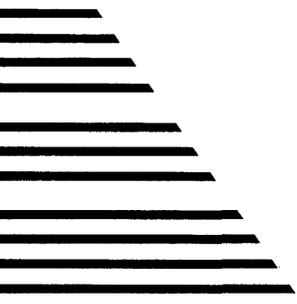


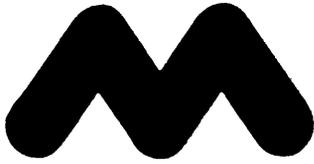
-82M191 Pea Gofd. -
82M191 -05

005062

PROPERTY FILE



MIDLAND ENERGY CORPORATION



MIDLAND ENERGY CORPORATION

Ticker Symbol: MDY.V

March 11 1986

SUMMARY: Midland Energy Corporation of Vancouver, British Columbia, maintains a 60% working interest in the Bellavista/Montezuma property of Costa Rica. The property is managed as a joint venture between Midland Energy and Westlake Resources of Vancouver. Rea Gold Corporation, also of Vancouver, has been appointed operator of the joint venture which has been recommended to begin production. Reserves of proven, probable, and inferred ore on the Bellavista total 620,664 tons averaging .231 oz/ton gold and .33 oz/ton silver. Possible reserves on the Montezuma are 2.2 million tons averaging .42 oz/ton gold. Midland also holds precious metals claims near Hedley, British Columbia and in the Adams Lake Plateau northeast of Kamloops, British Columbia.

STOCK DATA:

Shares Authorized.....20,000,000
Shares Issued..... 4,200,000
Estimated Float..... 400,000

Recent Price.....\$0.30 - \$0.60
1985 Trading Range.....\$0.40 - \$1.10

MINERAL PROPERTIES:

BELLAVISTA/MONTEZUMA: This 3,000 acre property is located approximately 80 miles northwest of Costa Rica's capital city of San Jose. Puntarenas, the country's major Pacific port, is 17 miles to the west by road. The property is named for its two separate deposits, the Bellavista and the Montezuma. Both are systems of gold-bearing quartz veins in altered andesite and andesite breccia. Ore reserves for the Bellavista have been calculated at 426,664 tons of drift-proven and possible ore grading .210 oz/ton gold and .33 oz/ton silver (160,000 Ts are in the open pit category). Another 194,000 tons of .28 oz/ton ore has been inferred. Based on past production and exploration records, the Montezuma's possible reserves have been estimated at 2.2 million tons ore averaging .42 oz/ton gold.

Both the Bellavista and Montezuma have been worked sporadically since the turn of the century. The most extensive production was achieved by the British Engineers between 1909 and 1914. During this period, the Montezuma yielded 100 tons of ore per day grading an average .42 oz/ton gold. The mine was shut down at the outbreak of World War 1 and never reopened.

Current exploration is centered on the Bellavista vein system, which has been partially developed by extensive underground workings on two levels that total more than 2 miles. Employing approximately 20 miners, development is currently progressing on the Bellavista "Blanca" vein, which runs up to 70 feet in width. The Montezuma system has structures of up to 60 feet and is presently being reopened.

The engineering firms of Marston and Marston and J.W. Fisher Ltd. were engaged to complete feasibility studies for the establishment of a 165 TPD mill on the property. Their test findings, released in January of 1985, revealed that a 96% recovery from cyanide vat leaching can be achieved. Costs for construction of the mill and development are estimated at \$3.5 million. Production costs are forecasted at US/\$140 per ounce. The government of Costa Rica will buy all the gold produced, paying a 15% premium over the London spot price. Thus, US/\$300 gold automatically equates to a price of US/\$345 - a considerable bonus.

DEBT REPAYMENT

Net Smelter Returns

- (a)* Proven reserves 365,700 tons
- (b) Milled Metal Per Month (at 165 TPD)

4950 Tons at 0.231 oz/ton	1143.5 oz Au
at 0.33 oz/ton	1633.5 oz Ag
- (c) Recovered Metal Per Month

1143.5 oz at 96%	1097.8 oz Au
1581.9 oz at 75%	1225.1 oz Ag
- (d) Net Smelter Returns per Month
 - Government of Costa Rica pays 115% of prime rate for gold.
 - Smelter charge taken \$1.00 per oz.
 - Silver price taken at gold-silver ratio 47.5.

