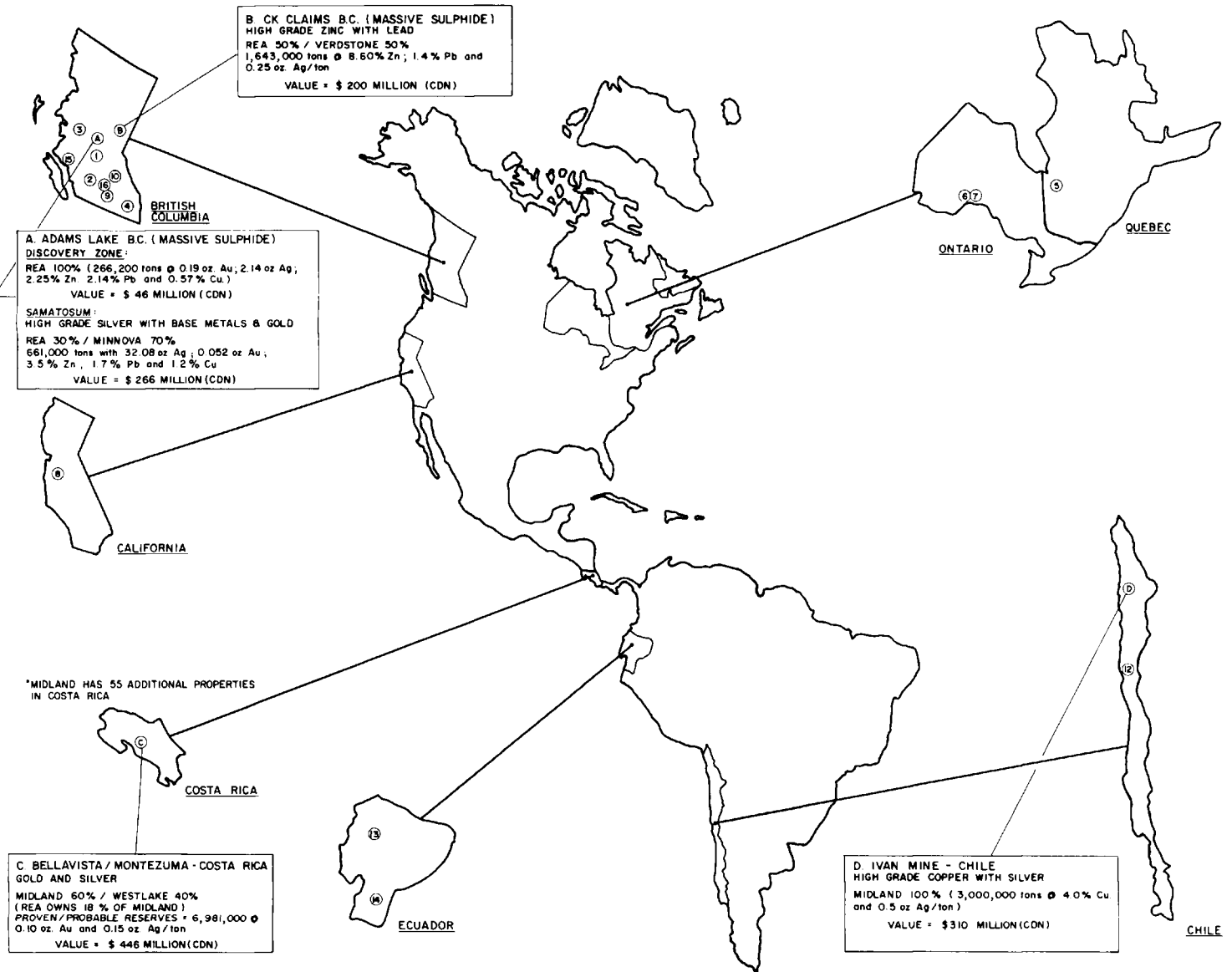


REA GROUP OF COMPANIES NEWS

REA GOLD CORPORATION · MIDLAND ENERGY CORPORATION · VERDSTONE GOLD CORPORATION NOV./DEC.

822878-1987-

Development and Exploration Properties



REA GOLD CORPORATION

Exploration

1. Red Hill · Poly-Metallic
2. Mount Roach · Gold
3. Silver Boss · Multi Mineral
4. Tillicum Mountain · Multi Mineral
5. Casa Berardi · Poly-Metallic
6. McBean Lake · Gold
7. Burchell Lake · Gold
8. White Rock Ranch · Copper, Zinc, Gold, Silver

Development

- A. Adams Lake · Gold, Silver, Zinc, Lead, Copper
- B. CK Property · Zinc, Lead, Silver (50% Verdstone)
- C. Bellavista / Montezuma · Gold, Silver (Owns 18% of Midland)

MIDLAND ENERGY CORPORATION

Exploration

9. Greenwood · Gold, Silver
10. Hedley · Gold, Silver
11. Rio Valeriano · Gold
12. Santo Tomas · Gold
13. Malacatos · Gold, Silver
14. Parcato · Silver, Mercury, Copper

Development

- C. Bellavista / Montezuma · Gold, Silver
- D. Ivan Mine · Copper, Silver

VERDSTONE GOLD CORPORATION

Exploration

15. Bick Claims · Thurlow Island Gold, Silver
 16. DMW Platinum Claims, B.C. · Platinum
- Development**
- B. CK · Clearwater · Zinc, Lead, Silver

Letter from the President



As the year draws to a close it is a convenient time to ponder on the main events which have occurred and affected the fortunes of our companies in 1987 and to look ahead to try to see what may be in store for the future. At the top of the list is **Rea Gold Corporation's** Adams Lake project — the joint-venture with Minnova Inc. on the high grade silver (Samatosum) deposit. This will be Rea Gold's first mine and all indications are that it will be in production in 1989. Right on the tail of the spectacular drill results published in June and July the company moved quickly to raise money which will be needed for its share of capital expenses to bring this high grade silver mine into production. That task has been done. The company is in excellent shape for future growth and progress.

At **Midland Energy Corporation**, very satisfactory progress has been attained. In Costa Rica the in-situ reserves are sufficient to justify a mine and the drilling program will confirm and upgrade the presently known tonnage. The successful negotiations with Rayrock Yellowknife Resources Inc. have given Midland operating control of the Bellavista/Montezuma project and transfers 100 percent control to Midland of a new and

exciting high grade copper mine project in Chile. The development of this copper mine is more advanced than even the Bellavista/Montezuma project and realistically it could become Midland's first operating mine.

Progress at **Verdstone Gold Corporation's** huge CK property has been more than satisfactory. The drilling on the higher grade zinc showings at the southern end of the property is continuing. It will take some time to test all the positive indicators known to exist in this area but exploration staff are optimistic that continued efforts will result in further substantial increases in high grade zinc-lead mineralization.

Rea Gold Corporation and Midland Energy Corporation, each involved with debt-free major Canadian mining companies, are well on their way to bringing in new mines. Development work is continuing at a rapid pace and everything is in place to continue the growth and progress in the new year.

Sincerely

Larry W. Reaugh
President and Chief
Executive Officer

REA Gold Corporation



Issued Shares: 9,764,566

Ticker Symbols: REO.V, REO.T, NASDAQ-REOGF

ADAMS LAKE — (6,000 acre property 28 miles northeast of Kamloops, British Columbia)

The high grade Samatosum silver deposit (Silver Zone) continues to be the focal point of the company's affairs. The drill-indicated reserves are sufficient to justify a mine and the joint-venture partner, Minnova Inc., is pushing ahead with all the work necessary to complete the feasibility. As the drilling program (May to July) drew to a close Rea Gold Corporation moved quickly and was successful in its efforts to raise money in anticipation of its commitments to participate in the development of this new mine. Rea Gold has a 30% working interest and a 5% Net Smelter Royalty.

In August Minnova Inc. made known their intention to carry out further work and in September work began on an additional 33,000 feet of diamond drilling. With three drill rigs working around the clock this program is now almost complete. Rea Gold has participated in the costs to do this work although, according to its agreement with Minnova it was under no obligation to do so. Rea Gold's management decided in order to speed up the anticipated production decision it was in the company's best interest to participate. Rea's share of the expenses will be approximately six hundred thousand (\$600,000) dollars. As this newsletter goes to press detailed results from the drilling are not yet available. Reliable indications are, however, that this program will have met its main objectives which were to increase the confidence in the earlier estimate of drill indicated reserves, provide information neces-

sary for development of detailed open-pit mining plans and generate bulk samples for metallurgical testwork which is scheduled for November and December. The drilling has shown that mineralized zones continue outside the presently known high grade area in both directions, to the northwest and to the southeast. Thus the scope for additional reserves remains excellent. Basic field work in support of the environmental aspects of the project is well in hand and the necessary submissions will be made to the British Columbia government's regulatory authorities as soon as possible.

On Rea Gold's 100% owned Discovery Zone, work is in progress to drive a tunnel from surface to intersect the large portion of underground reserves contained in the L98 lens. The drill-indicated reserves of 266,200 tons within this area are small in comparison with those at the high grade silver zone but every effort is being made to determine ways and means of being able to mine and mill them profitably. Recent testwork shows that a hydrometallurgical technique known as pressure leaching will be able to extract and make recoverable more than 90% of the gold and as much as 80% of the silver. Tests are continuing and pilot plant continuous operation may be necessary to confirm the initial satisfactory results.

OTHER PROPERTIES

Constantly on the look-out for other ventures Rea Gold has recently become involved in three new joint-ventures. One is in California and two are in Ontario.

Through its association with Rayrock Yellowknife Resources Inc. Rea Gold has entered into two joint-venture agreements with Rayrock's associated company Discovery West Corporation. Both relate to gold properties in Ontario. (McBean Lake and Burchell Lake)

White Rock Ranch — (Massive Sulphide Property, Mariposa County, California)

Rea Gold has signed an agreement with Westley Mines Limited for the exploration of a massive sulphide occurrence. Rea may earn up to a 25% interest in this Property by sharing the exploration commitments of \$350,000 over three years. The remaining 50% working interest is held jointly by the Keradamex-Nevcan joint-venture. A sample from existing dumps showed copper at 9%, zinc at 10.3% and gold at 0.237 oz/ton. This project is Rea Gold's first move back into the U.S.A. in more than two years.

