

MENIKA MINING LTD. (N.P.L.)



ANNUAL REPORT 1988

CORPORATE DATA

Directors and Officers:

Charles Boitard, *President*
Doreen Boitard, *Corporate Secretary/Director*
Laurence Sookchohoff, *P. Eng. Geologist/Director*
David Jennings, *Ph.D. Geologist/Director*
Katherine Johnston, *Para Legal/Director*
Project Geologist: Robert Morris, M.Sc.

Corporate Office:

2245 West 13th Avenue
Vancouver, B.C. V6K 2S4
Phone: (604) 733-2408

Registrar and Transfer Agent:

Pacific Corporate Services Ltd.
Ste. 830-625 Howe Street
Vancouver, B.C. V6C 3B8

Auditors:

John R. Chant
616-736 Granville Street
Vancouver, B.C. V6Z 1G3

Solicitors:

Joanne McClusky
523-470 Granville Street
Vancouver, B.C. V6C 1Z5

Bankers:

Bank of British Columbia
Div. of Hong Kong Bank of Canada
885 West Georgia Street
Vancouver, B.C.

Trading:

Vancouver Stock Exchange – MML
S.E.C. registered in the U.S.
Listed in the U.S. Standard
and Poor's Manual

Cover Photo: The aerial photo of the Reliance Property clearly shows the shear zones and faults crossing the property. (Carpenter Lake in forefront)

President's Report to the Shareholders

On behalf of the Board of Directors, I am pleased to submit the Company's Annual Report for the fiscal year ended February 29, 1988.

The past year has been an exciting and rewarding one for your Company. Ore reserves have been proven and continuing exploration indicate that the potential of increasing the reserve is excellent.

During the past year the Company's exploration program was concentrated mostly on the RELIANCE PROPERTY (19 reverted crown grants) located in the Goldbridge/Bralorne area of British Columbia. The property is 100% owned and operated by Menika Mining Ltd. (N.P.L.).

Since 1985, only the west side of the property has been explored with trenching and diamond drilling. To date, 41,000 feet of diamond drilling has been completed, outlining a reserve, proven, indicated, inferred and projected tonnage of 500,000 tons at .174 ounces of gold per ton.

Records show that the RELIANCE PROPERTY was originally staked in 1910. By 1915 it is reported that four tons of ore carrying values up to 1/2 an ounce of gold per ton, from the Reliance, Ferguson and Turner Adits on the east side of the property had been hand sorted, bagged and shipped out by mule. Menika has not as yet carried out any exploration on the east side of the property or provided any access to the area.

The west side of the RELIANCE PROPERTY has two parallel shear zones crossing the claims, the Royal Shear Zone and the Treasure Shear Zone. Eleven showings have been exposed over these two shear zones. Our field geologist Mr. Robert Morris, M.Sc. feels that each showing represents the approximate location of the pipe (a pipe is a cylindrical rock body filling, usually more or less vertical) as in the case of the Imperial Pipe, proven by diamond drilling. The Imperial Pipe is an ellipse shape of 100 feet by 50 feet across.

Bralorne Mine, only a few miles to the south produced 4,000,000 ounces of gold by mining similar structures to the depth of 5,900 feet below the surface.

Diamond Drill Hole 88-18 intercepted 26.4 feet assaying .293 oz. Au/ton and 6 feet assaying .511 oz. Au/ton. This 32 feet of commercial grade intercepted part of the Imperial Pipe at 714 feet below the surface. The deep drilling on the Imperial Showing has also proven that the grade increases with depth.

Mr. Peter Stokes, Mining Engineer of Beacon Hill Consultants Ltd. is evaluating and compiling data to determine the most favorable location for an adit to carry out underground exploration.

Outlook

The outlook for the Company is excellent, the continuing exploration on the RELIANCE PROPERTY and the discovery of pipe formations in the shear zones indicate that the property has the potential for a large reserve of commercial ore.

Financial

Due to the fact that the RELIANCE PROPERTY is proving to be a very promising and rewarding project, Menika Mining continues to receive countless offers of joint ventures, private placements and flow through financing from Local, Eastern and U.S. Companies.

