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Crystal Peak (Garnet)  
(perforation area) ✓

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RIGHTS OFFERING CIRCULAR

OFFERING TO THE BRITISH COLUMBIA RESIDENT HOLDERS OF COMMON SHARES

of

HAWKEYE DEVELOPMENTS LTD.  
(the "Issuer")  
#550, 1040 West Georgia Street  
Vancouver, B.C.  
V6E 4H1

3,207,552 RIGHTS TO SUBSCRIBE FOR UP TO 1,603,776 COMMON SHARES

The Issuer is issuing to the holders of its outstanding common shares of record at the close of business on October 26, 1990 (the "Record Date") rights (the "Rights") evidenced by fully transferable rights certificates (the "Rights Certificates") to purchase from the Issuer an aggregate of 1,603,776 fully paid and non-assessable common shares. Only shareholders resident in the Province of British Columbia shall be entitled to receive and exercise the Rights (an "Eligible Person"). Two (2) Rights plus \$0.50 entitles an Eligible Person to purchase one common share. Each holder of common shares is entitled to one Right for each common share held of record on the Record Date. If all of the Rights are exercised, the net proceeds to the Issuer (before deducting fees and expenses relating to the Rights Offering) will be \$801,888.

RECORD DATE: October 26, 1990  
EXPIRY DATE: November 16, 1990, 4:00 p.m. local time  
SUBSCRIPTION PRICE: \$0.50 per common share  
EX-RIGHTS DATE: October 22, 1990  
DATE RIGHTS CALLED FOR TRADING: October 22, 1990  
DATE RIGHTS TRADE FOR CASH: November 8, 1990

This Offering is subject to a minimum subscription being received by the Issuer on or before the expiry date. Further particulars of the minimum subscription are disclosed under the heading "Use of Proceeds".

This offer is made only to those shareholders of the Issuer resident in the Province of British Columbia. This document is not and under no circumstances is it to be construed as an offering of any shares for sale or a solicitation of any offer to buy any shares of the Issuer in any other province or territory of Canada or in the United States of America or any territory or possession thereof. No subscription can be accepted from any person or his agent who is or appears to be a resident of the United States or any territory or possession thereof or of any other province or territory of Canada other than British Columbia. Persons who are not residents of British Columbia who are issued Rights Certificates pursuant to this Offering, or who acquire Rights through the facilities of the Vancouver Stock Exchange (the "Exchange"), may not exercise the Rights but may only sell the Rights through the facilities of the Exchange. For further details refer to heading "Certain Shareholders Not Entitled to Exercise Rights" herein.

Nov. 5/90

RIGHTS OFFERING CIRCULAR

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## SUMMARY OF RIGHTS OFFERING

**OFFERING:** 3,207,552 rights (the "Rights") to acquire up to 1,603,776 common shares of Hawkeye Developments Ltd. (the "Issuer")

**MINIMUM SUBSCRIPTION:** This Offering is subject to a minimum subscription of \$600,000 or 2,400,000 Rights being exercised on or before the Expiry Date.

**ENTITLEMENT OF RIGHTS:** Holders of record on October 26, 1990 of common shares of the Issuer will receive one Right for each common share held. Only those shareholders resident in the Province of British Columbia are entitled to receive and exercise the Rights. Persons with addresses outside the Province of British Columbia will not be forwarded rights certificates but will be sent a letter by air mail advising them that their rights certificates will be issued to and held by Montreal Trust Company, as agent. The shareholder may instruct the agent as to the sale of the Rights on the Vancouver Stock Exchange.

**ADDITIONAL SUBSCRIPTION PRIVILEGE:** If all Rights being offered hereby are not taken up, each person who subscribes for the entire initial entitlement represented by such person's rights certificate will have the right to subscribe for an additional number of common shares ("Additional Shares") at the purchase price of \$0.50 per Additional Share.

**BASIS OF EXERCISE:** Two (2) Rights and \$0.50 are required to subscribe for one common share

**RECORD DATE:** October 26, 1990.

**EXPIRY DATE:** Rights not exercised prior to 4:00 p.m. local time on November 16, 1990 will be void.

**GUARANTEE:** Haywood Securities Inc. has provided a guarantee pursuant to which it will purchase the minimum subscription of 1,200,000 common shares on the Expiry Date (see "Agency and Purchase Guarantee Agreement").

**DELIVERY:** At the designated offices of Montreal Trust Company on or after the Expiry Date.

The above is a summary only and should be read in conjunction with the detailed information appearing elsewhere in this Rights Offering Circular.

