

RM

(917)

004791

Birch Claims
082M/12W ✓
82M 007, 042?

THIS PROSPECTUS CONSTITUTES A PUBLIC OFFERING OF THESE SECURITIES ONLY IN THOSE JURISDICTIONS WHERE THEY MAY BE LAWFULLY OFFERED FOR SALE AND THEREIN ONLY BY PERSONS PERMITTED TO SELL SUCH SECURITIES. NO SECURITIES COMMISSION OR SIMILAR AUTHORITY IN CANADA HAS IN ANY WAY PASSED UPON THE MERITS OF THE SECURITIES OFFERED HEREUNDER AND ANY REPRESENTATION TO THE CONTRARY IS AN OFFENCE.

NEW ISSUE

PROSPECTUS

GEMSTAR RESOURCES LTD.

MINISTRY OF ENERGY, MINES AND PETROLEUM RESOURCES

(the "Issuer")
431 S.E. Marine Drive
Vancouver, British Columbia

JUL 25 1990

KAMLOOPS, B.C.

THE ISSUER IS OFFERING TO THE PUBLIC THE RIGHT TO SUBSCRIBE FOR 450,000 COMMON SHARES (THE "COMMON SHARES") OF THE ISSUER AT A PRICE OF \$0.35 PER SHARE, AND THE RIGHT TO SUBSCRIBE FOR 300,000 FLOW-THROUGH SHARES (THE "FLOW-THROUGH SHARES") AT A PRICE OF \$0.35 PER FLOW-THROUGH SHARE. EACH FLOW-THROUGH SHARE ENTITLES THE SUBSCRIBER TO RECEIVE A RENUNCIATION OF CANADIAN EXPLORATION EXPENSES UNDER THE INCOME TAX ACT (CANADA).

OFFERING OF COMMON SHARES

	<u>Number</u>	<u>Price to Public (1)</u>	<u>Agent's Commission</u>	<u>Net Proceeds to Issuer (2)</u>
Per Share	1	\$ 0.35	\$ 0.05	\$ 0.30
Total	450,000	\$157,500	\$22,500	\$135,000

OFFERING OF FLOW-THROUGH SHARES

	<u>Number</u>	<u>Price to Public (1)</u>	<u>Agent's Commission</u>	<u>Net Proceeds to Issuer (2)</u>
Per Flow-Through Share	1	\$ 0.35	Nil	\$ 0.35
Total	300,000	\$105,000	Nil(3)	\$105,000

- (1) The price to the public has been established pursuant to negotiations between the Issuer and the Agent.
- (2) Before deduction of costs of the issue estimated not to exceed \$20,000.
- (3) The Issuer will pay the Agent a fee from working capital of \$15,000 for the sale of the Flow-Through Shares.

THERE IS CURRENTLY NO MARKET FOR THE SECURITIES BEING OFFERED UNDER THIS PROSPECTUS. THE SECURITIES OF THE ISSUER MUST BE CONSIDERED SPECULATIVE SECURITIES AS THE ISSUER IS IN THE DEVELOPMENT STAGE.

THE PROPERTIES IN WHICH THE ISSUER HAS AN INTEREST ARE IN THE EXPLORATION AND DEVELOPMENT STAGE ONLY AND ARE WITHOUT A KNOWN BODY OF COMMERCIAL ORE. NO SURVEY OF ANY PROPERTY OF THE ISSUER HAS

July 10/90

BEEN MADE, AND IN ACCORDANCE WITH THE LAWS OF THE JURISDICTION IN WHICH THE PROPERTIES ARE SITUATED, THEIR EXISTENCE AND AREA COULD BE IN DOUBT. SEE "RISK FACTORS".

SEE "PLAN OF DISTRIBUTION" AND "DESCRIPTION OF SECURITIES OF THE ISSUER BEING OFFERED" FOR A DETAILED DESCRIPTION OF THE OFFERED SHARES, THE REQUIREMENTS FOR SUBSCRIPTION, AND THE COMMISSIONS AND FEES PAYABLE THEREON.

THE OFFERING OF FLOW-THROUGH SHARES OF THE ISSUER IS INTENDED TO ALLOW THE SUBSCRIBERS TO ACHIEVE CERTAIN TAX BENEFITS IN THE YEAR OF SUBSCRIPTION. THE ACHIEVING OF SUCH BENEFITS BY THE SUBSCRIBERS AND THE EXPENDITURES BY THE ISSUER ON BEHALF OF THE SUBSCRIBER ARE SUBJECT TO RISKS AND UNCERTAINTY. SEE "TAX ASPECTS" AND "RISK FACTORS".

NO PERSON IS AUTHORIZED BY THE ISSUER TO PROVIDE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THE PROSPECTUS IN CONNECTION WITH THIS ISSUE AND THE SALE OF THE SECURITIES OFFERED BY THIS PROSPECTUS.

ONE OR MORE OF THE DIRECTORS OF THE ISSUER HAS AN INTEREST, DIRECT OR INDIRECT, IN OTHER RESOURCE RELATED COMPANIES. SEE "POTENTIAL CONFLICTS OF INTEREST".

AN APPLICATION HAS BEEN MADE TO CONDITIONALLY LIST THE SECURITIES BEING OFFERED HEREIN ON THE VANCOUVER STOCK EXCHANGE (THE "EXCHANGE"). LISTING IS SUBJECT TO THE ISSUER FULFILLING THE LISTING REQUIREMENTS OF THE EXCHANGE.

UPON COMPLETION OF THE OFFERING AND THE ISSUANCE OF THE COMMON SHARES AND THE FLOW-THROUGH SHARES, THE SECURITIES QUALIFIED BY THIS PROSPECTUS WILL REPRESENT 35.82% OF THE SHARES OF THE ISSUER THEN OUTSTANDING AS COMPARED TO 43.17% THAT WILL THEN BE DIRECTLY OR INDIRECTLY OWNED BY THE PROMOTERS, DIRECTORS AND OFFICERS OF THE ISSUER. SEE "PRINCIPAL HOLDERS OF SECURITIES" FOR DETAILS OF SHARES HELD BY DIRECTORS, OFFICERS AND PROMOTERS.

THIS OFFERING IS SUBJECT TO A MINIMUM SUBSCRIPTION OF 450,000 COMMON SHARES AND 300,000 FLOW-THROUGH SHARES BEING SOLD ON THE OFFERING DAY. IF THE MINIMUM SUBSCRIPTION IS NOT REACHED, ALL FUNDS WILL BE RETURNED TO THE PURCHASERS WITHOUT DEDUCTION.

THE NET BOOK VALUE PER SHARE AFTER COMPLETION OF THE OFFERING WILL BE \$0.1724, REPRESENTING A DILUTION OF 50.74% ON A FULLY DILUTED BASIS. IF ESCROWED SHARES ARE EXCLUDED, THE DILUTION WILL BE 23.26%.

WE, AS AGENT, CONDITIONALLY OFFER THESE SECURITIES SUBJECT TO PRIOR SALE, IF, AS AND WHEN ISSUED BY THE ISSUER AND ACCEPTED BY US IN ACCORDANCE WITH THE CONDITIONS CONTAINED IN THE AGENCY AGREEMENT REFERRED TO UNDER "PLAN OF DISTRIBUTION".

There are no payments in cash or securities or other considerations being made, or to be made, to a promoter, finder, or any other person or company in connection with the Offering.

The Agent does not beneficially own, directly or indirectly, any shares of the Issuer.

Minimum Subscription

The Offering is subject to a minimum of 450,000 Common Shares and 300,000 Flow-Through Shares being sold on the Offering Day. If the minimum subscription is not reached, all funds will be returned to the purchasers without deduction.

Conditional Listing

An application has been made to conditionally list the securities being offered herein on the Exchange. Listing is subject to the Issuer fulfilling the listing requirements of the Exchange.

DESCRIPTION OF THE BUSINESS AND THE PROPERTY OF THE ISSUER

The Business

The Issuer's principal business is the exploration and development of mineral properties. The Issuer owns or has interests in the property described below and intends to seek and acquire additional properties worthy of exploration and development.

The Property

Acquisition of the Birch #1 - #4 Mineral Claims

By an agreement dated May 4, 1988, and amended March 12, 1990, (the "Option Agreement") between the Issuer and Foundation Resources Ltd. ("Foundation"), a public company the shares of which trade on the Vancouver Stock Exchange, and which has an office at 548 Beatty Street, Vancouver, British Columbia, the Issuer was granted an option to acquire Foundation's 100% right, title and interest in and to four mining claims located in the Kamloops Mining Division, more fully described as:

<u>Claim Name</u>	<u>Record Number</u>	<u>Number of Units</u>	<u>Expiry Date</u>
Birch 1	7055	20	May 29, 1991
Birch 2	7056	10	May 29, 1991
Birch 3	7057	4	May 29, 1991
Birch 4	7058	4	May 29, 1991

(the "Birch #1 - 4 Claims")

The Option Agreement provides that the Issuer is granted an exclusive option to purchase the Birch #1 - 4 Claims, which option will be exercised upon the expenditure of \$360,000 in exploration and development work on the Birch #1 - 4 Claims, as follows:

- (a) \$30,000 within 45 days of the Option Agreement (which sum has been expended by the Issuer);
- (b) \$30,000 within 60 days of the Option Agreement (which sum has been expended by the Issuer);
- (c) \$100,000 by October 15, 1990, and a further \$100,000 by each of October 15, 1991, and October 15, 1992.

By letter agreement dated June 30, 1989, the Issuer retained New Global Resources Ltd. ("New Global") to carry out the exploration and development work programs referred to in the Option Agreement, at the standard industry rate plus 10% for overhead costs. New Global is a British Columbia company owned by Johan T. Shearer and Murray McLaren which has offices at 548 Beatty Street, Vancouver, British Columbia. None of the principals of New Global are insiders of the Issuer.

It is a term of the Option Agreement that exploration and development expenditures in any one period which are over and above the minimum for that period will be credited to the minimum expenditures required for subsequent periods.

The Option Agreement provides that all expenditures of the Issuer reasonably attributable to the evaluation, exploration and development of the Birch #1 - 4 Claims will be credited to the expenditures required to be made by the Issuer pursuant to the Option Agreement, including:

- (a) expenditures directly related to the evaluation, exploration and development of the Birch #1 - 4 Claims;
- (b) costs of supplies and making equipment available, and the transportation thereof;

- (c) the costs of transporting personnel;
- (d) title work and the cost of recording same; and
- (e) an amount equivalent to 10% of exploration and development costs, for administration.

Upon the Issuer's expenditure of \$360,000 in exploration and development of the Birch #1 - 4 Claims, all right, title and interest in the Birch #1 - 4 Claims will be acquired by the Issuer, except for a 10% net profits royalty reserved to Foundation.

The Option Agreement also provides that Foundation be granted an option to acquire back from the Issuer a 50% participating interest in the Birch #1 - 4 Claims for the consideration of \$750,000, within 30 days of the Issuer earning its interest in the Birch #1 - 4 Claims. The sum of \$750,000 is payable within a period of 60 days from the date of notice of Foundation's election. If the option of Foundation is exercised, the parties will enter into a joint venture with respect to development of the Birch #1 - 4 Claims on terms and conditions to be determined at that time. Foundation's net profits royalty interest will be terminated if it exercises the above option.

The Issuer entered into a letter agreement dated May 15, 1988 with Balbir Johal, the Secretary, Chief Financial Officer and a director of the Issuer, in which the Issuer agreed to give Mr. Johal 20,000 free-trading shares of the Issuer at a deemed price of \$0.25 per share upon completion of its primary distribution pursuant to the Prospectus, in consideration of his services in completing the negotiation and execution of the Option Agreement with Foundation. At the time of this agreement, Mr. Johal was not an insider of the Issuer.