Gold Price US\$/oz	US\$/ Ton	US\$/ Month
\$300	\$ 78.26	\$387,387
325	84.13	416,443
350	91.01	450,499
375	97.38	482,031
400	103.76	513,612

Operating Cost Per Month

4950 Tons at 35.23 \$174,388

Repayment Time (82% of proceeds)

Debt - \$3,431,000

Gold Price US\$/oz	Repayment Months
\$300	19.3
325	17.0
350	14.9
375	13.5
400	12.1

* Total Proven Reserves will last 6 years 2 months.

The mill will be built with the ability to expand it to 500 TPD as additional reserve are blocked out.

The Company estimates its share of before tax profits after payback based on the following mill rate and gold prices as follows:

<u>Mill Rate</u>	<u>Gold Price</u>	<u>Total Revenues/Year</u>	<u>Midland's Portion @ 36%</u>	<u>Earning/Share 4.2 Million</u>
150 TPD	\$325	\$2,904,660	\$1,045,678	\$0.25/Share
150 TPD	400	4,070,688	1,465,448	0.35/Share
150 TPD	500	5,629,338	2,026,562	0.48/Share
250 TPD	325	3,872,700	1,394,172	0.33/Share
250 TPD	400	6,163,200	2,218,752	0.53/Share
250 TPD	500	8,529,300	3,070,548	0.73/Share
400 TPD	325	5,167,200	1,860,192	0.44/Share
400 TPD	400	8,217,600	2,958,336	0.70/Share
400 TPD	500	13,646,880	4,912,877	1.17/Share
500 TPD	325	6,454,500	2,323,626	0.55/Share
500 TPD	400	10,272,000	3,697,200	0.88/Share
500 TPD	500	17,058,600	6,141,096	1.46/Share

The above figures are based on the ore reserves located on the Bellavista, inferred reserves on the Montezuma are twice the grade which would double the return. Each \$100 increase in the price of gold represents an extra profit of \$10/ton milled for Midland. Midland share of financing the property to production is \$2,060,00 U.S.

PROPERTY FILE

- 4 -

ADAMS LAKE, B.C., PROPERTY

82M191 Rea

The company has well located holdings in the exciting Adams Lake area where Rea Gold Corporation has made a significant Gold/Silver-bearing Massive Sulphide discovery. Rea Gold Corporation is currently joint venturing this discovery with Corporation Falconbridge Copper. To date 150,000 tons averaging .43 oz/ton gold, 3.50 oz/ton silver, 3.10% Zinc, 3.60% lead and .70% copper have been drilled. Approximately 35,000 feet of drilling has been completed to date.

GOLDEN ZONE (Hedley B.C.)

Midland has well located ground in the Hedley area 3 miles north of the Mascot Mines. Mascot Mines has announced proven reserves of approximately 7,000,000 tons, averaging .15 oz/ton gold.

Drill results from Midland's ground are as follows:

<u>Hole #</u>	<u>Footage</u>	<u>Width</u>	<u>Gold</u>	<u>Silver</u>
2	30 - 32.5	2.5'	.126	-
	40 - 45	5.0'	.100	2.10
	44 - 76	32.0'	.133	3.74
3	32 - 37	5.0'	.131	.33
4	131.4 - 135.8	4.4'	.042	1.05
5	186.5 - 194.0	7.5'	.139	1.20

The Golden Zone has the potential for hosting large tonnage open pitable reserves.

YANKEE GIRL (Greenwood, B.C.)

These claims are situated in a famous mining camp and have known economic gold and silver values. Mines Ministry reports in 1924 reported 6 assays averaging .30 to 3.24 oz/ton gold and .30 to 2.00 oz/ton silver over a strike length of 200 feet.