## DETAILS OF THE RIGHTS OFFERING

Hawkeye Developments Ltd. (the "Issuer") offers to the holders of outstanding common shares of the Issuer of record at the close of business on October 26, 1990 (the "Record Date") one (1) right (the "Right") for each common share of the Issuer held of record on the Record Date. Two (2) Rights and \$0.50 will entitle the holder to subscribe for and purchase one (1) common share of the Issuer. 3,207,552 Rights will be issued under this Rights Offering entitling the holders who are residents of the Province of British Columbia (an "Eligible Person") to purchase up to an aggregate of 1,603,776 common shares. The Rights may be exercised at the offices of Montreal Trust Company (the "Transfer Agent"), at 510 Burrard Street, Vancouver British Columbia, up to and including 4:00 p.m. local time on November 16, 1990 (the "Expiry Date"). Rights not exercised by that time will be void and have no value.

The common shares will trade on an ex-rights basis on October 22, 1990 and the Rights will commence trading under normal settlement rules on that date. The Rights will then trade on a cash basis on November 8, 1990 and will expire on the close of business November 16, 1990. The Issuer will receive net proceeds of up to \$801,888 from the issue of the common shares pursuant to this Rights Offering, if all Rights are exercised hereunder.

## HOW TO SUBSCRIBE

The Rights may be exercised and the holder may subscribe for common shares in the following manner:

1. Complete and sign Part 1 of the certificate representing the rights (the "Rights Certificate").
2. Complete and sign Part 2 of the Rights Certificate only if you wish to participate in any Additional Subscription Privilege described below.
3. Enclose payment by certified cheque, bank draft or money order. The amount of payment will be the number of common shares to be purchased multiplied by \$0.50 per common share. Payment must also be included for any common share subscribed for under the Additional Subscription Privilege referred to below.
4. Deliver or mail the completed Rights Certificate and payment in the enclosed return envelope addressed to the Transfer Agent so that it is received by the Transfer Agent on or before 4:00 p.m. local time on the

Expiry Date. If sending by mail, registered mail is recommended. Please allow sufficient time to avoid late delivery.

REGISTRATION AND DELIVERY OF SHARES  
ACQUIRED ON EXERCISE OF RIGHTS

Certificates for shares subscribed for will be available on and after November 21, 1990 registered in the name of the subscriber, or in such other name as may be specified on the Rights Certificate, from the designated offices of the Transfer Agent. Following the Expiry Date such certificates will be mailed to the registered holders at the address set out on the subscription form on the back of the Rights Certificate.

The Issuer will neither purchase nor sell Rights.

TRANSFER OF RIGHTS

The Rights Certificates will be in bearer form and the Rights evidenced thereby may be transferred to others merely by delivery of the Rights Certificate. The Issuer will accept a subscription from the bearer thereof, except one who is, or appears to the Issuer to be, or who the Issuer has any reason to believe is, a resident of a province or territory of Canada other than British Columbia or is a resident of the United States of America or any territory or possession thereof.

SIGNATURES

The signature of the Rights Certificate holder must correspond in every particular with the name that appears on the face of the Rights Certificate. Signatures by a trustee, executor, administrator, attorney, officer of a corporation or any person acting in a fiduciary or representative capacity should be accompanied by evidence of authority satisfactory to the Transfer Agent.

RIGHTS CERTIFICATES ARE DIVISIBLE

Rights Certificates evidencing two or more Rights may be divided by sending them to the Transfer Agent at its office in Vancouver, which will, at a cost to the holder of \$3.00 for each new Rights Certificate issued, issue new Rights Certificates representing the same aggregate number of Rights, divided at the holder's request.

TRADING OF RIGHTS ON THE VANCOUVER STOCK EXCHANGE

Rights may be bought or sold through any registered investment dealer or broker in Canada. It is expected that the Rights will be posted for trading on the Vancouver Stock Exchange (the "Exchange") and that regular trading in the Rights on the Exchange will terminate at the close of business on November 8, 1990 and that further trading for cash on the Exchange will continue until the close of trading on the Expiry Date.

If a person has more Rights than the number which he exercises, he may request the Transfer Agent to return to him, at no cost, a Rights Certificate representing such residual Rights, which may then be sold or transferred through usual investment channels. If more Rights are desired to combine with the Rights evidenced by a person's Rights Certificate enclosed herewith, it may be possible to purchase such additional Rights through usual investment channels.

NO FRACTIONAL SHARES

Subscriptions for whole common shares only will be accepted and no fractions of common shares will be issued. Rights Certificates may be combined or divided, if desired.

