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# Canadian News

## B.C.'s Rea Petro Finds New People, Prospects

By Linda G. Akins

VANCOUVER, B.C.—Rea Petro Corp. (VSE: REO) has received promising results from assays over a 600 ft. section of their 60% owned Mt. Roach gold prospect near Lytton, B.C.

Assays of this vein averaged .104 oz. of gold across an average width of 4 ft., including a 250 ft. length averaging .136 oz. of gold. A soil anomaly measuring 300 mi. by 300 mi. with soil assays ranging between 80 parts per billion to 2,950 parts per billion in gold, has been located 450 mi. east of the mineralized vein. In addition, a weathered bedrock zone located 750 mi. east of the anomaly assayed .432 oz. of gold over a width of 6½ ft.

Discovery of gold and silver at Mt. Roach dates back to 1934 when a 10,000 ft. main vein was explored by short audits, open pits, and trenches with assays reported from a low of trace up to 93.8 oz. of gold per ton.

Rea's president, Larry W. Reaugh, has been involved in the mining industry since 1962. His early experience includes surveying, drafting, and ore grading. From 1966 until 1974, Reaugh had responsibility at Bethlehem Copper for construction engineering, surveying, tailings dam control, and mine safety. In 1974, he founded L & L Drilling Explorations Ltd. which now functions as management company for several resource based private companies (including Rea Petro) active in mining and oil and gas exploration in the Yukon, B.C., Texas, Utah, and Kansas.

Recent additions to Rea's management team have brought additional expertise to the company. Walter W. Cruttenden Jr., an investment banker from Newport Beach, Calif., assists the company in locating natural resource properties and in arranging financing for the development of the properties. Cruttenden has been involved in the financial and brokerage business since the early 1940's and has underwritten over 100 companies including Revlon, ARA Services, Trane Co., Wham-O Toy Co., several wine companies, and Presley Home Developments.

Hugh E. Mackenzie, also of Newport Beach, joins Rea's board of directors to assist with financing, marketing, and public relations. Mackenzie is also president of California's Primo Natural Food Supermarkets, Inc., and is a former president and director of National Great Care Centers, Inc. He was chairman of the board and

from 1970 to 1975 and has been a marketing and financial consultant to a number of U.S. companies.

Other progress at Rea Petro centers around efforts for the conditional acquisition of a smelting-refinery plant, Bear Paw Mining, Inc. of Mojave, Calif., and continued surveying of the Red Hill prospect near Cache Creek, B.C.

Bear Paw Mining, Inc. is a high volume processor of electronic scrap containing precious metals. Plant capabilities include the refining of all types of mineral ore and scrap, namely gold, silver, and copper. Complete facilities enable the company to refine mineral ore on a 24-hour a day basis. Bear Paw Mining is presently grossing in excess of \$5 million in sales and has assets of property and equipment totaling over \$1 million. The purchase is subject to regulatory approval, board of director's approval, and auditors' review and approval.

**The company is located at 558 Howe St., Suite 1, Vancouver, B.C., V6C 2C9. Phone: (604) 684-7527. A recent price was \$1.35 per share.**

*Linda Akins is a freelance writer with offices in Boulder (303) 499-8420 and Dallas, working in association with Robert, James & Assoc.*



## Vancouver Market Quotes



STOCK	SYM	THIS WEEK	CHG \$		53 WEEK	
			+ / -	HIGH	LOW	
<b>MINING STOCKS</b>						
<b>11-23</b>						
ABELLA	ABE.V	\$ .21	Unch.	\$ 1.60	\$ .21	
ACTION	AKR.V	\$ .26	-.02	\$ 2.70	\$ .25	
ADOLA	ADA.V	\$ .35	Unch.	\$ 1.45	\$ .40	
AMARK	AMK.V	\$ 1.35	-.30	\$18.38	\$ 1.55	
AMER FLOR	AFC.V	\$ 4.75	-.25	\$16.75	\$ 4.35	
AMER PYRAMID	APE.V	\$ 4.40	+.05	\$13.00	\$ 2.50	
CALIF SILVER	CFA.V	\$ 2.10	-.16	\$12.50	\$ 2.25	
CDN BARRANCA	CBR.V	\$ 1.00	Unch.	\$ 8.25	\$ 1.00	
CANALTA	CLZ.V	\$ .35	-.05	\$ 2.45	\$ .31	
CHOPPER	COR.V	\$ .20	Unch.	\$ 2.50	\$ .20	
COLBY	CY.V	\$ 3.70	-.20	\$12.75	\$ 2.00	
CCLU LAKE	CLR.V	\$ .65	-.02	\$ 1.67	\$ .50	
CONS CINOLA	CSZ.V	\$ 5.37	+.37	\$21.75	\$ 5.50	
CORCNA RES	CNA.V	\$ 3.20	-.50	\$	\$	
CUMC RESOURCES	CUS.V	\$ 8.00	+.12	\$19.25	\$ 1.90	
DAVID MINER*L	DAV.V	\$ 9.50	+2.25	\$21.00	\$ 4.80	
GREENWOOD EXP	GXL.V	\$ .72	-.15	\$ 6.50	\$ .87	
HEMISPHERE	HSD.V	\$ 4.00	-.25	\$16.00	\$ 3.50	
HIMAC	HIM.V	\$ 1.43	+.23	\$ 3.30	\$ .90	
INTERLAKE DEV	IRK.V	\$ 1.60	-.25	\$ 5.65	\$ .80	
KNOBBY LAKE	KBL.V	\$ .90	-.05	\$ 3.90	\$ .60	
MAHOGANY MNG	MGY.V	\$ 1.16	+.01	\$ 4.30	\$ .85	
MAYMAC EXPLC	MMA.V	\$ 2.40	+.40	\$ 7.50	\$ .60	
NEWCOAST SILV	NWV.V	\$ .75	Unch.	\$ 4.30	\$ .80	
PEZ RESOURCES	PEZ.V	\$ 1.33	-.47	\$ 4.10	\$ .70	
REDFORD MINES	ROF.V	\$ 1.25	Unch.	\$ 4.85	\$ 1.40	
RIO PLATA	RPM.V	\$ .55	Unch.	\$ 2.88	\$ .50	
RUTH VERMONT	RUV.V	\$ 1.90	Unch.	\$ 3.65	\$ 1.50	
TOURNIGAN	TGN.V	\$ 1.43	-.02	\$ 4.00	\$ 1.20	
TRV MINERALS	TVM.V	\$ 5.40	+.50	\$19.50	\$ 4.75	
UNITED HEARNE	UHR.V	\$ 5.50	+.50	\$23.50	\$ 5.00	
VERONEX RES	VEO.V	\$ 3.25	+.15	\$ 7.00	\$ 2.75	

