

Reg Resources Corp.

1040/116

#216 - 8055 ANDERSON ROAD
 RICHMOND, B.C. V6Y 1S2
 Tel. (604) 278-4455

SYMBOL RRE - V

16th January, 1986

820236

PRESIDENT'S REPORT

The progress made by Reg Resources Corp. over the last six months has been very favourable, more so than anticipated by the management.

Progress as follows:

The raising of funds - \$482,270.00
 versus \$123,624.00 during the previous six months.

Oil and gas revenue - \$56,271.00
 versus \$28,883 during the previous six months.

Current Assets - \$803,587 versus \$531,824 as of
 October 31st, 1985

Drilling on the company's Silverknife Claims has resulted in excellent lead, zinc, silver assays on holes #16 to #22, including holes #24, #25 and #26 which were drilled in the following months, as follows:

<u>Hole #</u>	<u>Footage</u>	<u>Length</u>	<u>Silver oz/ton</u>	<u>Gold oz/ton</u>	<u>Lead %</u>	<u>Zinc %</u>
#16	134.2' - 140.0'	5.8'	8.30	.008	3.80	5.00
	159.6' - 165.5'	5.9'	19.20	.006	13.70	3.70
#17	188.3' - 193.2'	4.9'	7.50	.001	12.25	2.10
#18	224.7' - 231.6'	6.9'	10.90	.011	3.80	4.80
	239.4' - 243.0'	3.6'	14.90	.006	3.50	4.60
#19	74' - 79'	5.0'	5.83	.001	4.21	1.95
	79' - 81.8'	2.8'	7.35	.001	4.77	1.00
#20	98.5' - 102.5'	4.0'	8.49	.002	1.21	3.89
	102.5' - 112.3'	9.8'	4.14	.001	0.32	1.50
	112.3' - 116.0'	3.7'	21.87	.001	9.25	18.90
#21	28' - 30'	2.0'	36.31	.021	12.80	9.40
	30' - 32'	2.0'	67.37	.018	30.50	12.00
	32' - 42'	10.0'	20.18	.011	5.68	5.60
#22	218.0' - 220.0'	2.0'	36.75	.006	45.80	9.10
	281.0' - 285.5'	4.4'	2.95	.001	2.29	6.74
	289.7' - 292.3'	3.6'	11.55	.001	15.00	2.09
#24	235.0' - 241.1'	6.1'	3.30	.009	.91	6.35
	277.9' - 283.8'	5.9'	7.06	.011	1.14	4.63
	288.1' - 293.6'	5.5'	11.75	-	2.97	1.75
#25	109.6' - 112.5'	2.9'	14.09	-	7.52	7.90
#26	204.1 - 214.2	10.1'	7.61	.006	1.99	4.56
	230.0 - 244.4	14.4'	1.45	.006	.082	7.69

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The plans for 1986 are to bring in a major company to further develop the Silverknife Claims, negotiations will commence as soon as the 1985 exploration program is documented in a geological report now being prepared by Gary Medford, the Geologist for Reg Resources Corp.

Plans are now underway under the direction of George Muscroft, Professional Engineer, as Vice President of Mining for Reg Resources Corp. to commence selective mining on the Marbaco claims in which Reg Resources owns a 25% interest. Negotiations to acquire another 25% interest in the Marbaco claims are now taking place. The Marbaco Mine has approximately 80,000 tons of 11 oz silver and approximately 9% lead/zinc which is valued at \$8,000,000 based on current prices.

On the company's recent acquisition of the Casa Berardi claims (forty two claims) negotiations are in progress to bring in a major company to drill the prospect this year. The claims have a geophysical anomaly which was discovered by a major company in 1975. Reg Resources is 50% owner in these claims, with Teryl Resources Corp. owing the other 50% - subject only to a one and one half net royalty interest.

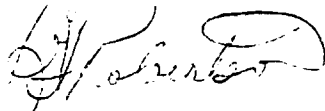
The claims which Reg Resources owns a 100% interest in (36 units) located in the Adams Lake Area of British Columbia will be explored this year. As a result of an airborne geophysical survey and EM carried out in 1984 six anomalies were revealed. With the Rea Gold gold discovery in the same area this gold prospect is very interesting.

The oil and gas results in Texas were exceptionally favourable in 1985, with oil and gas production from several wells producing over 20,000 barrels of oil per month. A recent well drilled in Fayette County, Texas is producing 100 barrels of oil per day and 100,000 C. feet of gas per day. The revenue is expected to be \$12,000 - \$15,000 per month to Reg Resources with an excellent chance of increasing in 1986 by drilling additional wells in the same area.

In conclusion, additional flow through financing is planned to develop the above properties and a major is being sought to further explore the Silverknife Claims' lead, zinc, silver discovery in the Liard Mining Division in British Columbia.