MIDLAND ENERGY CORPORATION

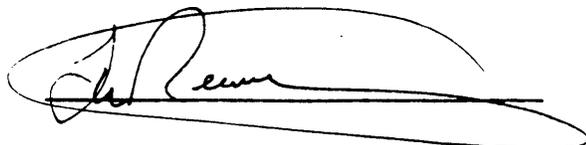
MIDLAND ENERGY CORPORATION
STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE SIX MONTH PERIOD ENDED FEBRUARY 28 1986
with comparative figures for the six month
period ending February 28 1985

=====

MIDLAND ENERGY CORPORATION
 STATEMENT OF CHANGES IN FINANCIAL POSITION
 FOR THE SIX MONTH PERIOD ENDED FEBRUARY 28 1986
 with comparative figures for the six month
 period ending February 28 1985

	<u>1986</u>	<u>1985</u>
	\$	\$
<u>Cash provided by (used in) operating activities</u>		
Net Income (loss) for the period	(65,552)	(31,085)
Mineral property option received	<u>5,000</u>	<u>-</u>
	(60,552)	(31,085)
 <u>Changes in non-cash working capital balances related to Operations</u>		
Increase in accounts receivable	2	(16,996)
Increase in accounts payable	148,367	21,602
Capital stock issued	73,920	319,714
Loan repaid	(60,000)	-
Shareholder loans received	<u>95,478</u>	<u>-</u>
	<u>257,767</u>	<u>324,320</u>
 Cash provided by (used in) operating activities	197,215	293,235
 Mineral Properties and Deferred Exploration costs	<u>(171,464)</u>	<u>(284,210)</u>
 Net Cash Increase (Decrease) during the period	25,751	9,025
 Cash Position, beginning of period	<u>1,797</u>	<u>42,526</u>
 Cash Position, end of period	<u><u>27,548</u></u>	<u><u>51,551</u></u>

PREPARED BY MANAGEMENT




MIDLAND ENERGY CORPORATION

FINANCIAL STATEMENTS

AUGUST 31, 1985

LOHN & COMPANY
Chartered Accountants

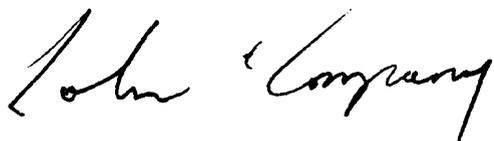
200-837 Homer Street
Vancouver, B.C. Canada
V6B 2W2

Telephone (604) 687-5444

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of Midland Energy Corporation as at August 31, 1985 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 August 31, 1985 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 in Canada applied on a basis consistent with that of the preceding year.



Vancouver, B.C.
September 27, 1985 (except for note 7 which
is dated October 11, 1985)

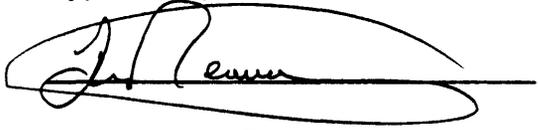
MIDLAND ENERGY CORPORATION

BALANCE SHEET

AUGUST 31, 1985

	1985	1984
	\$	\$
A S S E T S		
CURRENT		
Cash and short term deposits	1,797	42,271
Accounts receivable	-	255
	<u>1,797</u>	<u>42,526</u>
INVESTMENTS (note 3)	200	200
BELLAVISTA/MONTEZUMA JOINT VENTURE (note 5)	488,515	6,059
MINERAL PROPERTIES AND DEVELOPMENT COSTS (note 4)	109,164	107,849
	<u>599,676</u>	<u>156,634</u>
L I A B I L I T I E S		
CURRENT		
Accounts payable	39,026	16,622
Bank loan (note 7)	60,000	-
	<u>99,026</u>	<u>16,622</u>
S H A R E H O L D E R S ' E Q U I T Y		
SHARE CAPITAL (note 6)	879,234	405,220
DEFICIT	378,584	265,208
	<u>500,650</u>	<u>140,012</u>
	<u>599,676</u>	<u>156,634</u>