We have just completed our first phase of the 1988 Exploration Program with a \$300,000 Flow Through Financing. Additional funding for the second phase of exploration will be based on Mr. Peter Stokes, Mining Engineer's Report and Recommendations.

Additional Properties

DES Claims (8 units) The Company has 100% interest in the DES Claims, a copper/gold prospect located in the Highland Valley, B.C. A geophysical survey carried out on the property revealed a very positive induced polarization anomaly. Additional claims are now being staked around the property.

VIDETTE GROUP (*100 units) (6,178 acres) The Company has a one third interest in the VIDETTE CLAIMS, located adjacent to the Vidette Gold Mine, a small producer from 1930 to 1940. The mine produced 30,000 ounces of gold from 50,000 tons of ore. The VIDETTE GROUP is situated in the Deadman Valley, north of Savona, British Columbia. (*including 11 units recently staked).

MO GROUP (*137 units) (8,463 acres) The Company has a one third interest in the MO GROUP property, located south of the Vidette Group. 23 kilometers of Induced Polarization Survey carried out in the fall of 1987 on the center of the claims outlined a large I.P. Anomaly. A test drill hole will be drilled this summer to test the anomaly. (*including 37 units recently staked).

With the continuing support of the shareholders and the dedication and hard work of the management, we look forward to the success and future growth of your Company.



Charles Boitard, President

JOHN R. CHANT
CHARTERED ACCOUNTANT
616 - 736 Granville Street
Vancouver, B.C. V6Z 1G3
Telephone (604) 683 0115

AUDITOR'S REPORT

To the shareholders of
Menika Mining Ltd. (Non-Personal Liability)

I have examined the consolidated balance sheet of Menika Mining Ltd. (Non-Personal Liability) as at February 29, 1988 and the consolidated statements of deficit, deferred exploration and development costs, deferred administrative costs and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion these consolidated financial statements present fairly the financial position of the company as at February 29, 1988 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.

A handwritten signature in dark ink, appearing to read "John R. Chant". The signature is fluid and cursive, with a large loop at the beginning and end.

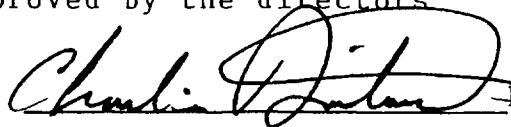
Chartered Accountant

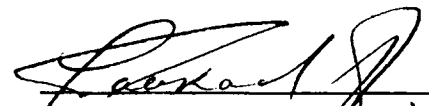
Vancouver, B.C.
June 29, 1988

MENIKA MINING LTD.
(Non-Personal Liability)
Consolidated Balance Sheet
As at February 29, 1988
(With Comparative Figures as at February 28, 1987)

	1988	1987
Assets		
Current		
Cash	\$ 24,988	\$ 50,256
Accounts receivable	562	130
Prepayments	1,813	1,175
Due from directors	917	-
Due from affiliated companies	<u>43,307</u>	<u>22,292</u>
	71,587	73,853
Fixed assets (Notes 1 and 2)	13,339	635
Investment in Joint Venture (Note 3)	73,943	49,745
Resource properties (Notes 1 and 4)	22,482	22,482
Deferred costs		
Exploration and development	957,343	159,747
Administrative (Note 5)	253,522	153,127
Incorporation	<u>1,226</u>	<u>1,226</u>
	1,212,091	314,100
	\$1,393,442	\$ 460,815
	<u> </u>	<u> </u>
Liabilities and Shareholders' Equity		
Current		
Accounts payable	\$ 3,150	\$ 2,550
Due to directors	<u>-</u>	<u>12,248</u>
	3,150	14,798
Shareholders' equity		
Share capital		
Authorized		
9,250,000 common shares of \$1		
each par value		
Issued, fully paid (Note 6)		
3,679,494 shares (1986 2,931,394 shares)	3,679,494	2,931,394
Deduct: Discounts and		
commissions thereon	<u>2,126,469</u>	<u>2,322,644</u>
	1,553,025	608,750
Deficit (Note 1)	<u>(162,733)</u>	<u>(162,733)</u>
	1,390,292	446,017
	\$1,393,442	\$ 460,815
	<u> </u>	<u> </u>

