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CANADIAN-UNITED MINERALS INC.

ANNUAL REPORT 1988

325 - 1130 West Pender Street
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CUN

BOARD OF DIRECTORS

Richard Tinsley, Chairman
Michael Callahan, President
Lee Furlong
Brian Eamor
Richard Welsh

Registrar & Transfer Agent

Canada Trust Company
1055 Dunsmuir Street
Vancouver, B.C.

Auditors

MacKay & Partners
1190 Hornby Street
Vancouver, B.C.

Exchange

Vancouver Exchange
Symbol CUN

Solicitors

Casey, O'Neill & Bence
1190 Hornby Street
Vancouver, B.C.

Corporate Address

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Vancouver, B.C. V6E 4A4
Phone: (604) 689-3308
Fax: (604) 682-6275

October 12, 1988

TO OUR SHAREHOLDERS:

Canadian-United Minerals, Inc. has experienced a pivotal year in 1988 and we expect further major developments affecting the company over the next few months. A key element of our progress this year has been our exploration success on our 100 percent owned Fireweed Property near Smithers, B.C. This discovery has added a whole new dimension to the long-term growth prospects of the Company. The other significant accomplishment we can point to over the past year is our remarkable success in financing our exploration programs in spite of a very difficult year for capital markets.

FIREWEED PROPERTY

The Fireweed Property continues to provide exceptionally good results from our exploration efforts. Close to 15,000 feet of diamond drilling completed last winter confirmed large areas of mineralization on the property. This summer, we completed an additional 5,000 feet of drilling which was concentrated on further delineating a high grade horizon earlier discovered in the West Zone. Seven of the nine holes completed in this later program intersected the zone and confirmed its continuity over a strike length of at least 1,300 feet. Drilling to date suggests that between 500,000 and 1,000,000 tons of economic ore representing up to $100 million in gross revenue has already been outlined in this one horizon (and several others are known to exist). The potential growth we could realize from this property is enormous. A summary of the developments on Fireweed over the past year is provided in this folder.

We are also pleased to announce that not only do we feel that Fireweed has superior potential to become another mine, but we have the exploration funding to substantially prove it. In September of this year, we announced an agreement in principle which could supply up to $5.0 million to support our exploration programs on Fireweed. Initially, we plan a $750,000 program commencing in November. Diamond drilling is proposed for both the West and East Zones at Fireweed and further geophysical work will be conducted on outlying claims to identify new drill targets. The investors providing