CERTAIN SHAREHOLDERS NOT ENTITLED TO EXERCISE RIGHTS

Neither the Rights offered hereby nor the common shares to be issued upon the exercise of Rights are registered in any province or territory of Canada other than British Columbia, nor are they registered under the Securities Act of 1933 or other securities laws of the United States of America and are not being offered for sale in any province or territory of Canada other than British Columbia, or in the United States of America or any of its territories or possessions. Persons with addresses in a province or territory of Canada other than British Columbia, or in the United States of America or any territory or possession thereof are expressly excluded from the offer to subscribe. The Issuer will not accept subscriptions from any person or his agent who appears to be, or who the Issuer has reason to believe is, a resident of any province or territory of Canada other than British Columbia or of the United States of America or any of its territories or possessions. The Issuer however, understands that such persons may sell their Rights in Canada through the facilities of the Vancouver Stock Exchange. HOLDERS OF COMMON SHARES SHOULD CONSULT LEGAL COUNSEL IN THE JURISDICTION IN WHICH THEY RESIDE TO DETERMINE THEIR ABILITY TO SELL THE RIGHTS IN CANADA ON THE

VANCOUVER STOCK EXCHANGE. THE ISSUER DOES NOT ACCEPT RESPONSIBILITY IF A SHAREHOLDER IS UNABLE TO EFFECT A SALE OF SUCH RIGHTS.

Holders of common shares whose recorded addresses are outside British Columbia will not be forwarded Rights Certificates but will be sent a letter by air mail advising them that their Rights Certificates will be issued to and held by the Transfer Agent, as agent, for the account of such shareholder who may, prior to 4:00 p.m., local time, November 16, 1990, instruct the Transfer Agent, as agent, at its Vancouver office, as to the sale or other disposition of their Rights. The Transfer Agent's ability to sell Rights and the price obtained therefor, are dependent on the market conditions. The Transfer Agent will not be subject to any liability for failure to sell any Rights of non-participating shareholders at a particular price or at all.

ADDITIONAL SUBSCRIPTION PRIVILEGE

Each Eligible Person who has subscribed and paid for the entire initial entitlement represented by such person's Rights Certificate will have the right to subscribe for an additional number of common shares ("Additional Shares") at the purchase price of \$0.50 per Additional Share. The common shares offered hereby that have not been taken up by persons under their respective initial entitlements (the "Remaining Shares") will be allocated among Eligible Persons who subscribe for the Additional Shares on the following basis:

1. Where there are sufficient Remaining Shares to meet all the requests made by Eligible Persons for Additional Shares, such shareholders will be allocated the full amount of Additional Shares requested;
2. Where there are not sufficient Remaining Shares to meet all the requests made by Eligible Persons for Additional Shares, the number of Remaining Shares allocated to each requesting Eligible Persons will be determined according to the following formula:

$$\begin{array}{l} \text{Eligible} \\ \text{Person's} \\ \text{share of} \\ \text{Remaining} \\ \text{Shares} \end{array} = \begin{array}{l} \text{Total Number} \\ \text{of Remaining} \\ \text{Shares} \end{array} \times \begin{array}{l} \text{Eligible Person's} \\ \text{Original Remain-} \\ \text{ing Subscription} \\ \text{of Shares} \\ \hline \text{Total Original} \\ \text{Subscriptions by all} \\ \text{Eligible Persons} \\ \text{Requesting Remaining} \\ \text{Shares} \end{array}$$



3. If Remaining Shares are still unallocated and Eligible Persons' requests for Additional Shares exist, the formula in (2) above will be reapplied using only Eligible Persons so requesting more common shares. The procedure will be continued until either all Remaining Shares are allocated or all requests for Additional Shares are met, whichever occurs first.

The holder of a Rights Certificate who subscribes for his entire initial entitlement may subscribe for Additional Shares by completing the additional subscription form on the back of the Rights Certificate.

AN ELIGIBLE PERSON WHO SUBSCRIBES FOR ADDITIONAL SHARES MUST FORWARD THE SUBSCRIPTION FUNDS FOR THE SHARES TOGETHER WITH THE SUBSCRIPTION FUNDS FOR THE PERSON'S INITIAL ENTITLEMENT TO THE TRANSFER AGENT PRIOR TO THE EXPIRY DATE.

#### MINIMUM SUBSCRIPTION

This Offering is subject to a minimum of \$600,000 or 2,400,000 Rights being exercised on or before the Expiry Date.

All funds received from the exercise of the Rights will be held in trust by the Transfer Agent, until the minimum of 2,400,000 Rights have been exercised and the subscription price of \$600,000 has been received. If the minimum of 2,400,000 Rights are not exercised by the Expiry Date, all funds will be returned to the purchasers without deduction. If the minimum of 2,400,000 Rights or more are exercised and notice of the release of funds is given to the Superintendent of Brokers for British Columbia and the Exchange, the proceeds received will be paid to the Issuer, less the fee payable to the Agent.

