STATUS AND ECONOMIC POTENTIAL

FOR

REA GOLD CORPORATION

SAMATOSUM HIGH GRADE SILVER PROJECT
(ADAMS LAKE, B.C.)

REA GOLD CORPORATION

ECONOMIC ASSESSMENT FOR THE SAMATOSUM (ADAMS LAKE, B.C.) HIGH GRADE SILVER DEPOSIT

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REA GOLD CORPORATION

SUMMARY

Drill-indicated reserves within the high grade silver **Samatosum Deposit** at **REA GOLD CORPORATION'S ("Rea Gold")** Adams Lake Property are sufficient to justify the decision to develop a **500 tons/day** operation. From such an operation more than **18 MILLION OUNCES** of silver will be produced within the first four years.

In the following pages an example, showing the costs and revenues expected for Rea Gold's 30% working interest and 5% Royalty interests, have been calculated. Based on mineable reserves of **730,000 tons** containing an average of 30 oz silver/ton the annual production of silver will be **4,704,000 ounces.** The costs to produce silver are projected to be within the range $2.00 (U.S.) to $3.00 (U.S.) per troy ounce.

The present price of silver is $7.00/oz (U.S.). Table I shows the expected net smelter return total revenues to Rea Gold for the first four years of operation and how these vary according to changes in the price of silver over the range $5.00 to $9.00 (U.S.)/oz.

TABLE I

Silver $U.S./oz	TOTAL REVENUES ($) CDN		ESTIMATED EARNINGS/SHR -------($ Cdn.)--------			
	Net Smelter Return	Rea Gold's Portion	year 1	year 2	year 3	year 4
$5.00	150,880,000	25,739,000	0.71	0.71	0.51	0.51
$7.00	211,230,000	45,958,260	1.19	1.19	1.00	1.00
$9.00	271,580,000	66,176,180	1.67	1.67	1.48	1.48

Based on a total capital investment of $30,000,000 (Cdn) the project would payback its investment within **SEVEN MONTHS** (Silver at $7.00/oz U.S.).

1. INTRODUCTION

The **spectacular** diamond drilling results on the Rea Gold/ Minnova Inc. joint-venture at the **Samatosum (Adams Lake) High Grade Silver Deposit** have been confirmed and extended. Further drilling during September-October 1987 added twenty-two new holes within the high grade core. From this and the earlier work in June-July 1987 there are forty-three high grade holes and three surface trenches within the high grade zone. The complete summary is shown in Table II.

Since the completion of drilling in November 1987 Minnova Inc. (the operators) have continued work necessary for the feasibility. Mining plans for both open-pit and underground development are underway and metallurgical testwork is well advanced. All indications are that the mining, milling and environmental aspects will not present any significant problems. Feasibility should be completed within the next three to four months.

The overall costs for development of the mine and mill are not expected to exceed Rea Gold's earlier estimate (July 1987) of $30,000,000 (Cdn). The company has $10,000,000 held in reserve for its anticipated 30% share of capital expenses and is, therefore, in a relatively secure financial position and able to meet its commitments.