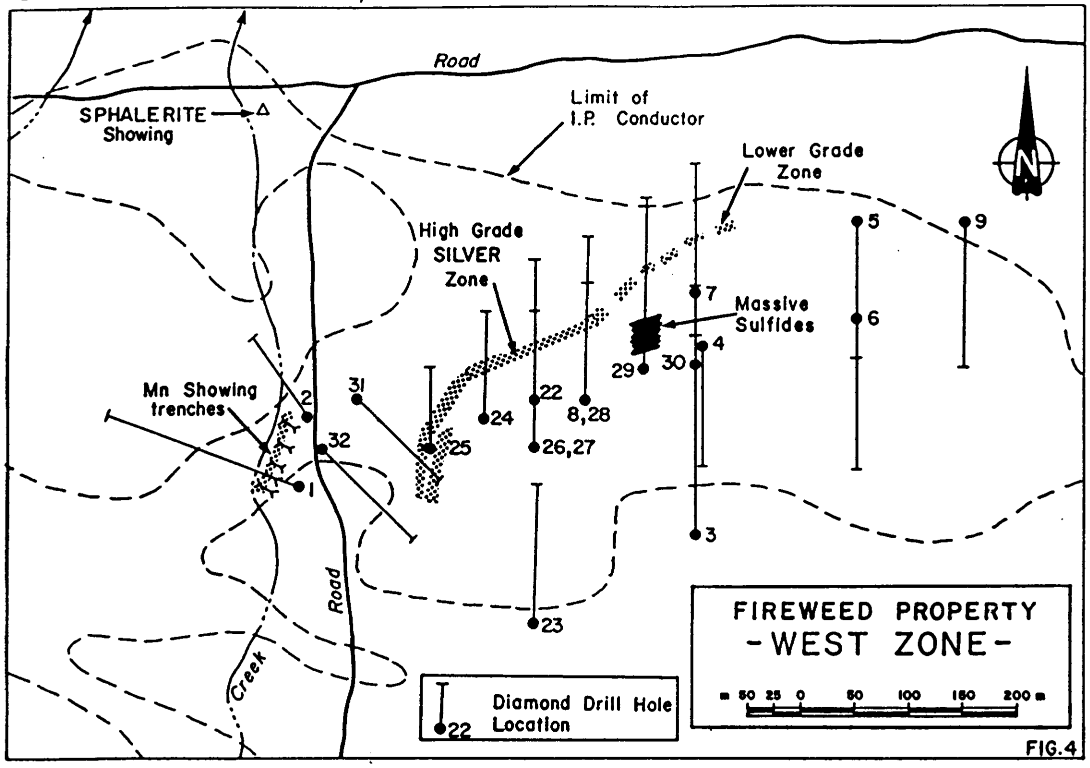


FIG.4

this funding can either earn an interest in the property or convert the interest to shares of Canadian-United. Director, regulatory and shareholder approval is necessary for this arrangement and details of the proposal are included in the information circular for the annual general meeting.

With this financing in place, Fireweed represents the addition of a significant asset to the company. Several major mining companies have approached us with a view to providing senior financing for development of Fireweed and the project expertise to put the property into production. Based on our success to date, we are very hopeful that Fireweed will eventually add substantial value to our company.

FINANCING SUCCESS

Despite the extremely difficult market conditions we have faced since the crash of October, 1987, we have had remarkable success in financing our operations over the past year. A total of $2.0 million has been raised during this period which has allowed us to pursue work on Fireweed, acquire a controlling interest in Geostar Mining Corporation and fund our ongoing corporate activities. Since the May 31, 1987 end of Canadian-United's fiscal year, a further $439,000 has been raised through flow-through financings to support last summer's work on Fireweed and other properties in the Smithers area. The proposed Fireweed financing discussed above would be additional to those noted here.

DOME MOUNTAIN

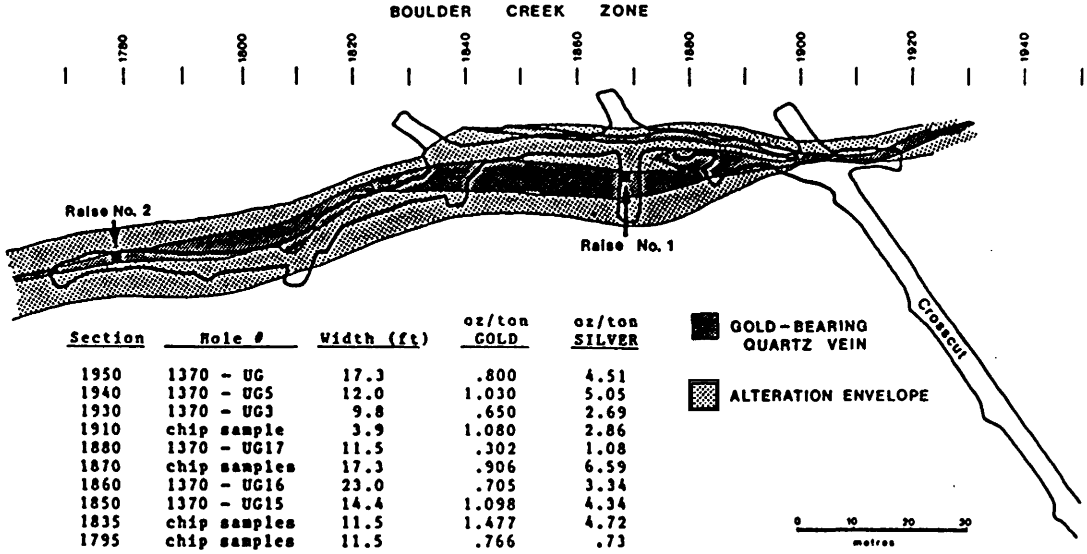
At this writing, we must report that the situation with respect to Dome Mountain remains difficult. Teeshin Resources Ltd., the operator of the project, has done two significant things this year. Firstly, a draft feasibility study was provided to the participants which recommended development of a mine and production. Secondly, Teeshin filed a lawsuit against Canadian-United and Total Erickson Resources Ltd., Panther Mines Ltd. and Reako Explorations Ltd., the other major participants in the Dome Mountain Project.