### OIL AND GAS STOCKS

# Rea Petro — more than meets the eye

By Walter Lippincott

VSE: REA  
 BID: \$.85 (CANADIAN)  
 SHARE FLOAT: 900,000  
 52-WEEK RANGE:  
 HIGH: \$1.69  
 LOW: \$.75

Rea Petro Corporation is a junior resource company engaged in the acquisition, exploration and development of natural resource properties in British Columbia and the U.S. Since coming public in Canada in early 1981 at \$1.00, the Company has no current earnings, doesn't anticipate any significant earnings for at least a year and is not producing anything. How can this be, you ask? You've seen companies with seemingly more going for them and selling for 5¢ or 10¢ a share—not 85¢. Is Rea Petro just another one of those hype jobs that we've all seen along the way? FAR FROM IT!

What you do get when you buy Rea Petro shares is a chance to participate in the future value of some very strategic mineral properties along with a very well balanced, super experienced management team. Coupled with a very thin "real float" (about 300,000 shares—another 600,000 are very tightly held), you end up with a potentially explosive situation.

## Mineral properties

The best bet in Rea Petro's arsenal is an inexpensive option it has for a 90 percent interest in gold and silver claims in Yuma County, Ariz.

Located in the Little Horn Mountains about 95 miles southwest of Phoenix, this property has not seen any exploration since 1940, when 28 tons of broken ore were shipped to the Asarco smelter in Arizona.

To date, these ore deposits have been tested by eight shafts to depths of 80 and 100 feet.

The Company reports the total ore reserves are estimated at about 2 million tons with an average of .48 oz./ton gold (98 percent recoverable) and 4.7 oz./ton silver (60 percent recoverable). Larry Reaugh, president, says the maximum total cost of

recovering these metals is \$75 per ton.

Translating all of this into some usable numbers you find: (Since the precious metals are in a current downtrend, we are using a conservative \$300 per ounce for gold (currently \$370/oz.) and \$6 per oz. for silver (currently \$7.50/oz.).)

This valuation is for one property alone. Add this to a gold and silver property in Mount Roach, British Columbia, and a silver, copper, lead, zinc and nickel property in the Kamloops Mining Division of British Columbia, and you end up with an estimated reserve value per share in excess of \$100. Even if the Arizona property only proves up at one million tons, the reserve value will be over \$50 per share.

## Management

Rea Petro's president and founder, Larry Reaugh, has been involved in the mining industry since 1962. He founded L&L Drilling in 1974, using his expertise in surveying, ore grading, construction engineering and mine safety. Tri-Power Petroleum Corp. was later formed as a subsidiary of L&L, which Reaugh sold in 1978 to Calgary oil interests. Today, L&L Drilling is the holding company for seven private resource-based companies in addition to Rea Petro Corp.

Recently, Walter Cruttenden, Jr., an investment banker from Newport Beach, Calif., agreed to devote his services and expertise in locating natural resource properties to Rea Petro and to assist in arranging financing for these properties. Cruttenden, once governor of the Midwest Stock Exchange, underwrote over 100 companies (including Revlon, Trane Co. and Wham-O Toy Co.) between 1960 and 1970. Cruttenden's powerful connections seem to have landed Rea Petro shares in some pretty strong hands recently.

Recently, 69,000 warrants for Rea Petro shares were exercised at \$1.15 each—30,000 of which were bought by Continental, Carlisle, Douglas, Rea Petro's underwriter.

*For more information write to: Rea Petro Corp., 1-558 Howe St., Vancouver, B.C. V6C 2C0; or call (604) 684-7527.*

Gross gold reserves (98 percent recoverable)	\$282.4 million
Gross silver reserves (60 percent recoverable)	+33.4 million
Total estimated reserves	\$315.8 million
Maximum production costs	-150.00 million
Net estimated reserve value	\$165.8 million
Total shares outstanding	1.96 million
Reserve value per share	\$87.3

*Penny Stock News* is a bi-weekly informational financial newspaper available in the U.S. and Canada. Subscription rates: \$45 for one year; \$72 for two years. Please add \$25 per year for first class handling.

**PENNY STOCK NEWS**  
**P.O. BOX 86**  
**COLUMBIA, MD. 21045**  
**301-997-2229**

## FLOW RESOURCES LTD. (FLW) CONTINUED

The Company is currently completing the submission of a Statement of Material Facts and expect the submission and subsequent acceptance will be made shortly.

## MAMMOTH RESOURCES LTD. (MTH)

R.E. Forrest, Executive V.P., has announced that the Board of Directors of the Company have resolved that the options granted April 21/83 be cancelled. The Directors have made this resolution due to the fact that there is an anticipated change in control of the Company and that regulatory approval and shareholder approval have not been obtained.

## NORTHERN TELECOM LIMITED (NTL)

The Company has announced the introduction of the SL-10 Rapid integrated access device, a protocol converter/concentrator for SL-10 packet data networks. Rapid economically extends SL-10 network capability to remote users. The SL-10 is one of the most advanced packet switches which communicated data in blocks or "packets" thus eliminating the need for separate liners dedicated to each user. SL-10 networks are in use in Canada, the U.S., West Germany, Switzerland, Belgium, the U.K., Portugal, the Republic of Ireland, Hong Kong and Austria. The announcement of the new SL-10 was made simultaneously in Toronto, Nashville, Tennessee and at Telecom 83, Geneva, Switzerland. It will be available in 1984.

Northern Telecom Canada is a subsidiary of Northern Telecom Limited, the second largest designer and manufacturer of telecommunications equipment in North America and is a significant supplier of integrated office systems. Revenues in 1982 were more than \$3 billion and the Company employs more than 37,000 throughout the world with 46 manufacturing plants in Canada, the U.S., England, Republic of Ireland, Malaysia and Brazil. Its shares are listed on the Montreal, New York, Toronto and Vancouver stock exchanges.

## PEZAMERICA RESOURCES CORPORATION (PZC)

Murray Pezim, Chairman, announced that the Company will be the first of the Pez Group of Companies to participate with Noranda Exploration Company Limited ("Norex") in a joint exploration program. Pezamerica, through a wholly-owned subsidiary, proposes to commit to fund at an estimated cost of \$518,650 Phase I of a diamond drilling program on Norex's Hackett-Back River area property in the N.W.T. The drilling program has already commenced under the management of Norex.