TABLE II

REA GOLD CORPORATION ADAMS LAKE, B.C.
JOINT-VENTURE WITH MINNOVA INC. HIGH-GRADE SILVER ZONE

Hole No.	Interval Meters	True Width Meters	True Width Feet	Confirmed Assay Results Ag oz/T	Au oz/T	Zn%	Pb%	Cu%
64	89.45- 90.35	0.90	(3'- 0")	78.85	.111	7.82	6.95	9.34
71	99.65-108.45	8.80	(28'-10")	16.00	.037	2.94	2.10	0.63
(incl)	104.25-105.60	3.95	(12'-11")	28.80	.037	5.03	3.70	1.07
84	34.50- 34.80	0.3	(1'- 0")	22.17	.033	5.01	0.02	0.64
89	48.15- 59.8	11.65	(33'- 2")	41.63	.065	2.85	1.33	1.10
(incl)	48.15- 52.15	4.00	(13'- 2")	102.00	.140	4.89	2.26	2.70
90	98.37-102.11	3.74	(12'- 3")	56.27	.090	2.64	1.13	1.71
(incl)	99.10-102.11	3.01	(9'-11")	68.70	.106	2.60	.93	2.10
96	13.80- 15.20	1.40	(4'- 7")	43.49	.041	1.71	0.01	1.74
97	16.97- 21.17	3.95	(13'- 0")	34.77	.036	25.50	0.83	4.61
(incl)	16.97- 19.17	2.60	(8'- 6")	48.85	.051	39.00	1.26	6.90
98	42.80- 48.20	5.40	(17'- 8")	79.92	.144	1.96	1.65	2.63
99	71.00- 77.80	6.70	(22'- 4")	36.87	.062	3.46	2.23	1.73
100	46.0 - 52.5	5.60	(18'- 4")	28.50	.037	3.36	1.87	1.34
(incl)	46.0 - 50.2	3.60	(11'- 9")	40.98	.053	4.31	2.44	1.70
102	74.5 - 82.1	7.5	(24'- 7")	90.24	.087	2.21	1.20	2.30
(incl)	75.3 - 82.1	6.7	(21'-11")	100.00	.096	2.41	1.30	2.52
106	120.3 -122.8	2.4	(7'-10")	51.94	.074	1.51	0.34	1.44
107	21.5 - 23.5	1.75	(5'- 9")	75.85	.084	37.40	4.12	4.18
108	35.7 - 39.0	3.10	(10'- 3")	407.18	.340	19.56	9.43	6.34
109	123.4 -125.9	2.5	(8'- 3")	71.76	.074	4.23	1.50	2.38
	131.1 -135.2	4.1	(13'- 6")	19.81	.038	2.25	1.55	0.78
112	144.40-151.90	7.4	(24'- 3")	31.00	.042	2.16	1.06	1.01
122	236.4 - 246.6	10.1	(33'- 1")	30.57	.059	2.31	1.28	1.26
123	110.9 -111.4	0.4	(1'- 4")	34.85	.059	4.52	2.27	0.99
126	47.9 - 48.2	0.3	(1'- 0")	49.29	.135	3.34	1.63	1.32
130	185.2 -185.7	0.5	(1'- 7")	46.67	.065	2.52	2.52	4.82
	194.6 -199.3	4.4	(14'- 5")	13.31	.036	2.03	0.95	0.71
136	51.5 - 62.4	10.7	(35'- 0")	18.39	.041	1.51	1.59	0.66
137	49.0 - 60.7	11.3	(37'- 0")	52.44	.081	3.55	1.69	1.53

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TABLE II - Continued...

Hole No.	Interval Meters	True Width Meters	True Width Feet	Confirmed Assay Results Ag oz/T	Au oz/T	Zn%	Pb%	Cu%
150	70.5 - 75.0	4.5	14.8	4.72	.010	0.22	0.23	0.22
	76.5 - 78.0	1.5	4.9	10.79	.052	0.24	1.04	0.64
	81.0 - 82.0	1.0	3.3	31.50	.043	0.28	0.60	1.69
151	171.6 - 173.1	1.5	4.9	45.21	.053	4.70	2.24	1.38
152	69.8 - 71.8	2.0	6.6	13.94	.032	0.96	0.37	0.84
162	171.7 - 173.2	1.5	4.9	58.33	.101	1.82	0.69	1.89
179	56.7- 71.9	15.2	49.9	38.91	0.059	0.83	1.11	1.29
180	38.2- 50.2	12.0	39.4	57.40	0.108	2.96	3.06	1.72
181	50.6- 54.1	3.5	11.5	16.91	0.055	2.17	1.17	0.75
	62.1- 63.6	1.5	4.9	21.58	0.067	0.12	0.74	0.86
182	62.0- 63.5	1.5	4.9	97.42	0.099	0.56	0.07	3.37
184	54.2- 62.2	8.0	26.2	97.88	0.133	5.75	3.53	3.81
	68.2- 71.2	3.0	9.8	11.61	0.022	2.04	1.17	0.86
186	48.5- 55.7	7.2	23.6	25.50	0.033	1.41	2.63	1.01
188	20.3- 21.4	1.1	3.6	34.42	0.068	0.20	0.04	1.12
190	103.2-107.7	4.5	14.8	12.16	0.035	7.11	4.94	0.71
191	12.5- 22.0	9.5	31.2	21.67	0.036	0.28	0.01	0.77
193	7.7- 12.0	4.3	14.1	70.00	0.125	21.80	14.50	2.72
194	9.2- 11.7	2.5	8.2	34.53	0.036	6.61	7.90	0.80
201	116.7-121.8	5.1	16.7	31.44	0.044	1.50	1.14	0.78
	130.5-131.5	1.0	3.3	42.29	0.058	4.05	1.81	1.24
203	108.0-116.5	8.5	27.9	29.84	0.040	3.09	1.78	1.23
209	91.4- 97.4	6.0	19.7	27.85	0.048	3.90	2.00	1.00
	109.5-111.0	1.5	4.9	16.39	0.035	0.96	1.24	1.08
212	62.5- 74.5	12.0	39.4	50.31	0.077	3.68	1.64	1.66
	76.0- 79.0	3.0	9.8	12.22	0.015	1.24	1.25	1.52
213	50.8- 51.8	1.0	3.3	106.45	0.211	4.95	2.49	3.75
	62.0- 63.5	1.5	4.9	16.71	0.034	6.04	3.72	0.63
217	117.0-117.5	0.5	1.6	90.42	0.127	0.44	1.89	2.62
	121.7-124.7	3.0	9.8	20.27	0.038	6.94	3.23	0.66
	128.8-129.5	0.7	2.3	12.83	0.032	0.56	0.87	0.66