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#### AGENCY AND PURCHASE GUARANTEE AGREEMENT

Pursuant to an agreement dated September 19, 1990 (the "Agency and Guarantee Agreement") between the Issuer and Haywood Securities Inc. (the "Agent"), of 11th Floor, 400 Burrard Street, Vancouver, British Columbia, the Issuer agreed to pay a fee equal to five percent (5%) of the exercise price for each common share subscribed for plus reimbursement of certain expenses of the Agent. The Agent may form a soliciting dealer group made up of registered investment dealers and members of stock exchanges to solicit the exercise of Rights. The Issuer will pay five percent (5%) of the exercise price for each common share subscribed for to any member of the group whose name appears in the

space provided on the face of the Rights Certificate being exercised.

In connection with this offer, the Agent will use its best efforts to maintain an orderly market in the Rights and may effect transactions to stabilize or maintain the market price for the Rights or the common shares at levels other than those which may prevail in the open market. If commenced, such transactions may be discontinued at any time.

The Agent also agreed to guarantee the minimum subscription of 1,200,000 common shares by acquiring at the Subscription Price any common shares remaining unsubscribed on conclusion of this Rights Offering up to the minimum subscription of 1,200,000 common shares. In consideration for its acting as guarantor, the Issuer will grant to the Agent non-transferable share purchase warrants (the "Agent's Warrants") entitling the Agent to purchase from the Issuer's treasury up to 480,000 common shares at the price of \$0.50 per share at any time up to 180 days after the Expiry Date. The Issuer will pay the Agent's reasonable legal expenses related to this Rights Offering.

The Agent may terminate the Agency and Guarantee Agreement at any time prior to the Record Date if certain events occur or develop, including a material change in the affairs of the Issuer or uncertainty in the capital markets.

The Agent intends, if market conditions are appropriate, to sell the common shares acquired by them under the Agency and Guarantee Agreement.

The Agent reserves the right to offer selling group participation in the normal course of the brokerage business to soliciting dealer groups of other licensed dealers, brokers and investment dealers, who may or may not be offered part of the commissions or bonuses derived from this Rights Offering.

#### MARKET MAKER

The Agent may be considered the "market maker" for the Rights while they are listed for trading on the Exchange. Subject to the applicable by-laws and rules of the Exchange, the Agent may make purchases and sales of Rights for the purpose of maintaining an orderly market for the Rights.

#### LISTING

The common shares of the Issuer are listed for trading

on the Vancouver Stock Exchange.

DILUTION

If any Eligible Persons choose not to exercise their Rights, their percentage of equity ownership in the Issuer will be diluted in proportion to the number of Shares issued pursuant to this Rights Offering.

USE OF PROCEEDS

The net proceeds to be received by the Issuer from the Rights Offering, if all 3,207,552 Rights are exercised, will be \$801,888, and if only the minimum of 2,400,000 Rights are exercised, will be \$600,000. The principal purposes for which the net proceeds are to be spent, together with working capital as at September 30, 1990 in the approximate amount of \$345,000\*, for a total of \$1,146,888 (maximum) or \$945,000 (minimum), are, in order of priority, as follows:

	<u>MINIMUM</u>	<u>MAXIMUM</u>
(a) to pay the estimated costs of this Rights Offering (including legal and printing)	\$ 8,500.00	\$ 8,500.00
(b) commission payable to the Agent	\$ 30,000.00	\$ 40,094.40
(c) to purchase, subject to closing on or before November 23, 1990, up to 445,000** units in the capital stock of Polestar Exploration Inc. at a price of \$2.25 per unit, each unit consisting of one common share and one non-transferable share purchase warrant to purchase one additional common share at a price of \$2.75 per share for a period of two years***	\$906,500.00	\$1,001,250.00
(d) to provide reserve for working capital and general administrative expenses	N/A	\$ 97,043.60
TOTAL:	<u>\$945,000.00</u>	<u>\$1,146,888.00</u>

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- \* The working capital of \$345,000 includes the \$200,000 received from a recent private placement of 500,000 units in the capital stock of the Issuer at a price of \$0.40 per unit, each unit consist of one common share and one non-transferable share purchase warrant. Two warrants and \$0.60 entitle the holder thereof to purchase one additional common share up to and including September 19, 1992.
- \*\* Should only the minimum net proceeds be obtained by the Issuer, the Issuer will seek to renegotiate its private placement with Polestar to reduce the price per unit or, alternatively, will acquire a lesser number of units.
- \*\*\* The proceeds received by Polestar Exploration Inc. ("Polestar") for the purchase of its shares will be used to complete the feasibility study on its Crystal Peak Garnet property, including extensive market field trials of its product, to take Polestar through the final permitting process and to provide for general working capital.

