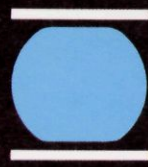


Red Cap
886842
104K101,053,085



OMNI RESOURCES INC.
Annual Report 1981





Contents

President's Report	1
Exploration Report	
<i>Red Cap</i>	5
<i>Gold Cap</i>	8
<i>Mount Ogden</i>	8
Balance Sheet	10
Deferred Exploration and Administration Expenses	12
Changes in Financial Position	13
Notes to Financial Statements	14
Corporate Information	I.B.C.

President's Report

1981 has been somewhat of a disconcerting year with the dramatic downturn in the economy and the subsequent slumping fortunes of the mining industry as a whole.

However, for Omni Resources Inc., the year has contained a number of encouraging developments. Most importantly, it is the year in which its exploration program came up with positive results, buoying the Company's hopes for one of its properties in north-west British Columbia.

The latest results from the assay work carried out this past summer have encouraged the management of your company to plan an expanded exploration program during the next season. All of the work Omni will carry out during 1982 will take place at "Red Cap", the copper-gold-silver and molybdenum property that Omni discovered 18 months ago.

Since its discovery, Red Cap has become the centre of Omni's exploration activity. An additional 10,000 to 15,000 feet of diamond drilling is planned for the property beginning in the 1982 exploration season.

The company will make a decision later as to whether economic conditions will permit the entire drilling program to be carried out in 1982 or whether it will be spread out over two consecutive seasons.

Some of this work planned for the Red Cap would have taken place during the 1981 exploration season. However, progress was hampered by a delay in the company's receiving the results of assay work performed earlier and by an unseasonably slow spring in the northerly Tulsequah area.

While all direct work will be aimed at Red Cap, Omni also is currently negotiating with major mining organizations to explore the potential of its other two properties, also in north-western British Columbia.

These are "Gold Cap", a massive sulphide property adjacent to the Red Cap, and "Mount Ogden", a molybdenum-tungsten prospect located 40 miles east of Juneau, Alaska. It was regional exploration work near the Mount Ogden site that led to the discovery of Red Cap.

By the summer of 1981, all exploration work on the latter two properties was temporarily suspended with emphasis shifted entirely to Red Cap. Up until then, however, Omni had spent \$2.2 million on exploring Mount Ogden.

Since the company's fiscal year-end on April 30, 1981, a total of \$310,000 was expended on the Red Cap exploration program.

CORPORATE AFFAIRS With respect to corporate funding, the company is exploring a number of opportunities including the possibility of being allied with a major mining concern or carrying out an equity financing.

A share offering that the company had originally planned to launch last summer has been temporarily postponed as a result of a downturn in equity markets. There are plans, however, to reintroduce that public financing as soon as the market conditions improve.

One of the more recent changes in corporate affairs is an internal one. W. Robert Hoye, a founding member of the company and its senior corporate financial officer, has retired from the Board of Directors. We, the Directors, wish to recognize Mr. Hoye's efforts and his contribution to the creation of Omni Resources Inc.

With Mr. Hoye's resignation, the company's Board of Directors now consists of four people. These are: Ernest Bergvinson, president, who has been in the mining industry for nine years including a number of years spent as a prospector.

Mr. Bergvinson is also president of Island Mining and Exploration Co. Ltd. and Berglynn Resources Inc. Milton H. Zink, B.Sc. LLB, partner with Tupper Jonsson Schroff & Zink, Barristers & Solicitors, and also a director of several other resource companies. Patrick Slaney, B.Sc. MSc., fisheries research biologist, ministry of the environment, B.C. government. Charles A. Dager, financial and corporate planning consultant of Denver, Colorado. Mr. Dager, who joined the Omni board in August, 1981, has been active in mining and business consulting for the past 35 years.

SHARES AND CAPITALIZATION During 1981, Omni issued 100,000 common shares through a private placement to net \$300,000. In addition, shareholders stock options were exercised for an additional 50,000 shares to gain \$125,000. At April 30, 1981 the shares had not been physically issued and are recorded in the financial statements of this report as subscriptions received. However, these shares subsequently have been issued. The company also issued 20,000 common shares to satisfy an option payment of \$50,000 due on the Moly Taku claims.

The company currently has 3,655,502 shares outstanding of an authorized capitalization of 10 million common shares.

OUTLOOK Omni's concentration on its Red Cap property underlines its faith in the future value of precious metals. It is the presence of gold and silver as well as that of copper and molybdenum that makes Red Cap so attractive at this time.

Although it is always hazardous to forecast future prices of precious metals, the company believes firmly that their prospects for steady demand and strong popularity as an inflationary hedge ensure good prices in the future.

