



mikado resources ltd.

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LOG NO: SEP 19 1988 VAN

ACTION:

FILE NO: Wagner-Abbott

Interim Report to Shareholders dated September 12, 1988.

Dear Shareholder:

**RE: WAGNER ABBOTT PROJECT**

Your company has made significant progress to date in the 1988 season.

Starting in January, bridge abutments were installed in banks of the Lardeau River. A 120 foot span steel Bailey Bridge was then erected across the river. The bridge installation was critical in order that heavy equipment could reach the mining site as well as to support 30 ton ore haul trucks. Road improvements such as gravelling and grading were made during the period of April 15th to July 10th.

The logging of 15 miles of the road "right of way" was started on June 19th and is now complete. Access is again much improved.

Diamond drilling started on July 18th and is continuing on a 24 hour basis. To date in excess of 15,000 feet have been completed. Diamond drilling has tested targets at the Abbott, Reunion, Sheep Creek and Wagner zones. To date the best drill intersection has been made at the Abbott. The Company reported a 22 foot wide intersection in the Abbott replacement zone that returned values of .012 ounces of gold per ton, 10.41 ounces of silver per ton, 10.70% lead, and 26.47% zinc. This intersection represents value of approximately \$450 per ton. Replacement reserves at the Abbott have increased substantially. As of last year these reserves stood at 40,783 tons grading .035 ounces of gold per ton, 8.65 ounces of silver per ton, 10.92% lead and 12.55% zinc. This ore has a value of approximately \$300/tn.

Diamond drilling has found a wide and strongly mineralized zone in close proximity to the Abbott replacement orebody. To date 14 holes have intersected this horizon over a strike length of 220 feet. The zone is open along strike to the southeast and also open to depth. Diamond drilling will continue to evaluate this newly discovered zone.

The Turner-Mikado joint venture sold a 50% interest in the Red Elephant prospect in Hall Creek to an associated company, Roper Resources Inc. for \$30,000.00 and 550,000 shares of Roper. Work is expected to start on this copper-gold prospect within one week. Costs will be shared on a 50-50 basis with Roper Resources Inc. The main exploration target is the area where an old shaft was sunk and mineralization 3-5 feet wide was reported to carry an average of 1 ounce of gold per ton over a vertical distance of 25 feet.

Three and one half miles of road building has completed the access to the Bannockburn basin. The Bannockburn and Superior crown grants have been examined. A surface outcrop on the Superior, 5 feet wide by 100 feet long was sampled and produced the following results:

<u>TYPE OF SAMPLE</u>	<u>Gold oz/ton</u>	<u>Silver oz/ton</u>	<u>Lead %</u>	<u>Zinc %</u>	<u>Copper %</u>
Chip	.589	9.04	22.0	.33	.19
Grab	.274	6.65	12.3	19.0	.17

On the Bannockburn, two samples from stockpiles near old tunnels and trenches produced the following results:

<u>TYPE OF SAMPLE</u>	<u>Gold oz/ton</u>	<u>Silver oz/ton</u>	<u>Lead %</u>	<u>Zinc %</u>	<u>Copper %</u>
Trench (grab) High Grade	.023	2.89	4.35	45.3	1.28
Shaft (grab)	.041	45.2	67.2	.22	0

Sampling at the Superior has confirmed the presence of strong gold values associated with the silver-lead-zinc mineralization. The Bannockburn basin will provide an area of strong targets for future exploration activity.

The Abbott camp dining area was expanded with the addition of a 10 x 32 foot trailer. Dining facilities will now accomodate a crew of 20 men.

The 6,000 - 7,000 ton ore stockpile was crushed at the beginning of the season and approximately 1,000 tons were hauled to the Silverridge mill and processed. The concentrate produced was sent to the Cominco smelter at Trail. Payments for the concentrate have started to flow. The company is negotiating a further milling contract for the balance of the stockpile.