Under the proposed agreement, Pezamerica, by underwriting 100% of the money required to fund proposed exploration programs which will be under Norex's management, would have the right to earn a 100% interest in the property subject to Norex's right to back-in for a 50% interest. Norex would also have an option to purchase treasury shares of the Company once a production decision is made.

## PRIMONT RESOURCES LTD. (PRZ)

J.K. D'Angelo, Director has announced that Mr. R.G. Williams of Seattle has become a Director of the Company following the resignations of Alexander K. Burton and Larry W. Reaugh as Directors.

The Company has also announced that they seek to acquire an agreement to purchase interest in an existing oil and gas producing U.S. Company. The pending purchase would give Primont considerable cash flow. A petroleum consulting firm have been engaged to investigate production and potential. Further announcements are forthcoming.

## RAMM VENTURE CORPORATION (RAV)

H. John Wilson, Chairman has announced that with the completion of the Company's funding, Ramm has authorized it's consulting geologist, Mr. Rocky Borovic, to proceed with his recommended program to EM-VLF survey the property to identify further anomalies in areas extending from previous exploration areas. Drilling in the past has proven that EM anomalies are caused by sulphide mineralization, and there is evidence of many more such anomalies on the property. Subsequently, new anomalies will be diamond drilled to increase present reserves.

In addition, as the result of further evaluation of continuing ore-bearing structures to the N and E, Ramm has taken steps to acquire additional claims adjacent to it's present property. The geology of Ramm's property suggests the potential for a large tonnage open-pit mine. Accordingly, the property has attracted the interest of several major mining companies, and discussions are being held with these companies concerning the possibility of entering into a joint venture agreement to explore and develop the entire property.

## REA GOLD CORPORATION (REO)

Larry W. Reaugh, President, is pleased to announce that geophysical surveys under the supervision of Consulting Geologist, Doug Blanchflower, are presently being conducted NW and SE along the strike of the "Hilton" discovery zone at Adams Lake, B.C. The continuous VLF conductor has been indicated 200m NW and 300m SE along strike from the discovery pit and is open on both ends. Readings on the SE portion are 3 times stronger than those taken over the discovery pit (VLF by Fraser Filter Method). Grid lines are being extended N and S of the existing VLF conductor and VLF, magnetometer, geochemical surveys and geological mapping are presently being conducted. Trenching and diamond drilling will follow these results. The following are the results of the D-6 tractor trenching on the Hilton Pit reported in the Oct 24/83 news release (samples taken under the direction of Consulting Geologist Doug Blanchflower).

SAMPLE#	FOOTAGE(FT)	AU OZ/T	AG OZ/T	CU%	PB%	ZN%
AR-83-3	0-3.3	1.20	11.50	2.24	11.00	4.57
AR-83-4	3.3-6.6	1.08	5.54	3.65	1.34	2.72
AR-83-5	6.6-9.9	0.96	1.16	0.40	1.05	0.80
AR-83-6	9.9-12.3	0.76	0.61	0.20	1.26	0.66
Average over 12.3'		1.02	4.98	1.72	3.82	2.29
Taken prior to Cut Trench:						
AR-83-1	5' channel	1.32	7.42	1.81	6.08	0.62
AR-82-2	0-3.3	0.56	0.52	0.02	0.17	0.03-1m sample taken in silicious tuff located 40' E and 100' N of the Hilton Pit

REA GOLD CORPORATION (REO) CONTINUED

The claims are locally underlain by a thick andesite to rhyodactic sequence of volcanic rocks and minor sediments belonging to the Late Devonian to Early Mississippian Eagle Bay formation. At the discovery showing, the massive sulphide mineralization strikes 140° NW, dips -50° to -60° NE and is exposed over an apparent true width of 3.75m. The massive sulphide mineralization is dark grey to black, fine grained and consists of pyrite, chalcopyrite, galena and minor sphalerite displaying primary breccia features. The massive sulphide body is stratabound, underlain by felsic and lithic tuff and overlain by a thick section of siliceous lithic tuffs with indicated precious metal potential (see assay results AR-83-2). Preliminary results indicate a repetitive mafic to felsic volcanic sequence.

Several major companies have visited the property and have indicated an interest in a joint venture agreement with the Company.

TUNDRA GOLD MINES LIMITED (TDA)

Albert W. Applegath, President, has announced that on the Company's Fondaway Project, Nevada, U.S.A., the Stibnite Zone now has a strike length of 1,300' and is open to the W, E, up and down dip, all of which is potential open pit material. Some analysts are already noting, at this early stage, that the property is developing very much like the Pinson Mine in Nevada. Assays of completed drill holes are as follows:

DRILL HOLE	LOCATION	WIDTH	OZ. GOLD/T	DRILL HOLE	LOCATION	WIDTH	GOLD OZ/T
T-10	Middle of Zone	67.0'	.06	T-22	200' W of T-4	40.5'	.25
T-7	100' W of T-10	10.0'	.07			20.0'	.10
		15.0'	.07	T-20	200' W of T-22	58.0'	.12
T-4	100' W of T-7	72.7'	.07	(this hole newly completed and assayed)			

Holes T-23 and T-24 are currently drilling. 1700' of strike or potential reserves of 1,400,000 tons of .12 oz/ton which represents a gross value of \$59,119,200 U.S., using \$350 U.S./oz of gold.

There are 4 known ore zones which will need further drilling: the Stibnite zone, the Oxy Pit area, the Fisk Pit area, and the Anderson Adit area. There are 15 other geochemical anomalies to test within an area 2 miles long x 1 mile wide. These anomalies will all be tested by Christmas 1983.

Control of the company changed hands in March 1983 to Intercan Holdings Ltd. (Canarim Investment Corporation Ltd., Vancouver Canada), Matt Sumich (New Orleans, U.S.A.) and myself. The Company has \$30,000 Cdn. in the treasury.

On the Company's Hemlo and South Hemlo, Northern Ontario property consisting of 52,00 claims in 14 groups, a complete report is being prepared by Peter Ferderber and Fenton Scott, covering the last 2 months of drilling and the last 6 months of prospecting. There are no ore intercepts in the first 20 drill holes. Four major companies are currently visiting our properties and reviewing data collected since last May.

We are presently awaiting assays, and with airborne geophysics completed, initial ground follow up work completed, initial drilling in 3 separate areas completed, assessment work is completed now for the next 2 years.