The company intends to continue its search for large precious metal prospects that show promise as commercially viable properties. That hunt has taken it beyond the borders of British Columbia, where all three of its current properties are located, to examining prospects throughout Western Canada and the United States.

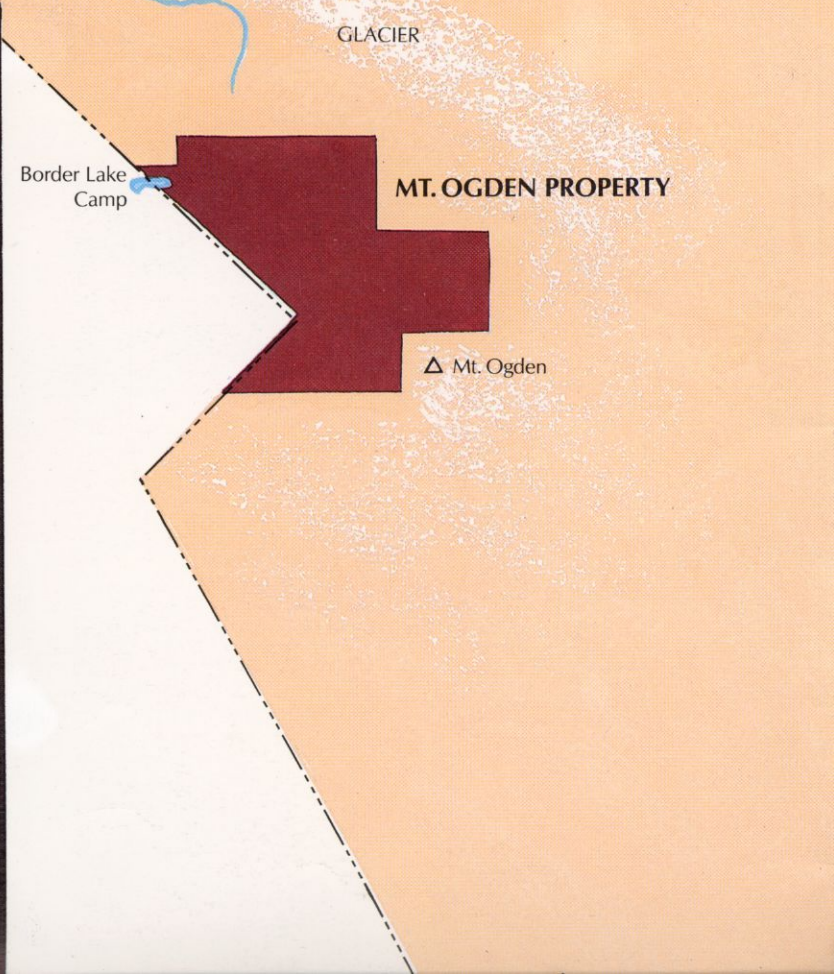
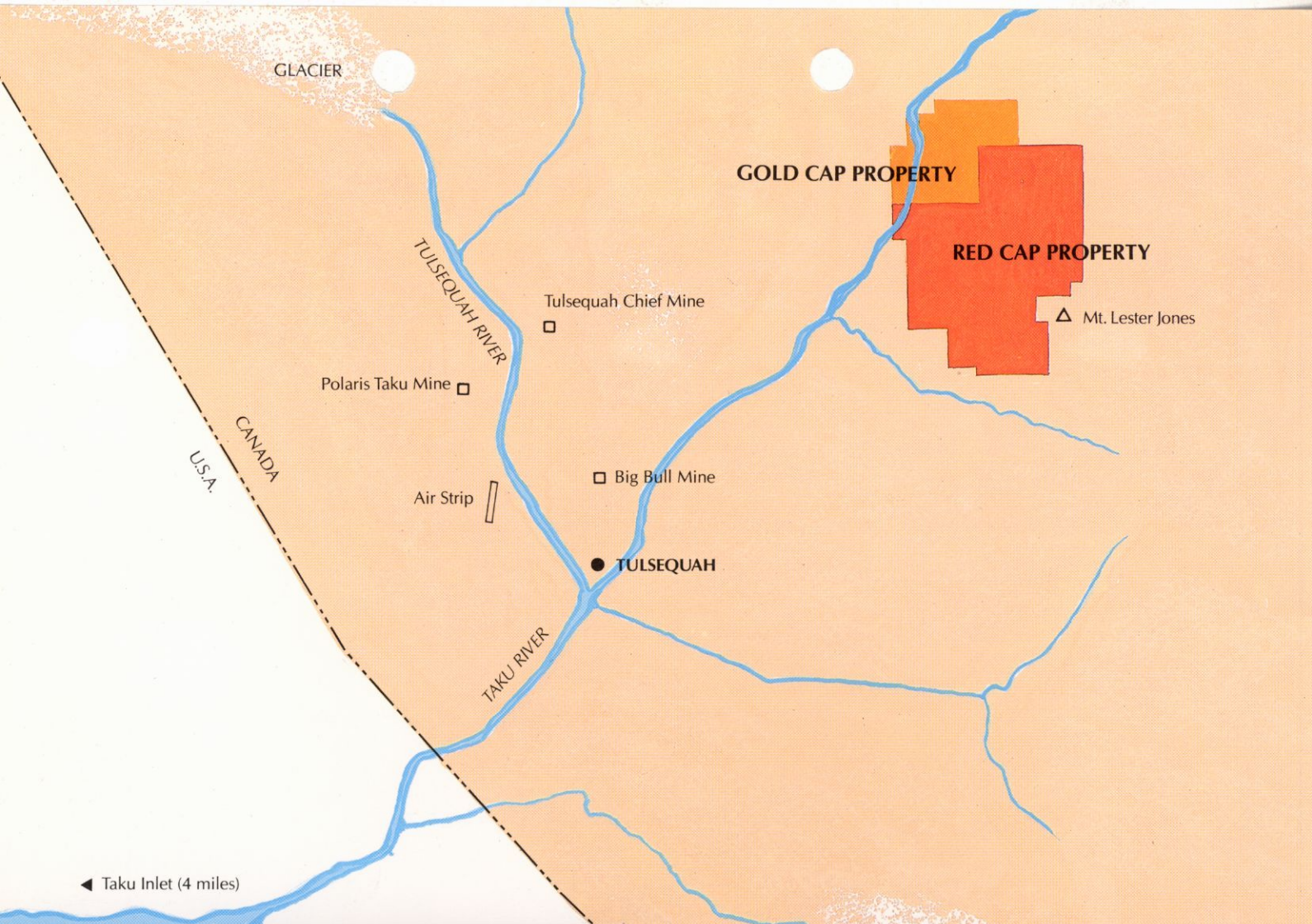
With holdings in three potentially significant exploration possibilities and a continuing aggressive policy of prospect examination, Omni has the potential to remain active for many years into the future. The board wishes to thank all shareholders for your encouragement during the company's first three years and looks forward with confidence to your continued support.