Acquisition of the Birch #5 Mineral Claim

By an agreement dated July 1, 1989 (the "New Global Agreement"), entered into between the Issuer and New Global, the Issuer acquired an additional mining claim adjacent to the Birch #1 - 4 Claims, more fully described as:

<u>Claim Name</u>	<u>Record Number</u>	<u>Number of Units</u>	<u>Expiry Date</u>
Birch 5	8668	10	July 21, 1991

(the "Birch #5 Claim")

The Issuer has expended \$15,000 in commissioning a prospecting, geological mapping and geochemical sampling program on the Birch #5 Claim, as described in the

engineering report dated June 1, 1990 prepared for the Issuer by W.B. Lennan, B.Sc., F.G.A.C., the President of Greenstone Enterprises Ltd. (the "Greenstone Report"). The Birch #5 Claim lies adjacent to the Birch #1 - 4 Claims and so, as recommended in the Greenstone Report, the Issuer intends to carry out Stage 1 of the work programme recommended by N. B. Vollo in his November 1, 1988 report on all 5 Birch claims.

By an agreement dated March 20, 1990 (the "March 20 Agreement"), the Issuer has agreed with New Global that, in the event that it does not expend \$100,000 to complete Stage I of the work programme recommended in N.B. Vollo's report by October 15, 1990, it will transfer the Birch #5 Claim to New Global for consideration of \$1.00.

There is no provision made in the New Global Agreement for the reservation of a 10% net profits royalty with respect to the Birch #5 Claim, as there is with respect to the Birch #1 - 4 Claims.

Copies of the Option Agreement, the New Global Agreement and the March 20 Agreement are available for inspection at the records and registered office of the Issuer, 2550 - 555 West Hastings Street, Vancouver, British Columbia, during normal business hours while the primary distribution of the securities being offered under this Prospectus is in progress, and for a period of 30 days thereafter.

Description of the Birch Mineral Claims

1. The Birch #1 - 4 Claims:

The following information deals with the Birch #1 - 4 Claims, and is extracted in part from an engineering report dated November 1, 1988 prepared for the Issuer by N.B. Vollo, P. Eng., of Kamloops, British Columbia (the "Vollo Report")

(a) **Location and Access**

"The Birch Claims are located in southern British Columbia, about 100 km north of Kamloops and 17 km southeast of Clearwater. They are at the head of Lute Creek and can be reached from Clearwater or Vavenby via the Jones Creek logging road or from Barriere via the Harper Creek logging road. The CNR mainline and Highway No. 5 are located in the North Thompson River Valley, about 5 km to the north.

The Property is located on a relatively moderate north slope, ranging from 1,400 to nearly 2,000 metres above sea level. About half of the terrain has been logged in the last 20 years in a series of blocks. The remainder is covered by a mature

growth of alpine fir, spruce, and a dense undergrowth of azaleas. Precipitation is fairly high, about 1,200 mm annually, with two to three metres of snow accumulating over the winter and remaining until June at higher elevations."

(b) History and Previous Work

"The earliest recorded work in the area was done early in this century, when considerable drifting and raising was done in two adits on the Lydia prospect west of Foghorn Creek. At about the same time, 80 tons of ore, grading 35 oz/t silver and 70% lead, was rawhided out of the Foghorn mine on Foghorn Mountain.

The area covered by the present Birch claims has been staked periodically, more or less continuously, since the 1950's, when the Rexspar uranium deposit was discovered. Subsequent to the discovery of the Harper Creek deposit, containing about 100,000,000 t grading 0.40% Cu, by Noranda Exploration and US Steel in 1967, the ground was again staked, but no work appears to have been recorded. Barriere Reef Resources staked the ground after the Chu Chua massive sulfide discovery, in 1978. They contracted a Dighem airborne survey which led to the discovery of a thin, stratiform, massive sulfide horizon which was explored by ground geophysical and geochemical surveys. The Property was optioned to Esso Minerals in 1982 and they carried out additional geochemical soil surveys and an HLEM geophysical survey. This was followed by 392 m of diamond drilling in 1983 and 1984, in three holes. The claims lapsed and were staked by New Global Resources in 1987.

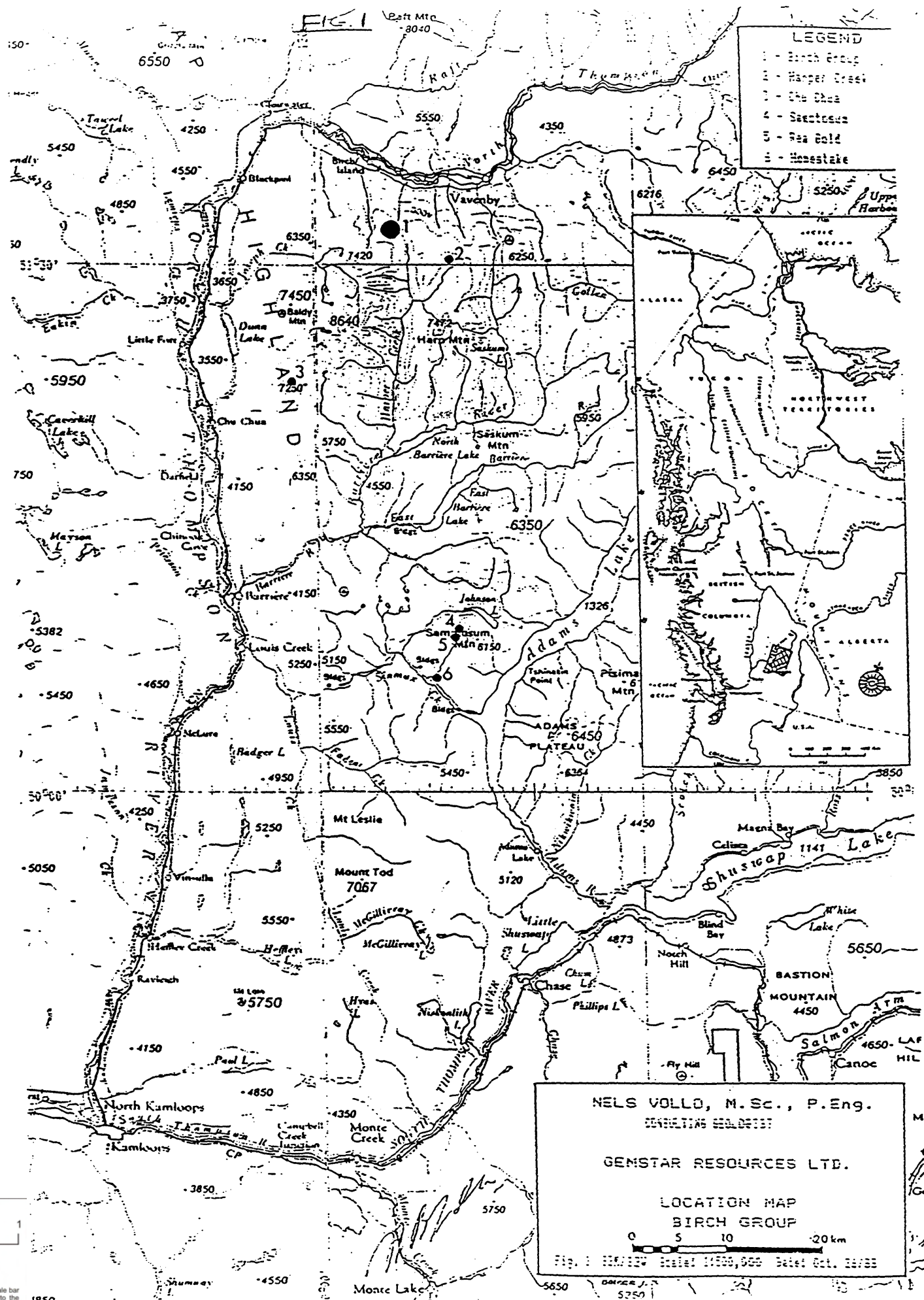
The claims were acquired from New Global Resources Ltd. by Foundation Resources Ltd. They were subsequently optioned to Gemstar Resources Ltd., which carried out a program of prospecting, soil sampling and an Induced Polarization survey in June, 1988. Significant new polymetallic sulfide showings were uncovered by this program and further exploration is warranted."

(c) Regional Geology

"The Birch claims are within a suite of Upper Paleozoic rocks that extends from Sicamous in the southeast to north of Clearwater....

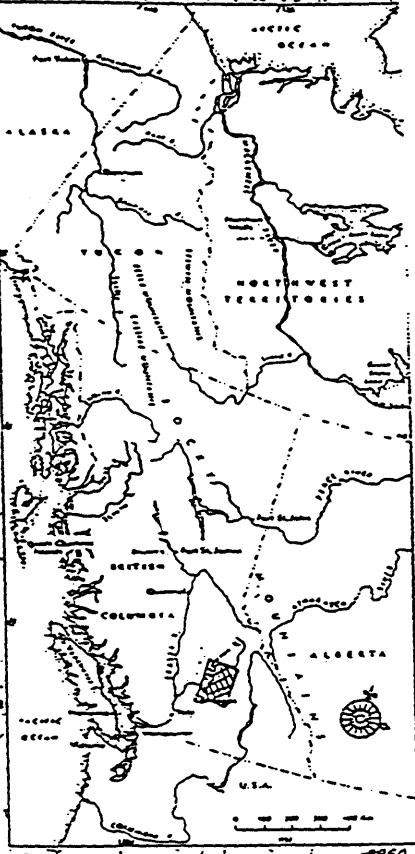
The writer divides the suite into a lower unit, the Sicamous formation, essentially black shale, siliceous shale and limestone; a middle unit, the Eagle Bay formation, composed predominantly of acid volcanic ignimbrites or ash flows, tuffs, tuffites and derived sediments; and an upper unit, the Fennell formation, predominantly basalt, with numerous thin tuffite horizons and occasional white limestone beds....

Numerous sulfide deposits occur throughout the belt, mostly within the Eagle Bay formation (Figure 1). They are unusually variable, but are all poly-metallic, with any of copper, lead, zinc, gold or silver assuming dominant value in any particular deposit. The more prominent deposits are listed in Table I.



LEGEND

- 1 - Birch Group
- 2 - Ranger Creek
- 3 - Che Chua
- 4 - Sactonus
- 5 - Sea Gold
- 6 - Honeystone



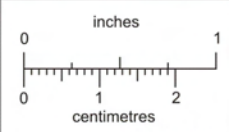
NELS VOLLO, M.Sc., P.Eng.
 CONSULTING GEODETIST

GEMSTAR RESOURCES LTD.

LOCATION MAP
 BIRCH GROUP

0 5 10 20 km

Fig. 1: 1:50,000 Scale 14500,0000 Dated Oct. 1978



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TABLE I

Deposit	Tonnes	%Cu	%Zn	%Pb	g/t Au	g/t Ag
Chu Chua	2,000,000	2.00	0.50	—	0.50	10.0
Harper Creek	100,000,000	0.40	—	—	—	—
Homestake	877,000	—	—	—	0.90	206.6
Rea Gold	250,000	0.53	2.25	2.14	6.50	73.3
Samatosum	600,000	1.20	3.50	1.70	1.80	1100.0

The Samatosum deposit is currently being developed for production and the Rea Gold and Homestake deposits are being actively explored.