McBean Lake — (8,720 acre property 18 miles east-southeast of Geraldton, Ontario)

The McBean Lake Property comprises a total of 218 mineral claims in the Geraldton Camp area and Rea Gold has acquired the rights to earn a 40% working

interest by funding \$187,000 of exploration expenses and contributing a further \$73,780 to complete the initial program.

Burchell Lake — (1,560 acre property 75 miles west of Thunder Bay, Ontario)

The Burchell Lake Property is west of Thunder Bay, Ontario and contains 39 mineral claims. Rea Gold may acquire a 40% working interest by expending \$35,000 of exploration work and a further \$37,625 to complete the initial exploration program. Four miles to the south-southwest the Moss Lake Property is being developed by the Tandem-Storimin joint-venture.

CK Property — (22,000 acre property with high-grade Zinc-Lead occurrences situated 26 miles east of Clearwater, British Columbia)

Exploration work has continued on the property which is a 50/50 joint-venture between Rea Gold and its associated company, Verdstone Gold Corporation. (See Verdstone Gold Corporation for further details).

East Thurlow Island: 50/50 joint-venture with Verdstone (see Verdstone Gold Corporation)

Verdstone Gold Corporation



Issued Shares: 2,001,693
Ticker Symbols: VGC.V

CK PROPERTY — (22,000 acre property with high-grade Zinc-Lead occurrences situated 26 miles east of Clearwater, British Columbia)

The initial 14,000 feet (62 holes) of diamond drilling work done in the summer was completed in September. The New Showing and Main Boulder zones in the southern portion of the property were tested. The existence of high grade zinc with lead was confirmed along 600 metres of strike length in the New Showing zone.

With only a few exceptions the mineralized high grade intercepts occur within 300 feet (100 metres) of the surface. Combined Zinc-Lead values range from 9% to 35% and widths vary generally from 2 to 25½ feet. The areas which are deemed to be ore grade indicate an average potential value of \$200 (Cdn) per ton based on present metal prices. Excellent recoveries of both Zinc and Lead into high grade concentrates have, in the past, been obtained but must be confirmed by further work. The Net Smelter Return could reasonably be expected to be \$140-150 per ton, if future tests bear out the earlier work.

The second phase consisting of 14,000 feet of drilling

commenced late in October at sites on the North Strat, No-Name Boulder, Autumn and Horne Showings. These areas have not been drilled before but are known to have excellent targets based on the geochemical and geophysical work done previously.

Verdstone is well-funded to continue its exploration work and additional money is available for other ventures if suitable opportunities present themselves.

OTHER PROPERTIES

East Thurlow Island, B.C.

Work commenced in October on the Bick Gold Claims situated on East Thurlow Island, B.C. and has consisted of linecutting and geological mapping. In the course of this preliminary work old (pre-1934) underground workings and shafts were located. All appear to be in good shape and there is evidence of quartz veins, some of which contain fine to coarse pyrite mineralization. The quartz veins are located on surface and will be looked at in more detail as work progresses. Trenching and diamond-drilling is planned before the end of the year in the continuation of this work.

Midland Energy Corporation



Issued Shares: 8,027,007
Ticker Symbols: MDY.V

The acquisition of major new assets for Midland Energy Corporation were announced in simultaneous press releases by Midland and Rayrock Yellowknife Resources Inc. on October 22 1987. The acquisition is

subject to shareholder and regulatory approval. The most important additions include a high grade copper mine (Ivan) with reserves of three million (3,000,000) tons grading 4% copper and 0.5 oz silver/ton and the

amalgamation of Midland's and Rayrock's Costa Rican interests in the Bellavista/Montezuma developing gold mine.

The Ivan Copper Mine is near the Pacific port of Antofagasta in Chile and the Bellavista/Montezuma gold mine is near the port of Puntarenas in Costa Rica. Both of these advanced major projects now come under Midland's control and are the first steps being taken by Midland and Rayrock to put Midland firmly on the road to becoming a major international resource company. Proven and probable reserves at the Bellavista/Montezuma stand at almost seven million (7,000,000) tons grading 0.10 oz gold/ton and 0.15 oz silver/ton.

The proposed agreement between Midland and Rayrock increases, by a factor of four, the value of in-situ mineable ore reserves under Midland's control. At today's prices the dollar value rises from \$132 million to \$550 million (Cdn). The most important aspect of this transaction is that Midland now has two major mining projects, both of which are rapidly approaching the feasibility stages. The priorities are clear; to complete development work and feasibilities and to announce production decisions within the next twelve to eighteen months.

Under the terms arranged for the transaction Midland will issue shares to Rayrock as follows:

- (a) For Rayrock's right to a 30% interest in the Bellavista/Montezuma joint-venture, Midland will issue 0.75 shares for each of the 7,040,340 Midland shares outstanding as of October 2 1987 for a total of 5,280,255 Midland shares;
- (b) For Rayrock's Chilean and Ecuadorean interests Midland will issue 2,601,346 shares (based on a value of \$2.00 per share).

Midland's involvement in Latin America will be increased considerably. Their labour costs in Latin America are considerably lower than those for comparable mining projects in North America. At the completion of the proposed acquisitions Rayrock will have approximately 55% of Midland's issued and outstanding shares and will become the parent company. Upon receipt of approval the new Board of Directors of Midland will consist of three existing Midland directors and four Rayrock nominees. Rayrock will provide to Midland operating management to achieve production on both properties as soon as possible. The 55 other exploration properties in Costa Rica are now held in Midland's wholly-owned subsidiary, Midland De Costa Rica, S.A.

THE IVAN COPPER MINE — (4,250 acre property approximately 25 miles from the port of Antofagasta, Chile)

In Chile, the Ivan Copper Mine is situated approximately 25 miles from the port of Antofagasta and is at an elevation of 2,625 feet. The drill outlined reserves are 1.83 million tons grading 4% copper and 0.5 ounces silver/ton. The mineralized zone is open at depth with the deepest drill intersection being at 825 feet below surface. An additional 1.2 million tons of possible re-

serves of similar grade is estimated for the zone projected another 350 feet deeper. Mining costs will be low and copper recovered into flotation concentrates is expected to be 90% or better at a concentrate grade of 35% or more. Total capital costs (including working capital) for a 1,100 ton per day operation have been estimated by Rayrock to be \$15 million (U.S.). The project could be in production by 1990. Presently known reserves, including the 1.2 million tons of possible ore, will be sufficient for a life of 7 to 8 years. Further exploration on the Ivan deposit as well as on other excellent targets on the property will likely extend the mine life considerably. The other acquired assets are four polymetallic and gold properties; two in Chile and two in Ecuador.

BELLAVISTA/MONTEZUMA — (4,700 acre property [19 sq. kms] approximately 17 miles from the Pacific port of Puntarenas, Costa Rica, Central America)

In Costa Rica, the Bellavista/Montezuma property is still being drilled to improve the category of the in-situ reserves of almost seven million (6,981,000) tons grading 0.10 oz gold/ton. Progress has been slow due to mechanical problems with the one available drill and many results are still yet to come. Table I contains an abridged summary of the higher grade results from the Bellavista Section.

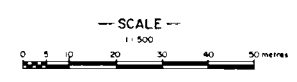
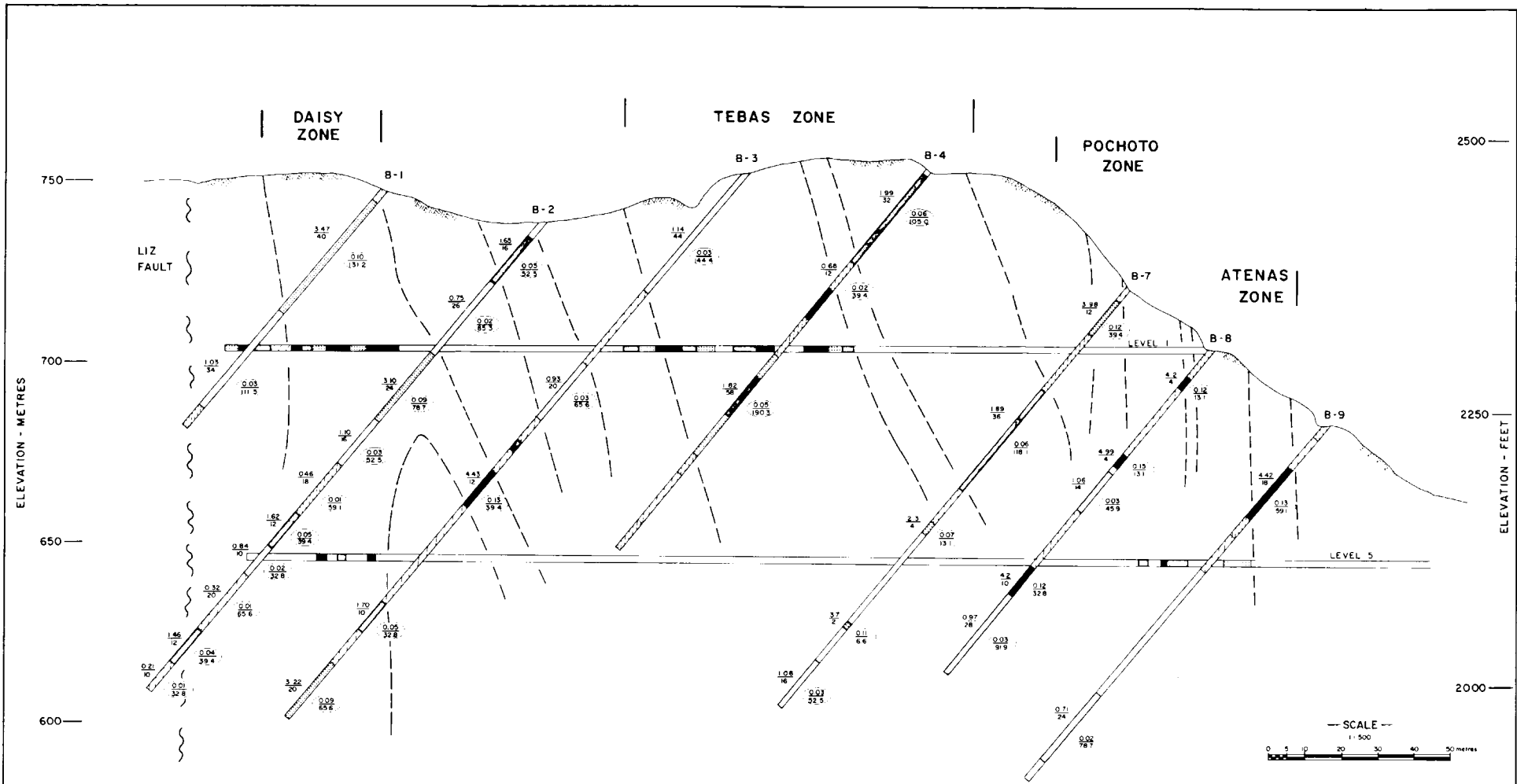
Table I
INITIAL DRILLING RESULTS
FROM BELLAVISTA (ABRIDGED)