ARGENTA RESOURCES LTD. (AEA)

Evan A. Koblanski, Chairman, has announced that the initial 4 holes of the Company's recently commenced BQ diamond drilling program on the Crymac Joint Venture gold property near Bissett Manitoba successfully intersected the targeted vein structure, disclosing mineable widths of ore grade material to a depth of 200'. The mineralized zone remains open at both ends and at depth. The Company plans to test both the extension and depth of this structure as well as similar nearby structures found in the course.

HOLE#	INTERVAL(FT)	GOLD OZ/T	HOLE#	INTERVAL(FT)	GOLD OZ/T
1	146-153	.281	2	136-138	.040
	160-162	.160	3	142-146	.315
2	132-136	.060	4	277-282	.220

The property lies adjacent to the Central Manitoba Gold Mine, a former producer, in a greenstone belt which also plays host to Brinco's soon to reopen San Antonio Mine some 14 miles to the west.

CONSOLIDATED PAYMASTER RESOURCES LTD. (CPY)

Terry B. Mulligan, Managing Director, has announced that milling operations have begun at their Marysville property outside of Helena, Montana. The milling operation is now employing approx. 50 persons on a 3 shift, 24 hour a day production run. The mill is expected to process between 500 to 700 tons of material/day. Using the historic Drumlummon Mine mill tailings as tune up material, the Company plans to produce its first gold and silver concentrate in the near future.

Meanwhile, exploration work at the Marysville camp is continuing on the surface with 1 diamond drill and 1 percussion drill rig testing favorable targets developed by the project staff geologists. Further, the Company anticipates that Phase I of the underground work will commence mid November with an estimated completion time of 2 months. This includes rehabilitation of 1,100' of the Maskelyne entrance tunnel and cleaning and preparing the shaft area for Phase II. This latter phase will include de-watering of the No. 1 shaft and rehabilitation of 2,800' of the 400' level. The Company anticipates removal or ore grade material for mill feed from these rehabilitation projects.

NIGHT HAWK RESOURCES LTD. (NHK)

Arthur Ashton, Director, has announced that the private placement of 100,000 common shares of the Company at \$10.75/share referred to in the Company's press release of Oct 20/83 was approved by the regulatory authorities and the private placement was completed and \$1,075,000 advanced to the Company on Oct 26/83.

EXPLORER PETROLEUM CORP. (EPC)

Richard McGillivray, V.P.-Corporate Relations, has announced that casing is being run in the Clive, Alberta well, 8-23-40-24 W4. This well will be classified as a cased oil well and further testing will take place immediately. Explorer Petroleum has a 20% W.I. in this well and the 400 acres of lease on which it is located.

HARDY INTERNATIONAL DEVELOPMENTS INC. (HID)

Martin Toban, Director, has announced the details of the joint venture agreement with Noranda Explorations Company Limited, in the Adams Lake area, 1 mile N of the Rea Gold/Falconbridge discovery. Noranda may earn 51% of the MX-2 claims as follows:

1. By paying \$10,000 upon execution of the agreement (paid)
  2. By making option payments of a) \$50,000 on or before Dec 1/84, b) \$60,000 on or before Dec 1/85 and c) \$80,000 on or before Dec 1/86
  3. Noranda must spend \$1,000,000 by Nov 30/87 with the minimum expenditure of \$150,000 by Nov 30/84. In addition Noranda may purchase an additional 20% of Hardy's interest by paying \$1,500,000 within 60 days of exercising their option. Hardy has granted Noranda the following share options:
    1. 200,000 shares at \$0.80/share up to May 1/84
    2. 500,000 shares at \$1.50/share up to Jan 1/85
    3. 1,000,000 shares at \$3.00/share up to Jan 1/86
- The Hardy/Noranda work program for 1984 is expected to commence early in the year.

INTERNATIONAL WESTWARD DEVELOPMENT CORPORATION (IWW)

Lawrence Pezim, Director, has announced that at the Company's recent Annual General Meeting, Mr. Murray Pezim was appointed to the Board of Directors. Subsequently, Mr. Pezim was appointed the Chairman of the Board.

MARINER EXPLORATIONS INC. (MEX)

Howard Bowker, President, has announced that the Company has acquired an option on the Grizzly Claim group located on the W side of the Lardeau Ridge in the Duncan Lake area of B.C., subject to regulatory approval. The old workings on the Grizzly property consist of a number of trenches, a shallow shaft and a short adit. The old workings extend for about 400' along a quartz vein which is 6-7 feet thick in the old shaft. Historical records show a sample of the mineralized vein assayed: gold - trace, silver -23.8 oz/ton and copper 1.05%.

WINDMILL ENTERPRISES LTD. (WIM)

Robert Liverant, President, has announced that William Campbell has been appointed to the Board of Directors of the Company, effective immediately. Mr. Campbell is a Director of a number of other B.C. reporting companies.

VANCOUVER STOCK EXCHANGE - COMPARATIVE STATISTICS FOR THE WEEK OF Dec 05-09, 1983

DEC	V.S.E.		T.S.E.		A.S.E.T.		M.E.	
	VOLUME	VALUE	VOLUME	VALUE	VOLUME	VALUE	VOLUME	VALUE
05	8,856,951	10,138,326	12,064,360	183,035,855	603,948	445,658	4,494,264	118,535,372
06	9,996,572	8,709,263	13,374,453	207,057,213	578,997	438,058	1,549,921	29,381,051
07	11,293,858	10,274,560	14,833,395	170,564,515	569,770	489,121	2,160,794	44,646,730
08	10,732,730	13,749,443	12,243,922	132,778,628	604,034	447,251	2,285,882	43,773,165
09	9,067,730	8,589,851	7,840,898	89,010,530	620,889	422,989	1,143,943	17,540,579
TOTAL	49,947,841	51,461,443	60,357,028	782,446,741	2977,638	2,243,077	11,634,804	253,876,897

<u>TRANSACTIONS:</u>	35,304	<u>NEW LISTINGS:</u>	Arch Development Corp.	- Dec 5
<u>AVERAGE PRICE/SHARE:</u>	\$1.03		Abitibi Resources Ltd.	- Dec 5
<u>DELISTINGS:</u>			Granville Resources Inc.	- Dec 5
			Reg Resources Corp.	- Dec 7
			Caba Explorations Ltd.	-Dec 6
			Orbit Oil & Gas Ltd.	-Dec 7
			Futura Energy & Resources	-Dec 7
			Cuma Resources Ltd.	-Dec 6
<u>NAME CHANGES:</u>			Casa Grande Energy & Mines	- Dec 8
			Best Resources Ltd.	- Dec 9
			Hilton Resource Corporation	
			(Formerly: United Continental Energy Corp)	
			Roddy Resources Inc.	- Dec 9
			Basis: 1:1	December 5
			Tri-Arc Energy Limited	
			(Formerly: Archean Oil Ltd.)	
			Basis: 1:1	December 5
<u>FINANCINGS:</u>	\$641,980.76	<u>V.S.E. INDEX:</u>	High: 1120.44	
			Low: 1076.57	
			Close: 1078.04	