A number of sulfide deposits have been discovered in the Clearwater-Vavenby area (Figure 2). The Red Top, Snow and Sunrise showings on McLennan Mountain consist of small stratiform lenses of good grade zinc-lead silver mineralization along a tuffite and limestone horizon in Eagle Bay rocks. The Lydia consists of disseminated chalcopyrite and pyrite in sheared Eagle Bay rhyolites. At the Foghorn, high grade veins of silver-lead-zinc mineralization occur in sheared rhyolites below a tuffite unit, which itself contains low grade silver mineralization. At Harper Creek, a large stratiform body of disseminated pyrite and chalcopyrite also occurs in sheared Eagle Bay rocks.

The Rexspar uranium-fluorite deposit, immediately north of the Birch Group, occurs in trachytic rocks within the Eagle Bay formation."

(d) Property Geology

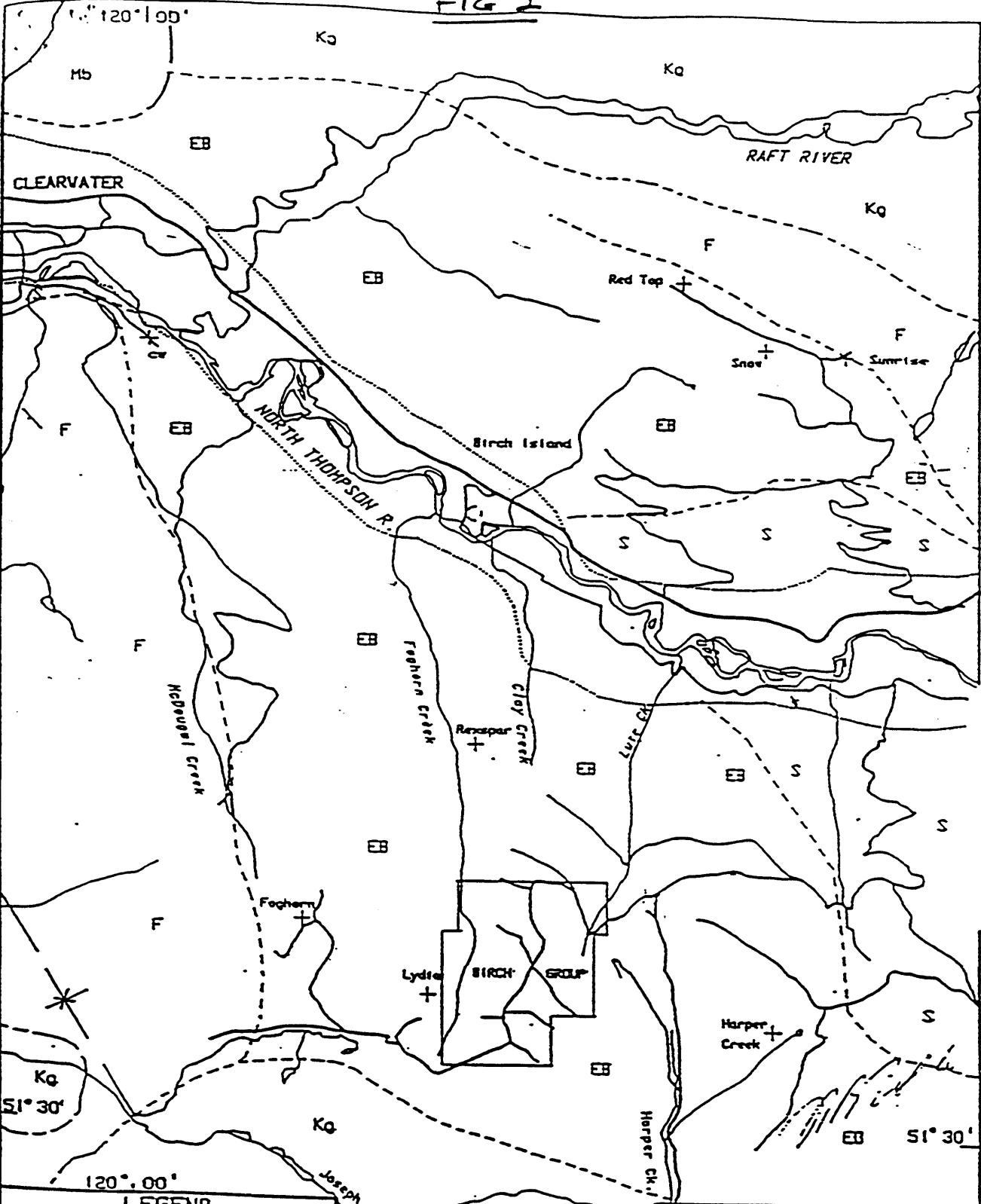
"Geology and Mineralization

The Birch claims are underlain entirely by sheared Eagle Bay rocks. Outcrop is very sparse and geological mapping by Esso Minerals ... was largely based on float. This mapping indicates that the rocks strike northeasterly and dip northwesterly at low angles. Strong schistosity obscures the original nature of the rocks, but on careful examination quartz eyes can frequently be seen, and the rocks are therefore most probably rhyolites. Pyrite, sericite and chlorite are ubiquitous over most of the property, much more so, in the writer's experience, than in other areas of Eagle Bay rocks. The abundant pyrite has led to the development of noticeably rusty soils.

Massive pyrite was uncovered by a logging road and this horizon was detected by the Dighem airborne survey in 1979. Subsequent trenching by Esso Minerals defined an apparently conformable bed of medium to coarse granular pyrite, 25 to 35 cm thick, containing very low amounts of lead, zinc, copper, silver and gold. The zone strikes southwesterly for more than 100 metres. Three diamond drill holes intersected pyritic horizons over widths of one to two metres, which also yielded only low values. A chip sample over 0.3 metres taken by the writer assayed 2.2 g/t Au and 9.9 g/t Ag, with negligible base metal values.

Prospecting by Gemstar personnel in 1988 has uncovered several new showings. A siliceous tuffite unit, 3 to 30 cm thick, was found near Line 8+00W (Figure 4) where mineralization had previously been noted by Esso mapping. Sphalerite, galena, chalcopyrite and pyrite are irregularly disseminated in a siliceous breccia, underlain by thinly bedded siderite, exposed in a newly dug hand pit in an old

FIG 2



LEGEND

MIOCENE	[Symbol]	Basalt
CRETACEOUS	[Symbol]	Granite, granodiorite
PALEOZOIC	[Symbol]	Fennell Fm. - Basalt, tuffite, limestone
	[Symbol]	Eagle Bay Fm. - Rhyolite and flows, tuffite
	[Symbol]	Slocum Fm. - Black Dale, limestone
	[Symbol]	Mineral deposit or showing

Map compiled & traced, 1972; Sutherland & Pomeroy, 1987

NELS VOLLO, M.Sc., P. ENG.
 CONSULTING GEOLOGIST
 GEMSTAR RESOURCES LTD
 BIRCH GROUP
 REGIONAL GEOLOGY

FIG. 2 S24/124 1:100,000 JUNE 88 NV

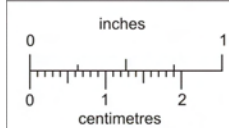
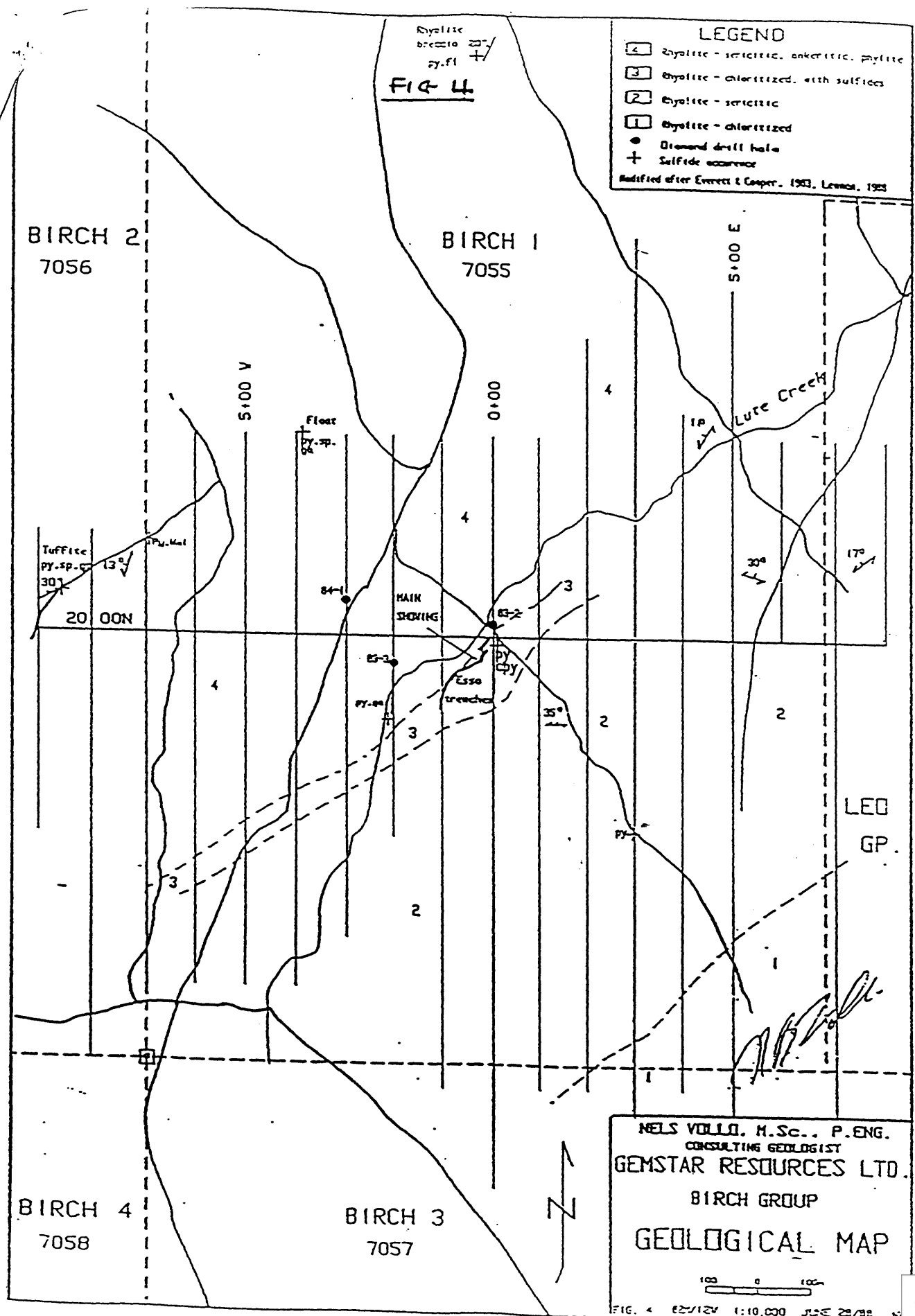


Fig 4
 Dyalite breccia
 py-fl

LEGEND

- 4 Dyalite - sericitic, ankeritic, pyrite
- 3 Dyalite - chloritized, with sulfides
- 2 Dyalite - sericitic
- 1 Dyalite - chloritized
- Diamond drill hole
- + Sulfide occurrence

Modified after Everett & Cooper, 1963, Leveson, 1963



NELS VOLLO, M.Sc., P.ENG.
 CONSULTING GEOLOGIST
 GEMSTAR RESOURCES LTD.
 BIRCH GROUP
 GEOLOGICAL MAP

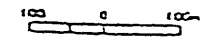
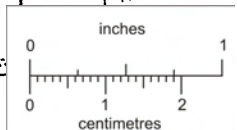


FIG. 4 82/12V 1:10,000 JVS 28/88



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roadcut. Exposed strike length in the pit is about two metres. The zone appears to be conformable, striking about 055° and dipping about 25° NW. A chip sample taken by the writer assayed 2.12% Zn, 0.05% Pb, 0.25% Cu, 0.14 g/t Au and 11.0 g/t Ag over a true width of 0.3 m. Sericitized and pyritic rhyolite, with a little malachite, is poorly and intermittently exposed for about 200 m along the road northeast of the pit. Soils and rubble in this area are extremely rusty, with patchy development of ferrocrete. There are no exposures west of the pit. Soil samples on lines 50 metres east and west of the showing are distinctly anomalous, particularly for lead and gold (Figures 8 & 9). Samples on line 10+00W, considerably downslope from the showing, are weakly to moderately anomalous.