Approved by the directors

 Director

 Director

The accompanying notes are an integral part of these financial statements
John R. Chant Chartered Accountant

MENIKA MINING LTD.
 (Non-Personal Liability)
 Consolidated Statement of Deficit
 For the Year ended February 29, 1988
 (With Comparative Figures for the Year ended February 28, 1987)

	1988	1987
Balance - Beginning and end of year	\$ 162,733	\$ 162,733
	<u> </u>	<u> </u>

	1988	1987
Exploration and development costs		
Des Group		
Licences and assessment fees	320	-
Supplies	120	-
Survey and line cutting	1,825	-
Truck rent	57	-
	<u>2,322</u>	<u> </u>
Deferred balance - Beginning of year	1,050	1,050
Deferred balance - End of year	<u>3,372</u>	<u>1,050</u>
	-----	-----

Reliance Group		
Assays	18,485	1,170
Consulting	17,025	-
Depreciation	5,347	-
Drafting	2,996	250
Drilling	524,008	30,240
Equipment rent	3,791	-
Geological services and reports	75,551	9,689
Labour	14,825	-
Licences and assessment fees	1,425	-
Logging and clearing	59,255	-
Miscellaneous	3,185	352
Roadwork	50,183	5,354
Supplies	13,208	-
Surveying	15,024	5,000
Travel and accommodation	8,853	275
Truck rental and operating	16,669	4,223
Workers compensation	2,495	-
	<u>832,325</u>	<u>56,553</u>
Deduct: Sale of logs	37,051	-
	<u>795,274</u>	<u>56,553</u>
Deferred balance - Beginning of year	158,697	102,144
Deferred balance - End of year	<u>953,971</u>	<u>158,697</u>
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Total deferred exploration and development costs	\$ 957,343	\$ 159,747
	<u> </u>	<u> </u>

The accompanying notes are an integral part of these financial statements
 John R. Chant Chartered Accountant

MENIKA MINING LTD.
 (Non-Personal Liability)
 Consolidated Statement of Deferred Administrative Costs
 For the Year ended February 29, 1988
 (With Comparative Figures for the Year ended February 28, 1987)

	1988	1987
Administrative costs		
Accounting	\$ 4,275	\$ 2,850
Advertising and promotion	9,837	7,269
Consulting fees (recovered)	(2,537)	4,875
Depreciation	216	159
Filing and listing fees	3,811	2,593
Interest and bank charges	373	134
Legal	20,771	8,433
Management fees	24,000	12,000
Miscellaneous	4,225	-
Office, printing and stationery	17,617	3,095
Registrar and transfer agent's fees	1,432	826
Rent	1,920	1,970
Secretarial services	12,514	4,500
Telephone	6,099	2,048
Travel	972	1,435
	<u>105,525</u>	<u>52,187</u>
Deduct: Interest earned	5,130	687
	<u>100,395</u>	<u>51,500</u>
Deferred balance - Beginning of year	153,127	101,627
Deferred balance - End of year	<u>253,522</u>	<u>153,127</u>
	-----	-----
Total deferred administrative costs	<u>\$ 253,522</u>	<u>\$ 153,127</u>

MENIKA MINING LTD.
 (Non-Personal Liability)
 Cosolidated Statement of Changes in Financial Position
 For the Year ended February 29, 1988
 (With Comparative Figures for the Year ended February 28, 1987)

	1988	1987
Operating activities		
Credits (Charges) involving the use of cash		
Deferred exploration and development costs	\$(792,250)	\$(56,553)
Deferred administrative costs	(100,179)	(51,341)
Cash provided (used) by changes in non-cash working capital items		
Accounts receivable	(432)	(130)
Prepayments	(638)	(300)
Due from directors	(917)	-
Due from affiliated company	(21,015)	(15,620)
Due from wholly owned subsidiary	-	(400)
Accounts payable	600	(16,806)
Due to directors	(12,248)	4,461.
Due to affiliated company	-	(500)
	(927,079)	(137,189)
	-----	-----
Financing activities		
Issue of shares	944,275	190,258
	-----	-----
Investing activities		
Purchase of fixed assets	(18,266)	-
Advances to joint venture	(24,198)	(7,310)
	(42,464)	(7,310)
	-----	-----
Financial resources generated (absorbed) by operating, financing and investing activities	(25,268)	45,759
Cash and equivalents - Beginning of period	50,256	4,497
	-----	-----
Cash and equivalents - End of period	\$ 24,988	\$ 50,256
	=====	=====

