

Wagner

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mikado resources ltd.

June 22, 1989

REPORT TO SHAREHOLDERS

Overview

The 1988 mining season was one of significant progress for your company with extensive exploration, diamond drilling (25,000 feet) and road work to facilitate future ore haul and also provide better access to further develop ore deposits. The steel bridge was purchased and installed over the Lardeau River. Mikado has now invested over five million dollars developing what we believe to be one of the great mining opportunities of British Columbia.

The 1988 Engineering Report shows a tonnage increase of ore in all categories of 28% and a value increase in ore of all categories of 47%. We received approximately \$170,000. in net smelter returns from metallurgical testing of our presently defined ore bodies and we expect to expand this amount considerably in 1989.

Metal Markets

Metal markets have significantly changed the value of the reserves since the 1986 Engineering Evaluation and in essence turned the Abbott Project into a ZINC project in todays market environment. The table following demonstrates the changes in value from December 1986 to March 1989, using the measured reserves at the Abbott as an example. The measured grade at the Abbott is .035 ounces per ton gold, 8.35 ounces per silver, 10.26% lead and 16.12% zinc.

LOG NO:	JUL 04 1989	VAN
ACTION:		
FILE NO:	Wagner - Abbott	

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MKO-V

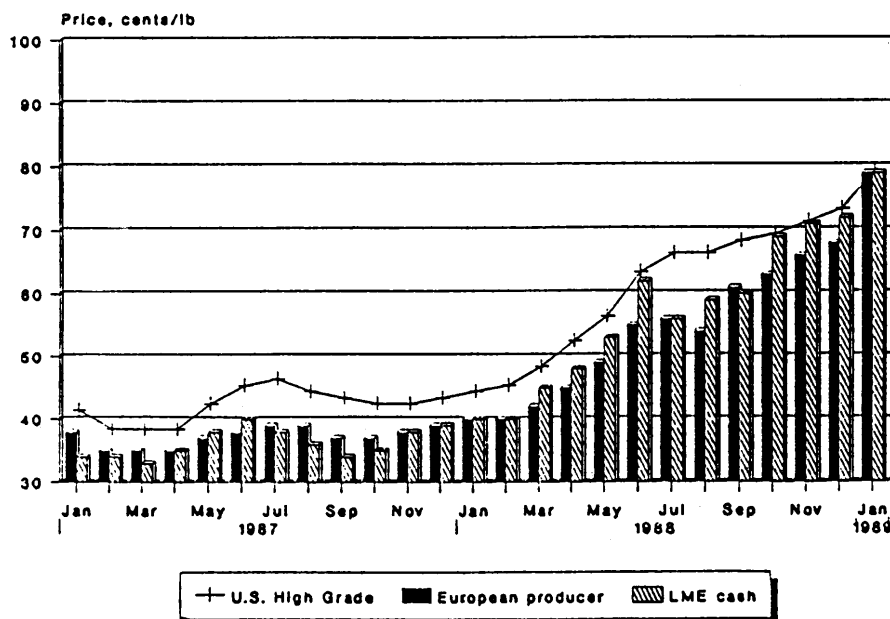
GRAPH I

DECEMBER 1986				MARCH 1989			
METAL	METAL PRICE	VALUE PER TON	% OF VALUE PER TON	METAL	METAL PRICE	VALUE PER TON	% OF VALUE PER TON
GOLD	\$564.82	19.77	5.97	GOLD	\$451.00	15.79	3.49
SILVER	\$ 7.79	65.05	19.65	SILVER	\$ 6.79	56.70	12.55
LEAD	\$0.2881	59.11	17.86	LEAD	\$0.2620	53.76	11.90
ZINC	\$0.5802	187.06	56.52	ZINC	\$ 1.01	325.62	72.06
TOTAL		330.98	100.00	TOTAL		451.87	100.00

As can be seen in Graph I, the gross value of the reserves has increased in value by 36.5 % to \$452.00 per ton from \$331.00 per ton. Zinc indeed was the performance metal of 1988 and now accounts for 72% of the gross value per ton. The Abbott project must now be regarded as a ZINC project with the other metals produced as byproducts.