On Behalf of the Board,

A handwritten signature in black ink, appearing to read 'E. Bergvinson', with a long horizontal flourish extending to the right.

Ernest Bergvinson, President.
Vancouver, British Columbia
November 26, 1981





Exploration Report

RED CAP Exploration during this up-coming season will focus on our Red Cap property. Just one mile south of the Taku River and 14 miles north-east of Omni's base camp, Red Cap is the porphyry-copper-gold property that Omni has been investigating since first discovering it a year and a half ago.

According to geological reports to date, the physical makeup of the property may be quite unusual for Western Canada. To all appearances, the Red Cap property is part of a volcanic system that includes an igneous centre through which intrusive, metal-rich material has moved, and produced a typical volcanic-style porphyry copper formation.

Normally, a porphyry copper system is created when deposits form around intrusives which cool slowly at greater depth, forming roughly circular copper molybdenum zones. As the materials cool, fluids containing lead, zinc, gold and silver migrate outward and form deposits some distance away from the copper deposit.

In the case of Red Cap, however, the cooling took place so rapidly, it seems, that gold and silver bearing arsenopyrite, galena and sphalerite veins appear throughout the copper molybdenum deposits.

Omni's exploration efforts during the past two seasons has determined that the main centre of mineralization, alteration and geological complexity lies in the site's northern slope.



It is in this area that work scheduled for next summer will take place. Drilling plans now call for an expanded exploration program that will complete 10,000 to 15,000 feet of diamond drilling on the north slope of the core area of silica-potash alteration and under the jarosite capping.

During the 1981 exploration program, a total of 3,900 feet of drilling was completed at a cost of \$310,000. That expense was a good 40 percent less than the projected budget cost for the work.

In all, about \$750,000 has been spent to date on the Red Cap property.

Our work has determined a number of sulphides distributed on surface exposures. Molybdenum is distributed in modest amounts, usually in thin quartz veins throughout the property while gold and silver have different representations.

Gold occurs in late stage polymetallic veins and as low grade values in mineralized rock. A representative sample over a 100 square foot area returned 0.188 ounces per ton of gold and 0.16 ounces per ton of silver.

The silver representation seems to parallel that of copper in assay returns to date. This close copper-silver correlation appears to apply to assays from both the porphyry complex and the area of possible copper-silver enriched volcanic



stratigraphy. The best diamond drill hole, RC81-1, returned a 20 foot section grading 2.30 percent copper and 2.45 ounces per ton of silver. The copper mineralization consisted of some primary chalcopyrite and abundant, mainly sooty, supergene chalcocite.