Numerous boulders of heavily pyritized rhyolite breccia, with a little fluorite, were found on the logging road, at a point about 1000 m northwest of Lute Creek. Two short IP lines were run in this area (Figure 5) and a strong chargeability high obtained on the more westerly line. Prospecting and hand trenching in this area uncovered a sugary siliceous unit, possibly a tuffite, overlying silicified and pyritized rhyolite breccia. Rock and soil samples in the area have background metal content. A reliable attitude is difficult to obtain because of the small exposure, but the zone appears to strike about 030 degrees and dip about 20 degrees NW, roughly on strike with the tuffite showing in the 8+00 W area. The intervening ground is unexplored.

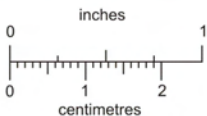
A zone of strong pyritization, with minor galena, chalcopyrite and sphalerite, was found northwest of the main zone, near Line 2+00 W, by hand trenching. A sample taken by Brian Lennan from the trench, over a width of 0.6 m carried only low values in base metals, but 175 ppb gold and 2.4 ppm silver. This may be the zone intersected by drillhole 83-3, from 31 to 41 metres, in which case the hole may possibly not have reached the Main zone. The IP anomaly terminates just west of this showing."

Geophysics

"A VLF EM survey by Barriere Reef Resources showed only very weak response in the vicinity of the Main showing. The low northwesterly dip of the zone, in combination with the north sloping topography and the acute angle of the Annapolis field to the zone, would result in very poor coupling and therefore, weak response. A Horizontal Loop EM survey by Esso Minerals was also relatively flat, again possibly due to poor coupling, with weak, broad, response only over the Main showing.

A magnetic survey by Esso Minerals, using a proton precession magnetometer, was conducted on the even numbered lines only. Magnetic relief is very low, less than 100 gammas, except for one 600 gamma spike at 3+25N on Line 6+00W (Figure 4). This spike may be significant, as it is on strike from the mineralization in tuffite near line 8+00W.

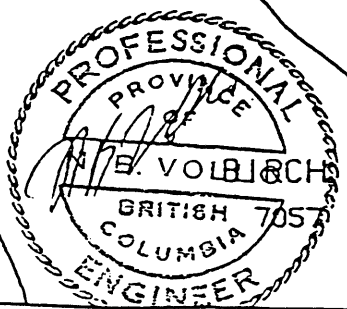
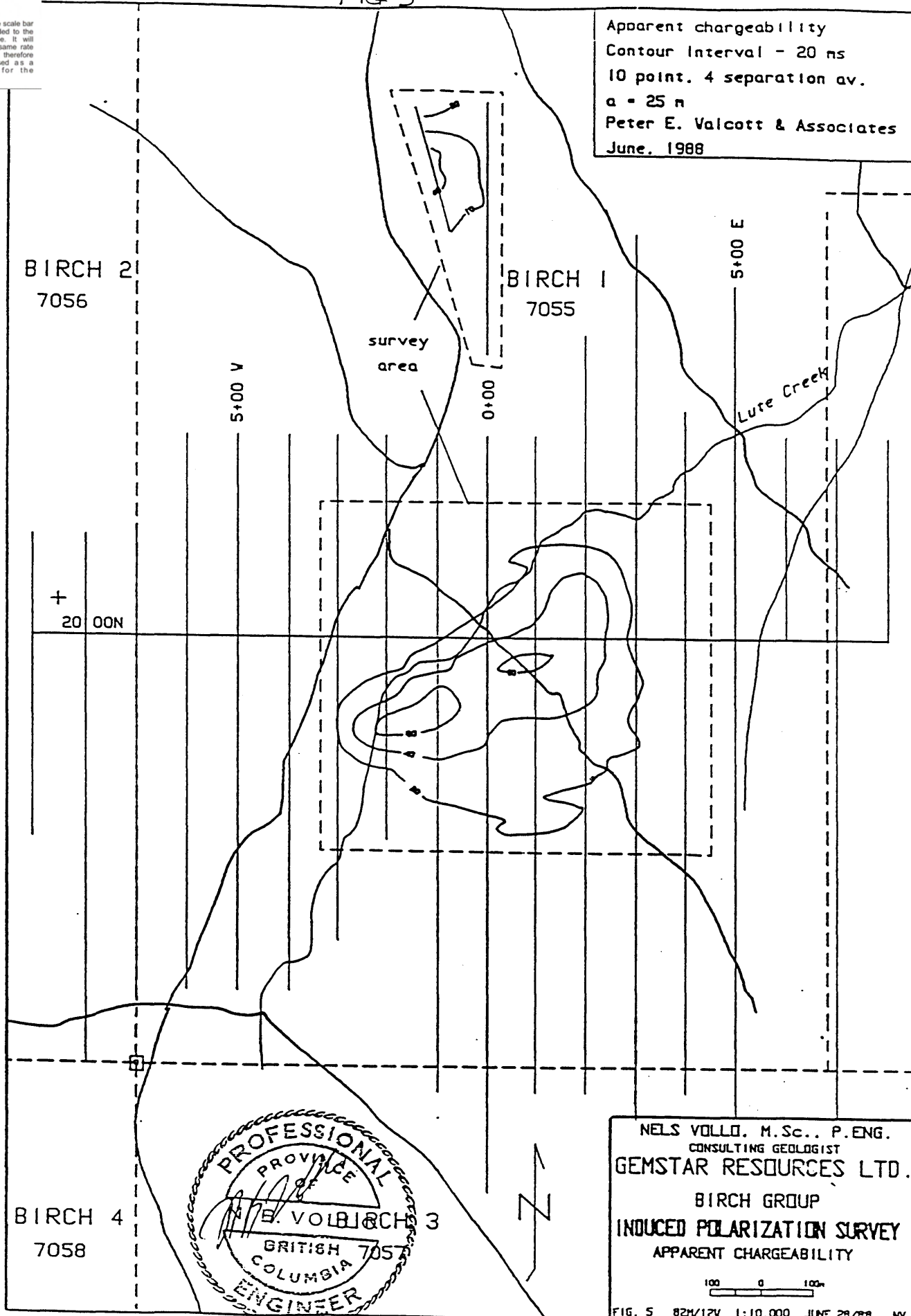
A pulse Induced Polarization survey was conducted for Gemstar Resources, by Peter E. Walcott & Associates, in June 1988 (Figure 5). This method is relatively insensitive to attitude and therefore more suitable than EM methods in this case, where the grid is at a considerable angle to the strike. A strong chargeability high is present over the Main zone, over a strike length of more than 400 metres. The survey also detected a distinct second zone 1000 metres north of the Main zone, on line 1+00W (Figure 5), which may correlate with the pyritic rhyolite breccia 150 metres further north. This chargeability high remains open to the west."



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FIG 5

Apparent chargeability
 Contour Interval - 20 ns
 10 point, 4 separation av.
 a = 25 m
 Peter E. Valcott & Associates
 June, 1988



NELS VOLLO, M.Sc., P.ENG.
 CONSULTING GEOLOGIST
 GEMSTAR RESOURCES LTD.
 BIRCH GROUP
 INDUCED POLARIZATION SURVEY
 APPARENT CHARGEABILITY

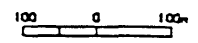
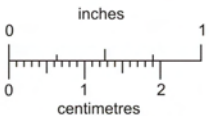
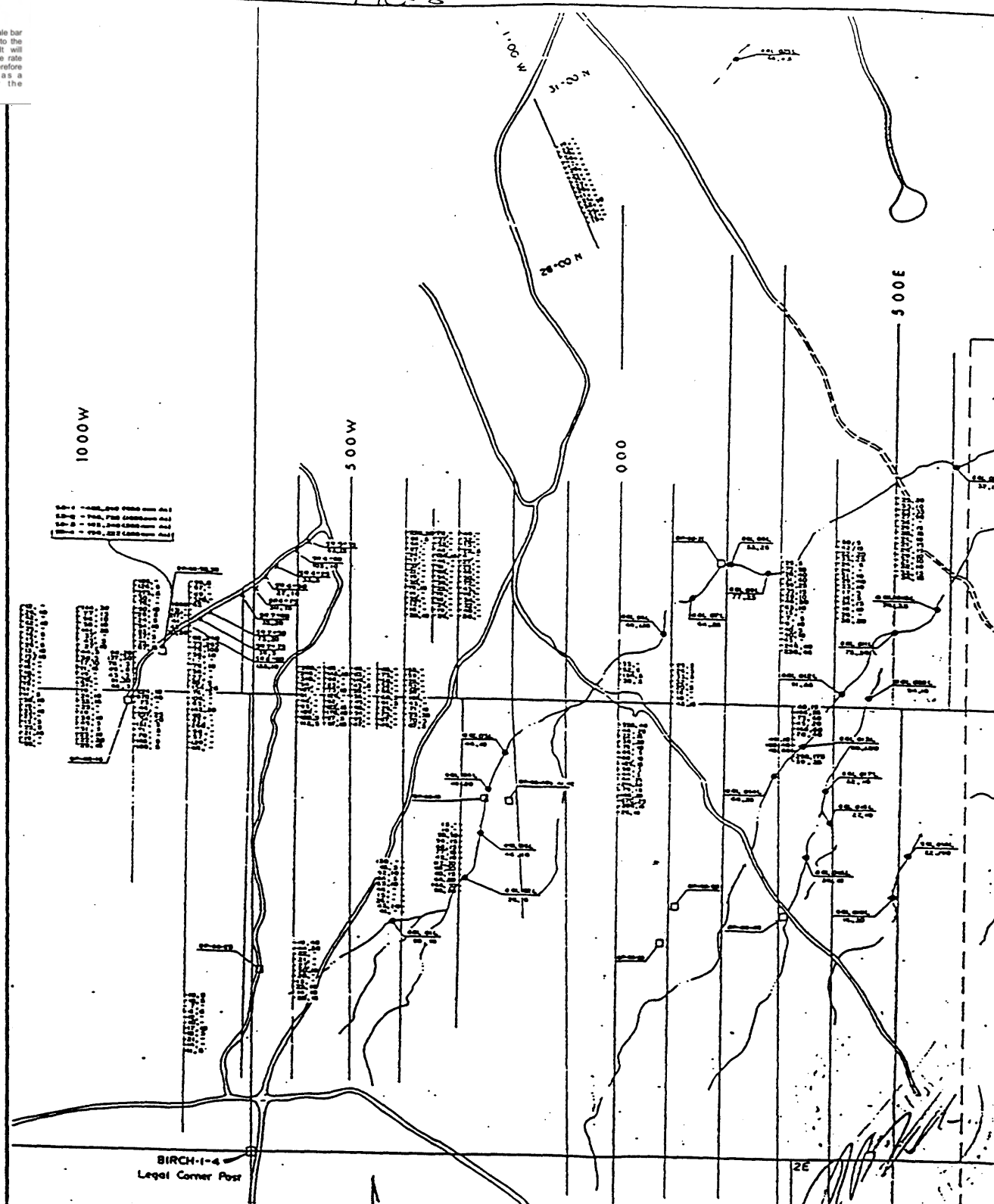


