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Form 12

Securities Act

Date Accepted June 23, 1983
For Filing

SUPERINTENDENT OF BROKERS
AND
VANCOUVER STOCK EXCHANGE

156/83

STATEMENT OF MATERIAL FACTS

VANCOUVER STOCK EXCHANGE - Development Section
Name of Section

WARSTAR RESOURCES INC.
Name of Issuer

6705-36th Avenue, Delta, B.C. 946-0236
Address of Head Office of Issuer

1202-789 West Pender Street, Vancouver B.C.
Address of Registered Office of Issuer

1202-789 West Pender Street, Vancouver B.C.
Address of Records Office (Section 39 - Company Act)

Guardian Estates & Agencies Ltd., 404-70 Granville Street, Vancouver, B.C.
Name & address of Registrar & Transfer Agent
for Issuer's shares in British Columbia.

1. **DETAILS OF THE CIRCUMSTANCES RELATING TO THE OFFERING OF SECURITIES**

Units Offering

By agreement dated April 27, 1983 (the "Agency Agreement"), WARSTAR RESOURCES INC. (the "Issuer"), appointed Wolverton & Company Limited, 534 Burrard Street Vancouver, B.C. (the "Agent"), as its Agent to offer through the facilities of the Vancouver Stock Exchange (the "Exchange"), 500,000 Units to the public at a fixed price on the floor of the Exchange (the "Offering"). Each Unit shall consist of one share of the Issuer and two Series "C" Share Purchase Warrants.

The Offering will take place on a day (the "Offering Day") which will be not more than 30 trading days after the date this Statement of Material Facts is accepted for filing by the Exchange and the Superintendent of Brokers Office (the "Acceptance Date"). From the close of trading to 5:00 P.M. on the business day immediately preceding the Offering Day, and between the hours of 6:30 A.M. and 6:55 A.M. on the Offering Day, a book will be maintained on the floor of the Exchange to receive purchase orders.

Under the applicable by-laws and rules of the Exchange, the offering price of Units will be 10% higher than the average trading price of the Issuer's shares on the day the price of the Units is set as determined by the Exchange.

Under the terms of the Agency Agreement, the Agent may reserve not more than 80% of the Units for its clients and at least 20% of the Units will be offered to other members of the Exchange. In the event of over-subscription with respect to such 20% of the Units, prorating will be settled with approval of the Exchange.

There are no sub-underwriting or sub-option agreements. The Agent, however, reserves the right to offer selling group participation in the normal course of the brokerage business to selling groups or other licenced dealers, brokers and investment dealers who may or may not be offered part of the commissions derived from the Offering.

The Issuer has granted the Agent the right of first refusal on further financings for a period of twelve months from the Acceptance Date.

The Agent will receive a commission at the time the Units are sold of 7.5% of the gross sales. The purchasers of any Units under the Offering will be required to pay regular commission rates as specified by the by-laws and rules of the Exchange.

The Agent has agreed to purchase any Units unsubscribed for at the end of the Offering Day at the offering price in consideration for which the Issuer has agreed to issue to the Agent, immediately following the Offering Day, a total of 250,000 non-transferable Series "D" Share Purchase Warrants.

The Series "C" Share Purchase Warrants to be issued under the Offering will be transferable and in bearer form and two such Warrants will entitle the holder thereof to purchase one share of the Issuer at any time up to the close of business 180 days following the Offering Day at a price which is 15% higher than the average trading price of the Issuer's shares on a day and at an average price as determined by the Exchange. The Series "C" Warrants will trade on the Exchange, but if they diminish to the point where the Exchange determines that there is insufficient distribution for an orderly market, the Exchange may declare that the Series "C" Warrants may be traded on a cash basis only.

The Series "D" Share Purchase Warrants will be non-transferable and shall have the same rights to purchase shares of the Issuer as the "C" warrants except that one "D" warrant shall entitle the Agent to purchase one share of the Issuer.

The Series "C" Share Purchase Warrants will contain anti-dilution provisions including among other things, provisions for appropriate adjustment in the class, number and price of shares issuable pursuant to any exercise thereof upon the occurrence of certain events including any subdivision, consolidation or reclassification of the shares of the Issuer or payment of stock dividends.