GRAPH II

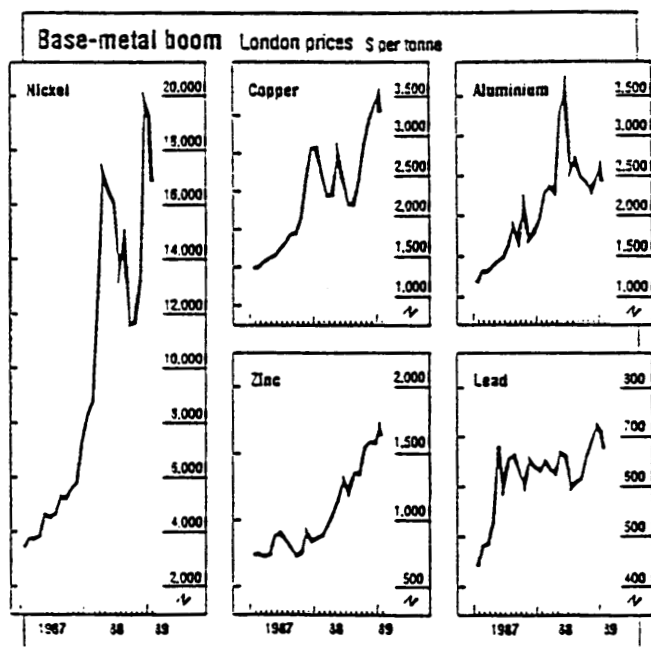
Average monthly zinc prices
in 1987 and 1988



Source: Metals Week.

Graph II shows the rapid increase in the price of zinc which has recently traded up to 95 cents U.S. and currently is quoted at 85 cents U.S. As mentioned previously this price increase changed Mikado from a "Silver" company to a "Zinc" company.

GRAPH III



THE ECONOMIST JANUARY 14 1989

During this period lead markets showed strength and we expect this to continue as a solid market during 1989. The silver market is now near the low end of its two year trading range and we expect only moderate strengthening in price during 1989.

Metallurgical Testing

During 1988 the company ran a series of milling tests, the majority of which were done at Dickinson Mines, Sylvania Division, at Sandon, B.C. The company shipped 104 net dry tons of lead concentrate and 241 net dry tons of zinc concentrate.

The LEAD Concentrate contained the following values.

Lead	62.7%	Iron	2.6%
Zinc	9.9%	Sulphur	17.2%
Silver	53.4 ounces/ton	Alumina	.4%
Copper	1.1%	Antimony	.4%
Gold	.267 ounces/ton	Arsenic	.2%

The Net Smelter Returns for the LEAD concentrate was \$718.13 per ton.

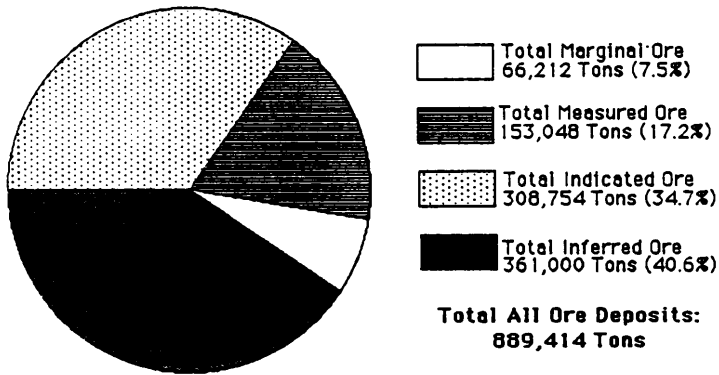
The ZINC Concentrate contained the following values:

Zinc	59.6%	Iron	3.3%
Lead	1.0%	Silica	1.1%
Silver	3.2 ounces/ton	Lime	.79%
Gold	.011 oz/ton	Magnesia	.25%
Copper	.19%		

The Net Smelter Return for the ZINC concentrate was \$594.48 per ton.

The Abbott ore has thus demonstrated its ability to produce a marketable concentrate with no metallurgical problems.

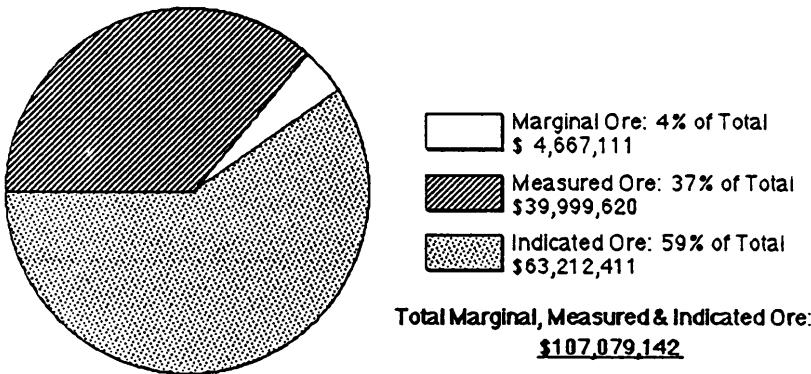
GRAPH IV



Relative Proportions of Ore Deposits, by type (excluding Bannockburn)

The Summary found in Graph IV shows the total property reserves in tons. Of this amount, Marginal, Measured and Indicated ore increased to 528,414 tons from 421,726 tons for an increase of 25% in 1988.