FIG. 5 82M/12V 1:10,000 JUNE 28/88 NV



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FIG-8



BIRCH-1-4
Legal Corner Post

LEGEND

- X - Soil sample
- o - Silt sample
- - Rock sample

Pb | Au
ppm | ppb

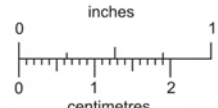
After V.B. Lennan, 1988

NELS VOLLO, M.Sc., P.Eng.
CONSULTING GEOLOGIST

GEMSTAR RESOURCES LTD.
BIRCH GROUP

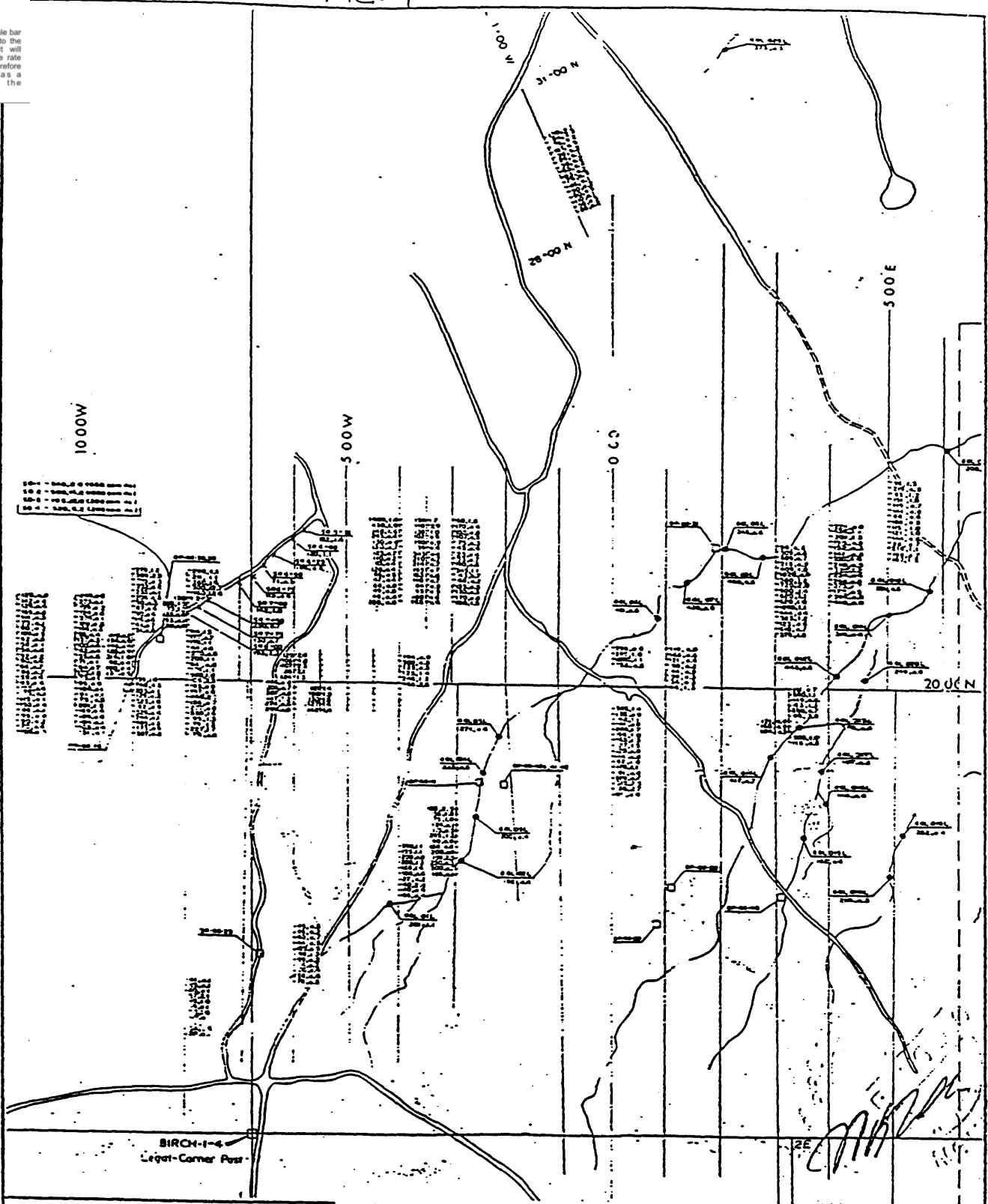
GEOCHEMICAL PLAN
LEAD - GOLD

FIG. 8 82/12V 1:10,000 JULY/88 NV



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FIG 9



LEGEND

- X - Soil sample
- o - Silt sample
- - Rock sample

Zn | Ag
ppm | ppm

After V.B. Lennan, 1988

NELS VOLLO, M.Sc., P.Eng.
CONSULTING GEOLOGIST

GEMSTAR RESOURCES LTD
BIRCH GROUP

GEOCHEMICAL PLAN
ZINC - SILVER

200 100 0 100 200 "

FIG. 9 82V/12V 1:10,000 JULY/88 NV

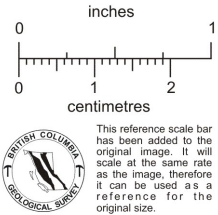
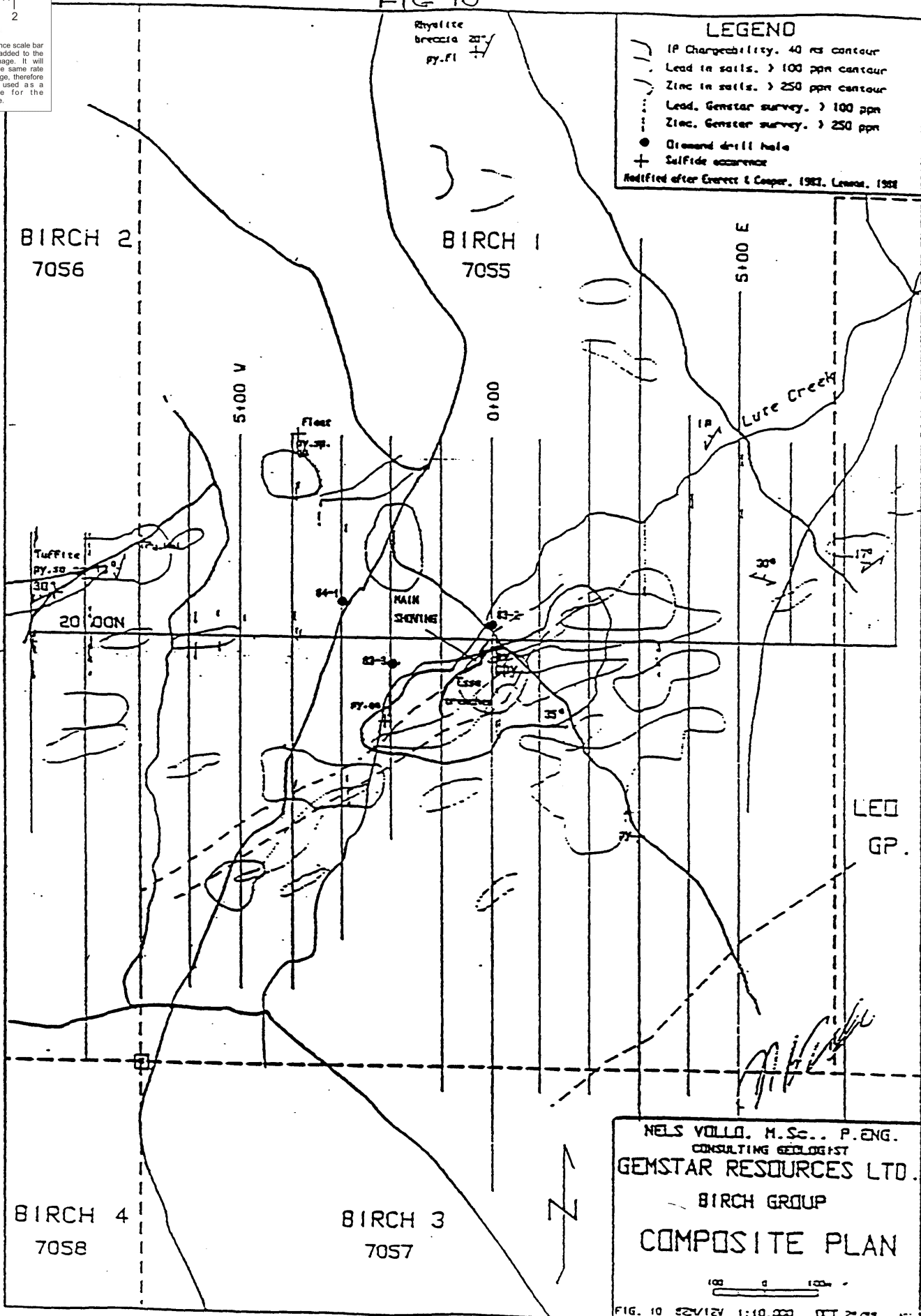


FIG 10

LEGEND

- - - - - IP Chargeability. 40 ns contour
- - - - - Lead in soils. > 100 ppm contour
- - - - - Zinc in soils. > 250 ppm contour
- - - - - Lead, Gemstar survey. > 100 ppm
- - - - - Zinc, Gemstar survey. > 250 ppm
- Diamond drill hole
- + Sulfide occurrence

Modified after Everett & Cooper, 1982, Lennox, 1988



NELS VOLLO, M.Sc., P.ENG.
 CONSULTING GEOLOGIST
 GEMSTAR RESOURCES LTD.
 BIRCH GROUP
 COMPOSITE PLAN

100 0 100

FIG. 10 52/12/82 1:10,000 OCT 25/88

Geochemistry

"Soil geochemical surveys by Barriere Reef Resources and Esso Minerals defined a broad zone of anomalous lead, zinc and copper, centered on the chlorite schist horizon. Gold was not analyzed for in these surveys and samples were spaced at 25 to 50 metre intervals on the lines. Gemstar carried out additional, more detailed, soil surveys in certain areas, with samples spaced at 10 metre intervals. All samples were analyzed for lead, zinc, gold and silver.

The Gemstar survey confirmed and somewhat extended lead-zinc anomalies previously outlined by the Barriere Reef and Esso surveys, northeast of the Main showing. A strong lead-zinc anomaly is present on line 3+00 E beyond 1+00 N and the zinc high extends, though in weaker form, to line 4+00 E. This is at the eastern limit of the IP high and more than 300 m away from the Main showing on strike. The intervening ground is untested. Moderately anomalous gold is present on line 3+00 E.

A parallel zone appears to be present to the north, where prospecting of the geochemical highs by Gemstar has uncovered showings of zinc-lead mineralization near line 8+00 W. Soil samples in this area are highly anomalous for lead, zinc, silver and gold, ranging over 1,000 ppm for lead and zinc, over 200 ppb for Au and 12 ppm for Ag. This zone appears to strike towards the IP anomaly and the siliceous breccia further northeast, through an unsurveyed area. A strong lead-zinc high at 3+00 N on line 4+00 W could be related to this zone and correlates reasonably with lead-zinc highs obtained in previous surveys. . ."

(e) Conclusions and Recommendations

"Polymetallic sulfide mineralization, though not of economic grade, has been demonstrated on the Birch Claims, in an environment in which ore deposits have been found in the area. Correlation between the various geochemical surveys and geology suggest a parallel zone or zones northwest of the Main zone. Deposits of this type can be very different in character over relatively short distances.... Each soil anomaly should therefore be persistently explored until its cause is known, and any sulfide zone should be followed along strike and dip as far as practical, as a possible lead to an ore body.