Any monies derived by the Issuer from the exercise of the warrants forming part of the private placement units or from exercise of the Agent's Warrants, together with any monies reserved for general working capital, if applicable, may be used by the Issuer to exercise the warrants forming part of the units of Polestar Explorations Ltd. or otherwise will be used for working capital and general administrative expenses.

#### AUTHORIZED AND ISSUED SHARE CAPITAL

The authorized share capital of the Issuer consists of 100,000,000 common shares without par value. On September 19, 1990, 3,207,552 common shares were issued and outstanding.

Each common share entitles the holder to one vote at all meetings of shareholders, to receive dividends as and when declared by the directors and to receive pro rata the net assets of the Issuer in the event of liquidation, dissolution or winding-up or other distribution of assets among its shareholders. There are no pre-emptive, redemption, or conversion rights attached to the common shares.

#### NAME AND INCORPORATION OF ISSUER

The Issuer was incorporated as a limited company under

the laws of the Province of British Columbia by registration of its Memorandum and Articles on July 15, 1988. The head office of the Issuer is situated at #550, 1040 West Georgia Street, Vancouver, British Columbia, and its registered and records offices are situated at #500, 666 Burrard Street, Vancouver, British Columbia.

#### BUSINESS OF ISSUER

The Issuer's principal business is the acquisition, exploration and development of mineral resource properties.

The Issuer currently holds the following properties:

##### Second Relief Property, Salmo, B.C.

The Issuer holds under option or lease 81 claims at the second relief mine near Salmo, British Columbia. The property agreements provide for a payment of \$26,000 in 1990. Non-crown grants have a minimum of 5 years until their expiry date. Crown grants have a total annual tax of \$70.

The Issuer undertook in 1988/1989 a prospecting program consisting of over 7,000 feet of drilling, 70 kilometers of grid lines, geophysical surveys, trenching and sampling at a cost of \$420,000.

This program encompassed the program outlined in the Issuer's initial prospectus dated April 4, 1990. Results from the program are encouraging. A program of drilling is recommended on the large mineralization zone encountered on the west side of the valley. The Issuer is currently seeking a major company to joint venture the property .

##### Lomond Lake Property, Nelway, B.C.

The Issuer holds 18 claims at Lomond Lake near Nelway, B.C. The Issuer has undertaken a \$100,000 program consisting of trenching, sampling and 2,000 feet of drilling. The results indicate that there exists a favourable environment for the occurrence of a Pend d'Oreille/Yellowhead type ore body. A program of grid lines geophysics and sampling has been recommended. Assessment work has been recorded and the claims are in good standing until the year 2000.

##### Crystal Peak Garnet Property, Penticton, B.C.

##### Terms of Acquisition

The Issuer has signed a letter of intent dated July 5,

1990 with Polestar to option/joint venture the Crystal Peak Garnet property situated in the Hedley area of British Columbia (the "Crystal Peak Property"). The Crystal Peak Property consists of 26 units of mineral claims and 2 crown grants as follows:

<u>Type</u>	<u>Name</u>	<u>No. of Units or Acreage</u>	<u>Recording Date</u>
Located	KE8674	24 units	April 18, 1989
Crown Granted	Billy Goat (L3122)	34.62 acr.	Sept. 15, 1898
Crown Granted	Shamrock (L3123)	10.53 acr.	July 13, 1899
Located	Lake 1 (797)	1 unit	July 30, 1979
Located	Lake 2 (798)	1 unit	July 30, 1979

Five years of assessment work has been filed on the KE8674 mineral claim (24 units). Lake 1 and Lake 2 are in good standing until July 30, 1991.

The option/joint venture as amended provides for the Issuer to acquire 445,000 shares in the capital stock of Polestar at a price of \$2.25 per share by way of a private placement on or before November 23, 1990. The Issuer will use the funds from its recent private placement of 500,000 common shares at a price of \$0.40 per share, together with all funds received from this Rights Offering, to complete the acquisition of the shares of Polestar.

The terms of the option/joint venture agreement are as follows:

- (a) The Issuer is to make property payments of \$5,000,000 over a 5 year period starting with:
  - (i) \$500,000 30 days after the completion of the bankable feasibility study and permitting,
  - (ii) \$500,000 180 days later,
  - (iii) \$1,000,000 on the anniversary of the previous payment,
  - (iv) \$1,000,000 for 3 years, on the anniversary of the previous payment;

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- (b) the Issuer is to arrange the production financing estimated at \$2.5 million at no cost to Polestar;
- (c) prior to the payback of the property payments and production financing, the Issuer receives 100% of the cash flow subject to a 3% net sales royalty; and
- (d) after payback, the Issuer will have earned a 70% interest in the project subject to a 3% net sales royalty.