COMMODITY OPTIONS: CONTRACTS TRADED - FOR THE WEEK OF Dec 05-09, 1983

V.S.E.	GOLD			SILVER (1)		
	TOTAL	CDN \$		TOTAL	CDN \$	
Dec 05	20	0	51	0	0	351
06	8	1	42	0	1322	0
07	14	0	163	0	1228	0
08	0	4	35	0		
09	10	0	196	0		
TOTAL	52	5	487	0		

M.E. *(I.O.C.C.)	TOTAL	631	0	351
T.S.E.** (I.M.S.)	TOTAL	0	1322	0
E.O.E.*(I.O.C.C.)	TOTAL	1574	1228	0

\* I.O.C.C. - International Options Clearing Corp.  
 \*\* I.M.S. - Intermarket Services Inc.  
 1. Trading unit - 250 oz. Vancouver  
 - 100 oz. Toronto

FALCONBRIDGE COPPER REPORTS  
KAMLOOPS AREA DRILL RESULTS

TORONTO -CJ- FALCONBRIDGE COPPER SAID IT HAS COMPLETED TWO DIAMOND-DRILL HOLES TO A DEPTH OF ABOUT 100 AND 200 FEET, RESPECTIVELY, BENEATH HIGH-GRADE SURFACE SHOWINGS ON PROPERTY NORTH OF KAMLOOPS, B.C., OPTIONED FROM REA GOLD CORP.

WHILE HEAVY SULPHIDES WERE ENCOUNTERED IN BOTH HOLES, THERE WERE NO SIGNIFICANT VALUES IN THE DEEPER HOLE, IT SAID. THE SHALLOW HOLE, RG-2, ASSAYED 0.038 OUNCE GOLD PER TON AND 0.7 OUNCE SILVER PER TON OVER A CORE LENGTH OF 17 FEET.

TWO DRILLS WILL CONTINUE TO EXPLORE THE COINCIDENT GEOPHYSICAL-GEOCHEMICAL ANOMALY, WHICH HAS A KNOWN STRIKE LENGTH OF 1,500 FEET AND IS OPEN TO THE NORTHWEST, CORP FALCONBRIDGE SAID.

-0- 12 59 PM EST DEC 01-83

**NORTH AMERICAN GOLD MINING STOCKS**

Vol.2 No.4

April 7, 1982

A NEWSLETTER FOR JUNIOR GOLD MINING STOCKS

**Rea Petro**  
Corporation 

Vancouver: (REO)  
Price 4/5/82: US\$1.03  
Shares Outstanding & Escrowed:  
1,998,000  
Possible earnings per share:

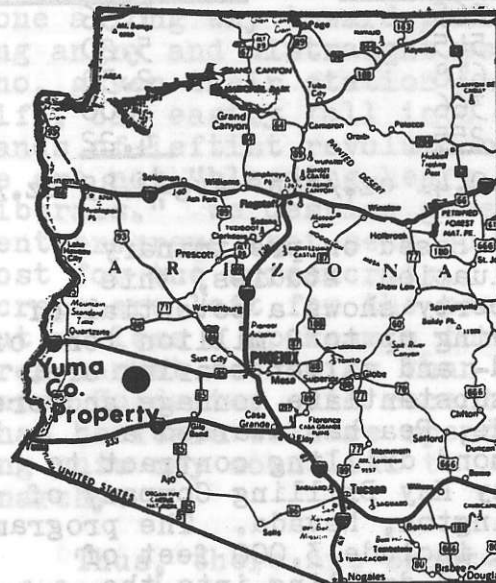
Gold Price	1983	1984
\$250	3¢	7¢
\$300	7¢	83¢
\$500	21¢	\$2.55
\$750	39¢	\$4.72

Rea Petro was incorporated on July 5, 1979 under British Columbia law. It is a virtual infant among hundreds of junior gold mining companies that have sprung up in North America over the past decade. Nevertheless, the company appears to be making rapid progress toward putting into production a very promising gold-silver property located in Yuma County, Arizona.

Rea Petro also has a 60% interest in a 7,000-acre gold property located near Lytton, B.C., and a 100% interest in a 3,000-acre silver, copper, nickel, zinc, and molybdenum prospect located near Ashcroft, B.C. Both the Lytton and Ashcroft properties could bolster the company's future profits significantly.

GOLD AND SILVER PROSPECT,  
Yuma County, Arizona

Under an option agreement, Rea now has some 300 gold-silver claims at this property, which is located in the Little Horn Mountains, about 95 miles southwest of Phoenix, and approximately 35 miles south of Salome, Arizona.



Initially, the company laid three claims to a vein known as the Buchanan vein, which has a strike length over

600 feet with maximum surface exposure of a six-foot width. These claims cover an old showing that had not been explored since 1940. At that time, 28 tons of broken ore were shipped to an Asarco smelter at Hayden, Arizona. The report of this material indicates it graded 0.46 ounce gold and 4.7 ounces of silver per ton.

A preliminary study of the property by three prominent engineers, F. Marshall Smith, P.Eng., Victor Rayback-Hardy, P.Eng., both from Vancouver, and Norman Grant, P.Eng. from California, point toward a similar ore grade. Following are assay results of grab samples taken from old pits on the property that are, according to the company, representative of the vein systems:

<u>Oz. Gold/Ton</u>	<u>Oz. Silver/Ton</u>
.265	1.56
.545	5.20
.618	2.30
.366	1.00
<u>.255</u>	<u>4.22</u>
Avg=0.41 oz./ton	Avg=2.85 oz./ton

Based on preliminary evaluation studies, this property shows a potential of proving up to 2 million tons of gold- and silver-bearing ore. To substantiate tonnage and ore grade, Rea has awarded a diamond drilling contract to Leroy Kay Drilling Company of Yerington, Nevada. The program will include 3,000 feet of diamond drilling into the Buchanan vein in at least six holes to a vertical depth of 200 feet. The drilling program commenced at the end of February 1982. Early results of this drilling program show an average gold content of 0.303 ounces of gold and 2.31 ounces of silver

per ton. However, some clay has been encountered in the drilling, which adds difficulty in giving accurate core samples. Thus, it is expected that the actual gold and silver content may be somewhat higher than these results indicate.