The accompanying notes are an integral part of these financial statements
 John R. Chant Chartered Accountant

MENIKA MINING LTD.
(Non-Personal Liability)
Notes to the Consolidated Financial Statements
February 29, 1988
(1)

1. Significant accounting policies

(a) Principles of consolidation

These consolidated financial statements incorporate the financial position, the operating results and changes in financial position of the company and its wholly owned subsidiary, Cosmic Energy Ltd.. All inter-company balances have been eliminated on consolidation.

(b) Fixed assets

Fixed assets are stated at cost and depreciation is recorded on the declining balance method over the useful life of the assets at the following annual rates -

Office furniture and equipment	20% per annum
Automobile and camp equipment	30% per annum

(c) Resource properties

(1) Mineral claims are recorded in the company's records at -

- (a) the purchase price, or
- (b) the cost of staking, or
- (c) the value ascribed to shares issued in consideration thereof.

(2) The company follows the practice of deferring all costs relating to the exploration and development of oil and gas leases and mineral claims. These costs, including related administrative expenses, are allocated to each group of oil and gas leases or group of claims. If production occurs, costs on producing properties will be amortized by the unit of production method based on estimated recoverable resources. Costs applicable to abandoned leases and claims are written off to deficit.

(3) The amounts shown for resource properties and related deferred costs represent costs to date and are not intended to reflect present or future values.

2. Fixed assets

	Cost	Accumulated depreciation	Net book value
Office furniture and equipment	\$ 1,568	\$ 706	\$ 862
Automobiles	14,145	4,243	9,902
Camp equipment	3,678	1,103	2,575
	<u>\$19,391</u>	<u>\$ 6,052</u>	<u>\$13,339</u>

3. Investment in Joint Venture

By an agreement dated July 1, 1982 as amended August 15, 1983, the company granted Green Valley Mine Inc. (Green) and Lakewood Mining Co. Ltd. (Lakewood) an option to purchase an undivided one third interest each in the following mineral claims known as the Clinton (Vidette) Group. (See also Note 4(b))

Continued

MENIKA MINING LTD.
(Non-Personal Liability)
Notes to the Consolidated Financial Statements
February 29, 1988
(2)

3. Investment in Joint Venture (continued)

Province of British Columbia Clinton Mining Division			
Claim		Units	Record Numbers
Norkam	Nos 1 - 4	66	1174 - 1177
Clinton	Nos 1 - 3	12	1182 - 1184
Esther	Nos 1 - 3	3	1244 - 1246
Mo	Nos 1 - 4	80	1336 - 1339
Vito		8	1243
Brigade		20	1393

The option was exercised by Green and Lakewood -

- (a) agreeing to pay the company \$1,000 each (paid) on approval of the agreement by the Regulatory Authorities.
- (b) performing not less than \$16,000 of exploration work on the claims by August 30, 1982.

The agreement called for Green and Lakewood to each make additional payments to the company as follows-

- (a) \$1,800 on or before December 31, 1982 (paid)
- (b) \$1,800 on or before December 31, 1983 (paid)

The company is required to contribute one third of all exploration and development costs. One third of the first \$25,000 of exploration costs were required to be contributed before May 18, 1984 or the company would have lost 2% of its interest in the claims. To date the Joint Venturers have incurred exploration and development costs totalling \$221,829 and the company has contributed all of its one third share.