Approved by the Directors




The accompanying notes are an integral part of these financial statements

MIDLAND ENERGY CORPORATION
STATEMENT OF LOSS AND DEFICIT
FOR THE YEAR ENDED AUGUST 31, 1985

	1985	1984
	\$	\$
REVENUE		
Interest	<u>1,095</u>	<u>1,248</u>
EXPENSES		
Accounting and audit	2,125	2,900
Administrative fees	3,000	3,750
Bank charges and interest	3,546	101
Equipment rental	225	-
Fees and licences	705	996
Legal fees	27,125	30,313
Office and general administration	7,822	1,928
Printing	2,079	246
Public information costs	18,000	3,535
Rent	3,000	400
Telephone	1,672	777
Travel and promotion	8,042	1,217
Trust and stock exchange fees	8,917	6,629
Wages and benefits	-	1,920
	<u>86,258</u>	<u>54,712</u>
	(85,163)	(53,464)
DEBT FORGIVEN	4,663	-
DEFERRED ADMINISTRATION COSTS WRITTEN OFF	-	(37,458)
GAIN ON SALE OF MINERAL PROPERTIES	-	8,810
LOSS ON WRITE-DOWN OF INVESTMENTS	-	(9,800)
MINERAL PROPERTIES AND DEVELOPMENT COSTS WRITTEN OFF	<u>(32,876)</u>	<u>(74,266)</u>
NET LOSS FOR THE YEAR	113,376	166,178
DEFICIT - BEGINNING OF YEAR	<u>265,208</u>	<u>99,030</u>
DEFICIT - END OF YEAR	<u><u>378,584</u></u>	<u><u>265,208</u></u>

The accompanying notes are an integral part of these financial statements

MIDLAND ENERGY CORPORATION
STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED AUGUST 31, 1985

	1985	1984
	\$	\$
SOURCE OF WORKING CAPITAL		
Proceeds from issue of capital stock	474,014	84,870
Proceeds from sale of mineral properties	-	14,500
	<u>474,014</u>	<u>99,370</u>
USE OF WORKING CAPITAL		
Net loss for the year	113,376	166,178
Less items not involving funds		
Deferred administration costs written off	-	37,458
Mineral properties and development costs written off	32,876	74,266
Write-down of investments	-	9,800
Gain on sale of mineral properties	-	(8,810)
	<u>32,876</u>	<u>112,714</u>
	80,500	53,464
Mineral properties and development costs	516,647	39,576
Investments	-	10,000
	<u>597,147</u>	<u>103,040</u>
DECREASE IN WORKING CAPITAL	123,133	3,670
WORKING CAPITAL - BEGINNING OF YEAR	<u>25,904</u>	<u>29,574</u>
WORKING CAPITAL (DEFICIENCY) - END OF YEAR	<u>(97,229)</u>	<u>25,904</u>
REPRESENTED BY:		
Current assets	1,797	42,526
Current liabilities	99,026	16,622
	<u>1,797</u>	<u>42,526</u>
	<u>99,026</u>	<u>16,622</u>
Working capital (deficiency) - end of year (note 1(b))	<u>(97,229)</u>	<u>25,904</u>

The accompanying notes are an integral part of these financial statements

MIDLAND ENERGY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 1985

1. NATURE AND CONTINUANCE OF OPERATIONS

- (a) The company, directly and through joint ventures, is in the process of exploring its interest in resource properties and has not yet determined whether these properties contain reserves that are economically recoverable. The recoverability of amounts shown for these properties and their related deferred costs is dependent upon the existence of economically recoverable reserves, the ability of the company to obtain the necessary financing to complete their development, and upon future profitable production. In accordance with industry practice, the company's legal interest in its resource properties will be confirmed prior to commercial development.
- (b) These financial statements are prepared on the going concern basis, which implies that the company will continue realizing its assets and discharging its liabilities in the normal course of business. At August 31, 1985, the company has a working capital deficiency of \$97,229 and the ability of the company to continue as a going concern is dependent upon the company renegotiating its present indebtedness and arranging adequate additional financing in order to bring its properties into profitable production.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) **Mineral Properties and Development Costs**

The company capitalizes development costs related to mineral properties. These costs will continue to be capitalized until mineral production commences, at which time they will be amortized on the unit-of-production basis over the minimum estimated production of the mine. Should the properties be abandoned or sold, the costs will be written off at that time.