Management believes that both the size—the zone seems to extend over a 3,000 foot vertical distance—and the geological indications of the property make it a very favourable exploration target. Copper mineralization, complex porphyry geology, silification and potash metasomatism have all been observed in sizeable areas.

The entire property, 15,000 acres in all, holds considerable exploration possibilities and represents to the company an extensive drilling program over the next few years.

Although it is in the same rugged northern country as Omni's Mount Ogden property, Red Cap is in close proximity to several properties that were mined prior to 1957 and whose concentrates were shipped by barge down the Taku River to the nearby ocean inlet.



GOLD CAP This property lies immediately east of the Taku River at an elevation of approximately 290 feet. It is situated at the northwest corner of the Red Cap claim block.

Drill hole RC-2 intersected an apparent thickness of 27.2 feet of mineralized, muddy sediments containing abundant (25 percent by volume) fine-grained sulphides. This intersection is considered to be very significant in that it is a mineable width.

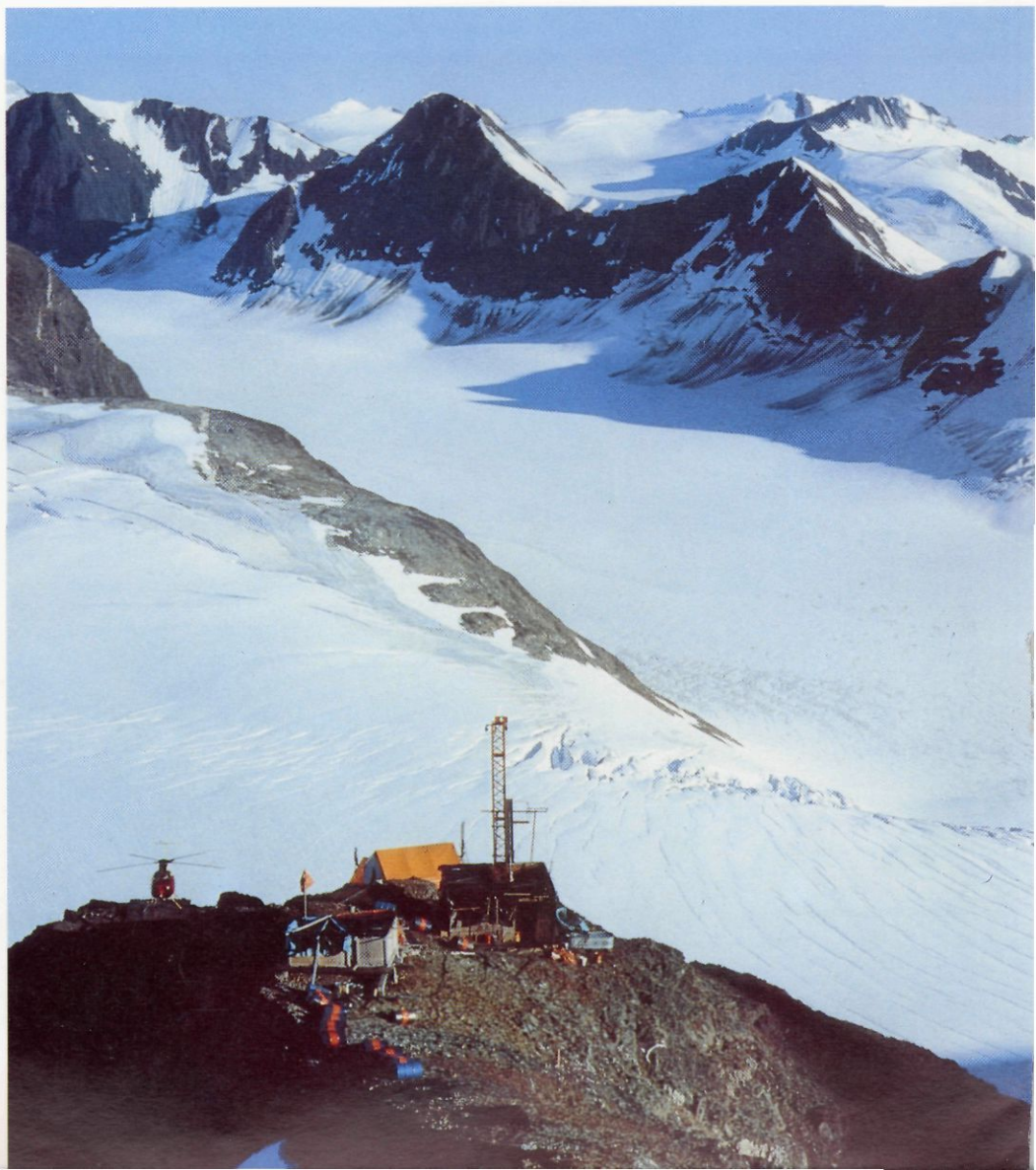
It also appears that the steeply dipping bed of mineralization has the potential of having a great lateral extent.