All of the participants expressed significant reservations about Teeshin's feasibility study. Excessive capital costs, inadequate ore reserve proof, inappropriate mining methods, lack of confidence in geological interpretations and an unjustifiably high mine extraction rate were among the chief complaints raised by Canadian-United and the other participants.

Canadian-United has commissioned its own independent examination of a suitable development plan by a consulting engineering firm. This report recommends a much modified development plan and extraction rate which substantially reduces the front-end capital costs and the overall development risk. Accordingly, we believe this approach represents a plan which would be much more prudent and more readily financed. Discussions with the participants on this problem continues.

DOME MOUNTAIN PROJECT - 1370 LEVEL

BOULDER CREEK ZONE



Section	Hole #	Width (ft)	oz/ton GOLD	oz/ton SILVER
1950	1370 - UG	17.3	.800	4.51
1940	1370 - UG5	12.0	1.030	5.05
1930	1370 - UG3	9.8	.650	2.69
1910	chip sample	3.9	1.080	2.86
1880	1370 - UG17	11.5	.302	1.08
1870	chip samples	17.3	.906	6.59
1860	1370 - UG16	23.0	.705	3.34
1850	1370 - UG15	14.4	1.098	4.34
1835	chip samples	11.5	1.477	4.72
1795	chip samples	11.5	.766	.73

In its lawsuit, Teeshin has complained that Canadian-United and the other three defendants prevented it from acquiring the Noranda back-in interest on Dome Mountain and proposed financings which were apparently dependent on this acquisition. Total Erickson Resources ultimately acquired the Noranda interest after Panther and Reako exercised first rights of refusal to purchase the interest and in turn transferred it to Total Erickson. In our statements of defense, each of us has noted that Panther and Reako merely exercised their contractual right which was granted by Noranda and Teeshin's claim has no substance. Teeshin knew this first right of refusal existed when it made an offer for the Noranda interest.

Teeshin has made no moves to prosecute its lawsuit since it was filed in March of this year. Teeshin meanwhile faces a significant problem in its efforts to earn an interest in the Dome Mountain Project. In order to exercise its option, Teeshin must maintain all underlying agreements on the property and fulfill all of the payments, work commitments and other obligations contained in those agreements. One of these obligations is a $5.0 million work commitment on certain of the properties by October 31, 1988. Teeshin has about $4.0 million remaining to be spent in satisfaction of this obligation. It has done no work toward the commitment since last year and to our knowledge, it does not currently possess the funds to perform the work. Thus, Teeshin is in imminent danger of defaulting on its obligations and having its option agreement terminated. Further talks between the parties are planned for the near future. Obviously the next month will be pivotal in the outlook for Dome Mountain development.

GEOSTAR

Finally, we are pleased to report that Geostar Mining Corporation, 25% owned by Canadian-United, has also enjoyed some significant success this year. Managed by the same group as Canadian-United, Geostar completed a significant underground development and sampling program on its 100% owned Victory property, near Smithers, B.C., early this year. Two existing drifts on the Victory vein were widened and underground drill stations have been established. Encouraging silver/gold/lead/zinc values were assayed in the course of this work. The next step here would be an underground drilling program with a target of establishing economic ore reserves.

A reverse circulation drilling program was also completed on the company's 49% owned Goldsprings joint venture. Drilling concentrated on the Jumbo vein structure in the Goldsprings camp on the Nevada/Utah border northeast of Las Vegas. Very encouraging drill intersections of up to 85 feet wide and grading 0.07 ounces per ton gold were encountered and higher grade sections of 10 feet width and 0.5 ounces per ton indicate a very large, mineralized structure. Further work is planned on this property with a view to developing a large tonnage heap-leach project.

We look forward to reporting significant successes to you over the coming months. Certainly, further developments relating to Fireweed are on the horizon as we plan to commence an extensive drilling program shortly and discussions with major financial and mining partners are ongoing. Meanwhile, we expect definite movement on Dome Mountain in the very near future. We appreciate your continuing support and confidence in Canadian-United Minerals and look forward to a prosperous 1989 with you.

On behalf of the Board

CANADIAN-UNITED MINERALS, INC.

Michael Callahan
President

MacKay & Partners

Chartered Accountants

AUDITORS' REPORT

To the Shareholders of
CANADIAN-UNITED MINERALS INC.