A large portion of the property can be surface-mined. As a result, Rea is estimating its overall operating cost at \$55 per ton. Assuming a gold ore content of 0.3 ounces per ton and a 90% recovery rate, the company's break-even gold price would be about \$200 per ounce. Of course, with considerable quantities of silver present, the actual break-even point would be somewhat lower than \$200 gold.

Production is scheduled to begin around the end of 1983. The company is figuring the initial capital expenditure should run up to \$9 million. Included in that estimate is a \$7.5 million expenditure for a 500-ton-per-day mill, \$800,000 for other expenditures such as drilling, exploration, and equipment, and a \$700,000 allowance for cost overruns. Rea expects to finance most of this capital expenditure with an \$8 million long-term bank loan. The company is confident that long-term bank financing will be available after it proves up substantial tonnage of gold and silver reserves. They expect current drilling in the Buchanan vein alone will prove up some 500,000 tons of gold and silver ore. By using bank financing, Rea will avoid a substantial dilution of its shares, although it may need to issue some additional shares in the future.

Based on preliminary and evaluation studies conducted by geologists, the Yuma County



property shows a potential of proving up to 2 million tons of gold and silver ore. Given the operation of a 500-ton-per-day mill and 365-day operating years, existence of 2 million tons would allow this property to produce for 11 years. Ultimately, mill capacity might be increased to 800 or 1,000 tons per day or even to 1,500 tons per day, depending on numerous future variables.

By processing above-average grade ore and under an assumption of a \$400 gold price and an \$8.50 silver price, the company calculates it could generate first-year revenues of \$35 million. Applying a \$65 per ton operating expense (including \$1.8 million of interest expense on long-term loan), a 50% effective tax rate, and a 10% royalty paid to the owner of the property, Rea projects a possible first-year net profit of approximately \$10 million from its Yuma County operation.

#### OTHER PROPERTIES

Mount Roach,  
Lytton, B.C.

This property is 60%-owned by Rea Petro and 40% by Yucana Oil Ltd. Early assays averaged 0.104 ounce of gold per ton on 600 feet of surface sampling on the company's 10,000-foot Mount Roach main vein. The main vein plus five other parallel veins are within the Rea and Yucana joint venture claim that totals 7,000 acres. The first phase of exploration was completed at Mount Roach and included detailed geophysical trenching operations and detailed geological mapping of the mineralized zones. Favorable results from phase one exploration have attracted the attention of a major gold mining company that has indicated an interest in

joint venturing the development of the property.

Red Hill Property,  
Ashcroft, B.C.

Rea Petro currently holds a 100% interest in this 3,000-acre silver, copper, nickel, zinc, and molybdenum prospect. Detailed geochemical, geophysical, trenching, soil sampling, and geological mapping of the mineralized zones have been conducted. The work conducted during the past year has confirmed the previously known anomalies and has extended them into adjacent properties, which have been acquired by the company through staking. Management is of the opinion that the property has reached the point of development where a major company will be interested in a joint-venture arrangement.

#### MANAGEMENT

Many junior mining companies are managed almost exclusively by geologists. While having competent geologists on the management team is obviously essential for the successful development of a gold mining property, competent financial planning is of equal importance. And, since beginning operations are usually financed almost exclusively with venture capital, good public relations are also required to gain start-up capital.

Unlike many junior gold mining companies, Rea has competent geologists, good public relations, and financial people on their management team. Some of the key management members are the following:

1. Larry Reaugh, President and Director.  
Has had experience in the exploration and development of mineral properties mainly in B.C. and the Yukon territories. Mr. Reaugh is also the president and director of L & L Drilling Exploration Ltd.
2. James R. Walmsley, Director.  
A mining engineer who has had lengthy experience in mining and civil engineering and has managed the construction of mining projects for a major mining company in British Columbia.
3. John J. Oberbillig, Director.  
Is a consulting geologist and was consultant to Continental Silver Corp and Arizona Silver Corp. He was the manager and representative for T.R.V. Minerals Corp. of their West End Gold Project in the State of Idaho from 1973 to 1979. Mr. Oberbillig has practiced his profession for 20 years in British Columbia, the Yukon, the states of Idaho, Nevada, Arizona, and in Mexico.
4. Walter Cruttenden, Jr., Director.  
Is an investment banker from Newport Beach, Ca. Mr. Cruttenden underwrote over 100 companies and was a member of all the U.S. stock exchanges, including the New York Stock Exchange. Some of the better known companies he has managed are Revlon, Trane Co., Ara Services, and Wham-o-Toy Co.
5. Hugh E. Mackenzie, Director.  
Mr. Mackenzie was Chairman of the Board and President of Montaclon Vinters from 1970 to 1975. He has also held responsible financing, marketing, and public rela-

tions positions with nine other companies.

#### SUMMARY

In order for Rea to earn \$10 million of net income during its first full year of operation, everything would have to happen according to plan. Investors who have followed the development of junior mining companies into producers know that more usually than not, technical problems lead to delays and cost overruns are common. Often, ore grades are not as rich as preliminary studies indicate (though sometimes they turn out to be richer).

It is conceivable that Rea Petro's own projections may turn out to be conservative if the gold price exceeds \$400 per ounce (indeed it may!), or if its actual gold reserves exceed expectations. But, in keeping with our attempt to be conservative, we have used the following assumptions for compiling NPV and IRR calculations: (1) the average gold content will be 0.303 ounce per ton, (2) operating costs will be held at \$65 per ton throughout the 11-year life of the mine, even though interest expense on the anticipated term loan will be declining over time, (3) a 50% effective tax rate, (4) a 10% royalty payment, (5) 90% and 75% respective recovery rates for gold and silver, (6) gold production will begin in December of 1983 and milling will continue only at a 500-ton-per-day pace through 1994, and (7) approximately 3 million shares will be outstanding by the time operations begin. We base (7) on the fact that the company will need \$1 million financing in addition

to bank financing.

We did not consider future possible earnings from the company's "other two" properties, even though they may someday add significantly to Rea Petro's worth.

Assuming a steady \$300 gold price through the life of the mine and by using a 10% annual compounded discount factor, we calculate an NPV of \$4.49 or approximately 4.4 times the current price of the stock. The company's IRR is also favorable in comparison to several other stocks that we regularly follow on a monthly basis. Thus, relative to many other stocks shown on page 8, in our view, Rea Petro has the potential to use its capital efficiently (IRR ranking) and to eventually have its shares trade several times higher than their current price! Since considerable exploratory work is yet to be done at the Yuma County property, there is a degree of production risk that cannot be overlooked. But given the current low price of Rea Petro stock, we believe it is a risk that could be very worthwhile in the longer run.