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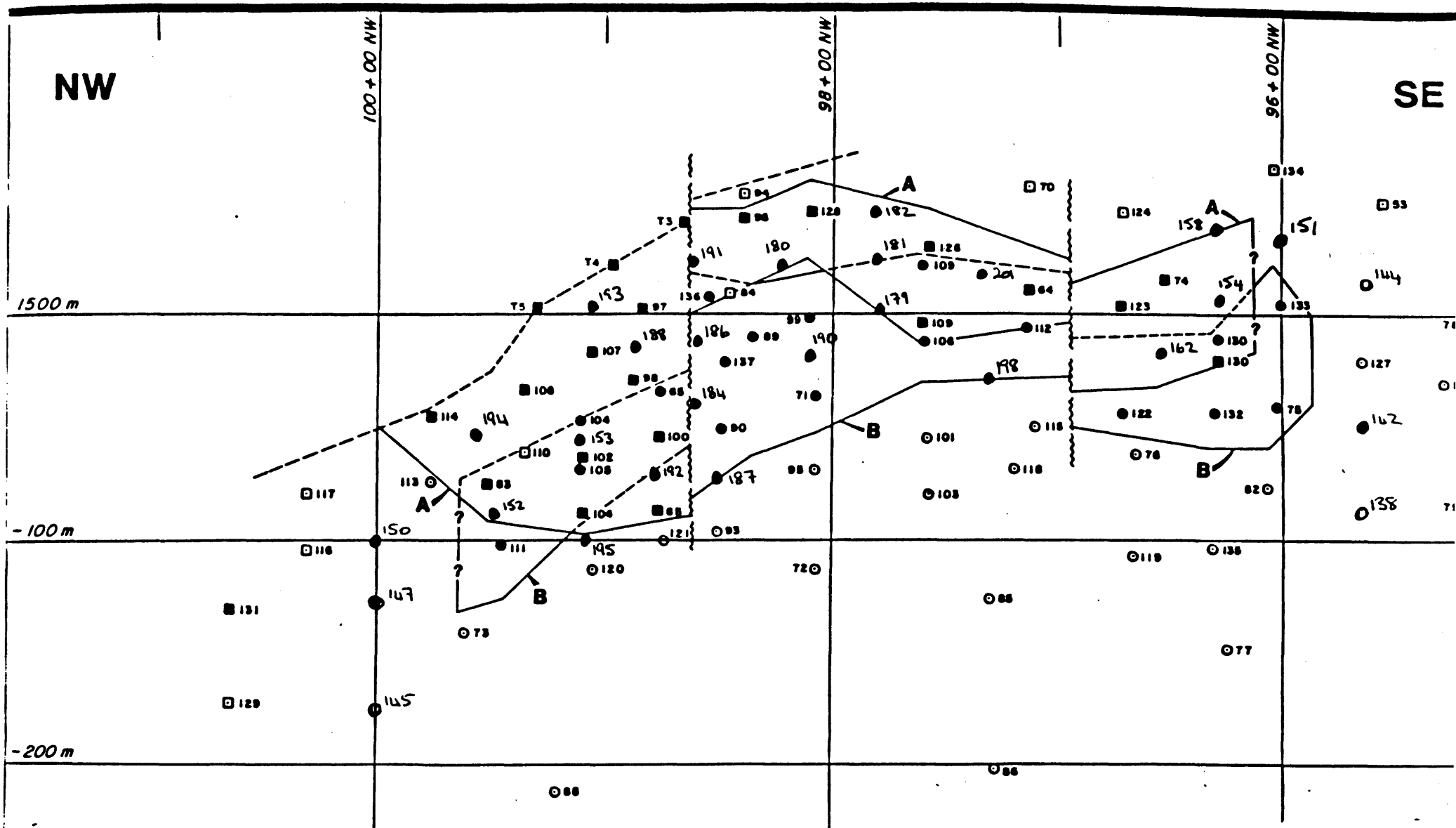