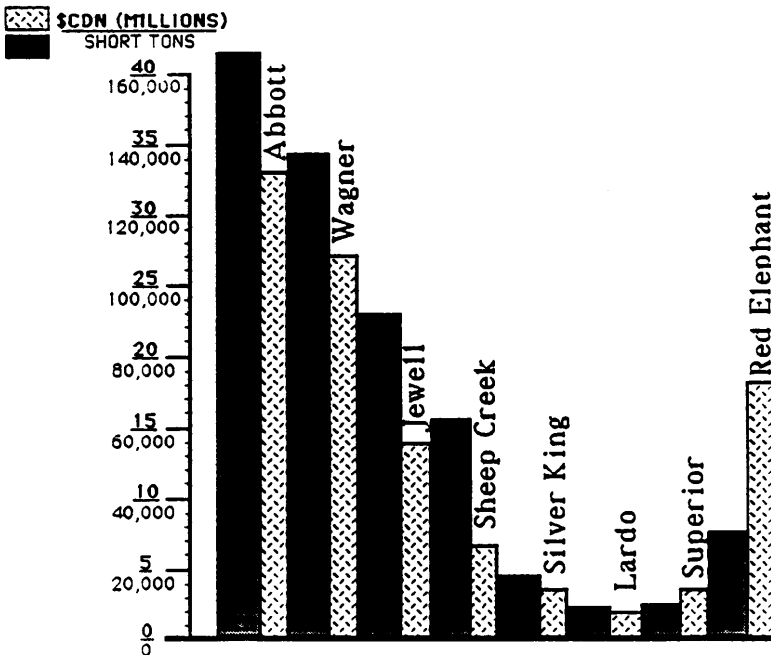
GRAPH V



Relative Values of Ore Deposits by type (excluding Bannockburn)

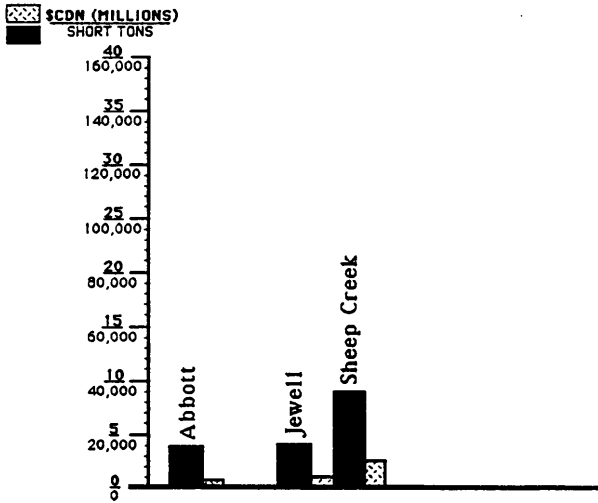
The Summary found in graph V shows the total property reserves in value, excluding the inferred ore. This value increased from \$73 million to approximately \$108 million for a gain of 47% in 1988.

GRAPH VI



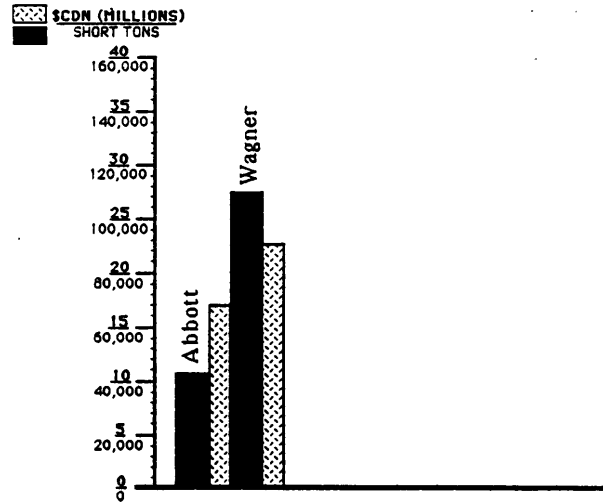
Graph VI indicates the comparative combined ore in tonnage and corresponding combined values for each area.

