731 were charged by D.G. Leighton & Associates Ltd., a company owned by the president of Malabar Mines Ltd., for work performed on the Basin Project. Of this amount \$31,540 is owing to that company at December 31, 1981.

(b) Certain of the directors of the company are also shareholders and directors of corporations which are joint venturers in the following projects:

(i) The Basin Project is 60% owned by a company controlled by a shareholder, Ventures West Minerals Ltd. One of the company's directors is also a director of Ventures West Minerals Ltd. At December 31, 1981, \$3,634 is due from this related company.

(ii) The Sid, Kid and Vista project is 16.67% owned by a shareholder, Welcome North Mines Ltd. One of the company's directors is also a director of Welcome North Mines Ltd.