ORE BLOCKS

SAMATOSUM DEPOSIT
LONGITUDINAL SECTION
IN PLANE OF MINERALIZATION

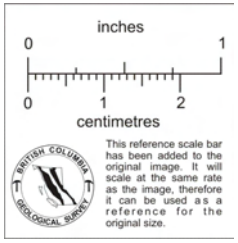

TABLE II - Concluded...

Trench No.	Interval Meters	True Width Meters	True Width Feet	Confirmed Assay Results Ag oz/T	Au oz/T	Zn%	Pb%	Cu%
3	Surface	3.10	10'- 2"	83.28	.130	3.30	17.80	1.84
4	Surface	0.85	2'-10"	255.25	.324	1.37	24.98	4.22
5	Surface	4.80	15'- 9"	79.75	.048	0.82	8.65	1.75

From these data Minnova Inc. has made an estimate of mineable "in-situ" drill indicated reserves. That estimate is as follows:

661,000 tons @ 32.08 oz Silver/ton
0.052 oz Gold/ton
3.5% Zinc
1.7% Lead
1.2% Copper

The author believes this estimate maybe conservative because it is based on a minimum mining width of 2 meters and a cut-off grade of 7.3 oz Silver/ton. Nevertheless, an economic evaluation based on the reserves estimated by Minnova Inc. has been worked out and is presented in the following pages.

2. BASIS FOR EVALUATION

2.1 The overall basis includes Minnova Inc.'s estimate of in-situ reserve of 661,000 tons. Mining dilution has been taken to be 10% at a grade of 15 oz silver/ton to yield a total of 730,000 tons which is sufficient to support a 500 ton/day milling operation for 4.2 years.

2.2 Open-pit mining for the initial two years and mining from an underground operation for the next two years is assumed.

2.3 Capital and operating costs are the same as those used in Rea Gold's initial assessment (July 1987).

All financial data are shown in Canadian Dollars

BASIS - 500 TONS/DAY @ 30 OZ SILVER/TON SILVER @ $5.00 (U.S.)/OZ (SILVER REVENUES = 80% OF TOTAL REVENUES)

MINEABLE RESERVES - 730,000 tons @ 30 oz silver/ton
- Initial 2 years from open pit
- Next 2 years from underground

SILVER PRODUCTION - 4.704 million ounces/year

NET SMELTER RETURN - $37,720,000 (Cdn.) per year

REA GOLD SHARES ISSUED - 10,500,000 (estimated total fully diluted)

BREAKDOWN OF NET SMELTER RETURN

YEARS 1 & 2	$ Cdn/year
Rea Gold's 5% Royalty	**$ 1,886,000**
Operating Costs (Open-Pit)	16,500,000
Rea Gold's 30% (Working Interest)	5,800,200
Hilton's Royalty ($1.50/ton)	247,500
Rea Gold's 30% (net after Hilton)	**5,552,700**
REA GOLD'S TOTAL (PRE-TAX)/YEAR =	**$ 7,438,700**

YEARS 3 & 4	$ Cdn/year
Rea Gold's 5% Royalty	**$ 1,886,000**
Operating Costs (Underground)	23,193,000
Rea Gold's 30% (Working Interest)	3,792,300
Hilton's Royalty ($1.50/ton)	247,500
Rea Gold's 30% (net)	**3,544,800**
REA GOLD'S TOTAL (PRE-TAX)/YEAR =	**$ 5,430,800**