Investors who seek more information may contact the company at:

1-558 Howe Street  
Vancouver, B.C. V6C 2C9  
Telephone: 1-604-684-7527

### **T.E. Slanker Folds But Its Service Doesn't**

We were saddened to learn that T.E. Slanker & Co. is in the hands of a receiver. We suppose the firm's problems arose from the boom and bust cycle of the gold securities business. We can't forget the frenzied gold rush of late 1980 and early 1981 when it was virtually impossible to

reach a broker at T.E. Slanker even to put in an order. Because of the demand for its services, the company limited new accounts to a minimum of \$20,000 and expanded its facilities in order to handle increased volume, which it envisioned for the 1980's.

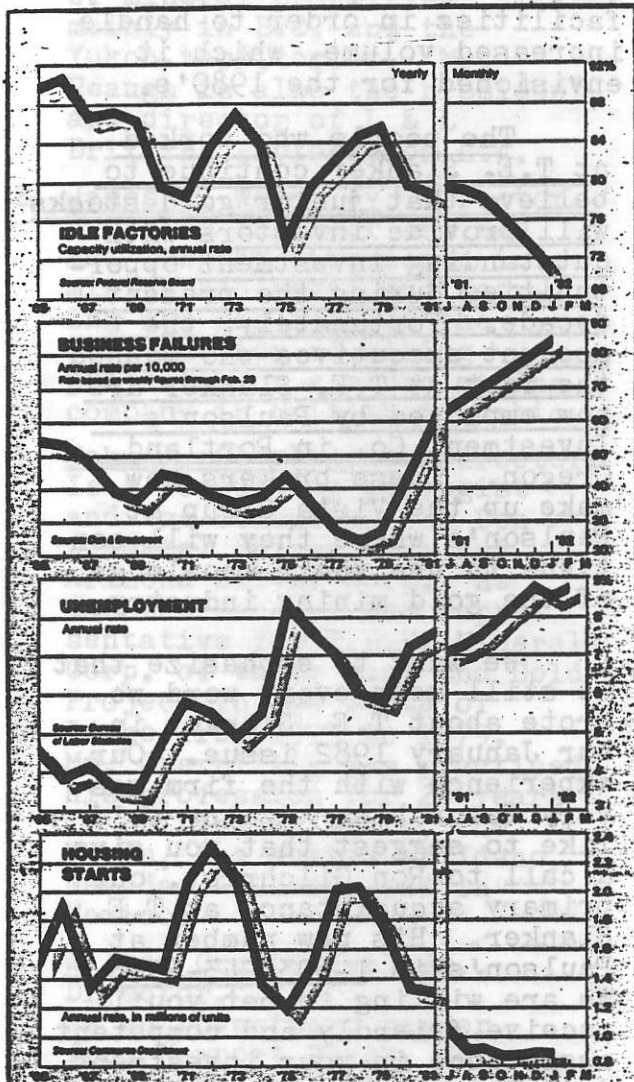
The people who worked at T.E. Slanker continue to believe that junior gold stocks will provide investors with outstanding investment opportunities during the present decade. Fortunately, the account executives who manned the fort at T.E. Slanker are now employed by Paulson's Investment Co. in Portland, Oregon. These brokers now make up the Vista Group at Paulson's where they will continue to use their knowledge of the gold mining industry.

We want to emphasize that we still mean every word we wrote about T.E. Slanker in our January 1982 issue. Our experience with the firm was very favorable. Again, we'd like to suggest that you give a call to Ron Gilchrist, our primary acquaintance at T.E. Slanker. His new number at Paulson's is 1-503-243-6068. We are willing to bet you'll receive friendly and competent assistance in your investment decisions if you call him. And you will be talking to a person who has considerable experience with gold investments.

### **Inflation & Gold to New Highs**

Few people now feel in their guts that we are in for another round of inflation. After all, there are so many reasons to bet that, rather than another outbreak of inflation, deflation and perhaps

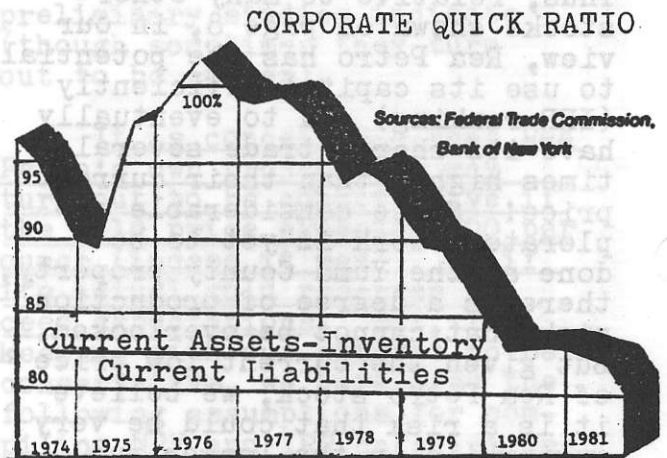
another 1930's depression might occur. Indeed the following graphs indicate that our economy is headed in an ominous downward direction.



In addition, it is believed by many agricultural economists that not since the Great Depression have there been so many farmers who are on the brink of bankruptcy!

In New York City, 30 out of 33 savings banks lost money during the fourth quarter of 1981. On the edge of bankruptcy are no less than 10 New York City banks that will have used up their surpluses by mid-1983 if they continue to show quarterly losses equal to those of the quarter ending 12/31/81.

A graph above shows that business failures have recently reached 85 per 10,000 during February 1982, the highest rate in recent memory. Furthermore, if business conditions do not change soon, the rate of failures will probably get much worse because corporate liquidity is at its lowest since World War II, in terms of corporate quick ratios as shown below. Unlike the troughs of previous business cycles when corporations borrowed in the bond market to bolster liquidity, most corporations are currently staying away from bonds because of continued high long-term interest rates.



These figures indicate that we may be headed for continued deflation and underutilized resources. But we don't think that will be true much longer. Here is why. First, the man in the street believes the fight against inflation is won. No longer do you see TV anchor persons interviewing "nail-biting" old folks purchasing cat food, as their source of protein. Instead, newscasters, sensing that stories about "starving" and/or unemployed people make for more sensational journalism, focus on the effects of the "Reagan Depression." The inferences are quite clear. Our current economic problem is the fault of President Reagan and the Republicans! And,

apparently, "Joe Sixpack," in all his wisdom, is buying that line, as indicated by a recent Lou Harris' poll that showed that 2 out of 3 Americans believe Reagan's economic program is headed in the wrong direction.