We have examined the balance sheet of Canadian-United Minerals Inc. as at May 31, 1988 and the statements of loss and 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 May 31, 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.

MacKay & Partners

CHARTERED ACCOUNTANTS

Vancouver, Canada
August 12, 1988

CANADIAN-UNITED MINERALS INC.

STATEMENT OF LOSS AND DEFICIT

FOR THE YEAR ENDED MAY 31, 1988

	1988	1987
REVENUE		
Interest	$ 11,485	$ 2,001
Contract income	---	40,337
Management fees	---	43,859
	11,485	86,197
EXPENSES		
Administrative (Schedule)	496,452	342,614
Write-off of abandoned mineral properties (Note 3)	168,838	332,630
General exploration	8,534	23,430
Loss on sale of fixed asset	---	4,532
	673,824	703,206
LOSS BEFORE EXTRAORDINARY ITEMS	662,339	617,009
EXTRAORDINARY ITEMS		
Write-off of investments in subsidiaries (Note 5)	5,827	---
Gain on forgiveness of debt	(25,264)	---
NET LOSS	642,902	617,009
DEFICIT, OPENING	4,797,132	4,180,123
DEFICIT, CLOSING	$5,440,034	$4,797,132
LOSS PER SHARE	$ 0.12	$ 0.16

CANADIAN-UNITED MINERALS INC.

BALANCE SHEET

AS AT MAY 31, 1988

	1988	1987
ASSETS		
CURRENT		
Cash	$ 45,306	$ 6,595
Performance bond	---	12,500
Treasury bills (cost)	570	---
Investments (Note 1)	---	5,027
Share subscriptions receivable	108,137	---
Deposits and prepaid expenses	---	18,018
	154,013	42,140
MINERAL PROPERTIES (Notes 1, 2, and 3)	2,140,407	1,102,141
INVESTMENT IN RELATED COMPANY (Note 4)	250,000	---
LEASEHOLD INTERESTS IN PETROLEUM AND NATURAL GAS PROPERTIES (Note 5)	---	800
FIXED (Notes 1 and 6)	5,083	7,261
	$2,549,503	$1,152,342
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	$ 103,886	$ 147,879
Due to related company (Note 9)	60,526	16,755
Due to shareholders	---	3,138
Flow-through share commitments	---	46,093
	164,412	213,865
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (Note 8)	7,732,612	5,507,702
FLOW-THROUGH SHARE COMMITMENTS (Notes 7 and 8)	92,513	113,907
SHARE SUBSCRIPTIONS	---	114,000
DEFICIT	(5,440,034)	(4,797,132)
	2,385,091	938,477
	$2,549,503	$1,152,342

APPROVED BY THE DIRECTORS:

Director

Brian Eamon Director

CANADIAN-UNITED MINERALS INC.

STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE YEAR ENDED MAY 31, 1988

	1988	1987
OPERATING ACTIVITIES:		
Net loss	$ (642,902)	$ (617,009)
Items not requiring cash:		
Depreciation	2,179	4,707
Write-off of abandoned mineral properties	168,838	332,630
Write-off of investments in subsidiaries	5,827	---
Loss on sale of fixed asset	---	4,532
	(466,058)	(275,140)
Cash provided by (used for) changes in non-cash working capital:		
Performance bonds	12,500	(12,500)
Treasury bills	(570)	---
Investments	---	(2)
Share subscriptions receivable	(108,137)	---
Deposits and prepaid expenses	18,018	(15,991)
Accounts payable and accrued liabilities	(43,993)	47,964
Shareholders' loans	(3,138)	(38,317)
Due to related company	43,771	16,755
Cash used by operations	(547,607)	(277,231)
FINANCING ACTIVITIES:		
Flow-through share commitments	92,513	160,000
Common shares issued:		
- for cash	1,690,887	591,250
- for debt	17,138	30,000
- for mineral properties	134,750	200,001
- for subscriptions	---	360,000
- for subscriptions receivable	108,137	---
Share subscriptions receivable	---	114,000
Share subscriptions reclassified	---	(360,000)
	2,043,425	1,095,251
INVESTING ACTIVITIES:		
Acquisition of investment in related company	(250,000)	---
Acquisition of mineral properties	(231,634)	(205,601)
Exploration and deferred administrative expenses on mineral properties	(975,473)	(619,693)
Fixed assets purchased	---	(15,594)
Proceeds on sale of fixed asset	---	15,257
	(1,457,107)	(825,631)
INCREASE (DECREASE) IN CASH	38,711	(7,611)
CASH, OPENING	6,595	14,206
CASH, CLOSING	$ 45,306	$ 6,595