Stripping at the Jewell ore horizon commenced on September 6 in preparation for mining. Surface blasting at the Jewell and Abbott occured September 10, 1988. A large backhoe to load the 25 ton haul ore truck has been moved on site. The ore haul will continue on a 2 shift basis from these sites.

Underground mining at the Abbott replacement is expected to commence in the third week of September.

In order to finance the ongoing exploration activities the Company arranged two private placements. The first was 500,000 shares at \$1.40 per share and the second was 200,000 shares at \$1.50 per share. The two placements netted the Company \$1,000,000.

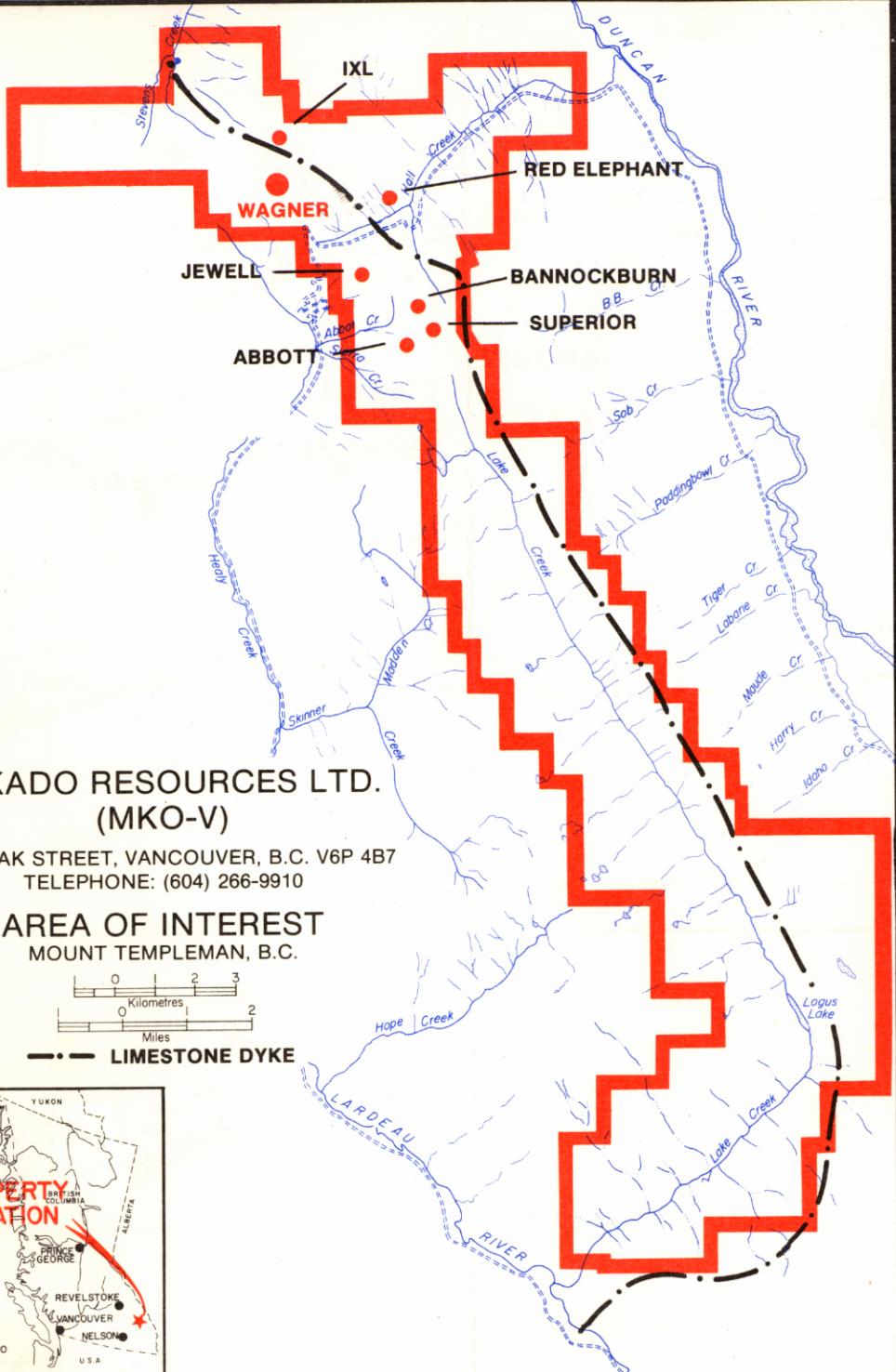
Management is pleased that the project has responded in such a positive fashion.