(b) **Option Agreements and Joint Ventures**

Properties acquired under option agreements or by joint venture, whereby acquisition and development payments are made at the sole discretion of the company, are only recorded in the accounts at such time as the payments are made.

(c) **Loss per Share**

Loss per share has not been calculated as it is not considered meaningful at this stage of the company's operation.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Translation of Foreign Currency

The accounts of foreign operations are translated into Canadian dollars as follows: monetary items at the rate of exchange prevailing at the balance sheet date; non-monetary items, except those items which are carried at market value and are recorded at market value, are recorded at the historical exchange rate; and revenues and expenses at the rate at the time of translation during the year. Gains and losses arising on currency translations, except those arising on long-term monetary items with a fixed maturity date, are credited or charged to earnings.

(e) Consorcio Minera de Miramar, S.A.

The company is a 50% owner of Consorcio Minera de Miramar, S.A. (Comisa), a Costa Rica corporation. Comisa is used solely as a bank account conduit for funds transferred to the Bellavista/Montezuma Joint Venture. The company has included its cost of Comisa as part of the Joint Venture exploration costs (note 5).

3. INVESTMENTS

Investments are recorded at the lower of cost and market value and are comprised of 20,000 common shares of Arizco Resources Corporation (Arizco) valued at \$0.01 per share. Arizco is a non-reporting British Columbia company and has not yet issued these shares to Midland Energy Corporation.

4. MINERAL PROPERTIES AND DEVELOPMENT COSTS

	1985			1984	
	Cost	Deferred Costs	Written Off	Total	Total
	\$	\$	\$	\$	\$
CANADA					
Golden Zone	56,850	31,118	(3,595)	84,373	59,447
Yankee Girl	27,870	16,051	(29,281)	14,640	43,921
Midland 1 - 3	2,780	7,371	-	10,151	4,481
	<u>87,500</u>	<u>54,540</u>	<u>(32,876)</u>	<u>109,164</u>	<u>107,849</u>

(a) Golden Zone
Osoyoos Mining Division, British Columbia

The company acquired by an option to purchase agreement dated December 1, 1981 and amended as of September 27, 1982, three Crown granted mineral claims for \$50,000. The company paid \$25,000 in cash and the balance of \$25,000 together with interest at 12% per annum was

4. MINERAL PROPERTIES AND DEVELOPMENT COSTS (continued)

(a) paid for by the issuance of 75,675 shares at an ascribed value of \$28,000 (note 6(b)). The company also spent \$3,325 for staking costs on fourteen additional mineral claims in the area which the company subsequently abandoned.

(b) Yankee Girl
Greenwood Mining Division, British Columbia

The company acquired by purchase for \$24,000 and the issuance of 750,000 shares at an ascribed value of \$7,500 (note 6(e)), 18 mineral claims located near Beaverville and Grand Forks. The company has since abandoned 12 of these claims.

(c) Midland 1 - 3
Kamloops Mining Division, British Columbia

The company purchased for staking costs of \$2,780 three mineral claims (Midland 1, 2 and 3) located near Forest Lake.