The following program is recommended to explore the Property:

Stage I

1. Prepare an accurate photogrammetric topographic map at a scale of 1:5,000, with 10 or 20 m contours, to provide survey control.
2. Test survey the known zones with VLF EM, on lines at 330 degrees, using the Seattle field, which should give much better coupling than the Annapolis field. If the test is successful, use this method to pinpoint the source of other soil anomalies; if not, survey the anomalies using the Induced Polarization method.
3. Cut trenches across all high soil anomalies with a backhoe, using geophysical surveys as a guide, with the 8+00 W zone given high priority.

4. Complete geological mapping of the entire Property on a scale of 1:5,000, extend soil sampling and prepare new grids as required. A grid with lines oriented at 330 degrees should be considered north of the present grid.
5. Drill at least two holes along strike on the discovery zone, each way, and at least one on the North zone.

Stage II

1. Contingent on results in Stage I, diamond drill all promising targets."

(g) Estimated Cost of Proposed Program

"Stage I

Photogrammetric topographic map	\$ 5,000
Geologist, 2 assistants, 1 month	18,000
New grid, 25 km at \$200	5,000
IP Survey, 15 days at \$1,200/day	18,000
Backhoe, 10 days at \$1,000/day	10,000
BQ diamond drilling, 300 m at \$80/m	24,000
Geochemical analysis and assaying	5,000
Accommodation and Meals, 90 man days at \$80	7,200
Vehicle expense, 30 days at \$60/day	1,800
Contingencies, permitting, supervision,	<u>6,000</u>
Subtotal, Stage I	\$100,000

Stage II

1,000 m of BQ diamond drilling at \$100/m, all in	<u>\$100,000</u>
TOTAL	<u>\$200,000"</u>

2. THE BIRCH #5 CLAIM

The following information deals with the Birch #5 Claim and is extracted from a report dated June 1, 1990, prepared for the Issuer by W.B. Lennan, B.Sc., F.G.A.C., President of Greenstone Enterprises Ltd. of Port Coquitlam, British Columbia.

(a) **History**

"During 1988, I supervised the exploration work carried out on the the Birch #1 to #4 mineral claims for Gemstar Resources Ltd. The 1988 exploration program consisted of geological, geochemical and geophysical surveys. The results of this work are summarized in an engineering report, dated November 1, 1988 by N.B. Vollo, P. Eng., for Gemstar Resources.

The 1988 work indicates that the main massive sulfide zone, the siliceous tuffite unit (carrying anomalous Au, Ag, Pb and Zn values) and northern pyritic rhyolite

breccia and banded felsite unit, all trend northeasterly across the property and dip northwesterly towards the northern boundary of the Birch #1 and #2 claims. The structural and stratigraphic trend (although possibly complicated by folding and a northerly trending fault), and the observation of gossanous (pyritic) zones in road cuts near the northern boundary of the Birch #1 claim, suggested that other mineralized zones might exist immediately to the north of the Birch #1 to #4 claims."

(b) **Property**

"Subsequent to the report by N.B. Vollo, P. Eng., dated November 1, 1988, Gemstar [Resources Ltd.] acquired the Birch #5 claim in 1989 by option from New Global Resources Ltd. The Birch #5 claim covers the contiguous ground north of the Birch #1 claim. This has given Gemstar the opportunity to cover possible extension of the mineralized horizons found on the Birch #1 to #4 claims either as projections along strike or down-dip if they continue to the northeast as postulated."

(c) **Work Program**

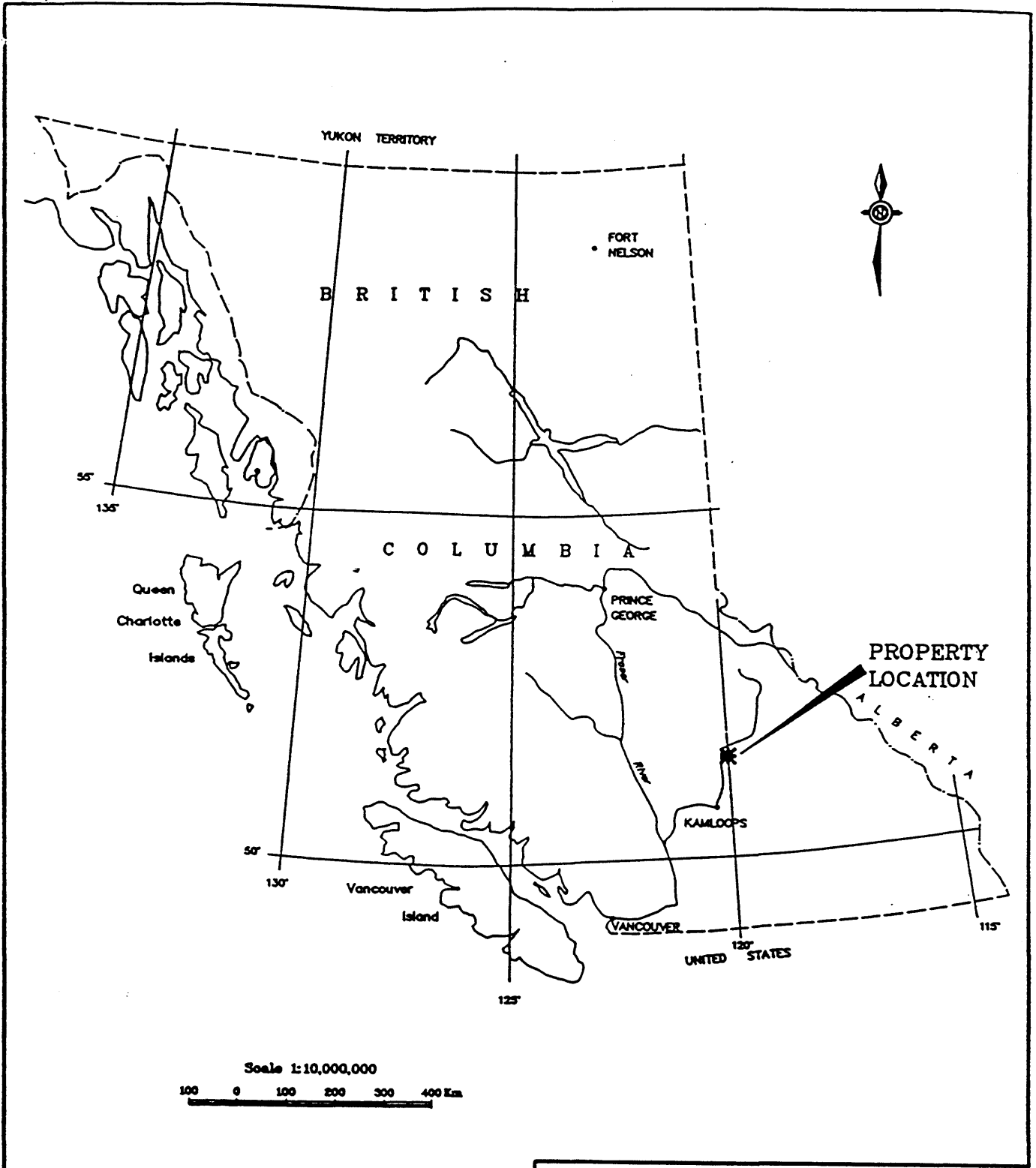
"A prospecting, geological mapping and geochemical sampling program was conducted on the Birch #5 mineral claim in July 1989.

Geochemical silt sampling was carried out on various streams flowing northerly across the property. Most of the streams are very small and the availability of good silt was relatively poor. Samples BLB 89-1 to BLB 89-6 were taken by the writer. These samples and results are plotted on Figure E. Rock chip grab samples were taken primarily from outcrops exposed along old logging road cuts. The writer collected Samples BP 89-1 to BP 89-4 and 2N5E + 280W. Sample BP 89-1 was not assayed. Two other experienced geologists collected both rock chip grab samples and float samples. These samples were designated by numbers NOK-1 to NK-5 and NR-1 to NR-2. These samples are plotted on both Figure E and Geology Map, Figure D.

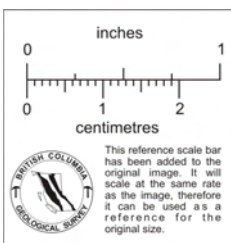
The gold values are very low in the silt samples as compared to the significantly elevated values in the rock samples. Although good silt material was collected, the drainages flow through large clear cuts that had been extensively slash-burned. Many of the small streams were clogged with charcoal encased log debris. This may have a depleting effect on the gold that would be in transit downstream.

The rock types encountered on the property are described below and outcrops are plotted on Figure D.

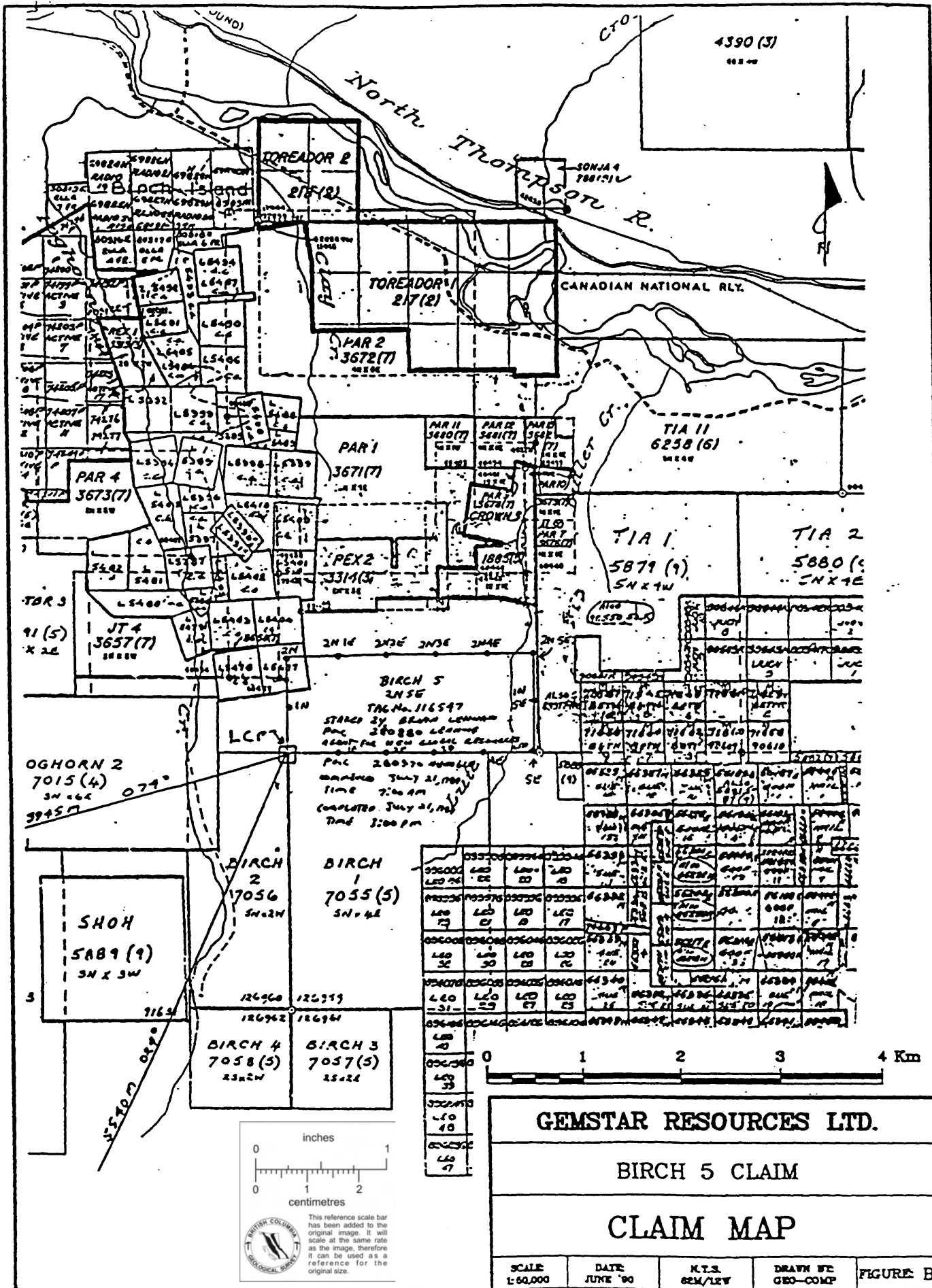
Chlorite Schist: This unit is dark green coloured and is strongly foliated. The rock breaks readily along foliation planes and tends to be flaggy weathering. Remnant chloritic fragments found along cleavage planes suggest this rock type was derived from an andesitic breccia or agglomerate. The largest exposure of this rock type occurs in the north-central part of the property along the most northerly road. Other small outcrops of chlorite schist are found between outcrops of phyllitic rocks. This suggests the chlorite schist occurs as units of varying thickness interbedded with phyllitic rocks. Sample NOK-1, NOK-2, BP 89-1 and BP 89-2 are of this rock type. Only Sample BP 89-2 contained an anomalous gold value of 50 ppb Au.