The Crystal Peak Property is the subject of a report dated April 1990, entitled "Geological and Diamond Drilling Report on the Crystal Peak Garnet Property" prepared for Polestar by H.C. Grond M.Sc., F.G.A.C., and R. Wolfe, P.Eng. The Report will be available for public viewing during the term of this Rights Offering at the offices of Polestar, located at #701, 675 West Hastings Street, Vancouver, British Columbia.

The following is a summary of the Report.

#### Location and Access

The Crystal Peak Property is situated in the Hedley area of south-central British Columbia, some 30 kilometres west of Penticton. The claims are located 7 kilometres east of the Nickel Plate Gold Mine and just west of Apex village.

Access is excellent by an all weather road (Hwy #3A) north from Keremeos for 10 kilometres, then north from Hwy #3A for 12 kilometres, and west for 8 kilometres into Apex village. Several kilometres of 4-wheel drive roads transect the Crystal Peak Property. Access is also available from Penticton (28 kilometres) and from Hedley (11 kilometres). The first 3 kilometres of the road from Hedley are steep and winding but passable by 2-wheel drive vehicle.

#### Regional Geology

The Crystal Peak Property lies within the Intermontane Belt of the Canadian Cordillera. The major rock units in the area are members of the Late Triassic Nicola Group. Early Jurassic intrusions are fairly common, and are represented in the area by the Bromley Batholith and Cahill Creek Pluton.

The Mt. Riordan skarn deposit is the most easterly of a series of skarns which includes the presently operating Nickel Plate Mine and the old French and Goodhope mines. The composition of the skarns varies from high arsenic and

gold-low garnet in the west to high garnet-low gold-no arsenic in the east (Mt. Riordan).

### Prospecting History

The Crystal Peak Property is located in the Hedley district of southern British Columbia, which is well known for its gold mining history, past and present. The majority (95%) of the gold production was from the Nickel Plate and Hedley Mascot mines, which are located approximately 7 kilometres southwest of the Crystal Peak Property. In addition, a number of smaller deposits were mined in the area, including the French, Goodhope and Canty auriferous skarn deposits.

Exploration started in the area of the claims just prior to the turn of the century and continued intermittently on a small scale for some time. A series of small gossans have been explored by trenches, pits and two short adits. There is no evidence of any exploration activity in the last 10 years.

### Work Already Carried Out

During the late summer and fall of 1989 and the summer of 1990, a program of geological mapping, sampling and diamond drilling, together with the preparation of environmental assessments and a pre-feasibility report was effected by Polestar at a cost of \$873,000. The purpose of the program was to outline high grade garnet bodies suitable for open-pit quarrying.

Surface Sampling - Detailed surface sampling, at a 5 meter scale, was carried out over high-grade garnet zones identified by mapping. Excellent outcrop exposure in these areas aided sampling.

A total of 717 samples were taken and analyzed. These samples were plotted up depending on which zone they were taken from.

Bulk Sampling - Bulk samples were collected from the south and west zones in 5 gallon plastic pails. In the west zone, a representative sample was collected from a total of three blasted pits. In the south zone, representative samples were collected from large talus slopes beneath the garnetiferous cliffs.

Diamond Drilling - A total of 3,317 feet was drilled over 23 holes. Out of the 23 holes, 17 hit high grade garnet. The garnet values were particularly high in the 3 main zones where drilling was concentrated.



The highest grade garnet zone is the north zone where garnet values for 9 holes averaged 80.3%. The west zone averaged 78.1% garnet over 6 holes. Only minor drilling was done on the south zone due to accessibility problems. However, the area looks very promising in light of hole #10, which returned an average of 78.8% garnet over 574 feet.

Reserve Calculations - Simple reserve calculations have been generated based on average garnet content in drill holes. Surface dimensions were derived by results of detailed surface sampling and mapping to outline high-grade garnet-bearing rock which was exposed.

Drill indicated reserves are approximately 40,000,000 tonnes of close to 80% garnet. An additional 60,000,000 tonnes of possible geological reserves are indicated. This is based principally on extended depth as drill hole data and surface information indicates that the deposit is much deeper than cut-off depths used in calculations. All holes except for 13 were stopped in garnet and the deposit is therefore open on all sides.