5. BELLAVISTA/MONTEZUMA JOINT VENTURE

Miramar Area, Puntarenas
Costa Rica

Midland Energy Corporation (Midland) acquired from Westlake Resources Inc. (Westlake) by an assignment agreement dated August 1, 1984, the right to acquire a 50% interest in an option to purchase agreement to acquire up to a 64% undivided interest in mineral rights and property consisting of 1,522 hectares. The option to purchase agreement is between Albufeira Investments Ltd. (purchaser) and Posesion Gran Galaxie S.A. (vendor). The vendor is a wholly owned subsidiary of Rembrandt Gold Mines Limited, a reporting British Columbia company. Midland earned its interest in the assignment agreement by the expenditure of U.S. \$125,000 on development work upon the property. Upon earning its interest in the agreement, Midland and Westlake formed a joint venture to explore and develop the property. The operator of the property is Rea Gold Corporation (note 8). Midland was required to pay 50% of the costs and liabilities incurred by the joint venture. During April, May and June of 1985, Midland paid 100% of costs incurred by the joint venture. Therefore, pursuant to the joint venture agreement, Midland's interest was increased to 59.96% and Westlake's interest was decreased to 40.04%. To exercise the option to purchase agreement, the joint venturers must complete expenditures of U.S. \$200,000 on the property (inclusive of the U.S. \$125,000), an additional U.S. \$20,000 to Posesion Gran Galaxie S.A., give production notice by June 30, 1985, all of which has been completed. Additionally, on December 31, 1985 pay an additional sum of U.S. \$100,000 must be paid with interest calculated at 12% per annum from December 31, 1983. Within four months of giving production notice the mill construction must commence and within two months of production notice proof must be provided that U.S. \$1,000,000 cash is on hand or that financing has been arranged to put the mine into production. Commercial production of 150 tons per day must commence by January 31, 1987 (with a possible extension to January 31, 1988). Upon production being obtained, the joint venture will receive 90% of the mine's net cash flow until it

5. BELLAVISTA/MONTEZUMA JOINT VENTURE (continued)

has been repaid its development costs, then 78% of net cash flow until it has been repaid a second time an amount equal to its costs, and thereafter 64% of the net cash flow. Midland has also paid for its share of U.S. \$109,000 owed by Albufeira Investments Limited to creditors in Costa Rica.

The company and the assignees under the head lease dated December 30, 1983 with Rembrandt Gold Mines Limited, are not in strict compliance with that agreement, however they have not been served with a notice of default. The company is currently taking steps to ensure that its interest in the agreements remains in good standing.

6. SHARE CAPITAL

(a) Authorized -

20,000,000 common shares without par value

	Number of Shares	\$
(b) Issued and fully paid at August 31, 1984	2,411,350	405,220
Issued during the year		
- Exercise of directors' and employees' stock options at 33¢ per share	89,285	29,464
- Exercise of directors' and employees' stock options at 42¢ per share	40,000	16,800
- For cash at 29¢ per share by a private placement to Rea Gold Corporation (note 8)	575,000	166,750
- For public relations services in the United States at a deemed price of 60¢ per share	30,000	18,000
- For acquisition of Golden Zone claims (note 4(a))	75,675	28,000
- For cash by exercise of warrants at a price of 25¢ per share	300,000	75,000
- For cash by a private placement at 35¢ per share with attached share purchase warrants (note 6(c))	400,000	140,000
	<u>1,509,960</u>	<u>474,014</u>
Issued and fully paid at August 31, 1985	<u><u>3,921,310</u></u>	<u><u>879,234</u></u>

(c) The units offered under the company's private placement consist of one share and one non-transferable share purchase warrant. Each warrant entitles the holder to purchase one share of the company at a price of 40¢ per share prior to January 28, 1986. The shares issued under this private placement are restricted from trading until January 28, 1986.

6. SHARE CAPITAL (continued)

- (d) Stock options are outstanding to company directors and employees as follows: 130,000 shares at a price of 33¢ per share exercisable prior to July 11, 1986; 30,000 shares at a price of 47¢ per share exercisable prior to December 31, 1986; 35,000 shares at a price of 74¢ per share exercisable prior to April 3, 1987; and 80,000 shares at a price of \$1.05 per share exercisable prior to August 26, 1987.
- (e) Of the company's issued share capital, 750,000 shares are held in escrow and may not be traded prior to obtaining regulatory approval from the Vancouver Stock Exchange and the Superintendent of Brokers for British Columbia (note 4(b)).

7. BANK LOAN

This demand loan is guaranteed by Rea Gold Corporation, a related company, and bears interest at the rate of prime plus 1.6% (note 8). Subsequently, this demand loan was extinguished in full by a director of the company. The director's loan is non interest bearing with no fixed terms of repayment.

8. RELATED PARTY TRANSACTIONS

The company paid \$13,264 during the current year for rent, administration fees, office and general expenses to Rea Gold Corporation, which is a related company having some directors and officers in common with Midland Energy Corporation. Rea Gold Corporation purchased 575,000 shares of Midland by way of a private placement (note 6(b)).