Scale 1:10,000,000
 100 0 100 200 300 400 Km



GEMSTAR RESOURCES LTD.				
BIRCH 5 CLAIM				
LOCATION MAP				
SCALE: AS NOTED	DATE: JUNE '90	N.T.S. 82M/12W	DRAWN BY: GEO-COMP	FIGURE: A



JUNDI

North Thompson R.

4390 (3)

TOREADOR 2
217(2)

TOREADOR 1
217(2)

SONJA 4
7801(1)

CANADIAN NATIONAL RLY.

PAR 2
3672(7)

PAR 1
3671(7)

TIA 11
6258 (6)

PAR 4
3673(7)

PAR 11
3680(7)

PAR 3
3677(7)

TIA 1
5879 (9)

TIA 2
5880 (9)

JT 4
3657(7)

BIRCH 5
2N5E
TAL No. 116547
STARTED BY BRUCE LEWIS
PAC 280880 LEWIS
ACCOMPLISHED BY BRUCE LEWIS
Time 7:00 AM
Completed July 21, 1990
Time 3:00 PM

OGHORN 2
7015 (4)

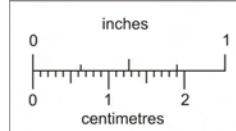
BIRCH 2
7056

BIRCH 1
7055 (5)

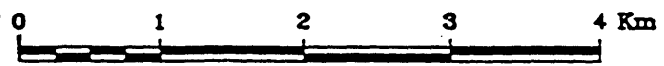
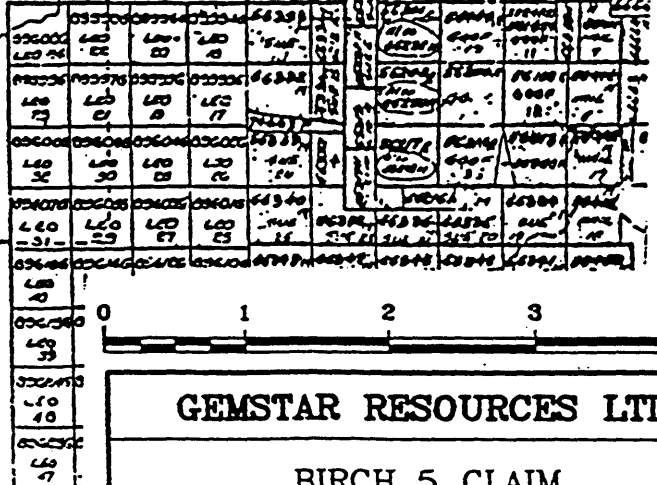
SHOH
5889 (9)

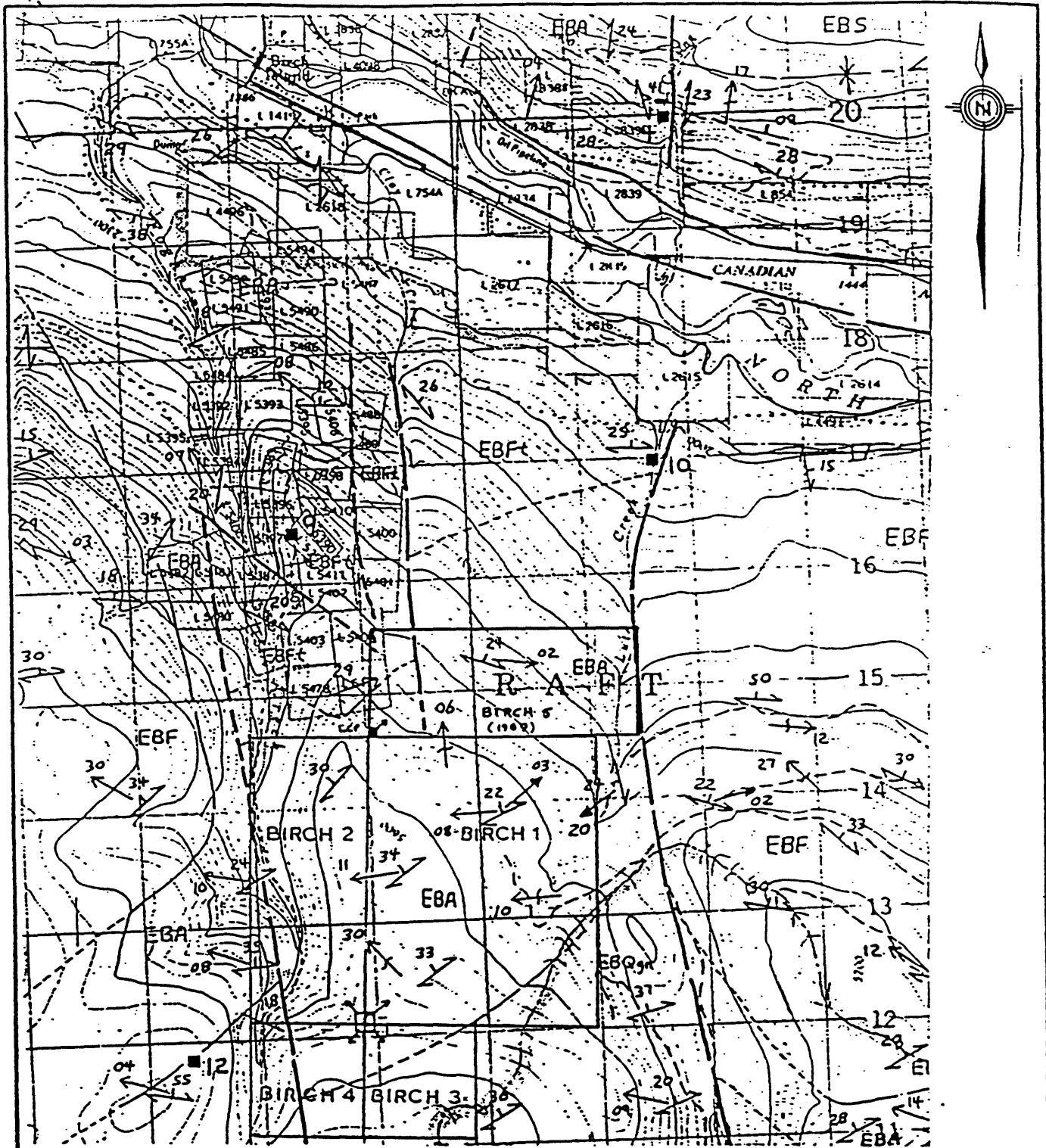
BIRCH 4
7058 (5)

BIRCH 3
7057 (5)



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LEGEND

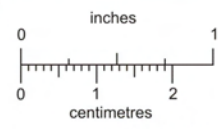
- EBA EAGLE BAY FM.
DEVONIAN - Grey sericite
quartz phyllite, sercitie-
chlorite-quartz schist.
From felsic to intermediate
volcanics. Sericitic
quartzites
- EBOgn EAGLE BAY FM
LOWER CAMBRIAN?
Intrusive derived orthogneiss

GEMSTAR RESOURCES LTD.

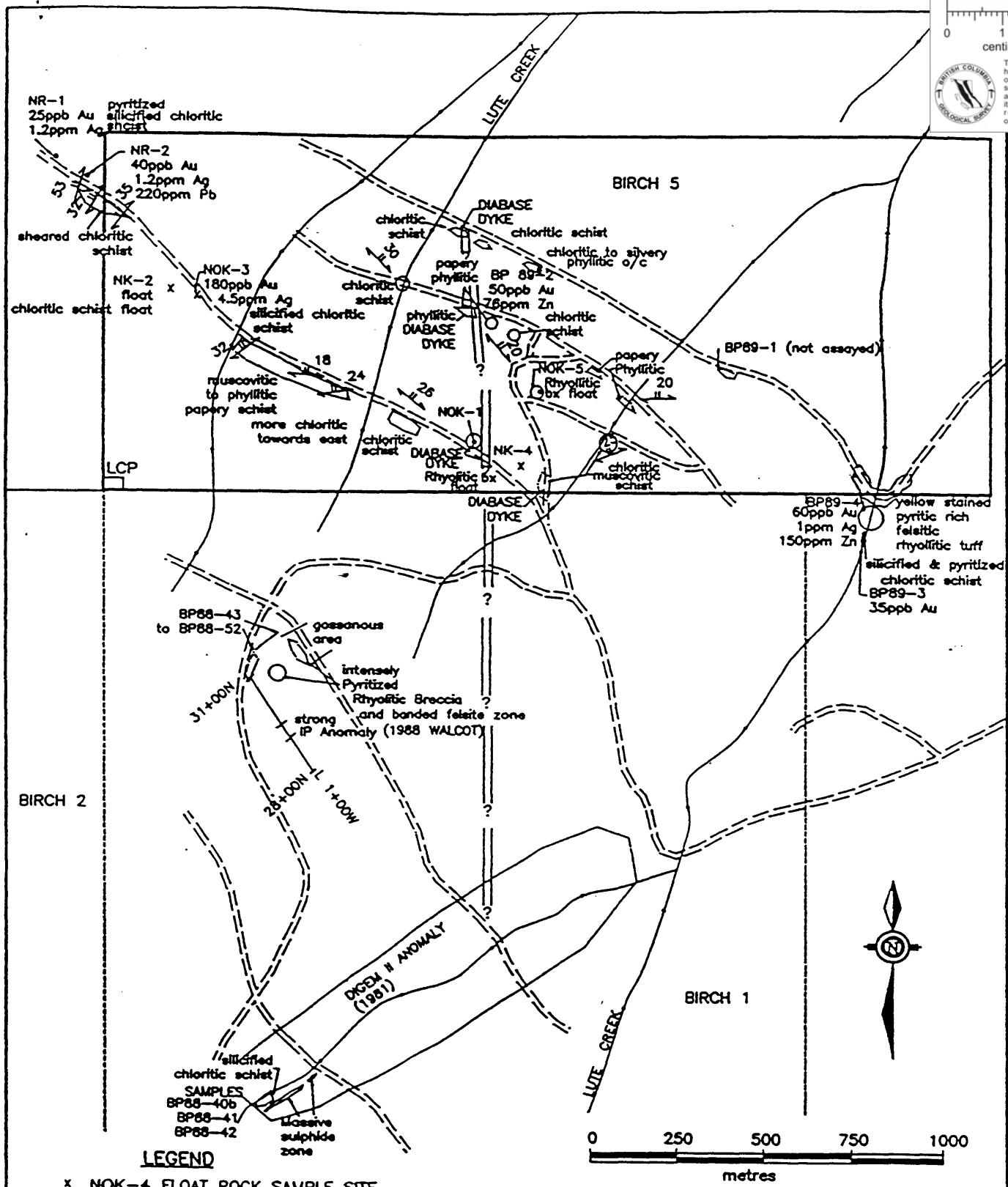
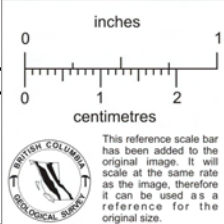
BIRCH 5 CLAIM

