
CANADIAN-UNITED MINERALS, INC.

January 30, 1989

Dear Shareholder:

The past few months have seen several positive developments for your Company, the most important being the continuing success on the Fireweed silver/lead/zinc exploration project. At the Annual General Meeting held in November, 1988, shareholders approved a financing agreement with Gunnar Gold Mining Corp. through which Gunnar will fund up to \$5.0 million in exploration expenditures on the Fireweed claims. Gunnar can in turn earn up to a 50% interest in the property, a portion of which can be converted to shares of Canadian-United at rates of \$1.50 per share to \$2.00 per share.

FIREWEED

With this financing in place, a new diamond drilling program commenced in late November. The planned program entails 24,000 feet of drilling and further geophysical surveys of the property. Approximately 15,000 feet of drilling has been completed to date and expansion of the program is under consideration. Assays have been received and tabulated for 18 of the holes completed thus far. All holes have encountered sulphide mineralization and the target zones with 12 of them providing significant intersections of economic grades.

Most of this new drilling has concentrated on delineation of the West Zone silver horizon, a sandstone structure enriched with disseminated sulphides carrying silver, lead and zinc mineralization. One sample from Hole FW88-41 returned the highest assay yet from this target with 61 ounces silver per ton, 8.9% lead and 2.8% zinc. Metal values from this sample are the equivalent of more than one ounce per ton gold.

The silver-rich horizon has now been traced over a strike length of about 1,200 feet with variable widths from 10 feet to 50 feet and depths to 350 feet. The structure remains open to depth and along strike. Reserve estimates based on the drilling to date are now being prepared and we remain confident that an ore body valued as high as \$100 million will be indicated.

In addition to the silver horizon at Fireweed's West Zone, several zones have been found containing massive sulphide mineralization with significant gold and base metal values. At the West Zone, at least five holes have intersected a massive sulphide bearing feeder zone. Zinc values to 21.78%, lead to 5.37%, silver to 4.53 opt, copper to 0.78% and gold to 0.130 opt have been encountered to date. This mineralized zone is flat lying and located near the surface, and has been traced over an area of about 300 feet by 300 feet and to a depth of 250 feet. A second similar, but larger massive sulphide bearing zone has also been previously discovered at the East Zone some 1.5 miles to the east. This zone has been tested by only three holes to date, all of which encountered massive sulphides over a distance of some 1,000 feet. Mineralized intersections to 0.197 opt gold, to 8.87% zinc and to 0.62% copper have previously been reported. Both the East and West Zone massive sulphide bearing zones are situated so as to suggest that they may be amenable to open pit mining methods.

Geophysical surveys have outlined a number of I.P. (induced polarization) targets similar to those outlined over the East and West zones. At least two of these are considered prime exploration targets and have yet to be drill tested.

The Fireweed project continues to exhibit enormous potential for your Company. With base metals prices currently at record high levels, Fireweed could yield enormous benefits. A number of major Canadian mining companies have expressed an interest in the project and are reviewing our results carefully. We fully expect further good news from the Fireweed project in the coming months.

DOME MOUNTAIN

Another major development affecting the Company has to do with Dome Mountain. Teeshin Resources, which had an option from Canadian-United to earn an interest in Dome Mountain, failed to satisfy a work commitment on the property that came due on October 31, 1988. This default triggered a termination of Teeshin's option placing the project back in the control of Canadian-United and Total Energold Corporation. We and Total have proceeded with a review of all data from the project and are developing a work plan aimed at reaching a production decision at the earliest possible date. Canadian-United and Total would have participating interests of 29.5% and 70.5% respectively.

This month, Teeshin has renewed its efforts to gain a share of the project through lawsuits. A previous suit filed in March of last year has been sitting dormant since that time. Now, Teeshin has launched a new action in the County Court in Prince Rupert seeking to place a lien on the properties on Dome Mountain for the amount Teeshin claims to have spent in the process of attempting to exercise its option. Legal counsel for Canadian-United are presently reviewing this latest action by Teeshin and will shortly be recommending appropriate responses. The complaints of Teeshin in this case are not materially different from those in the previous suit and as such, the Company intends to vigorously defend against this action and will pursue whatever means are available to seek appropriate relief from Teeshin's litigious actions and to prevent any impediment to the development of Dome Mountain.