Oil and gas revenue is expected to increase this year and with the positive market potential in mining stocks and the current potential of our properties Reg Resources is expected to perform to the utmost satisfaction of our present shareholders in 1986.

Yours truly,



John G Robertson
President

REG RESOURCES CORP.


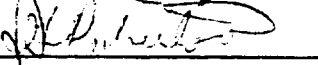
CONSOLIDATED BALANCE SHEET

INTERIM PERIOD - OCTOBER 31, 1985

(UNAUDITED)

ASSETS	<u>1985</u>	<u>1984</u>
CURRENT		
Cash	\$ -	\$ 11,888
Accounts and loans receivable	65,883	33,854
	<u>65,883</u>	<u>45,742</u>
RESTRICTED FUNDS	2,513	-
MINERAL CLAIMS	469,243	230,027
OIL AND GAS INTERESTS	231,875	226,720
INVESTMENT	28,400	25,000
OFFICE EQUIPMENT, net of accumulated depreciation of \$2,270	4,357	3,600
INCORPORATION COSTS	<u>1,316</u>	<u>735</u>
	<u>\$803,587</u>	<u>\$531,824</u>
LIABILITIES		
CURRENT		
Bank overdraft	\$ 1,591	\$ -
Accounts payable and accruals	48,698	28,984
Amount due to Flame Petro-Minerals Corp.	-	13,070
Amount due to Teryl Resources Corp.	21,888	-
	<u>72,177</u>	<u>42,054</u>
SUBSCRIBERS' FUNDS HELD PENDING ISSUANCE OF COMMON SHARES	129,662	-
	<u>201,839</u>	<u>42,054</u>
SHAREHOLDERS' EQUITY		
SHARE CAPITAL	902,381	532,540
DEFICIT	(300,633)	(42,770)
	<u>601,748</u>	<u>489,770</u>
	<u>\$803,587</u>	<u>\$531,824</u>

APPROVED BY THE DIRECTORS:

 Director
 Director

REG RESOURCES CORP.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE SIX MONTHS ENDED OCTOBER 31, 1985

(With comparatives for the six months ended October 31, 1984)

(UNAUDITED)

	<u>1985</u>	<u>1984</u>
SOURCE OF WORKING CAPITAL		
Issuance of shares:		
- for cash under various offerings	\$222,000	\$ 74,741
- for properties	-	20,000
Subscriptions received (flow-through shares):		
- for Class "A" units	9,012	-
- for Class "B" units	137,200	-
Restricted funds reclassified to current	57,787	-
Oil and gas revenue, net of operating costs	56,271	28,883
	<u>482,270</u>	<u>123,624</u>
USE OF WORKING CAPITAL		
For operations:		
Administrative costs (net of depreciation and depletion)	184,141	71,252
Restricted funds - security bond	2,513	-
Mineral claims - acquisition, exploration and development costs	266,910	12,527
Oil and gas interests	-	78,080
Purchase of fixed assets	1,065	-
Investment in associated company	9,900	-
	<u>464,529</u>	<u>161,859</u>
INCREASE (DECREASE) IN WORKING CAPITAL	17,741	(38,235)
WORKING CAPITAL (DEFICIENCY) - BEGINNING OF PERIOD	<u>(24,035)</u>	<u>41,923</u>
WORKING CAPITAL (DEFICIENCY) - END OF PERIOD	<u>\$ (6,294)</u>	<u>\$ 3,688</u>
REPRESENTED BY:		
Current Assets	\$ 65,883	\$ 45,742
Current Liabilities	<u>(72,177)</u>	<u>(42,054)</u>
	<u>\$ (6,294)</u>	<u>\$ 3,688</u>

REG RESOURCES CORP.

CONSOLIDATED STATEMENT OF ADMINISTRATIVE COSTS

FOR THE SIX MONTHS ENDED OCTOBER 31, 1985

(With comparatives for the six months ended October 31, 1984)

(UNAUDITED)

	<u>1985</u>	<u>1984</u>
Audit and accounting	\$ 5,496	\$ 2,821
Bank charges and interest	1,209	96
Consulting	12,962	755
Depreciation and depletion	33,610	400
Director's fees	6,000	-
Finders' fees	35,000	-
Legal	19,170	19,893
Management fees	21,000	12,000
Miscellaneous	703	358
Office expense	9,403	3,091
Printing	3,452	2,591
Public relations	20,549	7,782
Rent	3,011	2,162
Salaries, secretarial and benefits	20,801	4,653
Telephone	13,475	4,781
Travel and promotion	6,478	7,427
Transfer agent	2,997	2,903
Vancouver Stock Exchange	3,317	285
	<u>218,633</u>	<u>71,998</u>
Less: Miscellaneous income	<u>(882)</u>	<u>(346)</u>
NET ADMINISTRATIVE COSTS	<u>\$217,751</u>	<u>\$ 71,652</u>