Hole No.	Interval (Feet)	Length (Feet)	Gold Values (Troy Oz/Ton)
B-1	13.1 - 144.3	131.2	0.101
B-2	154.4 - 236.1	78.7	0.090
B-3	360.8 - 400.1	39.3	0.129
	590.4 - 656.0	65.6	0.094
B-5	164.0 - 196.8	32.8	0.085
	308.3 - 341.1	32.8	0.135
	406.7 - 446.1	39.4	0.147
B-6	Surface to 131.2	131.2	0.111
B-7	13.1 - 52.5	39.4	0.116
B-8	32.8 - 45.8	13.1	0.122
	124.6 - 137.8	13.2	0.146
B-9	52.5 - 111.5	59.0	0.129

These data show the long continuous sections of even mineralization much of which lies within 400 feet of the surface and confirm the earlier indications that most of the reserves will be mined at low cost from a simple open-pit area.

These results are positive and very encouraging in that there will be sufficient ore grade material within the Bellavista section to justify the decision to proceed with the development of the mine. Results from the Montezuma section which has an appreciable depth of overburden material are still to come.

continued on back panel



MIDLAND ENERGY CORPORATION

INTERSECTION AVERAGES
 1.41 * GRAMS GOLD PER TONNE
 40 LENGTH - METRES
 0.08 * OUNCES GOLD PER TON
 61.8 LENGTH - FEET

GRADE SYMBOLS

< 0.34	TO 0.68	TO 1.37	TO 2.06	TO 2.74	TO 4.11	> 4.11	NO ASSAYS
< 0.01	TO 0.02	TO 0.04	TO 0.06	TO 0.08	TO 0.12	> 0.12	
							GRAMS GOLD PER TONNE
							OUNCES GOLD PER TON

BELLAVISTA-MONTEZUMA PROJECT
COSTA RICA
CROSS-SECTION P
DRILL HOLES & ASSAYS

OTHER PROPERTIES

In British Columbia at Midland's gold property at Hedley, the company entered into a joint-venture agreement with Redding Gold Corporation (a private com-

pany) on the Golden Zone property some 5 kilometres north of Mascot's Gold mine and 2,800 tons per day mill. Redding may earn a 50% interest in the property by expending \$250,000 on work commitments and a further \$30,000 on option payments over 2½ years.



Corporate Structure

Head Office

P.O. Box 12137
Nelson Square
808 Nelson Street
Suite 501
Vancouver, B.C.
V6Z 2H2

Registered & Records Office

720 – 999 W. Hastings Street
Vancouver, B.C. V6C 2W2

Barristers & Solicitors

Hanna, Forth & Scott
720 – 999 W. Hastings Street
Vancouver, B.C.
V6C 2W2

Auditors

De Visser & Company
Chartered Accountants
201 – 960 Richards Street
Vancouver, B.C.
V6B 3C1

Registrar & Transfer Agent

The Canada Trust Company
1055 Dunsmuir Street
Vancouver, B.C.
V7X 1P3

Bank

The Royal Bank of Canada
Howe & Nelson
Vancouver, B.C.
V6Z 1N9

Consultants

J.D. (Doug) Blanchflower, F.G.A.C. of
Minorex Consulting Ltd.
Senior Consultant to Rea Gold Corporation

John W. Fisher, B.Sc. (Hons.) Chem. Eng.
P.Eng., C.Eng., Metallurgical Consultant

Maurice E. (Tim) Coates, P.Eng.
M.Sc. Geology, M.B.A.

Dr. Robert C. Heim, Ph.D., P.Eng.
Consulting Geologist

Marston & Marston
U.M.A. Group

For further information please contact:

Larry W. Reaugh
President and C.E.O.
P.O. Box 12137, Nelson Square
808 Nelson Street, Suite 501
Vancouver, B.C. V6Z 2H2
Phone (604) 684-7527
FAX (604) 684-4428

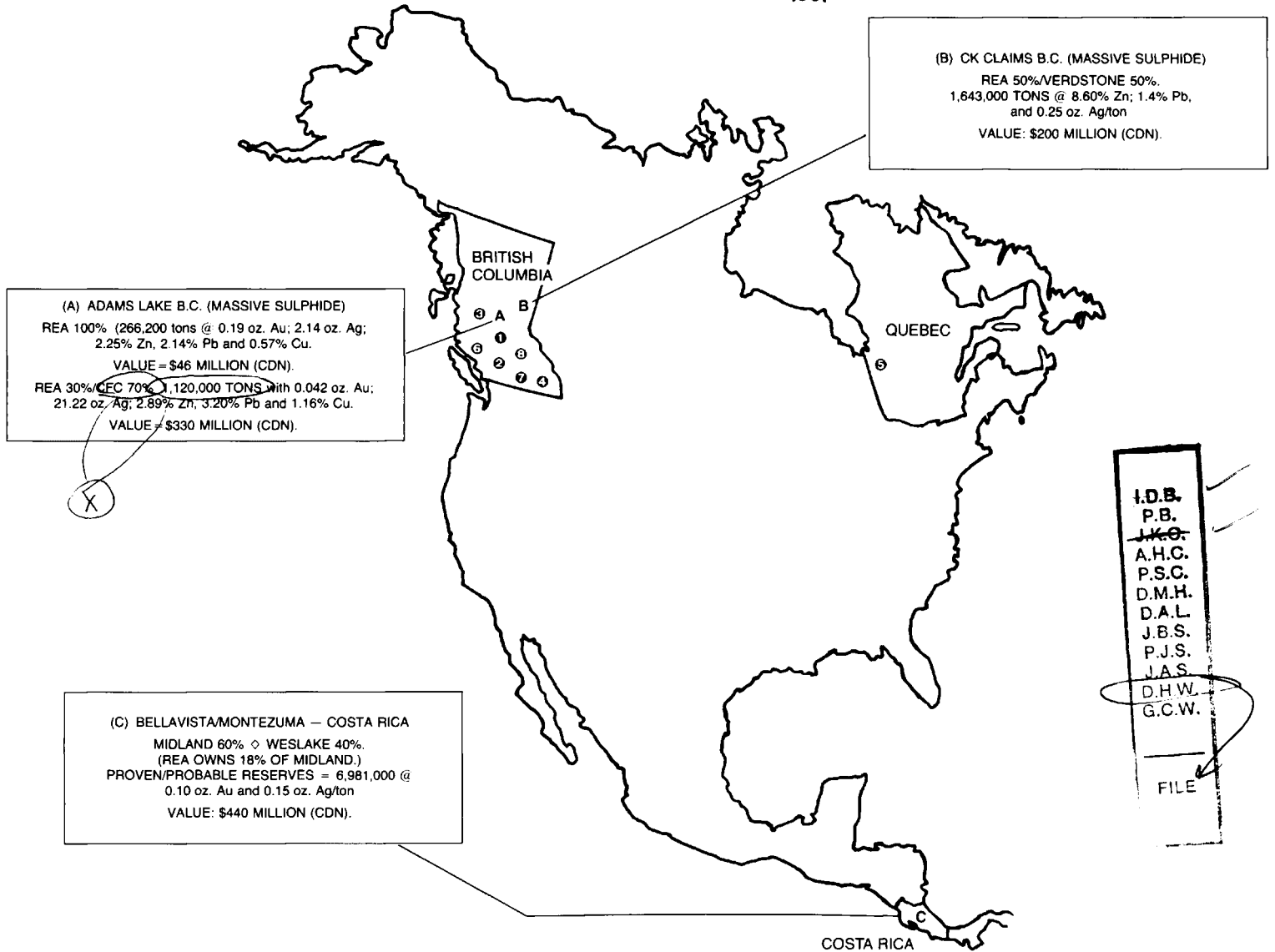
REA GOLD CORPORATION • MIDLAND ENERGY CORPORATION • VERDSTONE GOLD CORPORATION

AUGUST

— 1987 —



SEP 2 1987



REA GOLD CORPORATION EXPLORATION

- 1) Red Hill — Poly-Metallic
- 2) Mount Roach — Gold
- 3) Silver Boss — Multi Mineral
- 4) Tillicum Mountain — Multi Mineral
- 5) Casa Berardi — Poly-Metallic

DEVELOPMENT

- A) Adams Lake — Gold, Silver, Zinc, Lead, Copper

- B) CK Property — Zinc, Lead, Silver (50% Verdstone)

- C) Bellavista/Montezuma — Gold/Silver (REA Gold owns 18% of Midland)

MIDLAND ENERGY CORPORATION EXPLORATION

- 7) Greenwood — Gold/Silver
- 8) Hedley — Gold/Silver

DEVELOPMENT

- C) Bellavista/Montezuma — Gold/Silver (Costa Rica)

VERDSTONE GOLD CORPORATION EXPLORATION

- 6) Bick Claims — Thurlow Island — Gold/Silver
- 9) DMW Platinum Claims, B.C.

DEVELOPMENT

- B) CK — Clearwater — Zinc, Lead, Silver

Letter from the President

It is a pleasure to report the considerable progress made during the past three months. At **Rea Gold Corporation's** Adams Lake, B.C. property the spectacular results obtained from Minnova Inc.'s drilling program during May and June have established beyond doubt the existence of a substantial high grade silver deposit within an overall larger area containing silver, gold, zinc, lead and copper. Much of this high grade reserve lies close to the surface and can be mined from an open-pit at low cost. Adams Lake will become Rea Gold's first mine and should be in production by 1989. The Company estimates its share of pretax profits for the first three years from a 500 ton per day operation would be almost eighty million (\$80,000,000) dollars (Cdn) based on present metal prices.