The Agent may be considered the "market maker" of the shares and Series "C" Share Purchase Warrants of the Issuer during the period of primary distribution of the Offering and for 60 days thereafter. The Agent owns no shares of the Issuer and has no shares under its control. Subject to the by-laws of the Exchange, the Agent may make purchases and sales of shares of the Issuer and of the Series "C" Share Purchase Warrants for the purpose of maintaining an orderly market for the shares and Series "C" Share Purchase Warrants of the Issuer and assisting in the distribution of the offered Units. The signatories hereto have no knowledge of any other market makers.

No payments in cash, securities or other consideration are being made or are to be made to any promoter, finder or other person or company in connection with the Offering.

The number and percentage of the issued and outstanding securities of each class of the Issuer, beneficially owned, directly or indirectly, by promoters, directors, senior officers and persons holding more than 10% of the issued shares of the Issuer as a group is 772,000 shares representing 40.42% of the issued shares of the Issuer.

The directors, officers and other insiders of the Issuer resident within British Columbia may purchase Units from the Offering.

The Issuer cannot estimate with certainty the price at which the Units will sell. The Agency Agreement provides that the minimum price is 75¢ per Unit. If all of the Units are sold at the minimum price of 75¢ each the Issuer will receive gross proceeds of \$375,000 less commissions of \$28,125 to net the Issuer \$346,875.

The range of the market price of the shares of the Issuer and the volume of shares for each of the four weeks immediately preceding the acceptance Date of this Statement of Material Facts, on the Vancouver Stock Exchange, is as follows:

<u>Week</u>	<u>Market Range</u>		<u>Close</u>	<u>Volume</u>
	<u>High</u>	<u>Low</u>		
May 23-May 27/83	\$.78	\$.65	\$.70	26,000
May 30-June 3/83	\$.75	\$.65	\$.65	31,400
June 6-June 10/83	\$.75	\$.65	\$.74	39,500
June 13-June 17/83	\$.71	\$.65	\$.70	66,800

The shares of the Issuer are not listed for trading on any other stock exchange.

The following beneficially own directly or indirectly, in excess of 5% of each class of the issued shares of the Agent:

Wolverton & Company Limited:

<u>Name and Address</u>	<u>Number of Shares</u>	<u>Percentage</u>
Newton Ellis Wolverton 5376 Marguerite Street Vancouver, B.C.	8,993	90%
William Clarence Wedley 1176 Ronayne Road North Vancouver, B.C.	600	6%

Secondary Offering

In addition to qualifying for sale to the public the Units as set out in this item, this Statement of Material Facts qualifies for sale to the public by the Agents, for a period of 180 days from the Offering Day any of the aggregate shares of the Issuer acquired by the Agents upon exercise of the Series "D" Share Purchase Warrants.

The Issuer will receive the exercise price of the shares purchased pursuant to the exercise of the Series "D" Share Purchase Warrants but will not receive any proceeds from any sale by the Agent of any such shares so acquired by the Agent, all of which proceeds will in such event accrue to the Agent. Particulars of such shares which might be offered for sale are as follows:

<u>Selling Shareholder</u>	<u>Number of Shares to be owned</u>	<u>Number of Shares Being Qualified for Sale</u>	<u>Number of Shares to be Owned on Completion of Offering</u>
Wolverton & Company Limited	250,000	250,000	nil

None of the proceeds from the sale of shares offered by the selling shareholders will be received by the Issuer. All such proceeds will accrue to the selling shareholder.

2. PARTICULARS CONTRIBUTING TO THE SPECULATIVE NATURE OF THE SECURITIES BEING OFFERED

The securities offered hereby are speculative. The Issuer's mineral prospects do not contain any proven ore reserves and a substantial amount of exploratory work will have to be done before a determination can be made as to whether or not the prospects, or any of them, contain commercially mineable ore bodies. No survey has been made of the Issuer's located mineral claims and therefore in accordance with the laws of the jurisdictions in which such claims are situate, their validity and area could be in doubt.

3. DETAILS OF ANY MATERIAL CHANGES OR PROPOSED MATERIAL CHANGES IN THE AFFAIRS OF THE ISSUER

At the 1983 annual general meeting held February 18 shareholders approved the satisfaction of Issuer indebtedness of \$71,011 to Hans Guhr by the issuance of 208,854 shares at a deemed price of 34¢ per share. (The average closing bid price for the two weeks preceding February 18 was 34¢.) As a bonus for the loan of monies, the Issuer will also issue 3,480 shares at a deemed price of 34¢ per share to Mr. Guhr for each month the indebtedness was outstanding (seven months), a total of 24,360 additional shares.