1. SIGNIFICANT ACCOUNTING POLICIES

A) Mineral Properties

The company capitalizes all acquisition, exploration and development costs related to exploration and development of mineral properties on a property-by-property basis. The costs of abandoned properties are charged to expense in the year of abandonment. The costs of producing properties will be depleted by the unit of production method based upon estimated proven reserves.

B) Depreciation

Depreciation is calculated by the declining balance method at the rate set out in Note 6.

C) Investments

Investments are carried at cost.

D) Basis of Consolidation

The company will no longer consolidate the inactive subsidiaries because it is unlikely that the subsidiaries will produce increases in equity that could accrue to the company nor does consolidation provide the most informative presentation. The subsidiaries have no valuable assets and the investments in the subsidiaries have been written-off (Note 5).

2. RECOVERABILITY OF COSTS OF UNPROVED PROPERTIES

The recoverability of costs of mineral properties is subject to the discovery of sufficient commercially recoverable reserves.

3. MINERAL PROPERTIES

As at May 31, 1988, accumulated costs in respect of mineral claims owned or under option consisted of the following:

	1988			1987
	Acquisition Costs	Exploration and Deferred Administrative Expenses	Total	Total
Dome Mountain Omineca Mining Division, British Columbia	$457,260	$ 599,933	$1,057,193	$1,028,462
Del Santo Omineca Mining Division, British Columbia	7,100	115,236	122,336	30,875
Fireweed Omineca Mining Division, British Columbia	186,772	734,050	920,822	---
Frisco Globe San Bernardino County, California, U.S.A.	28,750	11,306	40,056	---
Goodchild Creek Thunder Bay, Ontario	---	---	---	34,531
Seebach Cariboo Mining Division, British Columbia	---	---	---	6,030
Benson Island Skeena Mining Division, British Columbia	---	---	---	2,243
	$679,882	$1,460,525	$2,140,407	$1,102,141

CANADIAN-UNITED MINERALS INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 1988

3. MINERAL PROPERTIES - continued

A) Dome Mountain Claims

The company has an option to earn a 100% interest in the claims subject to the provisions of other option agreements and underlying agreements affecting the property. Total Erickson Resources Ltd. holds a 50% back-in right and Teeshin Resources Ltd. holds an option to earn 75% of the company's interest, which is also subject to the back-in.

At the present time, these agreements will result in the company retaining either an 18.5% interest or a 29.5% participating interest in the sixty-eight claims on Dome Mountain in the Omineca Mining Division, British Columbia. The variance in the percentage interest results from uncertainty as to whether Teeshin Resources Ltd. will complete its earn-in option. Teeshin has launched a legal action related to this matter which is in dispute at the date of these financial statements. (see Note 10).

B) Del Santo Claims

By an agreement dated October 21, 1986 and by a subsequent letter agreement dated March 28, 1988, the company acquired an option to earn a 60% undivided interest in ten claims located in the Omineca Mining Division of British Columbia. Consideration for this option is as follows:

1) Exploration expenditures of $10,000 during 1986 (expended).
2) Exploration expenditures of $50,000 each year for the years 1987 (expended) and 1988, and a minimum of $50,000 on or before December 31 for each subsequent year until a total of $600,000 has been spent.
3) Assumption of an underlying agreement requiring payments of $1,500 in October, 1987 (paid) and $3,000 per year thereafter until a total of $200,000 is paid.

Upon this option being fully exercised, the company and the optionor have agreed to enter a joint venture for the purpose of production related to the property.

C) Fireweed Claims

By an agreement dated August 27, 1987 the company acquired an option to purchase three claims located in the Omineca Mining Division of British Columbia. In addition, if either party to the agreement stakes any mineral claims within three thousand metres of the perimeter of the original three claims covered by the agreement then the newly staked claims will be added to the agreement.

Fourteen claims have been added which brings the total number of claims covered by the August 27, 1987 agreement to seventeen.