4. Resource properties

(a) Des Group of Claims

By agreement dated January 11, 1982 the company acquired from Charles Boitard (a director and officer of the company) a 100% interest in the Des Group of Claims for \$6,332 (his acquisition costs) and 750,000 escrowed shares issued at a deemed price of \$7,500. The Des Group of Claims consists of the following -

Province of British Columbia Kamloops Mining Division			
Claim	Units	Record Number	
Des	8	1544	\$ 13,832

Continued

MENIKA MINING LTD.
(Non-Personal Liability)
Notes to the Consolidated Financial Statements
February 29, 1988
(3)

4. Resource properties (continued)

(b) Clinton (Vidette) Group of Claims

By an agreement dated January 14, 1982, as amended August 15, 1983, the company acquired an option to purchase from Charles Boitard (a director and officer of the company) (the vendor) a 100% interest in the following mineral claims. (See also Note 3)

Province of British Columbia

Clinton Mining Division

Claim	Units	Record Numbers
Norkam Nos 1 - 4	66	1174 - 1177
Clinton Nos 1 - 3	12	1182 - 1184
Mo Nos 1 - 4	80	1336 - 1339

The option was exercised by the company -

(1) paying the vendor \$4,500.

(2) performing not less than \$8,500 of exploration work on the claims by August 30, 1982.

The vendor retains the right to salvage all logs where trees are cut for exploration or mining.

The agreement called for the company to make additional payments to the vendor as follows -

(1) \$3,000 on or before January 1, 1983 (paid)

(2) \$3,000 on or before January 1, 1984 (paid)

(3) a royalty of 5% of net smelter returns from production of each mineral claim thereafter.

The following contiguous claims were acquired by location and added to the group -

Claim	Units	Record Numbers	
Esther Nos 1 - 3	3	1244 - 1246	
Vito	8	1243	
Brigade	20	1393	\$ 5,150

(c) Reliance Group of Claims

By an agreement dated November 5, 1984 the company agreed to acquire from Charles Boitard (a director and officer of the company) a 100% interest in the following claims for his acquisition costs thereof, being \$3,500 plus 65,000 of his personal holding of the company's shares at a deemed price of 30 cents. Subject to approval by the Regulatory Authorities 65,000 shares of the company are to be issued to Mr. Boitard to replace the shares used by him to acquire the claim.

Continued

MENIKA MINING LTD.
(Non-Personal Liability)
Notes to the Consolidated Financial Statements
February 29, 1988
(4)

4. Resource properties (continued)

(c) Reliance Group of Claims (continued)

Province of British Columbia

Lillooet Mining Division

Claim	Units	Record Numbers	
Omen 1	1	2158	
Omen 2	1	2150	
Omen 3	1	2151	
Omen 7	1	2141	
Omen 8	1	2142	
Nemo	8	2143/9 & 2149	
Eros 2	1	2152	
Omen	Frc	2143	
Nemo	Frc	2151	
Thin	Frc	2141	
Nova	Frc	2152	
Eros	Frc	2142	\$ 3,500
Total			\$ 22,482

5. Deferred administrative costs

Deferred administrative costs incurred to date have been allocated as follows -

	1987	Additions	1988
Des Group	\$ 40,000	\$ 2,000	\$ 42,000
Reliance Group	113,127	98,395	211,522
	<u>\$ 153,127</u>	<u>\$ 100,395</u>	<u>\$ 253,522</u>

6. Share capital

The company has issued shares as follows -

	No. of shares at \$1 par value	Discount and Commission	Net
(a) During the year ended February 29, 1988			
For cash (see below)	\$ 748,100	\$ (196,175)	\$ 944,275
(a) Prior to March 1, 1987			
For cash	1,605,878	1,174,917	430,961
For debt	324,232	237,947	86,285
For property	750,000	742,500	7,500
For Cosmic Energy Ltd.	251,284	167,280	84,004
	<u>2,931,394</u>	<u>2,322,644</u>	<u>608,750</u>
Total	<u>\$3,679,494</u>	<u>\$2,126,469</u>	<u>\$1,553,025</u>

Continued.....

MENIKA MINING LTD.
(Non-Personal Liability)
Notes to the Consolidated Financial Statements
February 29, 1988
(5)

6. Share capital (continued)

Shares were issued during the year as follows -

Under private placements

220,000 shares at \$2.75 per share	\$ 605,000
<u>171,600 shares at \$1.25 per share</u>	<u>214,500</u>
391,600	819,500

By exercise of warrants attached to shares issued at 30 cents in the previous year.