The high grade silver zone is unique. Not surprisingly then, it continues to attract the attention of the highly respected investment houses. To date, we have received positive recommendations from Wood Gundy Ltd.; Dean Witter Reynolds of Canada Inc.; Shearson Lehman Brothers (U.K.); James Capel & Co.; and Midland Doherty Ltd. Rea Gold is on the map.

In Costa Rica, **Midland Energy Corporation's** de-

veloping gold project, the Bellavista/Montezuma mine near Miramar, now has proven and probable reserves of 6,981,000 tons averaging 0.10 oz gold/ton. As this letter went to press the long awaited 33,000-foot reverse circulation drilling program finally got underway. The work program is designed to improve and increase the overall reserves. Until now the Montezuma has remained largely unexplored and its real potential has yet to be determined. On July 29 1987 Midland issued a press release stating the Company's Board of Directors had withdrawn from the proposed amalgamation with Westlake Industries Ltd.

Nearer home **Verdstone Gold Corporation's** CK Property is the scene of much activity as its 14,000 foot diamond-drilling program got underway in mid-July. The initial targets are around the high grade zinc showings in the south where the potential to increase higher grade reserves appears to be best.

With so much activity in all three companies, we are confident that continuing progress will be maintained, which will lead to other new mines for the group.

L.W. Reaugh, President & C.E.O.

REA Gold Corporation



Issued Shares: 8,900,566
 Ticker Symbols: REO.V, REO.T, NASDAQ-REOGF

ADAMS LAKE — (6,000 acre property 28 miles northeast of Kamloops, British Columbia)

Progress at the Adams Lake high grade silver "Samatosum" deposit continues to dominate the company's affairs. The company's joint-venture partner, Minnova Inc., (formerly Corporation Falconbridge Copper) completed the 21,000 foot diamond drill program at the end of June. Results surpassed expectations. The fill-in holes confirmed the existence of a high grade silver zone within an area approximately 700 feet long and 460 feet wide. The average thickness is almost 16 feet and much of it lies within 200 feet of the surface where it outcrops in the trenches T3, T4 and T5. (The high grade section alone is estimated to contain up to 500,000 tons grading in excess of 50 oz/ton silver).

Table I shows the thickness and confirmed assay results of samples from the cores of twenty-two holes and the three surface trenches obtained from the high grade zone.

Silver mineralization also occurs in extensions to the high grade zone. To the northwest and near to surface there appear to be several hundred thousand tons of lower grade material and to the southeast a similar amount which is situated at deeper depths. The overall area of mineralization is open along strike to the northwest and may be still open down dip along the southeast extension. Within the property as a whole there are strong possibilities that other areas will contain similar high grade deposits and further exploration to determine this will start within the next few weeks.

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

Hole No.	Interval Meters	True Width Meters 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	.064	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
(incl)	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		(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
(incl)	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

Trench No.	Interval Meters	True Width Meters 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

Based on the recent exploration work Minnova Inc. have indicated their intention to proceed immediately with feasibility studies. All indications are that this will become an operating mine by 1989.

In the meantime much remains to be done. Arrangements are underway for the Company to raise its share of capital which will be required to develop the mine facilities at Adams Lake and for Rea Gold to expand its base in readiness to become a successful mining company. To this end the company has financings in place to raise approximately fifteen million (15,000,000) dollars, of which eight million (8,000,000) dollars has already been received.

On the smaller part of the property at the Discovery Zone the joint-venture with Glitter Gold Mines Ltd. has been terminated. Results obtained from work in the laboratory and from the milling done on the bulk sample show that conventional milling fails to produce acceptable recoveries and grades of metal values and as such is therefore uneconomic. Presently known re-

serves within the Discovery Zone have a potential value of fifty million (50,000,000) dollars (Cdn) at current metal prices. Although considerably smaller than the reserves at the Silver Zone they are, nevertheless, an important asset for Rea Gold. Since the termination of the agreement with Glitter Gold Mines Ltd. the company has moved to start discussions with a major consulting group for plans aimed at developing a chemical process needed for the successful treatment of this refractory material.

CK PROPERTY — (22,000 acre property with high-grade Zinc-Lead occurrences situated 26 miles east of Clearwater, British Columbia)

Exploration work has resumed on the property which is a joint-venture between Rea Gold and its associated company Verdstone Gold Corporation. Details of the program which is under the direction of the REA Group's senior consultant Mr. J. Douglas Blanchflower, F.G.A.C. are discussed under Verdstone Gold Corporation.

Verdstone Gold Corp.



Issued Shares: 2,001,693
Ticker Symbol: VGC.V

CK PROPERTY — (22,000 acre property with high-grade Zinc-Lead occurrences situated 26 miles East of Clearwater, British Columbia)

The comprehensive exploration program started earlier in the year has now advanced to the drilling stage. After some eighty kilometers of linecutting, the I.P. survey and soil geochemistry were completed and a 14,000 foot diamond drilling program commenced in mid-July. The first holes in the present program are located in the Main Boulder area and on the New Showing and Southern Extension.

Grab samples taken during 1986 from the New Showing area were found to contain zinc values ranging from 21% to 32% and lead assays on the same samples ran 4% to 5.5%. In this area sulphide mineralization has been traced (by widely spaced holes) along a strike length of 1250 meters (4,100 ft) and within this a 600 meter (1968 ft) length exists for which calculations indicate the average grade of zinc to be 11.2% and for lead 1.6% over an average true thickness of 2.5 meters. Two specific holes within this length encountered thicker intersections. The data are shown in Table II.

Table II

Hole No.	Interval Meters	True Width Meters Feet	Assay Results		
			Zn%	Pb%	Ag oz/ton
78-6	78.4 - 86.2	7.80 (25' - 7")	16.10	2.80	N/A
87-10	69.4 - 77.0	7.60 (24' - 11")	12.21	2.49	0.24

Drill inferred tonnage in the New Showing area has been calculated to be 1.643 million tons with grades of 8.6% zinc; 1.4% lead and 0.25 oz silver/ton. The chance of increasing presently known reserves in this area and further south is excellent.

OTHER PROPERTIES

At the DMW Platinum Claims 20km of linecutting has been completed and soil geochemistry produced 363 samples which are presently being assayed. VLF-EM surveys have been done. The data have yet to be interpreted. A detailed program of trenching and drilling is planned and will be done later in the year.

During this three month period no further work was done on Verdstone's Bick Gold Claims situated on East Thurlow Island, B.C. A \$200,000 exploration and drilling program is, however, expected to commence by the end of August.

Midland Energy Corporation



Issued Shares: 7,010,340
Ticker Symbol: MDY.V

BELLAVISTA/MONTEZUMA — (4,700 acre property (19 sq. kms) approximately 17 miles from the Pacific port of Puntarenas, Costa Rica, Central America)

Good progress has continued at both the Bellavista and Montezuma locations. Trenching and the preparation of drill sites are complete on the Bellavista. On the Montezuma, trenching is continuing and additional drill sites are still being prepared.

This property is named for its two adjacent deposits separated by a small creek. Both contain free milling gold in quartz veins within andesite and andesite breccia. This project is a joint-venture between Midland (60%) and Westlake Industries Ltd. (40%). Until January 1987 Rea Gold was the operator on Midland/Westlake's behalf. On January 15 1987 Rayrock Yellowknife Resources Inc. ("Rayrock") of Toronto were

appointed operators. Rayrock has the right to earn 50% of Midland's interest through the expenditure of \$1.5 million (Cdn) on further exploration work.

Proven and probable reserves have been increased and at the end of July these now total almost 7 million tons at an average grade of 0.10 oz gold/ton. In addition there are substantial quantities of reserves indicated most of which are contained on the, as yet, largely unexplored Montezuma area.

The major program of reverse circulation drilling started on July 23rd. The initial program will be 33,000 feet with targets on both Bellavista and Montezuma. The delay in starting this work was due to the drilling equipment not being available on time. Existing old records show that in the past the richer grades occurred within the Montezuma section and in some instances assays as high as 0.4 oz. gold/ton were obtained from the underground veins.

Underground development is continuing. At Montezuma the adit being driven to gain access to the old workings on the 8th level has recently made contact with the main haulage which intersects five veins which vary in thickness from 2 to 40 feet. Caving which has occurred over the years is being cleared prior to further development. Drilling is expected to upgrade a significant portion of the inferred reserves and to look for further extensions at both the Montezuma and Bellavista locations. The company is hopeful that total economic reserves in excess of 20 million tons can be established for this project.

Information from the exploration work will be used for an up-dated feasibility. All indications are that this project will become a world-class and low-cost gold producer. With further discoveries being obtained from continuing work we expect additional increases in the reserves will be forthcoming from the drilling program.

Surface trenching is almost completed. Approximately 14,000 ft. of trenches were cut during the first quarter of 1987. Many new areas containing gold were identified from samples taken. Drilling is expected to extend this information.

MIDLAND'S ADDITIONAL PROPERTIES IN COSTA RICA

The company has acquired 55 additional properties within the Costa Rican gold belt. The total land area included in these claims is 188,000 acres. Work has started and is geared to establishing priorities for additional exploration work. To date, 150 samples have been collected and sent for initial geochemical analyses. Several international companies have already indicated their interest in pursuing discussions aimed at possible joint-venture agreements.

EXPLORATION PROPERTIES IN B.C.

Midland's properties in the Hedley and Greenwood areas of B.C. have remained dormant but are expected to be the subjects of further work in the near future.