GRAPH VII



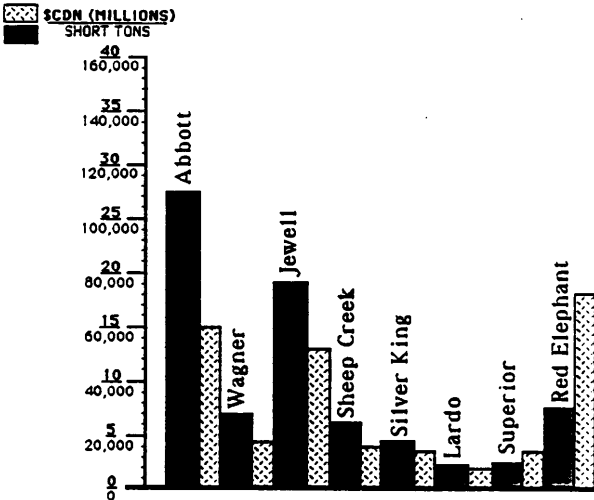
MARGINAL tonnage comparison by area

GRAPH VIII



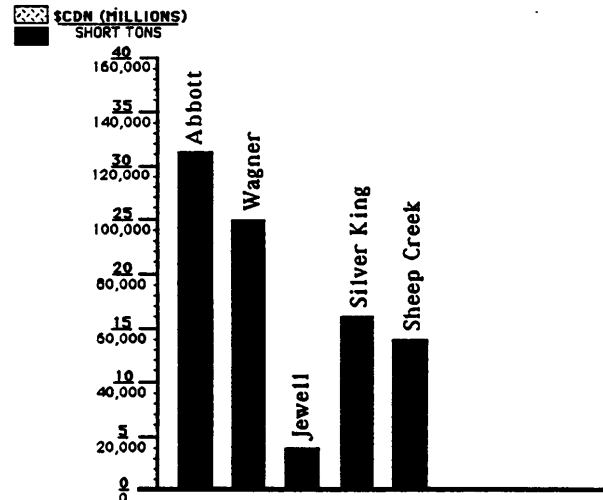
MEASURED tonnage comparison by area

GRAPH IX



INDICATED tonnage comparison by area

GRAPH X



INFERRED tonnage comparison by area

METAL PRICES - Prices used for all graph calculations were those in effect the date of the Engineering Report, Dec. 9, 1988.)

Gold	\$480.00 (Can)	per ounce
Silver	\$ 7.50 (Can)	per ounce
Lead	\$.30 (Can)	per ounce
Zinc	\$.80 (Can)	per ounce
Copper	\$ 1.40 (Can)	per ounce

1989 Exploration Program

The 1989 program is budgeted to accomplish three major goals. The goals are to drill test the Bannockburn Superior Project, drill test the Red Elephant Project, and develop and expand existing reserves at the Abbott Project.

The first goal is to drill test the Bannockburn Superior target. A 5000 foot drill program is budgeted for this project. The Bannockburn is a high quality replacement zone similar to the Abbott but carrying gold values as high as .685 ounces of gold per ton with high base metal content. Samplings on the Bannockburn claim have graded as high as .274 ounces per ton gold, 6.65 ounces per ton silver and 12.3% lead with 19% zinc across a width of 5 feet. These samplings have a gross value of \$616.00 per ton.

The Red Elephant Joint Venture, in which Roper Resources has a 50% interest, is a high grade gold-copper project discovered in the early 1900's. Road access was achieved late in September 1988 and values were obtained as high as 12.2 ounces of gold per ton. The zone is up to 22 feet wide, having a known vertical depth in excess of 80 feet and has been mapped on surface for a horizontal distance of 500 feet. The field engineer evaluated this mineral showing and indicated tonnage in excess of 29,000 tons with an average of 1.19 ounces of gold per ton and .93% copper with a gross value of 17.6 million dollars. A 5000 foot drill program is budgeted for this project.

The third goal is for further underground exploration on the Abbott to the southeast to increase reserves as well as develop the existing reserves for mining.

Summary

The infrastructure and access has been established to examine more of the presently outlined strongly mineralized horizons to significantly increase reserves.

Management is pleased that the project continues to respond in such a positive mode, continually increasing reserves as exploration targets are indentified and drilled.

The Zinc market has increased the value of existing reserves tremendously and now accounts for 72% of the value of the Abbott orebody.

The attainment of a milling facility to provide ore testing and cash flow is a main priority of the Company. Negotiations with interested companies are ongoing and the and Directors continue to pursue this vigorously.

Thank you for your continued support during this period of slow equity markets.

On behalf of the Board,

"James H. Simpson"



James H. Simpson, President