356,500 shares at \$.35 per share	124,775
<u>748,100</u>	<u>\$944,275</u>

7. Share options

By agreements dated February 23, 1987, and amended October 27, 1987, the company granted options whereby at any time up to and including February 23, 1989 common shares of the company may be purchased at a price of 70 cents per share by directors and an employee as follows -

Directors

Charles Boitard	105,395 shares
Laurence Sookochoff	30,000 shares

Employee

Doreen Boitard	125,139 shares
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By agreements dated October 27, 1987 the company granted options whereby at any time up to and including October 27, 1992 common shares of the company may be purchased at a price of \$1.00 per share by directors and an employee as follows -

Directors

David Jennings	30,000 shares
Katherine Johnston	10,000 shares

Employee

Robert Morris	28,826 shares
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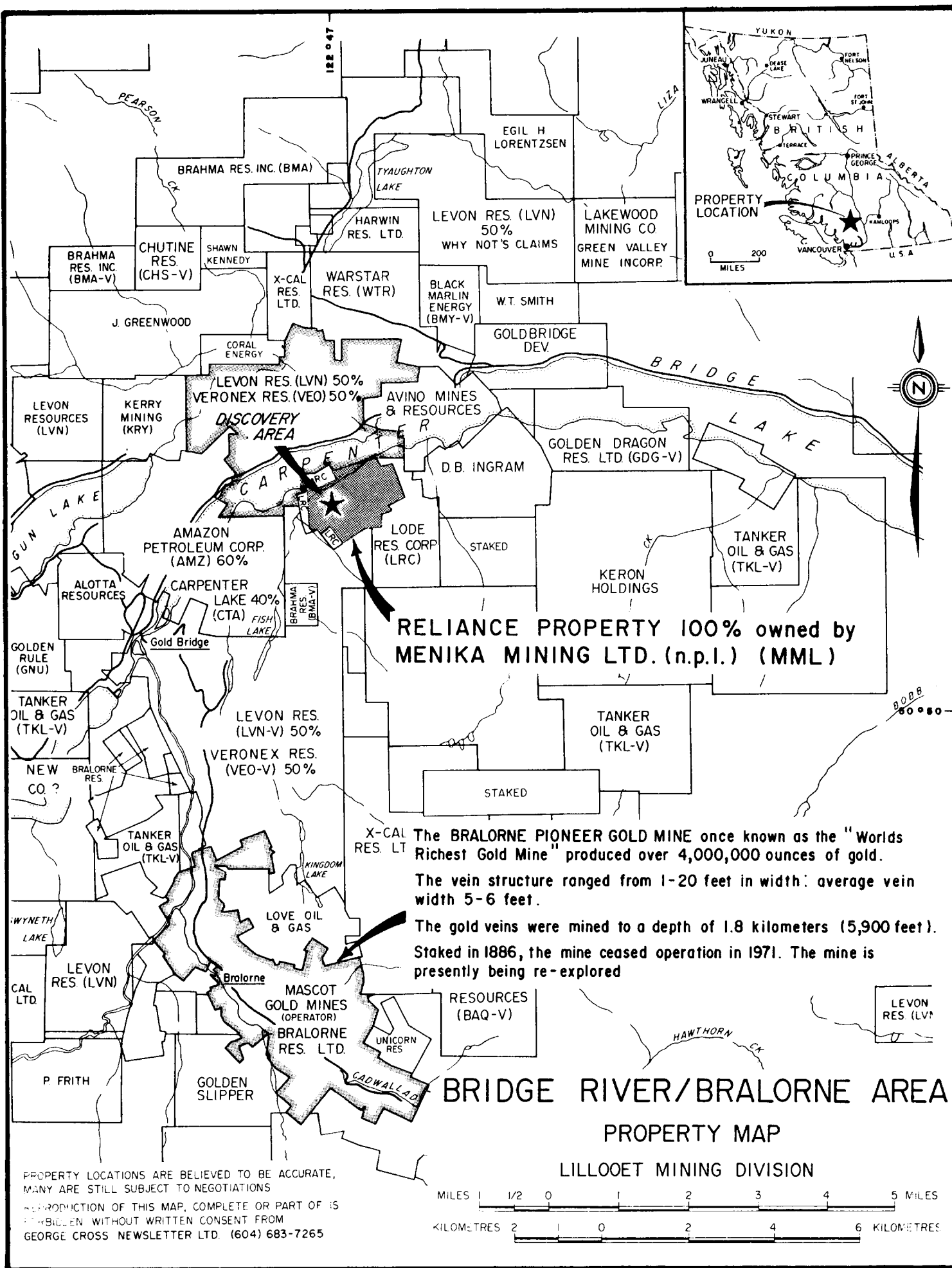
By agreement dated January 20, 1988 the company granted an option whereby at any time up to and including January 20, 1993 common shares of the company may be purchased at \$1.50 per share by an employee as follows -