Corporate Structure

Head Office

P.O. Box 12137
Nelson Square
808 Nelson Street
Suite 501
Vancouver, B.C.
V6Z 2H2

Registered & Records Office

720 - 999 W. Hastings Street
Vancouver, B.C. V6C 2W2

Barristers & Solicitors

Hanna, Forth & Scott
720 - 999 W. Hastings Street
Vancouver, B.C.
V6C 2W2

Auditors

Lohn & Company
Chartered Accountants
200 - 837 Homer Street,
Vancouver, B.C.
V6B 2W2

Registrar & Transfer Agent

The Canada Trust Company
1055 Dunsmuir Street
Vancouver, B.C.
V7X 1P3

Bank

The Royal Bank of Canada
Howe & Nelson
Vancouver, B.C.
V6Z 1N9

Consultants

J.D. (Doug) Blanchflower, F.G.A.C. of
Minorex Consulting Ltd.
Senior Consultant to Rea Gold Corporation

John W. Fisher, B.Sc. (Hons.) Chem. Eng.
P.Eng., C.Eng., Metallurgical Consultant

Maurice E. (Tim) Coates, P.Eng.
M.Sc. Geology, M.B.A.

Dr. Robert C. Heim, Ph.D., P.Eng.
Consulting Geologist

Marston & Marston
U.M.A. Group

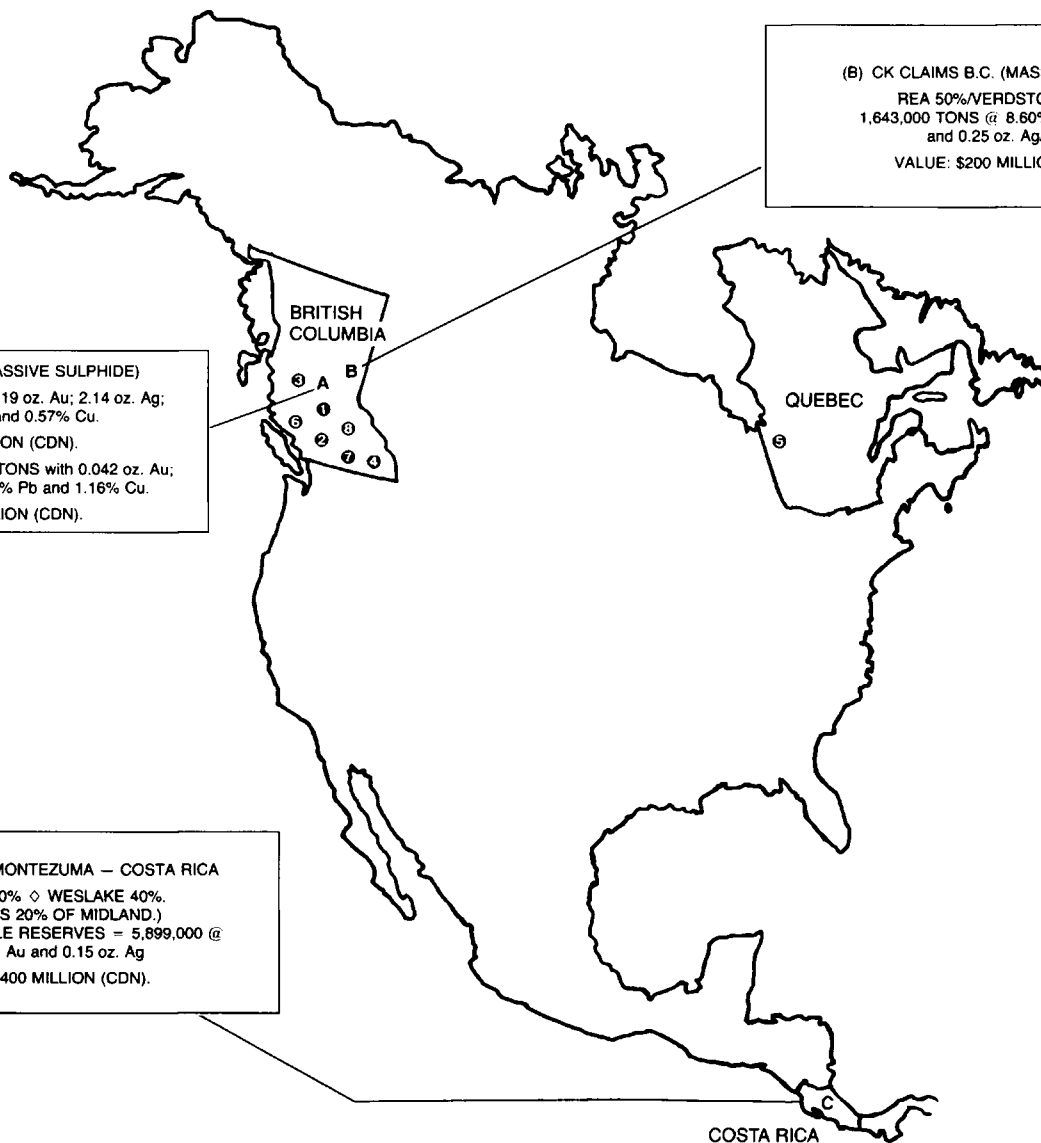
For further information please contact:

Larry W. Reaugh
President and C.E.O.
P.O. Box 12137, Nelson Square
808 Nelson Street, Suite 501
Vancouver, B.C. V6Z 2H2
Phone (604) 684-7527
FAX (604) 684-4428

REA GOLD CORPORATION • MIDLAND ENERGY CORPORATION • VERDSTONE GOLD CORPORATION

MAY

— 1987 —



(A) ADAMS LAKE B.C. (MASSIVE SULPHIDE)
 REA 100% (266,200 tons @ 0.19 oz. Au; 2.14 oz. Ag; 2.25% Zn, 2.14% Pb and 0.57% Cu).
 VALUE = \$46 MILLION (CDN).
 REA 30%/CFC 70% 1,120,000 TONS with 0.042 oz. Au; 21.22 oz. Ag; 2.89% Zn, 3.20% Pb and 1.16% Cu.
 VALUE = \$330 MILLION (CDN).

(B) CK CLAIMS B.C. (MASSIVE SULPHIDE)
 REA 50%/VERDSTONE 50%.
 1,643,000 TONS @ 8.60% Zn; 1.4% Pb, and 0.25 oz. Ag/TON.
 VALUE: \$200 MILLION (CDN).

(C) BELLAVISTA/MONTEZUMA — COSTA RICA
 MIDLAND 60% ◊ WESLAKE 40%.
 (REA OWNS 20% OF MIDLAND.)
 PROVEN/PROBABLE RESERVES = 5,899,000 @ 0.106 oz. Au and 0.15 oz. Ag.
 VALUE: \$400 MILLION (CDN).

REA GOLD CORPORATION EXPLORATION

- 1) Red Hill — Poly-Metallic
- 2) Mount Roach — Gold
- 3) Silver Boss — Multi Mineral
- 4) Tillicum Mountain — Multi Mineral
- 5) Casa Berardi — Poly-Metallic

DEVELOPMENT

- A) Adams Lake — Gold, Silver, Zinc, Lead, Copper

- B) CK Property — Zinc, Lead, Silver (50% Verdstone)

- C) Bellavista/Montezuma — Gold/Silver (owns 20% of Midland)

MIDLAND ENERGY CORPORATION EXPLORATION

- 7) Greenwood — Gold/Silver
- 8) Hedley — Gold/Silver

DEVELOPMENT

- C) Bellavista/Montezuma

VERDSTONE GOLD CORPORATION EXPLORATION

- 6) Bick Claims — Thurlow Island — Gold/Silver

- 9) DMW Platinum Claims, B.C.

DEVELOPMENT

- B) CK — Clearwater — Zinc, Lead, Silver

REA Group of Companies

Rea Gold Corporation ("Rea Gold") and its associated companies, Midland Energy Corporation ("Midland") and Verdstone Gold Corporation ("Verdstone"), are Vancouver based publicly trading companies sharing the same management. All are actively engaged in the business of mining exploration and development for the purpose of bringing new mines into production.

Rea Gold currently owns 18% of Midland which has a significant interest in a large developing gold mine in Costa Rica. Exploration has been underway for more than 2½ years and proven/probable reserves are suffi-

cient to justify the development of a large scale mine.

With Verdstone, Rea Gold has a 50/50 joint-venture on a high-grade Zinc-Lead massive sulphide occurrence presently being drilled in south central British Columbia. Rea Gold also has the right to acquire a 50% undivided interest in two other Verdstone properties which are the DMW Platinum Claims and the Bick Gold Claims, both of which are located in British Columbia. Rea Gold, as the Operator, will commence work on both properties during May.

REA Gold Corporation



Issued Shares: 6,527,885

Ticker Symbols: REO.V, REO.T, NASDAQ-REOGF

ADAMS LAKE — (6,000 acre property 28 miles Northeast of Kamloops, British Columbia)

In British Columbia work is continuing on what is still the company's major interests at Adams Lake. At the 100% Rea Gold owned Discovery Zone, bulk samples totalling 1,500 tons have been taken from the 97 and 100 lenses. Testwork is underway to resolve the metallurgy. The in-situ reserves have been estimated to be:

Tonnage	Au oz/ton	Ag oz/ton	Zn %	Pb %	Cu %
267,720 (averaging)	.190	2.14	2.25	2.14	.57

Arsenopyrite is also present but initial work has shown that a significant portion of the gold is free. An independent group is working with the company to determine the possibility of being able to mine and mill these reserves profitably at a rate of 100-200 tons per day.

On the larger section of the property which is a joint-venture between Rea Gold and Corporation Falconbridge Copper ("CFC")* drilling on the high grade silver zone was restarted in April. The 16,000 ft. drill program is to fill in the earlier widely-spaced holes many of which were on 150-175 meter spacings. Reserves are presently estimated to be:

Tonnage	Au oz/ton	Ag oz/ton	Zn %	Pb %	Cu %
1,120,000 (averaging)	.042	21.22	2.89	3.20	1.16

Initial metallurgical test results are encouraging. The absence of arsenopyrite makes this material considerably easier to mill and concentrate. The joint-venture is a 30/70 (Rea Gold/CFC) partnership, with CFC as the operator. Rea has entered into an agreement with Mr. J.A. Hilton to purchase the 5% net smelter return on this joint-venture property. This agreement is subject to regulatory approval. With almost 24 million oz silver

contained within the present estimate of reserves the company is confident that further exploration and development will confirm sufficient mineable reserves to justify a decision to develop a production operation.