The best metre section of core assayed 2.68 ounces of silver per ton of ore, .058 ounces of gold per ton of ore, 1.96 percent of lead and 2.35 percent of zinc. Although the grades are somewhat low, there is a good chance that better grades will be intersected laterally or down dip.

For the year ended April 30, 1981, the company spent \$217,000 on exploratory work on the Taku River site. Nothing has been done on the property since the summer of 1980.

However, the company's intentions are to joint venture the property's drilling program to a major exploration concern.

MOUNT OGDEN No exploration work took place on our Mount Ogden molybdenum-tungsten property during the 1981 work season. However, the company is keen to resume exploratory drilling there in 1982 by means of a farm-out arrangement in which a major carries out the work on Omni's behalf.



Up until last year, the property had been the site of considerable exploration activity. In attempting to determine its geological potential, Omni had already spent \$2.2 million on exploratory work. The property is located just 40 miles east of Juneau, Alaska, close to the U.S.-Canada border.

During the 1979 season, Omni carried out a program of drifting and diamond drilling on the "N" and "Z" zone showings. A total of 650 feet of drifting and 1,950 feet of underground drilling failed to substantiate earlier indications of a large low grade molybdenite ore zone in these areas. However a high grade vein was found and is estimated to contain 30,000 tons of 1.85 percent MoS_2 from the work done to date.

Drilling performed in 1980 included two major test holes. For this upcoming season, the company plans to resume exploration of the "Y" zone, where previous drilling was considered a technical success.

Signs of strong alteration and significant mineralization suggest that an altered granitic porphyry system exists nearby.

The planned drilling program in 1982 assumes a minimum width for the buried ore zone of about 1,000 feet. Therefore, the drilling program calls for spacing of approximately 1,000 feet between holes to a target depth of perhaps 2,300 feet.

It is likely that the drill used will be capable of drilling to at least 4,000 feet at a minus 70 degree angle since the top of the ore zone may be found at a depth of between 1,500 feet to 3,000 feet.

It is expected that mineralization will probably be 600 feet to 1,000 feet thick and that drilling should be capable of penetrating through the potential ore zone.

This exploration program, however, will only be commenced in 1982 if the company is successful in optioning the property to a major exploration concern. The costs of such a program, which requires the airlift of heavy equipment onto the site, are very high.

The current drill site in the "Y" zone is set up on a ridge in the upper reaches of the Wright Glacier, a five-minute helicopter ride from the camp site. Heavy equipment is brought to the camp itself on barges along the Taku River.





Balance Sheet

ASSETS	April 30	
	1981	1980
Current assets:		
Cash in bank	\$ —	\$ 952
Term deposits	3,000	3,000
Expense advances	2,987	—
Deposits	31,550	31,550
Inventories (Note 1(a))	20,900	34,853
	<hr/> 58,437	<hr/> 70,355
Interest in mineral properties, at cost (Note 1(b)):		
Mining claims (Note 2)	127,505	57,200
Deferred exploration and administration expenses	2,771,424	1,971,146
	<hr/> 2,898,929	<hr/> 2,028,346
Investment, at cost (Note 6)	20	—
Fixed assets, at cost (Note 1(c)):		
Office furniture and equipment	7,866	2,649
Leasehold improvements	—	474
Exploration machinery and equipment	206,949	206,949
Automotive equipment	2,200	2,200
	<hr/> 217,015	<hr/> 212,272
Less: Accumulated depreciation and amortization	210,270	105,392
	<hr/> 6,745	<hr/> 106,880
	<hr/> <u>\$2,964,131</u>	<hr/> <u>\$2,205,581</u>

APPROVED BY THE BOARD:

Director

Director

April 30

LIABILITIES

Current liabilities:

Bank indebtedness
 Accounts payable and accrued liabilities
 Amounts due to shareholders

Share subscriptions received (Note 3)

	1981	1980
	\$ 21,555	\$ —
	129,780	63,185
	222,150	26,750
	<u>373,485</u>	<u>89,935</u>
	125,000	—
	2,465,646	2,115,646
	<u>\$2,964,131</u>	<u>\$2,205,581</u>

SHAREHOLDERS' EQUITY

Share capital (Note 3):

Authorized—
 10,000,000 common shares of no par value
 Issued—
 3,578,002 common shares (1980—3,458,002)