Thank you for your continued support.

ON BEHALF OF THE BOARD OF DIRECTORS,



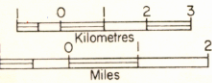
*James H Simpson*  
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 James H. Simpson - President



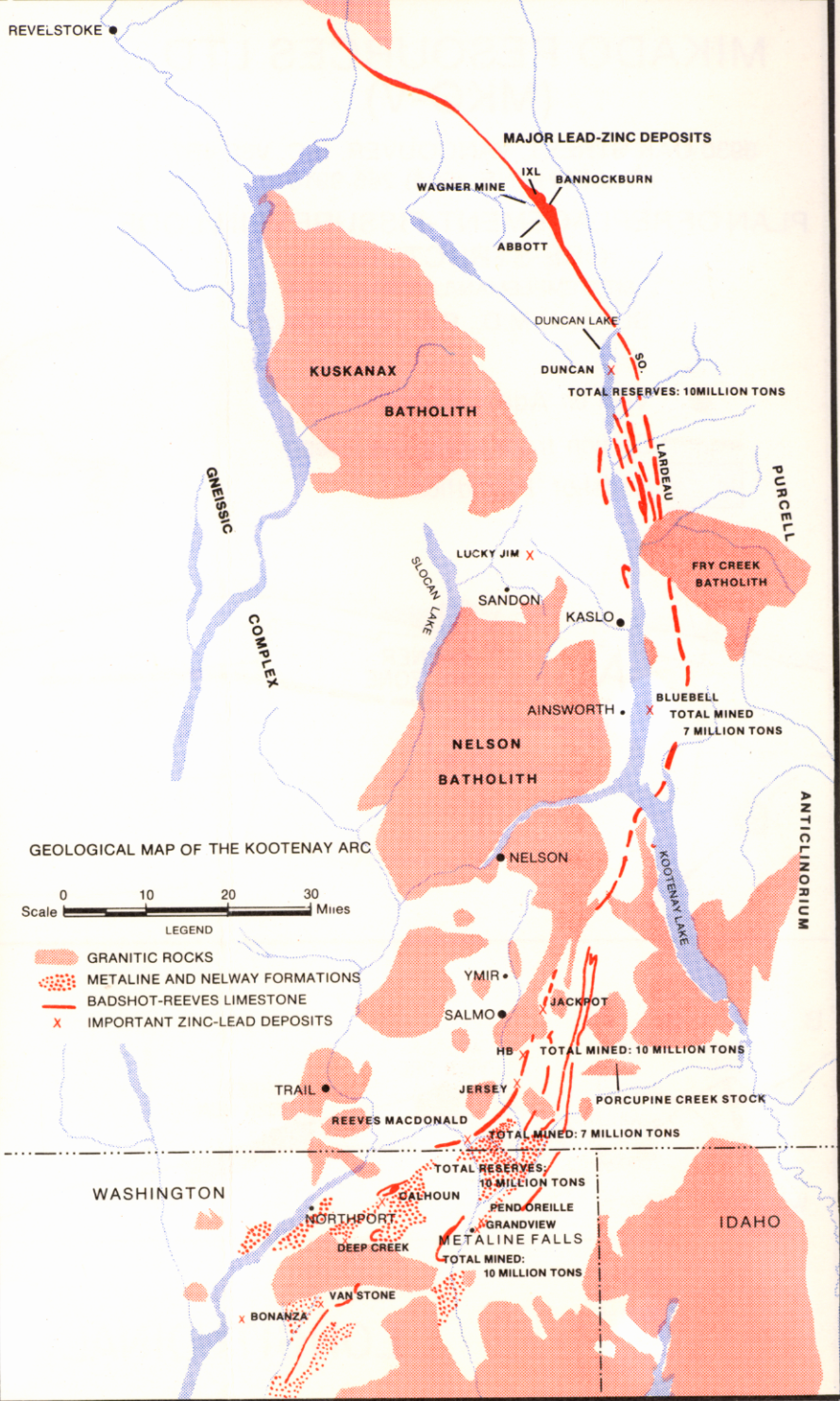
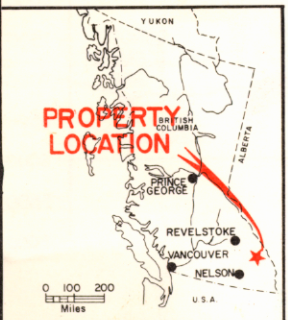
**MIKADO RESOURCES LTD.  
(MKO-V)**

