

REA GROUP OF COMPANIES NEWS

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

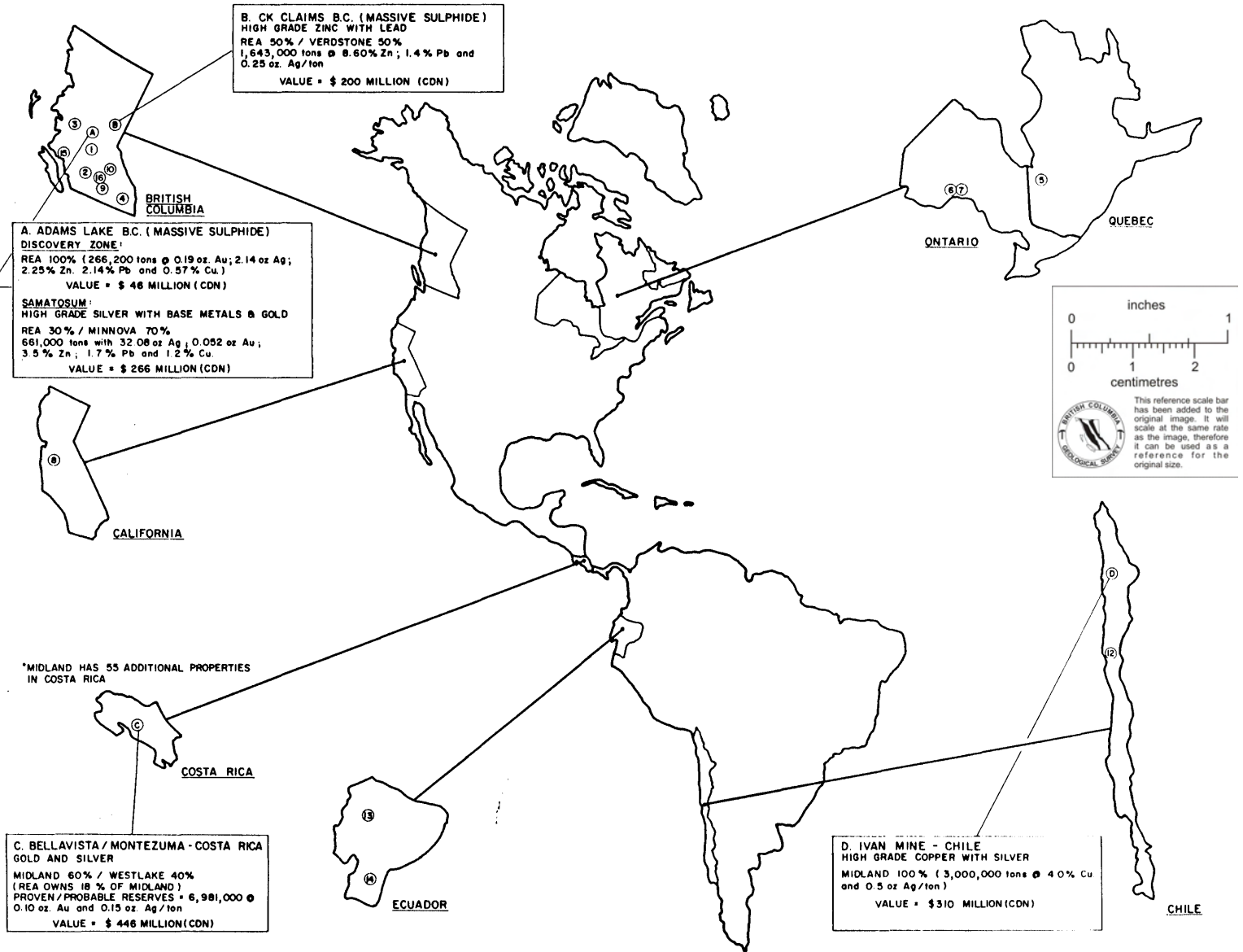
PROPERTY FILE

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- 1987 -

Development and Exploration Properties

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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

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

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.