A summary of the drill hole and trench sample results obtained by CFC on the high-grade silver zone is shown below:

Hole No.	Interval Meters	Width		Au oz/T	Ag oz/T	Zn%	Pb%	Cu%
		Meters	Feet					
64	89.45-90.35	90	(3'0")	.111	78.85	7.82	6.95	9.34
	60.20-62.00	1.80	(6'0")	.039	24.79	.54	.04	.76
	66.60-66.90	.30	(1'0")	.047	11.49	.86	.05	.57
71	75.95-81.00	5.05	(16'7")	.040	6.94	1.96	1.16	.32
	104.25-108.45	4.20	(13'9")	.037	28.80	5.03	1.07	
RG-72	145.00-208.10	13.10	(43'0")	.004	0.70	1.80	.95	.07
RG-73	123.50-125.00	1.50	(5'0")	.012	1.75	1.25	.78	.08
RG-74	153.25-153.75	.50	(1'8")	.012	1.76	3.02	.98	.94
RG-74	158.10-158.80	.70	(2'4")	.017	6.77	1.03	.72	.30
RG-74	173.25-177.40	4.05	(13'4")	.035	13.83	2.00	1.10	.45
RG-75	188.10-193.10	5.00	(16'5")	.013	9.68	4.46	2.99	.68
RG-76	254.50-256.10	1.60	(5'3")	.007	13.71	2.04	1.28	1.38

Step out drill holes assayed as follows:

Hole No.	Interval Meters	Width		Au oz/T	Ag oz/T	Zn%	Pb%	Cu%
		Meters	Feet					
77	324-327	3.0	(9'10")	.005	3.20	3.28	1.36	.43
78	255.2-256.7	1.5	(4'11")	.008	60	1.13	.64	.18
79	228.6-229.5	.9	(3'0")	.011	3.65	2.03	1.16	1.75
80	228.2-229.7	1.5	(4'11")	.009	41	.16	.18	.04
81	268.4-269.1	.7	(2'4")	.058	2.79	.03	.01	.03

Three trenches located 50 meters apart assayed as follows:

Trench No.	Width		Au oz/ton	Ag oz/ton	Zn%	Pb%	Cu%
	Meters	Feet					
3	3.10	(10' 2")	.130	83.28	3.30	17.80	1.84
4	.85	(2' 10")	.324	255.25	1.37	24.98	4.22
5	4.80	(15' 9")	.048	79.75	.82	8.65	1.75

*Corporation Falconbridge Copper has changed its company name to Minnova Inc.

CK PROPERTY (22,000 acre property with high-grade Zinc-Lead occurrences situated 26 miles East of Clearwater, British Columbia)

In May 1986 Rea Gold and its associate, Verdstone, each acquired an undivided 50% interest in the CK Claims. Throughout the property large outcrops of Zinc-Lead rich massive sulphides occur from which more than 20km of strike length have been identified. A major Canadian mining company which optioned the property for several years up to 1985 did extensive exploration which included diamond drilling. Based on that work drill indicated reserves are:

Tonnage	Zn %	Pb %	Ag oz/ton
1,643,000 (averaging)	8.6	1.40	0.25

These are within an area of 432 feet long by 200 feet wide through an average thickness of 12.5 feet. (See Verdstone for more information.)

OTHER PROPERTIES

Rea Gold has entered into agreements with its associated company, Verdstone, to acquire a 50% undivided interest in the DMW Platinum Claims and the Bick Gold Claims, located in British Columbia. Rea Gold is committed to expenditures of \$100,000 and \$200,000, respectively, for work to be done within a one year period.

Verdstone Gold Corp.



Issued Shares: 1,760,225
Ticker Symbol: VGC.V

CK PROPERTY — (22,000 acre property with high-grade Zinc-Lead occurrences situated 26 miles East of Clearwater, British Columbia)

In the latter part of 1986, Minorex Consulting Ltd., on behalf of the Company and Rea Gold, completed a detailed program of mapping, linecutting and geophysical-geochemical surveys prior to further drilling work. The previous work (1977-1980) had revealed high-grade Zinc-Lead values in the New Showing area at the south end of the property, as follows:

New Showing Zone	Grade Zn-Pb%	Average Width		Strike Length	
		Meters	Feet	Meters	Feet
North	13.0	(1.5)	4' 11"	(700)	2,290
Central	10.1	(1.7)	5' 6"	(1,000)	3,270
South	16.7	(2.6)	8' 6"	(500)	1,635

New areas of Zinc-Lead rich massive sulphides were subsequently discovered to the south of the existing New Showing. Results of assays from samples are, as follows:

Showing	Zn %	Pb %	Ag oz/T
Autumn Showing — (Trench for 25 meters on Strike averaging 3 meters wide)	18.15	1.03	.26
Con Showing — (over 2.5 meters width)	11.50	1.82	.20
Spring Showing — (over 0.7 meters width)	24.20	5.27	.16
Horne Showing — Grab	18.00	4.71	.12

A total of 21,000 feet of diamond drilling is to be completed during the next phase of exploration work which should be accomplished in the next 3-4 months.

Midland Energy Corporation



Issued Shares: 6,905,340
Ticker Symbol: MDY.V

BELLAVISTA/MONTEZUMA — (4,700 acre property (19 sq. kms) approximately 17 miles from the Pacific port of Puntarenas, Costa Rica, Central America)

This property is named for its two adjacent deposits separated by a small creek. Both contain free milling gold in quartz veins within andesite and andesite breccia. This project is a joint-venture between Midland (60%) and Westlake Industries Ltd. (40%). Until January 1987 Rea Gold was the operator on Midland/Westlake's behalf. On January 15 1987 Rayrock Yellowknife Resources Inc. ("Rayrock") of Toronto were appointed operators. Rayrock has the right to earn 50% of Midland's interest through the expenditure of \$1.5 million (Cdn) on further exploration work.

This project was originally thought to be a small higher grade underground occurrence with limited reserves sufficient to support a production operation at 150-200 tons per day. Under Rea Gold's management for almost 2½ years the proven/probable in-situ reserves have been continually increased. As of April 1987 the reserves now stand at 5,898,900 tons at 0.106 oz gold/ton for the Bellavista deposit. In addition there are more than 6,000,000 tons inferred reserves. Overall, reserves in the proven and probable category for Bellavista presently amount to 5,898,900 tons 0.106 oz gold/ton. Similar reserves of the same grade are calculated in the possible category and will be obtainable at low cost from open-pit areas. Present value based on gold at \$450/oz is \$400,000,000 (U.S.).

Information from the exploration work will be used for an up-dated feasibility. All indications are that this project will become a world-class and low-cost gold producer. With further discoveries being obtained from continuing work we expect additional increases will be forthcoming during the drilling phase on Bellavista.

Surface trenching is almost completed. Approximately 14,000 ft. of trenches were cut during the first quarter of 1987. Many new areas containing gold were identified from samples taken. This work essentially completes the preparations needed for the reverse circulation drilling and Rayrock have announced that a 30,000 ft. drilling program will commence in June. Underground work to enter the Montezuma veins continues.

From the existing 5,898,900 tons proven and probable with approximately an equal amount also inferred at this same grade a 3,000 ton per day operation would produce 100,000 oz gold annually. Direct operating costs for an open-pit and cyanide mill in Costa Rica are likely to be low and within the range of \$110 to \$130 (U.S.) per oz gold produced. This initial estimate has been based on factual information obtained from testwork and costs pertaining to work done for the feasibility study prepared in 1984.

MIDLAND ACQUIRES 55 ADDITIONAL PROPERTIES — (Costa Rica)

In addition to its Bellavista/Montezuma Property, Midland has acquired 55 Mineral Exploration Permits consisting of 188,000 acres and has entered into two agreements to Option to Lease the Santa Rosa No. 4905 (2,200 acres) and the Cerro Pelado No. 5727 (4,950 acres) in Costa Rica. All are within what is known to be the Costa Rican gold belt based on existing information gathered from limited exploration and small operations conducted in the past. If Costa Rica is to become the new Eldorado, Midland is well placed to take advantage of new developments in this very stable country.

EXPLORATION PROPERTIES IN BRITISH COLUMBIA — (Hedley and Greenwood areas, B.C.)

Midland has well located ground in the Hedley and Greenwood areas. Both areas have long histories of gold mining and will be explored further at a later date. The Golden Zone near Hedley is 3 miles to the north of the Mascot Mine. Mascot has announced proven reserves of 7,000,000 tons averaging 0.15 oz/ton gold. The Yankee Girl claims are within the famous Greenwood mining camp.

Corporate Structure

Head Office

P.O. Box 12137
Nelson Square
808 Nelson Street
Suite 501
Vancouver, B.C.
V6Z 2H2

Registered & Records Office

720 – 999 W. Hastings Street
Vancouver, B.C. V6C 2W2

Barristers & Solicitors

Hanna, Forth & Scott
720 – 999 W. Hastings Street
Vancouver, B.C.
V6C 2W2

Auditors

Lohn & Company
Chartered Accountants
200 – 837 Homer Street,
Vancouver, B.C.
V6B 2W2

Registrar & Transfer Agent

The Canada Trust Company
1055 Dunsmuir Street
Vancouver, B.C.
V7X 1P3

Bank

The Royal Bank of Canada
Howe & Nelson
Vancouver, B.C.
V6Z 1N9

Consultants

J.D. (Doug) Blanchflower, F.G.A.C. of
Minorex Consulting Ltd.
Senior Consultant to Rea Gold Corporation
John W. Fisher, B.Sc. (Hons.) Chem. Eng.
Metallurgical Consultant
Maurice E. (Tim) Coates
M.Sc. Geology, M.B.A.
Dr. Robert C. Hein, Ph.D., P.Eng.
Marston & Marston
U.M.A. Group