Statement of Deferred Exploration and Administration Expenses

	Balance April 30 1980	Additions year ended April 30 1981	Balance April 30 1981
Exploration expenses:			
Aircraft and helicopter	\$ 382,559	\$172,384	\$ 554,943
Assaying	4,845	18,821	23,666
Camp and exploration support	182,227	3,651	185,878
Contract wages	15,096	1,400	16,496
Drilling	253,338	134,067	387,405
Engineering fees	88,491	31,735	120,226
Equipment rental	77,504	69,237	146,741
Freight and trucking	78,308	5,769	84,077
Fuel	43,522	17,296	60,818
Geological field work	272,787	3,814	276,601
Licences and fees	231	2,569	2,800
Materials and supplies	13,092	2,778	15,870
Mining	261,316	—	261,316
Salaries and wages	—	117,616	117,616
Staking costs	20,312	108	20,420
Travel and accommodation	19,681	13,131	32,812
	<u>1,713,309</u>	<u>594,376</u>	<u>2,307,685</u>
Administration expenses (Note 5):			
Accounting	13,295	904	14,199
Auto	4,799	440	5,239
Business promotion	18,929	11,908	30,837
Depreciation and amortization	105,392	105,353	210,745
Dues and subscriptions	769	—	769
Insurance	14,904	4,145	19,049
Interest and bank charges	6,364	16,999	23,363
Legal and audit	47,907	15,199	63,106
Listing fees	5,600	2,679	8,279
Office	11,151	4,147	15,298
Printing and shareholder information	18,770	7,709	26,479
Rent	5,770	9,281	15,051
Salaries and wages	—	3,347	3,347
Taxes and licences	11,936	5,393	17,329
Telephone	8,475	7,312	15,787
Transfer agent	10,751	7,936	18,687
Travel and accommodation	18,536	5,291	23,827
	<u>303,348</u>	<u>208,043</u>	<u>511,391</u>
Less: Interest income	45,511	2,141	47,652
	<u>257,837</u>	<u>205,902</u>	<u>463,739</u>
	<u>\$1,971,146</u>	<u>\$800,278</u>	<u>\$2,771,424</u>
Allocated to:			
Moly-Taku claims	\$1,971,146	\$199,820	\$2,170,966
Red Cap claims	\$ —	383,101	383,101
Gold Cap claims	\$ —	217,357	217,357
	<u>\$1,971,146</u>	<u>\$800,278</u>	<u>\$2,771,424</u>

Statement of Changes in Financial Position

	Year ended April 30	
	1981	1980
Financial resources were provided by:		
Issuance of share capital for cash and subscriptions received	\$425,000	\$ 444,500
Issuance of share capital for mining claims	50,000	—
	<u>475,000</u>	<u>444,500</u>
Financial resources were used for:		
Acquisition of fixed assets	5,217	190,422
Acquisition of investment	20	—
Acquisition of mining claims	70,305	25,000
Payment of deferred exploration and administration expenses, net of depreciation and amortization of \$105,352 (1980—\$104,981)		
	<u>694,926</u>	<u>1,604,840</u>
	<u>770,468</u>	<u>1,820,262</u>
Decrease in working capital	295,468	1,375,762
Deficiency (working capital) at beginning of year	19,580	(1,356,182)
Working capital deficiency at end of year	<u>\$315,048</u>	<u>\$ 19,580</u>

Auditors' Report

To the Shareholders of
Omni Resources Inc.:

We have examined the balance sheet of Omni Resources Inc. as at April 30, 1981 and the statements of deferred exploration and administration expenses 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 April 30, 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.

July 8, 1981
Vancouver, B.C.

Pricewaterhouse
Chartered Accountants



Notes to Financial Statements *April 30, 1981*

1. Significant accounting policies:

(a) *Inventories* —

Inventories are stated at the lower of cost and net realizable value.

(b) *Interest in mineral properties* —

The Company is in the exploration stage with respect to its investment in mineral properties and accordingly follows the practice of capitalizing all costs, including administrative expenses, relating to the acquisition, exploration for, and development of mineral properties. At such time as commercial production commences, these costs will be charged to operations on a unit-of-production method based on estimated recoverable reserves. The aggregate costs related to abandoned mineral properties will be charged to retained earnings or deficit, as appropriate, at the time of any abandonment.

(c) *Depreciation and amortization* —

The Company provides for depreciation of its office furniture and equipment on a declining-balance basis at a rate of 20% per year, and automotive equipment at a rate of 30% per year. Depreciation on exploration machinery and equipment is provided on a straight-line basis at 50% per year.

2. Mining claims:

Moly-Taku claims — \$107,200 —

By an agreement dated July 12, 1978 the Company acquired the rights under an option agreement dated June 15, 1978 to purchase six mineral claims (known as the Moly-Taku claims) for non-cash consideration of 1,500,000 of the Company's common shares. The Company valued the rights acquired in this manner at \$7,500.