Consideration for this option is as follows:

1) $25,000 (paid) and 30,000 common shares (issued) of the company upon signing.
2) 20,000 common shares (issued) after expending $70,000 (expended) on exploration plus a finder's fee of 12,500 common shares (issued).
3) $25,000 (paid) and 50,000 common shares (issued) after expending a further $70,000 (expended) and completing 5,000 feet of drilling plus a finder's fee of 12,500 common shares (issued).
4) $50,000 and 50,000 common shares after expending a further $100,000 on or before August 27, 1989 and completing a further 10,000 feet of drilling plus a finder's fee of 12,500 common shares.
5) $100,000 and 50,000 common shares after expending a further $120,000 on or before August 27, 1990 and completing a further 20,000 feet of drilling plus a finder's fee of 12,500 common shares.
6) exploration expenditures of a further $500,000 on or before August 27, 1991.

The company has agreed to pay royalties as follows:

1) a 1% net smelter return during the first twelve months of production.
2) a 2% net smelter return thereafter to a maximum of $5,000,000.

D) Frisco Globe Claims

By an agreement dated May 4, 1988 the company acquired an option to earn a 100% undivided interest in eighty-five claims located in San Bernardino County, California, U.S.A.

Consideration for this option is as follows:

1) $25,000 (paid) upon signing.

3. MINERAL PROPERTIES - continued

D) Frisco Globe Claims - continued

2) 50,000 common shares of the company upon submission of an engineering report recommending further work.
3) 150,000 common shares in three equal instalments as work progresses on the property.
4) exploration expenditures of $100,000 by December 31, 1988.
5) additional exploration expenditures of $300,000 by December 31, 1989.
6) additional exploration expenditures of $500,000 by December 31, 1990.
7) $5,000,000 prior to December 31, 1990.

If the company pays the considerations set out in 1 through 6 above it will acquire a 60% interest in the property. The $5,000,000 payment above will give the company the remaining 40% interest.

E) Goodchild Creek Claims

After expenditures of $34,531 the property was abandoned.

F) Seebach Claims

After expenditures of $6,030 the property was abandoned.

G) Benson Island Claims

After expenditures of $2,243 the property was abandoned.

H) La Fosse Claims

By an agreement dated June 26, 1987, the company agreed to purchase permis d'exploration number eight hundred and seven located in Quebec.

Consideration for the purchase is as follows:

1) $12,000 (paid) and 50,000 common shares of the company.
2) 150,000 common shares during various stages of a work program to expend a total of $900,000 on exploration.
3) a 2% net smelter return.

After expending $126,034 on acquisition and exploration, the company concluded that the exploration results did not warrant further exploration and the property was returned to the vendor. In addition the company discovered that the shape and composition of the property was materially different from the map included with the acquisition agreement. In particular, the map failed to disclose that centered in the middle of the property were claims not included in sale. The company has paid the vendor $12,000 but has not issued the first 50,000 shares because the inaccuracies in the map lead the company to believe that they were purchasing a property significantly different from the actual purchase. Given this fact and the fact that the property has been returned to vendor, the company believes that the vendor does not have an enforceable claim on the 50,000 shares. Accordingly, no commitment to issue the shares has been booked by the company and no demands for the shares have been made by the vendor.

4. INVESTMENT IN RELATED COMPANY

During the year the company purchased 1,000,000 common shares of Geostar Mining Corporation (GMC). This is approximately 24% of the issued and outstanding share capital and gives the company the ability to exercise significant influence over GMC. The investment is accounted for by the cost method rather than by the equity method because it is not likely that increases in GMC's equity will accrue to the company. GMC is an exploration company and as such does not generate increases in equity through its operations.

GMC is a publicly traded company on the Vancouver Stock Exchange and the last reported trade in May 1988 was at $0.43 per share. The shares may not be sold, transferred or assigned for a period of one year.