#### Conclusion

Due to its consistent quality, high specific gravity and exceptional hardness, garnet is recognized as a superior blasting abrasive through the industry. However, its use has been restricted because of its price which is more than double that of other abrasive materials, such as silica sands and slags. The Crystal Peak deposit is significantly higher grade than existing producers. Therefore, it is anticipated that the Issuer's cost of producing garnet will allow the Issuer to price its product comparatively to existing materials which are inferior abrasives and have environmental concerns.

A blasting abrasive is used to clean steel surfaces of mill scale, old paint and rust. The choice of abrasive determines the cleaning rate (labour costs), the cleaning quality, the abrasive cost, disposal costs and to a large extent, the performance of the applied coating.

#### LAST ANNUAL GENERAL MEETING

The last annual general meeting of the Issuer was held on March 30, 1990, at which time the audited financial statements of the Issuer as at its fiscal year end, November 30, 1989, were presented before the shareholders.

MATERIAL CHANGES

Since March 30, 1990, the date of the last audited financial statements mailed to the shareholders of the Issuer, the following material changes have occurred in the affairs of the Issuer:

1. A private placement of 500,000 units in the capital stock of the Issuer, at a price of \$0.50 per unit, was completed on September 19, 1990. Each unit consisted of one common share and one non-transferable share purchase warrant entitling the holder thereof to purchase one additional common share at a price of \$0.60 per share for a period of two years.
2. There have been no changes in the directors, officers, offices, auditors or change in year end since the date of the Issuer's last annual general meeting held on March 30, 1990, with the exception of the resignation of James Bristow, a Director of the Issuer, on June 12, 1990.
3. The directors are not aware of any particulars of any transfer of shares which has materially affected or will materially affect control of the Issuer since the last meeting of shareholders held on March 30, 1990.

PRICE RANGE OF COMMON SHARES

The outstanding common shares of the Issuer are listed for trading on the Exchange. The following table summarizes the reported high and low price ranges and aggregate volume of trading for the Issuer's shares on the Exchange since April 1, 1989:

<u>Period</u>	<u>Price Range</u>		<u>Trading Volume</u>
	<u>High</u>	<u>Low</u>	
Apr 1-Jun 30/89	\$0.90	\$0.58	1,024,100 shares
Jul 1-Sep 30/89	\$0.80	\$0.56	151,400 shares
Oct 1-Dec 31/89	\$0.75	\$0.40	73,100 shares
Jan 1-Mar 31/90	\$0.59	\$0.26	11,800 shares
Apr 1-Jun 30/90	\$0.32	\$0.21	259,500 shares
Jul 1-Sep 30/90	\$0.62	\$0.36	251,000 shares
Oct 1-9, 1990	\$0.50	\$0.50	5,000 shares

The last closing price of the common shares immediately preceding the date the issue of Rights was announced (September 24, 1990) was \$0.55.

DIRECTORS AND OFFICERS

The names and address of the Issuer's directors and officers are as follows:

<u>Name and Municipality of Residence</u>	<u>Office or Position</u>
JOSEPH HUDSON WHIPPLE Vancouver, B.C.	President, Chief Executive Officer and Director
EDWARD GEORGE ROBINSON Vancouver, B.C.	Vice-President, Finance Chief Financial Officer and Director
DR. JOSEPH HILTON MONTGOMERY Vancouver, B.C.	Vice-President, Exploration and Development and Director
DENNIS WILLIAM MILBURN Langley, B.C.	Director
JEAN-PIERRE COLIN Toronto, Ontario	Director
IAN ARCHIE FALCONER Vancouver, B.C.	Director
SALLY TOPLEY Burnaby, B.C.	Secretary and Treasurer

JOSEPH HUDSON WHIPPLE, M.B.A., C.M.C., is a self-employed Certified Management Consultant. From 1981 to 1987, he was a principal in the management consulting firm of Stevenson Kellog Ernst & Whinney. Since the Issuer's incorporation, he has served as President and Chief Executive Officer.

EDWARD GEORGE ROBINSON, C.A., C.B.V., A.S.A., is a Chartered Accountant, a Chartered Business Valuator and a Senior Member of the American Society of Appraisers, with extensive experience in valuation of business interests in the oil and gas industry in North America. From 1970 to 1972, Mr. Robinson was employed by Cook Burt & Co., Chartered Accountants, and from 1973 to 1988, was employed by, or a partner in the firm of, Thorne Ernst & Whinney and its predecessor firms. In 1972, he was admitted to the Institute of Chartered Accountants of British Columbia; in 1971, to the Canadian Institute of Chartered Business Valuators; and in 1986, became a Senior Member of the

American Society of Appraisers. From 1978 to May 1988, he was responsible for the business valuations practice in British Columbia for Thorne Ernst & Whinney. In that position he has performed and directed numerous engagements involving oil and gas interests in Alberta, Saskatchewan, Texas, Oklahoma and Kentucky. Mr. Robinson left Thorne Ernst & Whinney in May 1988 to become a full time employee of NIM Ltd. and its affiliates which, through an amalgamation, became NIM Petroleum Ltd. Management.