ESTIMATES OF ANNUAL REVENUES & EARNINGS/SHARE FOR REA GOLD

1. Total Pre-Tax Revenues

   (First 4 years) = $25,739,000

2. Pre-Tax Earnings/Share:

   (a) First 2 years = $0.71/year
   (b) Next 2 years = $0.51/year

3. Costs to produce 1 oz Silver:

   (a) First 2 years = $2.81 ($2.08 US/oz)
   (b) Next 2 years = $3.94 ($2.92 US/oz)

BASIS - 500 TONS/DAY @ 30 OZ SILVER/TON SILVER @ $7.00 (U.S.)/OZ (SILVER REVENUES = 80% OF TOTAL REVENUES)

MINEABLE RESERVES - 730,000 tons @ 30 oz silver/ton
- Initial 2 years from open pit
- Next 2 years from underground

SILVER PRODUCTION - 4.704 million ounces/year

NET SMELTER RETURN - $52,809,000 (Cdn.) per year

REA GOLD SHARES ISSUED - 10,500,000 (estimated total fully diluted)

BREAKDOWN OF NET SMELTER RETURN

YEARS 1 & 2	$ Cdn/year
Rea Gold's 5% Royalty	**$ 2,640,450**
Operating Costs (Open-Pit)	16,500,000
Rea Gold's 30% (Working Interest)	10,100,565
Hilton's Royalty ($1.50/ton)	247,500
Rea Gold's 30% (net after Hilton)	**9,853,065**
REA GOLD'S TOTAL (PRE-TAX)/YEAR =	**$12,493,515**

YEARS 3 & 4	$ Cdn/year
Rea Gold's 5% Royalty	**$ 2,640,450**
Operating Costs (Underground)	23,193,000
Rea Gold's 30% (Working Interest)	8,092,665
Hilton's Royalty ($1.50/ton)	247,500
Rea Gold's 30% (net)	**7,845,165**
REA GOLD'S TOTAL (PRE-TAX)/YEAR =	**$10,485,615**

ESTIMATES OF PRE-TAX REVENUES & EARNINGS/SHARE FOR REA GOLD

1. Total Pre-Tax Revenues

   (First 4 years) = $45,958,260

2. Pre-Tax Earnings/Share:

   (a) First 2 years = $1.19/year
   (b) Next 2 years = $1.00/year

3. Costs to produce 1 oz Silver:

   (a) First 2 years = $2.81 ($2.08 US/oz)
   (b) Next 2 years = $3.94 ($2.92 US/oz)

BASIS - 500 TONS/DAY @ 30 OZ SILVER/TON SILVER @ $9.00 (U.S.)/OZ
(SILVER REVENUES = 80% OF TOTAL REVENUES)

MINEABLE RESERVES - 730,000 tons @ 30 oz silver/ton
- Initial 2 years from open pit
- Next 2 years from underground

SILVER PRODUCTION - 4.704 million ounces/year

NET SMELTER RETURN - $67,897,000 (Cdn.) per year

REA GOLD SHARES ISSUED - 10,500,000 (estimated total fully diluted)

BREAKDOWN OF NET SMELTER RETURN

YEARS 1 & 2	$ Cdn/year
Rea Gold's 5% Royalty	**$ 3,394,850**
Operating Costs (Open-Pit)	**16,500,000**
Rea Gold's 30% (Working Interest)	14,400,645
Hilton's Royalty ($1.50/ton)	247,500
Rea Gold's 30% (net after Hilton)	**14,153,145**
REA GOLD'S TOTAL (PRE-TAX)/YEAR =	**$17,547,995**

YEARS 3 & 4	$ Cdn/year
Rea Gold's 5% Royalty	**$ 3,394,850**
Operating Costs (Underground)	**23,193,000**
Rea Gold's 30% (Working Interest)	12,392,745
Hilton's Royalty ($1.50/ton)	247,500
Rea Gold's 30% (net)	**12,145,245**
REA GOLD'S TOTAL (PRE-TAX)/YEAR =	**$15,540,095**

ESTIMATES OF ANNUAL REVENUES & EARNINGS/SHARE FOR REA GOLD

1. Total Pre-Tax Revenues

   (First 4 years) = $66,176,180

2. Pre-Tax Earnings/Share:

   (a) First 2 years = $1.67/year
   (b) Next 2 years = $1.48/year

3. Costs to produce 1 oz Silver:

   (a) First 2 years = $2.81 ($2.08 US/oz)
   (b) Next 2 years = $3.94 ($2.92 US/oz)