4. THE ESTIMATED NET PROCEEDS OF THE ISSUER ARE TO BE SPENT

Although it is not possible to determine the actual net proceeds from the units being offered hereby, if all of the 500,000 units are sold at the minimum price of 75¢ per unit, proceeds would be \$375,000 less commissions of \$28,125, for a net amount of \$346,875.

The principal purposes for which the estimated net proceeds are to be spent are as follows:

- (a) To costs of this issue including
 legal, audit and printing \$ 15,000

- | | | |
|-----|--|-------------------|
| (b) | To carry out Phase I of the program of work recommended by J. P. Elwell, P.Eng. on the Golden Sidewalk property in his report dated March 14, 1983, a copy of which is attached hereto | \$ 80,000 |
| (c) | Reserve for Phase II of the program of work recommended by J. P. Elwell, P.Eng. on the Golden Sidewalk property in his report dated March 14, 1983 | \$ 145,000 |
| (d) | To general corporate purposes | \$ <u>106,875</u> |
| | | \$ 346,875 |

Any monies received by the Issuer from the exercise of the Series "C" and "D" Share Purchase Warrants will be added to the Issuer's working capital.

None of the proceeds from this Offering will be spent on any properties other than those referred to above without the prior approval of the Vancouver Stock Exchange where (a) such expenditure totals in excess of \$150,000, (b) such expenditure is in excess of \$50,000 and involves the issuance of securities of the Issuer, or (c) the acquisition is not arms length with a director, officer or other insider of the Issuer. The issuance of such shares will be subject to regulatory authorities' approval.

None of the proceeds from this Offering or from the exercise of the warrants herein will be spent on the acquisition of properties other than nominal investigation expenses incurred in the ordinary course of business, without submitting engineering reports acceptable to the Vancouver Stock Exchange and the Office of the Superintendent of Brokers, until either an amendment to this Statement of Material Facts is filed and accepted, or, if the shares offered by this Statement of Material Facts are no longer in primary distribution, the approval of the Vancouver Stock Exchange is obtained.

5. GIVE THE FULL NAME, HOME ADDRESS AND CHIEF OCCUPATION, THE NUMBER OF SHARES OF THE ISSUER BENEFICIALLY OWNED, DIRECTLY OR INDIRECTLY, BY EACH SENIOR OFFICER OR DIRECTOR OF THE ISSUER AND IF EMPLOYED DURING THE PAST FIVE YEARS, THE NAME OF EACH EMPLOYER

<u>Name and Address</u>	<u>Chief Occupation</u>	<u>Number of Shares of Issuer Beneficially Owned</u>
LILLY BRECH 6705-36th Avenue Delta, B.C. Director & Secretary	Corporate secretary, TR Minerals Ltd.	1,500 free
HANS GUHR 6705-36th Avenue Delta, B.C. Director & President	Self-employed mining contractor	437,500 escrow 95,500 free
WALLACE A. McCLELLAND 1201 Quilchena Avenue Merritt, B.C. Director	Prospector; director of Hat Creek Energy Corporation, Northhill Resources Ltd., Dancer Resources Ltd.	nil

6. PARTICULARS OF THE CORPORATE STANDING OF THE ISSUER

The Issuer was incorporated by Memorandum and Articles in British Columbia on December 22, 1978.

The last annual report as at December 22, 1982 was filed with the Registrar of Companies of British Columbia on March 15, 1983. All filings required to be made by the Issuer under the Securities Act and the Company Act of British Columbia are up to date.

The last annual general meeting was held February 18, 1983 and adjourned to March 11, 1983 for the presentation of audited financial statements as at September 30, 1982.

The Issuer is engaged in the business of exploring and developing natural resource properties.

7. THE AUTHORIZED AND ISSUED SHARE CAPITAL OF THE ISSUER

The Issuer is authorized to issue 10,000,000 shares without par value of which 1,910,002 shares are issued and outstanding.

There is only one class of shares and all rank equally as to dividends, voting rights and participation in assets. All shares of the Issuer issued to the date hereof and those issued pursuant to this Statement of Material Facts are and shall be fully paid and non-assessable. Such shares are not subject to calls or assessments nor pre-emptive or conversion rights. There are no provisions attached to such shares for redemption or cancellation, surrender or sinking or purchase funds.