DENNIS WILLIAM MILBURN, C.A., is a Chartered Accountant and a Fellow of the Geological Association of Canada with extensive experience in North America as a Geological Consultant. From 1965 to 1968, he was employed by Chapman, Wood & Griswold, Geological Consultants, and from 1968 to 1972, by Quintana Minerals Corporation as a Consultant and Executive Vice-President. From 1972 to 1977, Mr. Milburn was self-employed as a Geological Consultant. From 1977 to December 1981, he was employed by Deloitte, Haskins & Sells and a predecessor firm and during this time, was admitted to the Institute of Chartered Accountants of British Columbia. From December 1981 to January 1985, he was employed by a predecessor firm of Thorne Ernst & Whinney with responsibility in the income tax area. On January 31, 1985, he became Vice-President of NIM Management Ltd. Mr. Milburn is also an officer, director and shareholder of Better Resources Inc., a resource company, the shares of which are listed for trading on the Exchange.

JEAN-PIERRE COLIN, LL.L., M.B.A., is Senior Vice-President and director of Richardson Greenshields of Canada Limited. Richardson Greenshields of Canada Limited is an investment dealer with offices around the world. Mr. Colin is a member of the bar of the Province of Quebec. Since 1985, he has been a director of NIM Management Ltd. Mr. Colin is also a director of Patcor Capital Inc., a holding company, the shares of which have been listed for trading on the Alberta Stock Exchange since 1988.

DR. JOSEPH HILTON MONTGOMERY is a Professional Geological Engineer with extensive experience in the mineral industry in mining exploration and development, property evaluation and computer applications. From 1964 to 1968, he was manager of Meridian Exploration Syndicate, a mining exploration syndicate of which Noranda Inc., Canex Placer Ltd., Placer Developments Ltd., Homestake Mining Co. and Home Oil Ltd. were members. Dr. Montgomery has owned and operated Montgomery Consultants Ltd., a mining consulting firm, since 1968. From 1973 to 1974, and from 1982 to 1983, he was a research associate and instructor at the Department of Geological Sciences, University of British Columbia. He is a director of Mt. Emily Exploration Ltd. and a director

and President of Polestar Exploration Inc., resource companies, the shares of which are listed for trading on the Exchange. Dr. Montgomery was recently the Vice-President, Geology, of NIM Management Ltd. and its affiliates.

IAN ARCHIE FALCONER is a Consultant to Haywood Securities Inc., a Vancouver investment dealer. He was Senior Vice-President and director of the management committee of Midland Doherty Financial Corporation from 1952 to 1987. Mr. Falconer was also Chairman of the Exchange from 1979 to 1980. He has held positions on the Board of Directors of Simon Fraser University and Emily Carr College.

SALLY TOPLEY, C.A., is the Secretary/Treasurer of NIM Petroleum Ltd., a resource company, the shares of which are listed for trading on the Toronto Stock Exchange and the Exchange, and Cassidy Resources Ltd., a resource company, the shares of which are listed for trading on the Exchange. Prior to amalgamation, Mrs. Topley was the Secretary and Treasurer of NIM Management Ltd., a management company, since February 1985. From 1970 to present, Mrs. Topley has been the Office Supervisor and Accountant for Texada Lime, a division of B.P. Resources Canada Limited.

#### CORRESPONDENCE

Enquiries relating to this Rights issue should be addressed to the Issuer at #550, 1040 West Georgia Street, Vancouver, British Columbia, V6E 4H1.

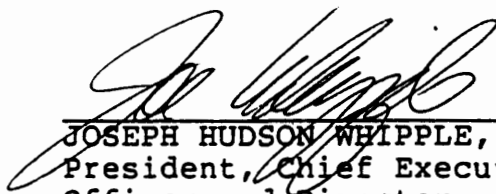
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C E R T I F I C A T E

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The foregoing contains no untrue statement of a material fact nor does it omit to state a material fact that is required to be stated or that is necessary to prevent a statement from being false or misleading in the circumstances in which it was made.

DATED at Vancouver, British Columbia, this 15th day of October, 1990.



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JOSEPH HUDSON WHIPPLE,  
President, Chief Executive  
Officer and Director



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DENNIS WILLIAM MILBURN,  
Director