Under the option agreement, consideration for the purchase of the mineral claims amounts to \$3,000,000, of which \$2,900,000 remains unpaid and is to be paid as follows —

(a) \$50,000 by September 1, 1981, and

(b) \$50,000 each September 1st thereafter until the full \$3,000,000 has been paid.

If the property is placed in production or if a notice of intention to place the claims in production is given, the unpaid balance is due within 60 days. If no notice of production is given by September 1, 1988, the annual payments are increased to \$100,000 until production notice is given or the price is paid in full, whichever occurs first. In any event the unpaid balance of the price, if any, at September 1, 1998 shall be paid in full by such date. The option agreement is cancellable at any time by the Company in which case payments made under the agreement and the rights to the Moly-Taku claims would be forfeited by the Company.

The Company has also acquired certain mineral claims in British Columbia adjacent to those covered by the Moly-Taku claims.

Red Cap claims—\$15,000—

During the year the Company acquired seven mining claims in the Atlin Mining Division of British Columbia (known as the Red Cap claims). These claims were acquired pursuant to an agreement between the Company and Mr. E. Bergvinson, its President, whereby the Company acquired five claims from Mr. E. Bergvinson and assumed Mr. E. Bergvinson's rights and obligations to two claims under a staking agreement dated February 28, 1979. The staking agreement requires annual payments to a third party on February 28 as follows:

1982	\$ 35,000
1983	\$ 50,000
1984	\$200,000

The staking agreement is cancellable on 30 days notice in which case the two claims covered are required to be transferred back to the original vendor and would be forfeited by the Company.

Gold Cap claims—\$5,305—

During the year the Company contracted with a prospector to stake seven mining claims in the Atlin Mining Division of British Columbia adjacent to the Red Cap claims.

3. Share capital issued, share subscriptions received, options and warrants (Note 4):

(a) *Issued and fully paid—*

	Common shares	Amount
Balance at April 30, 1980	3,458,002	\$2,115,646
Issued for cash during the year	100,000	300,000
Issued for rights to mining claims (Note 2)	20,000	50,000
Balance at April 30, 1981	<u>3,578,002</u>	<u>\$2,465,646</u>

(b) *Share subscriptions received—*

The Company has received \$125,000 for share subscriptions towards shareholder options for 50,000 shares at \$2.50 per share. The share certificates in respect of these shares had not been issued at April 30, 1981.

(c) *Options and warrants—*

As at April 30, 1981 the Company had issued and had outstanding options and warrants to various shareholders, directors and employees entitling them to purchase shares of the Company as follows—

- (i) 100,000 common shares—exercisable before August 6, 1981 at a price of \$3.50 per share (Note 6).
- (ii) 25,000 common shares—exercisable up to February 20, 1983 at prices between \$2.50 and \$3.00 per share.
- (iii) 170,000 common shares—exercisable up to July 17, 1981 at a price of \$3.00 per share (Note 6).

4. Subsequent events:

Subsequent to April 30, 1981, the Company issued the following common shares—

- (a) 12,500 common shares at \$2.75 per share upon the exercise of options by employees.
- (b) 15,000 common shares at \$3.00 per share upon the exercise of options by directors.
- (c) 50,000 common shares at \$2.50 per share (Note 3(b)).

Notes continued

Subsequent to April 30, 1981, the Company granted the following employee option which is subject to regulatory approval.

10,000 common shares, 5,000 exercisable before June 24, 1982 at \$3.00 a share and an additional 5,000 shares (plus any of the previous 5,000 that is unexercised) before June 24, 1983 at \$3.25 a share. If any of the above is unexercised at June 24, 1984, they may be exercised at \$3.50 a share.

5. Remuneration of directors and senior officers:

No remuneration was paid or became payable to directors or officers during the year (1980—\$Nil).

6. Related party transactions:

Share capital issued and share subscriptions received —

During the year 75,000 common shares were issued to related parties at \$3.00 per share and \$125,000 in share subscriptions was received from related parties.

Options and warrants issued —

Of the outstanding options and warrants referred to in Note 3(c), 245,000 were issued to related parties at prices ranging from \$3.00 to \$3.50 per share.

Investment —

The Company has a one-third interest in OBI Resources Management Inc. whose function is to administer related expenditures between the Company and its associated companies. During the year the Company paid \$41,016 of such costs.

Other —

During the year the Company paid equipment rentals of \$69,300 in the normal course of business to Berglynn Developments Ltd.