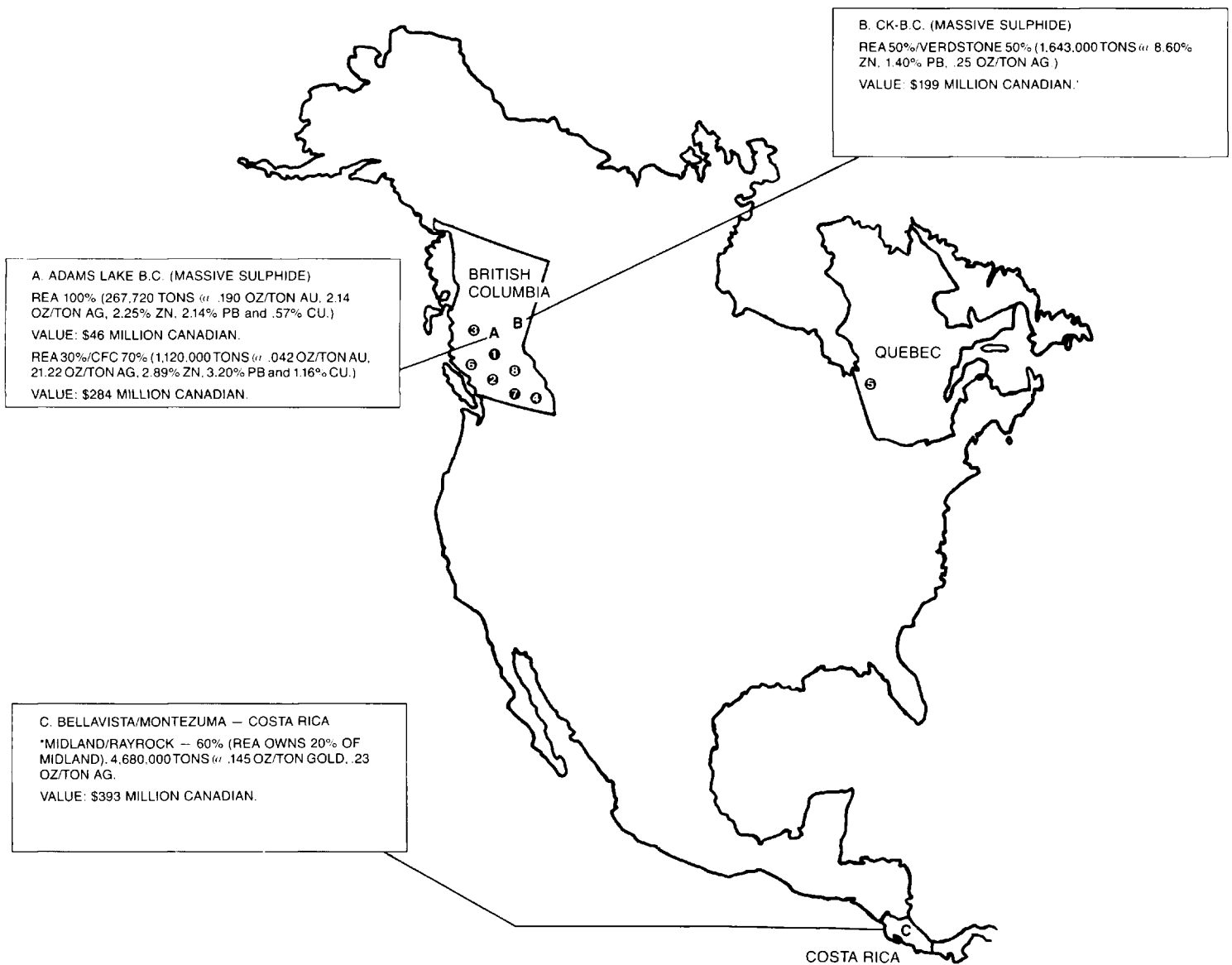
For further information please contact:

Larry W. Reaugh
President and C.E.O.
P.O. Box 12137, Nelson Square
808 Nelson Street
Vancouver, B.C. V6Z 2H2
Phone (604) 684-7527
FAX (604) 684-4428

REA GROUP OF COMPANIES

REA GOLD CORPORATION • MIDLAND ENERGY CORPORATION • VERDSTONE GOLD CORPORATION

Development & Exploration Properties



REA GOLD CORPORATION EXPLORATION

- 1) Red Hill — Poly-Metallic
- 2) Mount Roach — Gold
- 3) Silver Boss — Multi Mineral
- 4) Tillicum Mountain — Multi Mineral
- 5) Casa Berardi — Poly-Metallic

DEVELOPMENT

- A) Adams Lake — Gold, Silver, Zinc, Lead, Copper

- B) CK Property — Zinc, Lead, Silver (50% Verdstone)

- C) Bellavista/Montezuma — Gold/Silver (owns 20% of Midland)

MIDLAND ENERGY CORPORATION EXPLORATION

- 7) Greenwood — Gold/Silver
- 8) Hedley — Gold/Silver

DEVELOPMENT

- C) Bellavista/Montezuma

VERDSTONE GOLD CORPORATION EXPLORATION

- 6) Bick Claims — Thurlow Island — Gold/Silver

DEVELOPMENT

- B) CK — Clearwater — Zinc, Lead, Silver

Rea Group of Companies

The Rea Gold Group of Companies are publicly traded companies sharing some of the same interests, management and resource based goals.

Currently Rea Gold Corporation ("Rea") owns 20% of Midland Energy Corporation ("Midland") which is developing a world class gold mine in Costa Rica.

Rea has a 50/50 joint-venture with Verdstone Gold Corporation ("Verdstone") on a high grade zinc/lead property in south central British Columbia.



Rea Gold Corporation

Issued Shares: 6,280,619
 Ticker Symbols: REO.V, REO.T, NASDAQ-REOGF

ADAMS LAKE (6000 acre poly metallic property located 45 Km northeast of Kamloops, B.C.)

Rea has a 100% interest in the 20 acre discovery zone with Corporation Falconbridge Copper ("CFC") having a 10% carried interest after all paybacks to Rea. The discovery zone has drill proven reserves of 267,720 tons averaging:

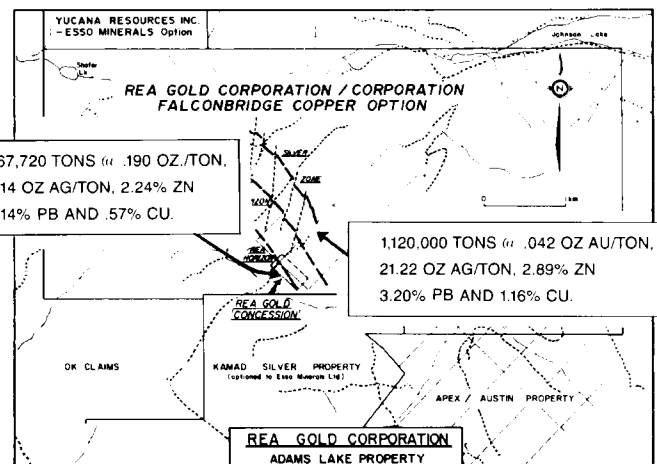
Tons	Au oz./T	Ag oz./T	Zn%	Pb%	Cu%
267,720	.190	2.14	2.25	2.14	.57

Total metal value is in excess of \$46 million dollars Canadian.

The company has a 30% interest with CFC having a 70% interest in the balance of the property. Drilling over the past year has identified a significant body of mineralization known as the "Silver Zone" which has a strike length of 425 meters, a dip length of 200 meters and an average width of 3 meters. The deposit is open in all directions. Drill indicated potential ore reserves in the zone have been calculated by Rea to contain 1,120,000 tons averaging:

Tons	Au oz./T	Ag oz./T	Zn%	Pb%	Cu%
1,120,000	.042	21.22	2.89	3.20	1.16

Grades were calculated by cutting the high silver, lead values in the trenches by 50%. This valuable mineralization has a U.S. value of \$181.00 per ton as of October 31 1986. The value of the metals contained has been estimated at 284 million dollars Canadian. CFC are obligated to make all expenditures up to feasibility and production decision. At that time Rea will have to contribute its proportional share of the costs for construction and development of the Mine/Mill operation. To date approximately 60,000 feet of diamond drilling has been completed on the property of which Rea has carried out 10,000 feet on its 100% owned Discovery Zone.



CK PROPERTY (22,000 acres high grade Zinc property located 43 Km east of Clearwater, British Columbia)

Tons	Zn%	Pb%	Ag (oz/ton)
1,643,000	8.6	1.4	.25

Rea has a 50% interest with associated company Verdstone Gold Corporation ("Verdstone") having the remaining 50% interest on this exciting Massive Sulphide property.

The property contains drill indicated reserves of 1,643,000 tons averaging 8.60% Zn, 1.40% Pb and approximately .25 oz/ton Ag. The gross metal value based on \$0.65 for zinc and \$0.33 for lead is 199 million dollars Canadian. (See Verdstone for additional information.)

MOUNT ROACH PROPERTY (3,000 acres gold property located 8 miles west of Lytton, B.C.)

The property contains a mineralized structure with a strike length of 5,200 feet through a vertical depth of 1,200 feet. Within this structure a zone measuring 450 feet assayed .113 oz/ton gold over a width of 4 feet.

RED HILL PROPERTY (3,000 acre polymetallic property located 15 miles south of Kamloops, B.C.)

Diamond drilling has identified Massive Sulphide on the property with the best intersection measuring:

	Au	Ag	Zn%	Cu%
Width	oz./T	oz./T		
8' - 5"	.012	.056	1.60	.590

CASA BERARDI, QUEBEC GOLD CAMP (located 14 miles south of the Inca Golden Knight Ore body)

Rea has a 50/50 interest with Midland on the 1,100 acre Quebec Gold Property. The property contains a large electromagnetic high as well as two coincident 2 channel geophysical targets identified by aerial surveys.

TILLICUM PROPERTY (2,400 acre gold silver property located 13 miles south of Nakusp, B.C.)

Geophysical and geochemical work in 1984 identified scattered mineralization in several multi-metal anomalies.

Verdstone Gold Corp.

Issued shares: 1,603,500
Ticker Symbol: VGC.V

CK PROPERTY (50% Verdstone/50% Rea) Zinc, Lead and Silver property located 29 miles NE from Clearwater, B.C.

The 22,000 acre property contains 20 miles of mineralized strike length and is a stratabound Massive Sulphide property containing high grade zinc. Drill indicated reserves on the New Showing are:

Tons	Zn%	Pb%	Ag (oz/ton)
1,643,000	8.6	1.4	.25

Recent work on the property has identified three new zones along strike to the south with value ranging up to 25% zinc, 5% lead and .50 oz/ton silver.