8. THE PRICES AT WHICH SECURITIES OF THE ISSUER HAVE BEEN ISSUED DURING THE PAST YEAR

- (a) On October 22, 1982 5,000 shares were issued to Irwin Zellermaier, #8A-21 East 70th Street, New York, New York at a deemed price of 23¢ per share as part of a proposed 20,000 share finder's fee in connection with the Issuer's acquisition of a coal property in Knox County, Kentucky. The remaining 15,000 shares are to be issued in accordance with development of the property. The property has been the subject of litigation which has been settled. (See Item 15 herein.)
- (b) The Issuer proposes to issue 208,854 shares at a deemed price of 34¢ per share to director Hans Guhr, 6705-36th Avenue, Delta, B. C., a director and president of the Issuer, in satisfaction of indebtedness in the amount of \$71,011 and a further 24,360 shares to Guhr at a deemed price of 34¢ per share as a bonus for his risk, subject to regulatory authorities' approval.

9. PARTICULARS OF ANY BONDS, DEBENTURES, NOTES, CHARGES, LIENS OR HYPOTHECATIONS OF THE ISSUER

There are no bonds, debentures, mortgages, charges, liens or hypothecations of the Issuer issued or outstanding.

10. PARTICULARS OF IMPORTANT PROPERTIES PRESENTLY OWNED, LEASED, HELD UNDER OPTION, OR OPERATED BY THE ISSUER, OR ANY SUBSIDIARY THEREOF, OR PROPOSED TO BE OWNED, LEASED, HELD UNDER OPTION, OR OPERATED BY THE ISSUER, OR ANY SUBSIDIARY THEREOF

A. Lillooet Mining Division
British Columbia

The Issuer holds a 100% interest in the following mineral claims:

<u>Claim</u>	<u>Record No.</u>	<u>Expiry Date</u>
Gold Belt 1-4	649-652	August 8, 1984
Alpha Ext.	653	August 8, 1984
Alpha Ext. 2-4	654-656	August 8, 1984
Golden Sidewalk	660	August 28, 1984

The Gold Belt and Alpha claims cover Mawson Pond and adjoin the Golden Sidewalk claim which is located at the south end of Tyaughton Lake. Access to the property from Lillooet, B.C. is by way of the Bridge River Road west for 96 km and then north for 7 km. From this point several logging roads cross various parts of the property.

In a report by J. P. Elwell, P.Eng. dated March 14, 1983, a copy of which is attached hereto, Mr. Elwell states that previous exploration on the Gold Belt claim disclosed a steep dipping quartz-calcite vein, six feet to eight feet wide carrying gold values in the 0.2 oz/ton range and that exploration carried out on the Golden Sidewalk claim during 1980 consisted of VLF-EM and geochemical surveys which resulted in several anomalous zones recommended for further exploration by a Max-Min EM survey to define targets for trenching and drilling. The Issuer's costs of exploration have been \$40,324. No exploration has taken place on the property since 1980.

Mr. Elwell has recommended a two Phase exploration program, Phase I consisting of further diamond drilling on the Gold Belt vein structure, Max-Min EM survey on part of the Golden Sidewalk claim and stripping of confirmed anomalies preparatory for diamond drilling. Estimated costs of the program is \$80,000 with a Phase II program if justified by the results of Phase I, drifting on the Gold Belt structure and diamond drilling on the Golden Sidewalk at an estimated cost of \$145,000.

B. Jones Property, Knox County, Kentucky

The Issuer's wholly owned United States subsidiary, Warstar Resources-U.S.-Inc., owns in fee simple a tract of land comprising approximately 286 acres which is the subject of a report of Roy K. Cornelius, mining engineer, of Pineville, Kentucky dated July 8, 1980 and a letter report by Paul Plicka, P.Eng. dated June 5, 1981. The reports indicate estimated recoverable coal tonnage in the order of four million tons.

Title to the property was the subject of litigation which has been settled (see Item 15 herein). There are no present plans for exploitation of the coal tonnage.

The Issuer's exploration and development costs to date in connection with the property have been \$40,244.