8930 OAK STREET, VANCOUVER, B.C. V6P 4B7  
TELEPHONE: (604) 266-9910

**AREA OF INTEREST  
MOUNT TEMPLEMAN, B.C.**



--- Limestone Dyke



**GEOLOGICAL MAP OF THE KOOTENAY ARC**



LEGEND

- GRANITIC ROCKS
- METALINE AND NELWAY FORMATIONS
- BADSHOT-REEVES LIMESTONE
- IMPORTANT ZINC-LEAD DEPOSITS

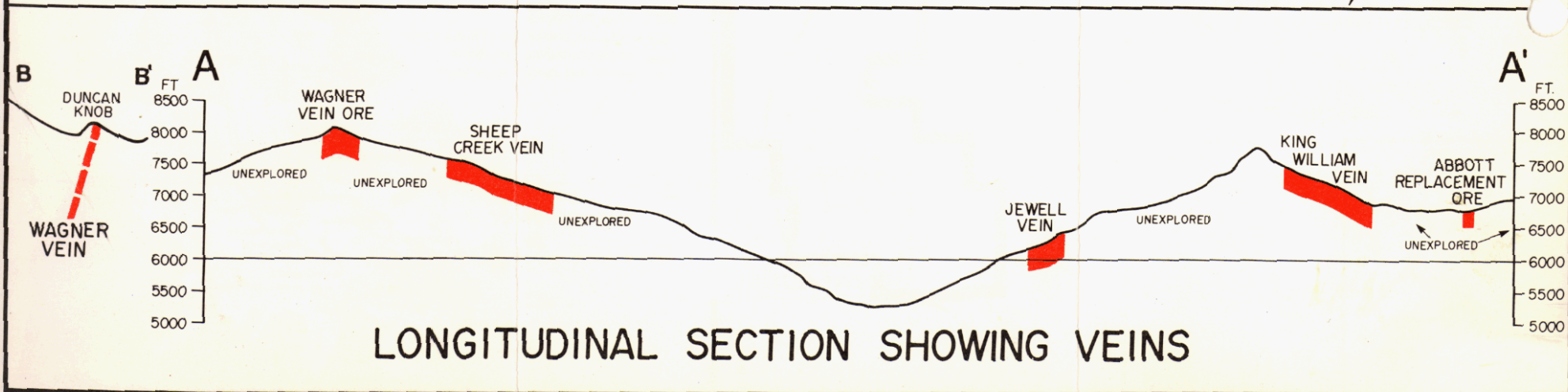