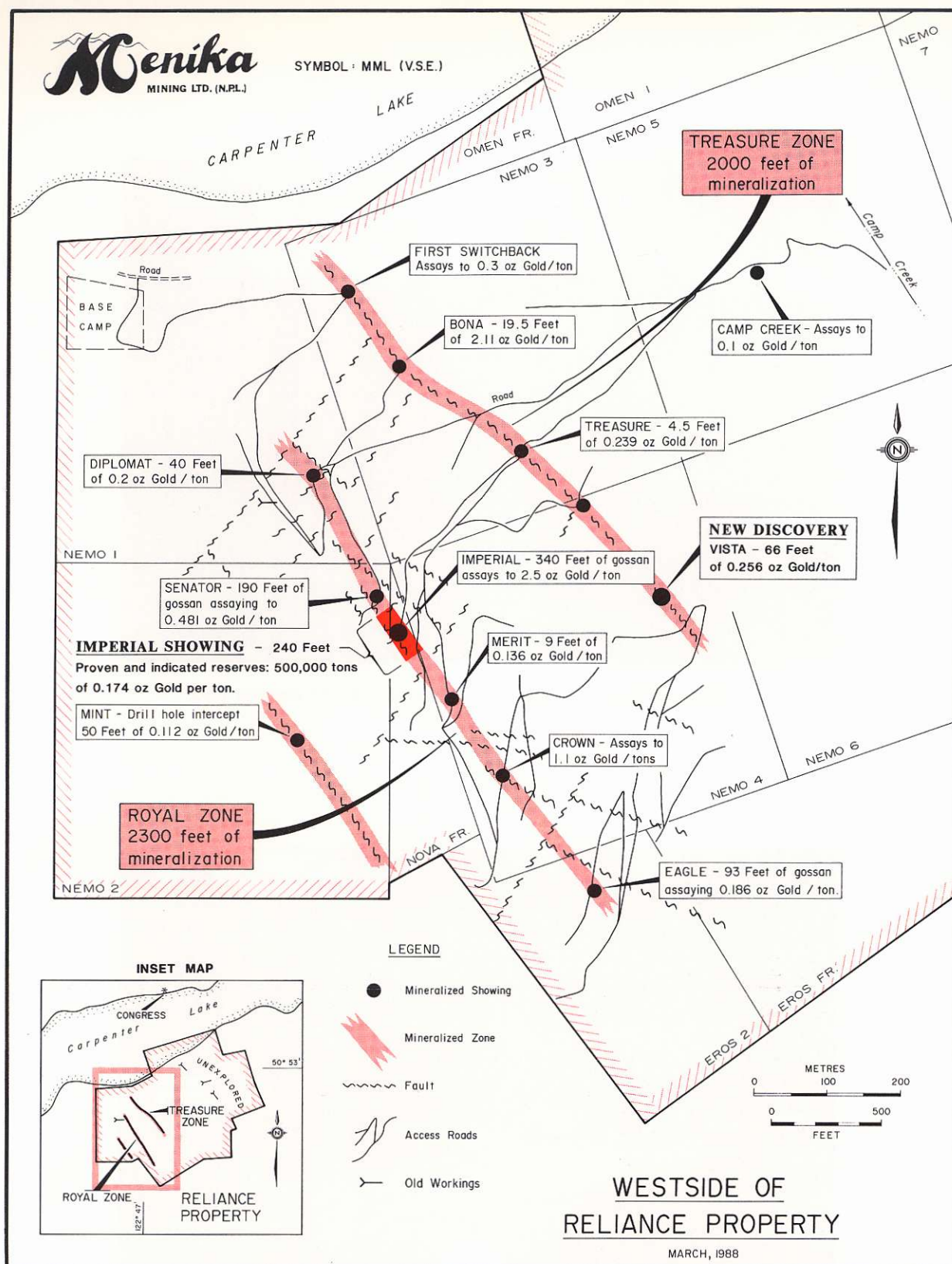
Michael Dearden	30,000 shares
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No portion of the options has yet been exercised.