5. INVESTMENTS IN SUBSIDIARIES

During the year the company wrote-off its investments in all of the company's inactive subsidiaries. All the subsidiaries have been inactive for the past three years and presently have no valuable assets. The loss on the write-off of the investments in subsidiaries is comprised of the following assets owned by the subsidiaries and previously consolidated:

Bosc Resources Inc.	
- Bon Accord Share Investment	$5,000
- Van City Savings Share Investment	27
	5,027
C.M.C. Petroleum Inc.	
- Leasehold Interest in Petroleum and Natural Gas Properties	800
	$5,827

6. FIXED ASSETS

		1988			1987
	Rate	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Automotive	30%	$ 13,910	$ 8,827	$ 5,083	$ 7,261

7. FLOW-THROUGH SHARES

During the year, the company made two offerings to renounce Canadian exploration, development and overhead expenditures in exchange for the proceeds of flow-through shares. The funds from such offerings are to be used exclusively for Canadian exploration and development. Deductions for income tax purposes regarding Canadian exploration expenses (CEE) and Canadian development expenses (CDE) flow through to the subscribers.

The offerings were subscribed as follows:

A) Agreement dated September 1, 1987 - 80,000 shares subscribed on the basis of one share for each $1.10 of CEE or CDE incurred. All funds were expended by February 28, 1988 and the associated CEE was renounced. The shares were issued subsequent to the year end.

B) Agreement dated December 10, 1987 - 315,238 shares subscribed on the basis of one share for each $2.10 of CEE or CDE incurred. Approximately, three quarters of the funds were expended by February 28, 1988 and the associated CEE was renounced. All funds were expended by May 31, 1988. 313,089 shares were issued and a commitment exists to issue the remaining 2,149 shares [Note 8(D)]. In addition, 19,000 shares were issued as a finder's fee.

8. SHARE CAPITAL

Authorized:
20,000,000 common shares without par value

10,000,000 Class B common shares without par value, non-participating, redeemable, convertible

10,000,000 Class C common shares without par value, non-participating, convertible

Common shares issued without par value:

	Shares	Amount
Balance, May 31, 1987	4,400,875	$5,507,702
Issued during the year: (net of finder's fees)		
for: Mineral properties	125,000	134,750
Cash - private placements	715,000	808,600
- flow-through placements	438,214	817,485
- warrants	31,036	21,725
- options	407,500	317,075
Settlement of debt	20,953	17,138
Share subscriptions receivable	154,481	108,137
	1,892,184	2,224,910
Returned to treasury	(171,994)	---
	1,720,190	2,224,910
Balance, May 31, 1988	6,121,065	$7,732,612

8. SHARE CAPITAL - continued

Share Commitments

A) Directors' Stock Options:
   - 250,000 shares at $0.90 per share to expire November 6, 1988

B) Employees' Stock Options:
   - 300,000 shares at $0.95 per share to expire May 31, 1991.

C) Warrants:
   - 325,000 shares at $2.10 per share to expire February 22, 1989.
   - 80,000 shares at $1.35 per share to expire December 31, 1988
   - 200,000 shares at $1.00 per share. These warrants expired June 8, 1988.

D) Flow-through Shares Commitments
   - 80,000 shares subscribed regarding the September 1, 1987 agreement as disclosed in Note 7(A).
   - 2,149 shares subscribed regarding the December 10, 1987 agreement as disclosed in Note 7(B).

Returned to Treasury

As part of the March 18, 1983 acquisition agreement for the wholly-owned subsidiary, Bosc Resources Ltd., 229,325 shares of Canadian-United Minerals Inc. were issued into a pool for the original shareholders of the subsidiary. During the year, the company reached an agreement with the shareholders whereby 25% of the shares were released to the individual shareholders and 75% of the shares were returned to treasury.

9. RELATED PARTY TRANSACTIONS

A) During the year the company replaced the management agreement between the company and Pilot Management Inc. with a similar agreement between the company and CUN Management Group Inc. These agreements provided the company with consulting and project management services. The agreements required the company to pay fixed monthly charges for management fees and office and equipment rentals. In addition, the company paid the actual costs incurred on behalf of the company plus 15% with the exception of subcontracts in excess of $50,000 for which the company paid the actual cost plus 3%.

   The management companies are owned by senior officers and directors of Canadian-United Minerals Inc.

   During the year a total of $1,273,393 (1987 - $71,542) was paid or became payable to the management companies. Of this amount $906,685 has been capitalized and $366,708 has been expensed. Included in the total is $1,157,943 charged for actual expenses incurred, $81,600 charged for mark-ups, and $33,850 charged for fixed monthly charges.

   As at May 31, 1988 a balance of $60,526 was payable to CUN Management Group Inc.