Reserves as they are known have a metal value of \$199,000,000 Canadian at current prices.

BICK CLAIMS — Thurlow Island (This 100% owned

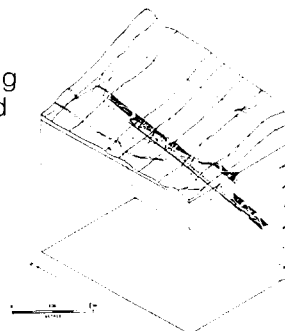
Gold/Silver property is located at Shoal Bay, 40 miles northeast of Campbell River, B.C.)

The property is situated on a major shear zone which extends for a distance of 15 miles along which are located a large number of precious metal prospects and at least a potential for two producing mines, the Doratha Morton and Alexandra prospects. Banded quartz veins on the property range from a few inches to 35 feet wide and samples taken from the old dump have assayed from .06 to .90 oz/ton gold.

CK NEW SHOWING

BLOCK DIAGRAM:

1,643,000 Tons averaging
8.60% Zn, 1.40% Pb and
.25 oz/ton Ag.



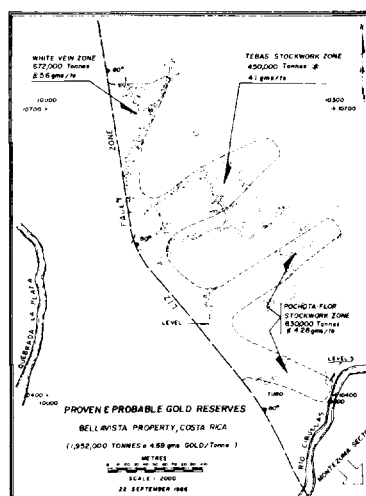
Midland Energy Corporation

Issued Shares: 5,587,873
Ticker Symbol: MDY.V

BELLAVISTA/MONTEZUMA

(Midland/Rayrock — 60%, Westlake — 40%)

This 19 square kilometer 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, Bellavista and Montezuma. Both are systems of gold-bearing quartz veins in altered andesite and andesite breccia. Ore reserves for the Bellavista/Montezuma have been calculated at 2,150,000 tons of drift-proven and probable ore grading .136 oz/ton gold and .23 oz/ton silver (80% of the reserves are in the open-pit category). Another 2,530,000 tons of .145 oz/ton ore has been inferred.





REA GOLD CORPORATION

TICKER SYMBOLS REO.V, REO.T, NASDAQ:REOGF

NOVEMBER 10 1986

P R E S S R E L E A S E

REA GOLD CORPORATION REVIEW

REA GOLD CORPORATION ("REA GOLD") IS PLEASED TO ANNOUNCE THE FOLLOWING RESULTS ON THEIR VARIOUS PROJECTS OVER THE PAST SEVERAL WEEKS.

ADAMS LAKE

DRILLING BY CORPORATION FALCONBRIDGE COPPER ("CFC") OVER THE PAST FEW MONTHS HAS IDENTIFIED A SIGNIFICANT MINERALIZED AREA KNOWN AS THE SILVER ZONE. WIDE SPACED DRILLING (ON 75 TO 150 METER CENTERS) IN TWELVE HOLES HAS OUTLINED A MINERALIZED SULPHIDE ZONE MEASURING APPROXIMATELY 425 METERS ON STRIKE, 200 METERS DOWN DIP AND THREE METERS WIDE.

REA GOLD HAS CALCULATED THE DRILL INDICATED, GEOLOGICALLY INFERRED TONNAGE TO BE:

<u>TONS</u>	<u>AU</u> <u>OZ/T</u>	<u>AG</u> <u>OZ/T</u>	<u>ZN%</u>	<u>PB%</u>	<u>CU%</u>
1,120,000	.042	21.22	2.89	3.20	1.16

GRADES WERE CALCULATED BY CUTTING THE HIGH SILVER AND LEAD VALUES IN THE TRENCHES BY 50%. C.F.C. HAS THE RIGHT TO EARN A 70% INTEREST IN THE PROPERTY WITH THE EXCEPTION OF THE DISCOVERY ZONE IN WHICH REA GOLD HAS A 100% INTEREST WITH C.F.C. HAVING A 10% CARRIED INTEREST AFTER ALL PAYBACKS TO REA GOLD. DRILL PROVEN RESERVES ON THE DISCOVERY ZONE ARE:

<u>TONS</u>	<u>AU</u> <u>OZ/T</u>	<u>AG</u> <u>OZ/T</u>	<u>ZN%</u>	<u>PB%</u>	<u>CU%</u>
267,720	.190	2.14	2.24	2.14	.57

....2

GOLD & SILVER EXPLORATION & MINING DEVELOPMENT
P.O. Box 12137, Nelson Square, 501 - 808 Nelson Street
Vancouver, British Columbia V6Z 2H2, Canada (604) 684-7527
Ticker Symbol: REO Telex: 04-352848VCR

B.V.O. - ARIZONA

REA GOLD AND ITS JOINT-VENTURE PARTNER LINCOLN RESOURCES INC. HAVE TERMINATED THEIR OPTION ON THE B.V.O. PROPERTIES, AS THE OPTION PAYMENTS ARE EXCEEDINGLY HIGH THE COMPANIES HAVE DETERMINED IT UNECONOMICAL TO CONTINUE TO PARTICIPATE IN THE PROPERTY.

CK PROPERTY - CLEARWATER, B.C.

WORK CONSISTING OF LINE CUTTING, GEOLOGICAL MAPPING, TRENCHING AND ACCESS ROADS FOR DRILLING SITES ARE UNDERWAY ON THE CK MASSIVE SULPHIDE PROPERTY. REA GOLD HAS A 50/50 JOINT-VENTURE WITH VERDSTONE GOLD CORPORATION ON THIS EXCITING PROPERTY. RECENT WORK HAS EXTENDED THE KNOWN 25 KILOMETER MINERALIZED STRIKE FIVE MORE KILOMETERS TO THE SOUTH WHERE THREE NEW MASSIVE SULPHIDE ZONES HAVE BEEN EXPOSED. THE COMPANY HAS STAKED ADDITIONAL GROUND TO THE SOUTH TO COVER THE EXTENSION. PRIOR DRILLING AND TRENCHING BY COMINCO IN 1978 - 80 IDENTIFIED THE FOLLOWING ORE POTENTIAL.

<u>TONS</u>	<u>ZN%</u>	<u>PB%</u>	<u>AG OZ/TON</u>
1,643,000	8.6	1.4	.25

THE ZONE IS OPEN ALONG STRIKE AND DOWN DIP. RESULTS WILL BE ANNOUNCED AS THEY ARE RECEIVED.

ON BEHALF OF THE BOARD


LARRY W. REAUGH
PRESIDENT

THE TORONTO STOCK EXCHANGE AND THE VANCOUVER STOCK EXCHANGE HAVE NEITHER APPROVED NOR DISAPPROVED THE INFORMATION CONTAINED HEREIN.

Total Tons	Au oz./T	Ag oz./T
4,680,000	.143	.23

Total metal content is 679,000 ozs of gold and 1,074,000 oz of silver having a total value of \$393 million (Cdn) at current prices, ore value is \$60/U.S. per ton.

Feasibility studies have indicated proven recoveries of 96% in gold and 70% in silver.

For some time the property has been recognised as having considerable potential for the discovery of additional reserves and it is with this in mind that recent negotiations have been made with Rayrock Yellowknife Resources Inc. ("Rayrock") to enter into the existing joint-venture. An agreement between Rayrock & Midland has been reached whereby Rayrock can earn half of Midland's 60% interest by funding 100% of Midland's obligations at a cost of \$1.5 million.

In addition to Rayrock's earn-in rights, Rayrock has unconditionally agreed to purchase 530,303 shares of Midland at 66¢ per share by way of a private placement with a warrant to purchase an additional 530,303 shares at 76¢ per share for up to one year. This private placement is subject to a one year hold period.

Rayrock has further option rights subject to regulatory and shareholder's approval to purchase Midland treasury shares at prices ranging from \$1.20 to \$1.70 per share over four years which, if exercised, will give Rayrock the majority interest in Midland for approximately \$9.5 million.

ADAMS LAKE, B.C., PROPERTY

The company has a well located holding in the exciting Adams Lake area where Rea Gold Corporation has made a significant Gold/Silver-bearing Massive Sulphide discovery. Rea is currently in a joint-venture on this discovery with Corporation Falconbridge Copper. (See Rea Gold.)

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:

Hole #	Footage	Width	Au oz/ton	Ag oz/ton
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 containing large tonnage open-pittable reserves.

YANKEE GIRL (Greenwood, B.C.)

These claims are situated in a famous mining camp and have known economic values of gold and silver. Ministry of Mines reports (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.

CASA BERARDI GOLD PROPERTY

50/50 Joint-venture with Rea Gold (see Rea Gold write-up)

Corporate Data

Head Office

P.O. Box 12137
Nelson Square
808 Nelson Street
Suite 501
Vancouver, B.C.
V6Z 2H2

Registered & Records Office

720 - 999 W. Hastings Street
Vancouver, B.C. V6C 2W2

Solicitors

Hanna, Forth & Scott
720 - 999 W. Hastings Street
Vancouver, B.C.
V6C 2W2

Auditors

Lohn & Company
200 - 837 Homer Street,
Vancouver, B.C.
V6B 2W2

Registrar & Transfer Agent

The Canada Trust Company
1055 Dunsmuir Street
Vancouver, B.C.
V7X 1P3

Bank

Royal Bank of Canada
Howe & Nelson
Vancouver, B.C.
V6Z 1N9

Consultants

J.D. (Doug) Blanchflower, F.G.A.C. of
Minorex Consulting Ltd.
Senior Consultant to Rea Gold Corporation
John W. Fisher
Metallurgical Consultant
Maurice E. (Tim) Coates
M.Sc. Geology, M.B.A.
Marston & Marston
U.M.A. Group

For further information please contact:

Larry W. Reaugh
President
P.O. Box 12137, Nelson Square
501-808 Nelson Street
Vancouver, B.C. V6Z 2H2
Phone (604) 684-7527