Corporate Data

DIRECTORS & OFFICERS

Ernest Bergvinson
President and Director

Milton H. Zink
Secretary and Director

Patrick Slaney
Director

Charles Dager
Director

HEAD OFFICE

900 - 475 Howe Street
Vancouver, B.C.
V6C 2B3

SOLICITORS

Tupper, Jonsson, Shroff & Zink
1710 - 1177 W. Hastings Street
Vancouver, B.C.
V6E 2L3

AUDITORS

Price Waterhouse
1075 W. Georgia Street
Vancouver, B.C.
V6E 3G1

TRANSFER AGENT & REGISTRAR

National Trust Co. Ltd.
510 Burrard Street
Vancouver, B.C.
V6C 2J7

BANK

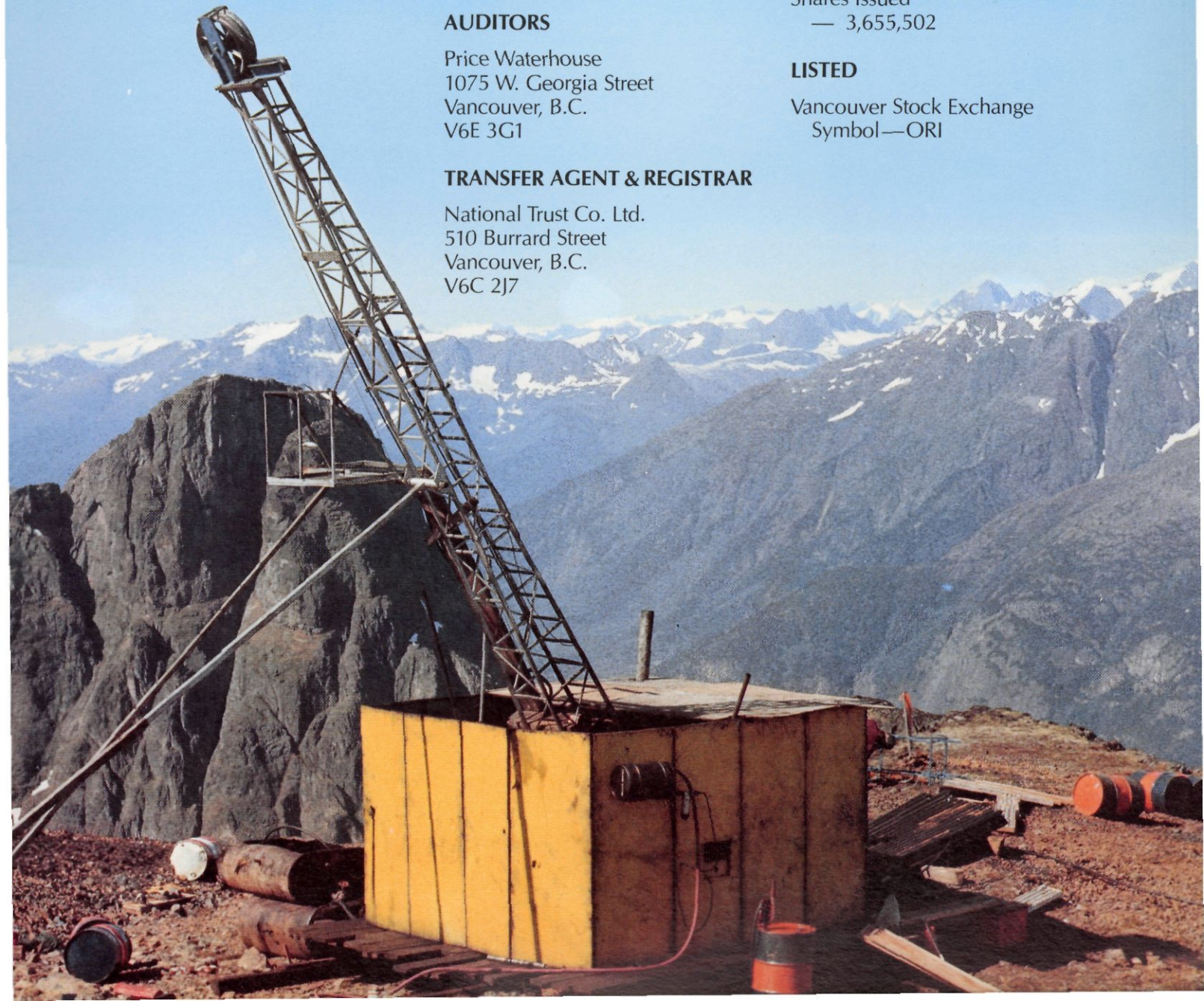
Canadian Imperial Bank
of Commerce
640 W. Hastings Street
Vancouver, B.C.
V6B 1P1

CAPITALIZATION

Shares Authorized
— 10,000,000
Shares Issued
— 3,655,502

LISTED

Vancouver Stock Exchange
Symbol—ORI





OMNI RESOURCES INC.

900 - 475 Howe Street, Vancouver, B.C. V6C 2B3



3-100