8. Related party transactions

- (a) The company is related to Green Valley Mine Inc. and Lakewood Mining Co. Ltd., both of which are involved with the company in the Clinton (Vidette) Group of Claims.
- (b) The company purchased the Des Group of Claims from a director of the company
- (c) The company purchased most of the Clinton (Vidette) Group of Claims from a director of the company.





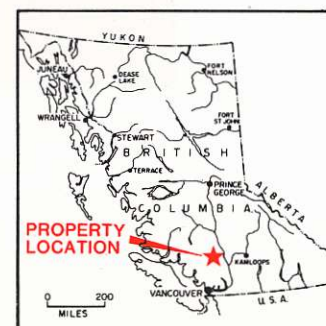
Reliance Property

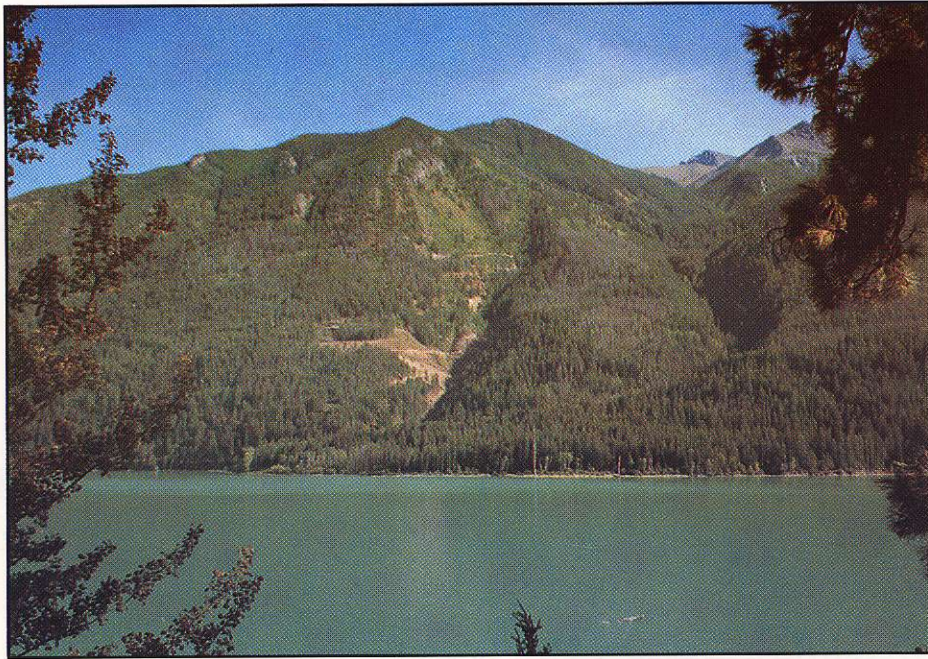
Interest: 100% owned

Location: Bralorne/Bridge River Gold Camp, British Columbia

Acreage: 740 acres

MENIKA MINING LTD. (VSE Symbol - MML)
2245 West 13th Ave., Vancouver, B.C. V6K 2S4 (604) 733-2408





The Reliance Property as seen from the north side of Carpenter Lake



Base Camp, Elev. 2217 feet