REGIONAL GEOLOGY

SCALE 1:60,000	DATE JUNE '90	K.T.S. SXM/LEW	DRAWN BY GEO-COMP	FIGURE: C
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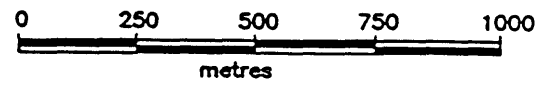


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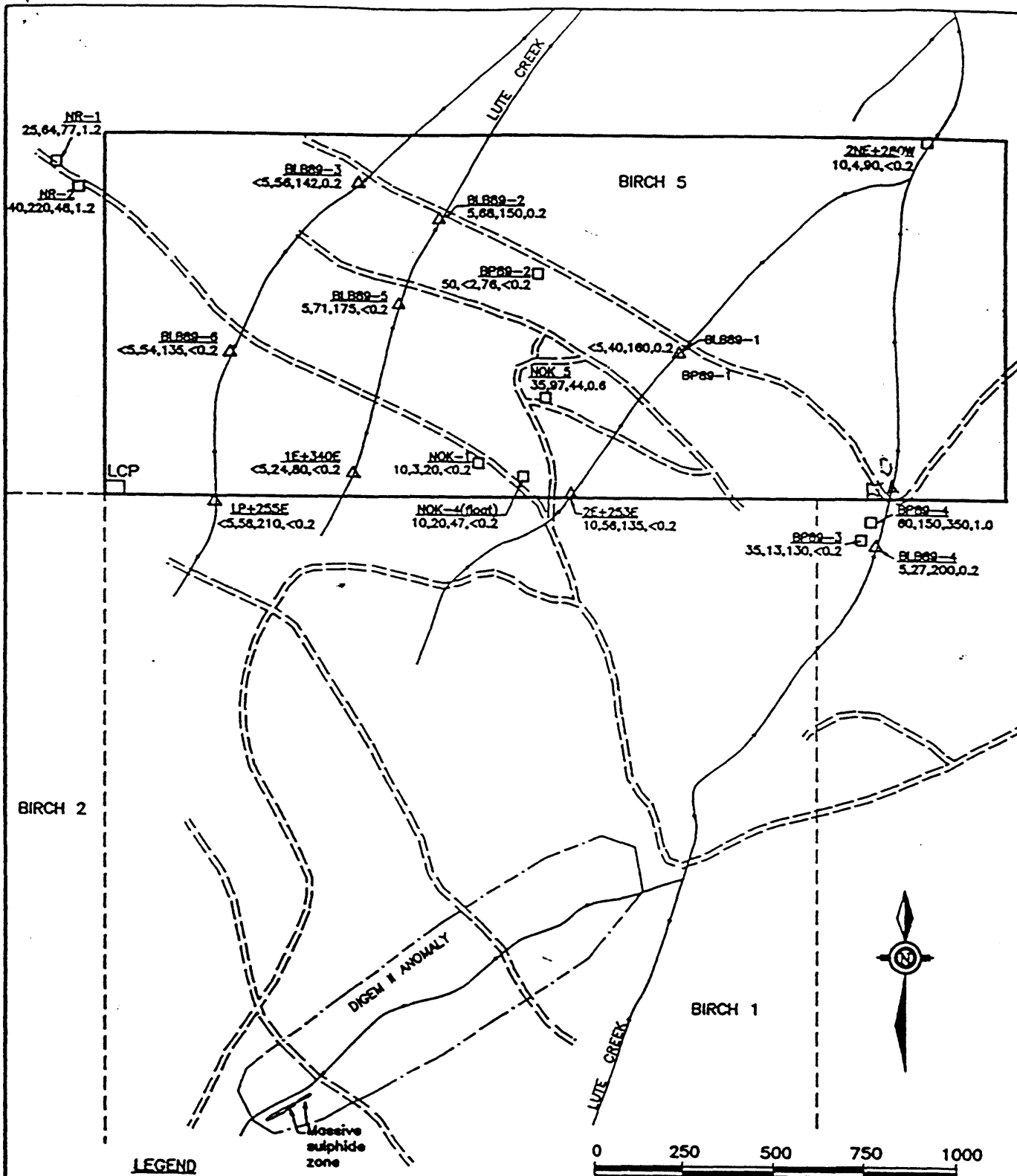


LEGEND

- x NOK-4 FLOAT ROCK SAMPLE SITE
- NOK-1 ROCK GRAB SAMPLE FROM OUTCROP
- OUTCROP
- 23
||| FOLIATION AND DIP - PARALLEL OR SUBPARALLEL TO ORIGINAL BEDDING
- STREAM
- - - LOGGING ROAD
- CONTACT OBSERVED IN OUTCROP
- ? - - - ? POSSIBLE LOCATION OF DIABASE DYKE



GEMSTAR RESOURCES LTD.				
BIRCH 5 CLAIM				
GEOLOGY				
SCALE 1:15,000	DATE JUNE '90	N.T.S. SZM/LEW	DRAWN BY GEO-COMP	FIGURE: D



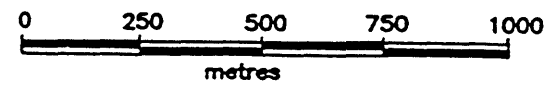
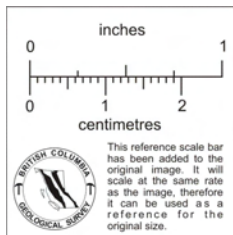
LEGEND

— CREEK
 --- ROAD

□ NOK-1
 □ BP89-2
 □ NR-1
 ROCK SAMPLE

△ 1E+340E
 SILT SAMPLE

10, 20, 47, 0.2
 ppb Au, ppm Pb, ppm Zn, ppm Ag



GEMSTAR RESOURCES LTD.				
BIRCH 5 CLAIM				
ROCK & SOIL GEOCHEMISTRY				
SCALE 1:15,000	DATE JUNE '90	M.S. SZM/LEW	DRAWN BY GEO-COMP	FIGURE E

Phyllite: This rock type is characterized by a grey to silvery grey colour, occasionally grading to a light green colour when chlorite is present. It has a vitreous glassy sheen and soapy texture. It is often very flaggy or thinly laminated and when found exhibiting this feature, is described as "papery phyllites". This unit appears to trend northeasterly across the property from the southern most logging road to the northern most logging road. Mineralization is generally absent in this unit.

Silicified Chlorite Schist: This rock type is dark green in colour, banded with lamellae of chlorite, feldspar, quartz and + ankerite. This rock type is, for the most part, well mineralized with pyrite. On the Birch #5 claim, these rocks contain slightly anomalous amounts of gold, silver, lead and zinc. Samples BP 89-3, NOK-3, NR-1 and NR-2 are from this rock type. Gold values range from 25 to 180 ppb gold, lead values range from 13 to 780 ppm, zinc values range from 48 to 130 ppm and silver ranges from less than 0.2 to 4.5 ppm (Figure D). Traces of galena (very fine grained) were observed in Sample NOK-3. The rock type is found primarily at the northwestern corner of the property near the end of the southern most logging road traversing the property and in a bluff along Lute Creek near the road crossing at the southeast corner of the property. At this southeastern location, the silicified chlorite schist is in contact with and overlain by a very rusty and pyritic unit of rhyolitic breccia. The contact strikes N60-65°E and dips 25°NW.

Rhyolitic Breccia: This rock type is light grey coloured and siliceous. It contains cherty angular fragments up to 5 mm in diameter. Pyrite and pyrrhotite are finely disseminated throughout the rock and are also found along the rims of breccia fragments. Purple coloured fluorite occurs as fracture fillings. Float samples of this material are represented by Samples NOK-4 and NOK-5. This rock type found on the Birch #5 claim is similar in colour, texture and mineralization to outcrops of siliceous (rhyolite) breccia located on the northwest projection of line 0+00 on the Birch #1 claim (Vollo, 1988, p. 4, Figure 4). The float material, as located by Sample NOK-4 in particular, appears to be aligned with the northeasterly strike projection of the Birch #1 outcrops of the rhyolitic breccia.

However, the outcrop of rhyolitic breccia located in a bluff along Lute Creek near the road crossing at the southeast corner of the Birch #5 claim does not appear to align itself along strike with the Birch #1 claim outcrop, and thus may represent a separate unit of this material. Samples NOK-4 and 5 are weakly anomalous in gold, 10 and 35 ppb Au respectively, while the southeastern outcrop of rhyolitic breccia as represented by Sample BP 8-4 is moderately anomalous in gold at 60 ppb Au and strongly anomalous in lead and zinc (150 and 350 ppm respectively). Sphalerite and galena were not observed. On the Birch #1 claim, a strong IP anomaly along line 1+00W between stations 29+00N and 29+50N appears to be associated with this intensely altered and pyritized rock type.

Diabase Dyke: This dark, charcoal grey, aphanitic dyke was found in all three road cuts that traverse the Birch #5 claim. The dyke ranges from 1 to 3 metres in thickness and strikes southerly and has a vertical dip. Mapping carried out on the Birch #1 claim in 1988 located a diabase dyke of similar colour, composition and texture. The plot of this dyke on Figure 4 indicates the dyke traverses the Birch #5 and Birch #1 claims. The alignment of the outcrop locations of the dyke on all the logging roads going from north to south indicates the dyke is very straight with few if any major deflections along its strike length. There is no mineralization found within or adjacent to the dyke."

(d) **Conclusions and Recommendations**

"In summary, two distinct rock types carrying sulfide mineralization and anomalous gold, lead, zinc and to a lesser extent, silver values, were found on the Birch #5 claim as a result of the 1989 first phase exploration program. The Birch #5 claim gives Gemstar Resources Ltd. an additional portion of Eagle Bay Formation stratigraphy favourable to the occurrences of stratiform massive sulfide deposits which are known to be present on the Birch #1 to #4 claims and elsewhere in the Adams Plateau underlain by the Eagle Bay Formation.

The results of the 1989 program indicate that the recommendations of N.B. Vollo's Engineering Report dated November 1, 1988 on the Birch #1 to #4 claims should be carried out as soon as possible and include the Birch #5 claim."

There are no known proven reserves of commercial ore located on the Property, and the Issuer is conducting an exploratory search for ore only.

There are no known material surface or underground workings, plant or equipment located on the Property, except as disclosed herein.

The engineering report of N.B. Vollo, P.Eng., and the report of W. B. Lennan, B.Sc., F.G.A.C., are available for inspection at the Issuer's registered and records office, 2550 - 555 West Hastings Street, Vancouver, British Columbia, during normal business hours throughout the offering period, and for a period of 30 days thereafter.

USE OF PROCEEDS

The estimated net proceeds to be received by the Issuer from the Offering after deduction of the Agent's commission will be \$218,500. The net proceeds, less a \$24,066.43 working capital deficit, as at June 11, 1990, will be expended in priority in accordance with the allocation below, however all Flow-Through Share subscriptions shall be used exclusively for property development.