B) During the year the company paid $30,403 (1987 - $81,000) to senior officers and directors as reimbursement for expenses incurred on behalf of the company.

10. CONTINGENT LIABILITY

Teeshin Resources Ltd. (Teeshin) has filed a claim in the Supreme Court of British Columbia on March 25, 1988, for unquantified damages against the company, Total Erickson Resources Ltd., Panther Mines Ltd. and Reako Explorations Ltd., all of whom are participants in the Dome Mountain Project.

Teeshin asserts that as a result of actions by the company and the other defendants, it suffered damages in that it was unable to obtain a 50% back-in right held by Noranda Exploration Company and certain possible financings which were apparently linked to the ability to deliver the Noranda interest.

Canadian-United, as well as the other defendants in the action, has filed a Statement of Defense denying any liability for losses Teeshin may or may not have suffered and is seeking to have the action dismissed. Specifically, the company asserts that the Noranda interest was purchased by Panther and Reako pursuant to the terms of a pre-existing right of first refusal granted to them by Noranda and of which Teeshin was aware. Panther and Reako in turn transferred the interest to Total Erickson. The company's defense concludes that it is not liable for Teeshin's inability to obtain the Noranda interest and Teeshin has suffered no damages as a result.

It is presently proposed that a trial be held on this action in September or October, 1989. The company's legal counsel, Lawrence & Shaw, advise that it is not possible at this time to estimate the likelihood that Teeshin might succeed in its claim or what damages, if any, might be awarded. They report however that the company's defense has considerable merit. No provision has been made in the financial statements for any liability relating to this matter.

CANADIAN-UNITED MINERALS INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 1988

11. LOSS CARRY-FORWARD

The company has a loss carry-forward of approximately $638,000 available to reduce taxable income of future years, expiring as follows:

1990	$ 173,000
1991	110,000
1992	235,000
1993	120,000
	$ 638,000

In addition, the company has resource deductions totalling approximately $2,544,000 which are available to reduce taxable income of future years subject to some restrictions.

Future tax benefits which may arise as a result of applying these amounts to taxable income have not been recognized in the accounts.

12. COMPARATIVE AMOUNTS

The comparative amounts were prepared on a consolidated basis and as such include the accounts of the Company's wholly-owned subsidiaries. The current year amounts have not been prepared on a consolidated basis.

13. SUBSEQUENT EVENTS

1) On June 28, 1988 the Company incorporated a wholly owned subsidiary in the State of Nevada, U.S.A. The subsidiary is named CUN Minerals, Inc. and will explore for natural resources in the U.S.A.

2) On June 10, 1988 the company completed a flow through private placement financing for 150,500 common shares at $1.00 per share. The funds raised by the offering are to be used by the company to fund its exploration program and the Canadian Exploration Expenses incurred will be renounced by the Company.

3) On July 14, 1988 the company completed a flow through private placement financing for 171,000 common shares at $1.00 per share. The funds raised by the offering are to be used by the company to fund its exploration program and the Canadian Exploration Expenses incurred will be renounced by the Company.

4) On July 27, 1988 the company completed a flow through private placement financing for 118,000 common shares at $1.00 per share. The funds raised by the offering are to be used by the company to fund its exploration program and the Canadian Exploration Expenses incurred will be renounced by the Company.

14. JURISDICTION OF INCORPORATION

The company is incorporated under the laws of the Province of British Columbia.

CANADIAN-UNITED MINERALS INC.

SCHEDULE OF ADMINISTRATIVE EXPENSES

FOR THE YEAR ENDED MAY 31, 1988

	1988	1987
Expenditures during the year:		
Consulting fees	$ 136,074	$ 54,960
Legal	119,767	54,976
Advertising and promotion	77,249	74,528
Travel and entertainment	54,365	9,574
Office and administration	32,189	18,045
Accounting and audit	30,050	31,825
Telephone	9,643	10,204
Automotive	8,711	2,006
Licenses, fees and taxes	8,548	12,056
Rent	8,306	12,587
Printing and shareholders' information	3,568	4,776
Salaries and benefits	3,387	42,340
Transfer agent fees	1,475	2,366
Equipment rental	---	5,994
Interest and bank charges	941	1,670
Depreciation (Note 1)	2,179	4,707
TOTAL	$ 496,452	$ 342,614

CANADIAN-UNITED MINERALS

INC.

CUN