With inflation down and elections approaching, we believe Reagan and the Republicans will put pressure on the Fed to reinflate the economy in order to get people feeling "good" about their future under the Republicans. If money remains tight, the chances of a really severe recession are too great for the administration to take that risk. Continued tight money and high rates could very well bring about a chain reaction of defaults in our economy that would parallel the 1930's. The guys in Washington want to keep their jobs. Unless the printing presses begin to roll, Republicans will be out of Washington in droves!

In the longer run, there are other reasons to believe the politicians are not sincere about ending inflation. First, the Reagan administration has indicated that it will bail out countries defaulting on their loans by paying off \$70 million of Polish debt to American banks. Thus, the precedent has been set for what probably will be very substantial future Comecon and Third World defaults.

Did you know that Americans will be subsidized to the tune of \$37 billion next year for mortgage and credit-card debt? The U.S. is one of the few countries that reduces taxes to encourage consumption. Though we ourselves have benefited greatly from interest expense tax deductions, it is our opinion that this is just one example of a "middle class

welfare" program. This creates budget deficits and a scarcity of savings in the economy for much-needed productive capital. Deficit spending and resulting inflation will have to be curbed in part by a reduction of "middle class welfare." But, based on what happened to Reagan's proposal to cut back future social security benefits in a very human way, we don't think that's about to happen.

But keep hitting the poor and there's going to be big trouble! There is plenty of anger from people who are having their food stamps and welfare programs cut. We recently spoke to a Catholic priest in Spanish Harlem who said he now sees about 100 cases per week. Since welfare has been cut, he says people are becoming desperate. Contrary to what we'd like to think, many of them can't begin to fend for themselves! The \$70 million the government paid to our banks for Poland's default would have gone a long way toward pacifying angry and distraught people who, given their station in life, can easily fall into the hands of leftist revolutionaries. We are not "bleeding-heart liberals." We despise government programs that seem to care most for the bureaucrats. The scraps are left for the poor. But no less a spokesman for free market economics than Barry Goldwater said recently that he fears welfare spending cuts may soon lead to anarchy!

Thus, there are short-term and long-term pressures against continued tight money. Forget the chances of curbing government spending in a meaningful way. President Reagan is a sincere conservative president who has accomplished more cuts than almost anyone believed was possible, but government spending has grown in relation to

# Net Present Value & Internal Rate of Return Summary

Company	1981 Price Range		Price 4/6/82	Ore Grade Est Avg	Years Mine Life	INTERNAL RATE OF RETURN (IRR)%				IRR Rank	NET PRESENT VALUE (NPV) U.S.\$				Price / NPV
	High	Low				\$250 Gold	\$360 Gold	\$750 Gold	\$1,000 Gold		\$250 Gold	\$360 Gold	\$750 Gold	\$1,000 Gold	
American Pyramid	10.61	19.21	3.25	.05	8	8.5	29.8	57.2	93.6	9	3.17	5.65	11.46	16.20	57.5
Canadian Barrance	4.15	.81	1.06	.05	9	50.8	129.9	205.5	281.3	5	3.10	5.18	12.47	17.14	20.5
Carolin Mines	31.87	19.12	9.25	.13	12	1.0	60.8	107.5	133.8	7	6.69	12.27	33.17	46.71	75.4
Copper Lake	8.50	1.25	.81	.09	19	129.8	201.9	1,374.9	1,460.0	4	3.67	5.60	19.88	27.15	14.5
Cusac Industries	7.22	1.78	1.37	.75	15	750.0	905.6	1,228.7	7,961.8	2	9.29	18.31	47.14	63.02	7.5
Goldbelt Mines	4.21	1.15	.87	.17	12	22.7	54.9	876.1	1,082.9	8	.56	2.77	10.72	15.81	31.4
Lion Mines	2.55	.30	.32	.33	15	292.2	378.4	3,356.5	3,564.7	3	.92	1.12	6.90	11.24	28.5
Rea Petro	1.38	.41	1.10	.30	12	73.8	1,106.5	1,271.9	1,478.8	1	2.10	18.80	25.64	37.42	6.0
United Hearne	16.57	3.82	2.12	.07	15	19.6	63.2	121.9	150.3	6	3.04	7.73	20.92	28.72	27.4

**Stock Price** - Represents the closing asked price of the stock on the day prior to publication date.

**Ore Grade** - Represents the average gold ore per ton for all properties figured into our NPV and IRR stats.

**Mine Life** - Represents years of life of all a mining company's properties at present gold prices.

**IRR** - Represents the rate of return to be earned on profits reinvested in a company's own operations.

**IRR Rank** - Ranks the highest to the lowest IRR values given a stock's recent price and the recent price of gold bullion.

**NPV** - Represents projected per share cash flow under various gold price assumptions for shares purchased at the price shown on the chart. A 10% discount factor is used. We consider NPV to be a stock's "intrinsic" value.

**Price/NPV** - Measures the price of a stock in relation to the recent gold bullion price. Generally, we recommend purchase of those stocks having ratios under 100% and sale of those with ratios over 100%.

GNP since he has taken office. Given reduced inflation and the high risk of a real depression, we are betting that money growth will soon spurt upward. Gold prices and other tangibles will hit new highs in three or four years. We believe that many junior gold stocks will provide some tremendous investment opportunities! Stay tuned!

## Industry Review

### REA PETRO

Just as we were ready to send this issue to press, we were informed that results from the first 4 holes of the Yuma County diamond drill program have been obtained and appear to be most encouraging. As a result of this drilling, 20,000 tons of 0.33 ounce of gold and 2.2 ounces of silver per ton have been **PROVEN**. Based on \$350 gold

price and \$7.50 silver price, this quantity of proven ore represents an approximate asset value of \$2.5 million, which will most likely be used as collateral for future bank borrowings. The company's geologists now believe the next 3 or 4 holes drilled could prove up to 60,000 tons of similar grade ore.

One eleven-foot section of the Buchanan vein representing a strike length of 700 feet graded 0.513 ounce gold and 3.28 ounce silver per ton. A three-foot wide section within this same strike length scored 1.06 ounce gold and 5.8 ounces of silver per ton.

We also just learned that Rea hired an independent outside engineer to inspect the Yuma County property and his findings confirmed those of Yuma's own geologists.