FINANCIAL

Interim unaudited financial statements prepared by management for the 6 month period ending November 30, 1988 are attached. Funds raised during the period arose from three flow-through private placements completed during the summer of 1988 and a non-flow-through private placement announced on November 25. The flow-through funds raised totalled \$439,500 and were directed primarily to summer and fall programs on the Fireweed project. By November 30, \$377,376 of these funds had been expended.

The financing announced November 25th was primarily for general corporate and working capital purposes. Most of the proceeds of this \$250,000 placement were received after November 30. These funds have been applied to payment of a \$50,000 option payment for the Fireweed property, retirement of some of the accounts payable and general expenses.

Since November 30, three other private placements have been announced and are awaiting regulatory approval. The first of these is with Levelslope Ltd., an associated company of Sandhurst Mining N.L., for \$102,000 for working capital purposes. The second is for the same amount with the vendors of the Fireweed property in satisfaction of the final option payment for Fireweed which will give Canadian-United a 100% interest in the property subject to a net smelter royalty. Finally, a \$250,000 financing has been announced with a group of investors to supply funds for general corporate purposes.

Future legal expenses and property payments related to Dome Mountain remain a concern for the Company's working capital position but the Gunnar Gold financing of the Fireweed project insures continued progress on this front.

We anticipate much improved capital market conditions over the next year, especially as compared to the situation experienced during the past year. We also expect continued strength in metals prices and the emergence of a strong economic potential from the Fireweed program. Overall, we are quite optimistic about the outlook for future appreciation of Canadian-United shares. Thanks to the continuing support of our shareholders, we believe the Company will enjoy a very successful 1989.

On Behalf of the Board



Michael Callahan,
President

CANADIAN-UNITED MINERALS, INC.
STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE SIX MONTH PERIOD ENDED NOVEMBER 30, 1988
(UNAUDITED)

	<u>1988</u>	<u>1987</u>
OPERATING ACTIVITIES:		
Net loss	\$ (160,339)	\$ (175,083)
Items not requiring cash:		
Depreciation	762	-
	<u>(159,577)</u>	<u>(175,083)</u>
Cash provided by (used for) changes in non-cash working capital:		
Performance bonds	(300)	-
Treasury bills	570	-
Share subscriptions receivable	108,000	-
Deposits and prepaid expenses	-	(14,991)
Accounts payable and accrued liabilities	(3,524)	43,575
Due to related company	(63,955)	-
	<u>(118,786)</u>	<u>(146,499)</u>
Cash used by operations		
FINANCING ACTIVITIES:		
Flow-through share commitments	439,500	-
Common shares issued:		
- for cash	-	461,300
- for debt	-	16,470
- for mineral properties	42,500	-
- for finders fees	26,875	-
Share subscriptions receivable	50,000	-
	<u>558,875</u>	<u>477,770</u>
INVESTING ACTIVITIES:		
Acquisition of mineral properties	(103,125)	(30,560)
Exploration and deferred administrative expenses on mineral properties	(377,580)	(303,298)
	<u>(480,705)</u>	<u>(333,858)</u>
INCREASE (DECREASE) IN CASH	(40,616)	(2,587)
CASH, OPENING	<u>45,306</u>	<u>6,596</u>
CASH, CLOSING	<u>\$ 4,690</u>	<u>\$ 4,009</u>

CANADIAN-UNITED MINERALS, INC.
 STATEMENT OF LOSS AND DEFICIT
 FOR THE SIX MONTH PERIOD ENDED NOVEMBER 30, 1988
 (UNAUDITED)

	1988	1987
REVENUE		
Interest	\$ 1,641	\$ 454
	1,641	454
EXPENSES		
Administrative	145,203	174,624
General exploration	527	913
Finders fees	16,250	-
	161,980	175,537
NET LOSS	160,339	175,083
DEFICIT, OPENING	5,440,034	4,797,129
DEFICIT, CLOSING	\$ 5,600,373	\$ 4,972,212
LOSS PER SHARE	\$ 0.02	\$ 0.03