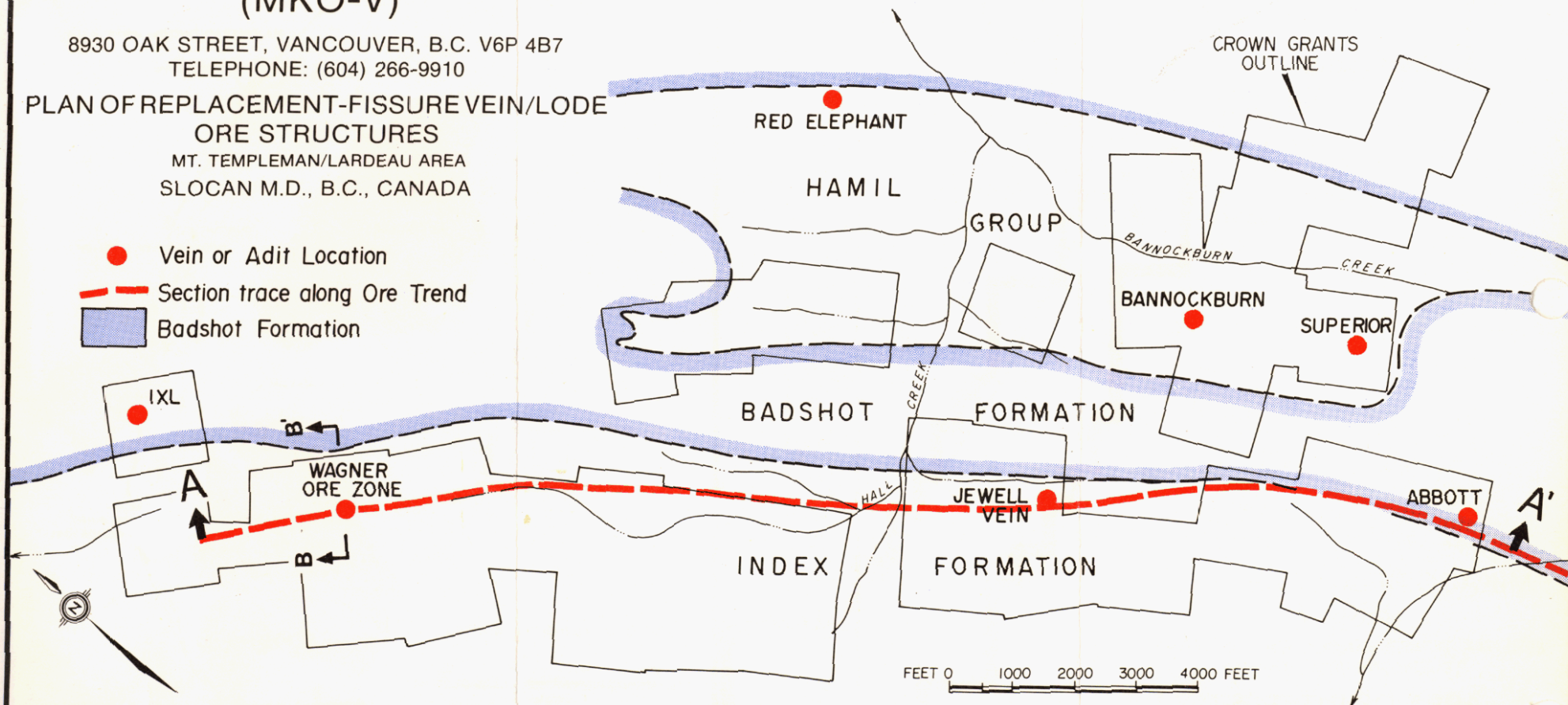
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## PLAN OF REPLACEMENT-FISSURE VEIN/LODE ORE STRUCTURES

MT. TEMPLEMAN/LARDEAU AREA  
SLOCAN M.D., B.C., CANADA

- Vein or Adit Location
- - - Section trace along Ore Trend
- Badshot Formation



LONGITUDINAL SECTION SHOWING VEINS