11. PARTICULARS OF THE COST OF PROPERTIES ACQUIRED BY THE ISSUER OR ANY SUBSIDIARY THEREOF WITHIN THE PAST THREE YEARS OR PROPOSED TO BE ACQUIRED BY THE ISSUER OR ANY SUBSIDIARY THEREOF

A. Lillooet Mining Division, British Columbia

By an agreement dated September 26, 1979 between Dawson Logging & Contracting Ltd., Lillooet, B.C., Elsie M. McClelland, 1201 Quilchena Avenue, Merritt, B.C., William H. Muskeyn, 2150 Palliser Avenue, Coquitlam, B.C. and Patrick J. Rogers, 1808 Jade Place, Victoria, B.C. and the Issuer, the Issuer purchased the Gold Belt and Alpha Ext. claims for 750,000 escrowed shares issued as follows:

Dawson Logging & Contracting Ltd.	100,000 shares
Elsie M. McClelland	287,500 shares
William H. Muskeyn	287,500 shares
Patrick J. Rogers	75,000 shares

Messrs. Muskeyn and Rogers are former directors and promoters of the Issuer. Elsie M. McClelland is the wife of Wallace A. McClelland, a director and promoter of the Issuer.

Dawson Logging & Contracting Ltd. is a non-reporting British Columbia company which has ten shares issued and outstanding held as follows:

Estate of Paul Polischuk	3 shares
Gary Polischuk	3 shares
John C. Reynolds	3 shares
Violet Polischuk	1 share

all of Lillooet, B.C.

Dawson Logging & Contracting Ltd. subsequently transferred 50,000 shares within escrow each to William H. Muskeyn and Elsie M. McClelland. William H. Muskeyn and Elsie M. McClelland have transferred 337,500 and 100,000 shares within escrow to Hans Guhr, a director and president of the Issuer.

By an agreement dated September 26, 1979 between Dawson Logging & Contracting Ltd., Lillooet, B.C. and the Issuer, the Issuer purchased the Golden Sidewalk claim for \$525,000 of which \$25,000 was paid upon execution of the agreement and the balance is to be paid by way of 5% net smelter returns, provided, however, that if the purchase price has not been paid in full by september 30, 1989, the agreement shall be void and title to the Golden Sidewalk claim shall revert to the vendor.

B. Jones Property, Knox County, Kentucky

By an agreement dated January 9, 1981, amended June 12, 1981, between Douglas Ross, 2112 East 53rd Avenue, Vancouver, B.C. and Olaf Jones, P.O. Box 386, Barbourville, Kentucky, as vendors and the Issuer as purchaser, the Issuer agreed to purchase a 286 acre tract of land for 200,000 shares of which 50,000 have been issued. Olaf Jones commenced an action against the Issuer in November, 1982 concerning the agreement. The action has been settled. See Item 15 herein.

C. i) Pike County Prospect, Illinois

By an agreement dated October 2, 1980, amended June 15, 1981, between the Issuer and Snapper Petroleum Inc., P.O. Box 758, Housatonic, Massachusetts, the Issuer acquired Snapper's rights, 100% working interest and 75% net revenue interest, under an agreement for oil exploration and development dated September 10, 1980 between Snapper and Great River Exploration & Associates, Inc., Mt. Sterling, Illinois. Consideration was 50,000 shares issued to Snapper. Six wells were drilled and abandoned. The Issuer's costs were \$192,674. No further work is planned.

ii) Blue Bird Silver Mine
Mohave County, Arizona

By agreement dated October 15, 1980 between the Issuer and Golden Barrel Oil Co. Ltd., 609-525 Seymour Street, Vancouver, B.C. the Issuer acquired leasehold rights to certain mineral claims in Mohave County, Arizona for \$5,000 U.S. and 200,000 shares of which none was issued. The agreement has been terminated. Total cost to the Issuer including the \$5,000 U.S. and extension payments was \$18,497 Can.

iii) Bullfrog Mining District, Nevada

Pursuant to a letter agreement dated August 12, 1981 between the Issuer and White Mineral Resources Inc., P.O. Box 574, Beatty, Nevada the Issuer examined certain mineral claims in the Bullfrog Mining District, Nevada with reference to the feasibility of producing and marketing silica. The prospect has been abandoned. Examination costs to the Issuer were \$24,247.

iv) Bull Frog Gold/Silver Mine
Beatty, Nevada

By agreement dated October 5, 1981 between Audio Spectrum Inc., P.O. Box 574, Beatty, Nevada and the Issuer, the Issuer acquired for the sum of \$25,000 U.S. (\$30,060 Can.) an option to purchase a mining property near Beatty consisting of four principal properties together with equipment for heap leaching, the option exercisable to January 31, 1982. On January 28, 1982 the Issuer gave Audio Spectrum Inc. notice of repudiation of the agreement due to a material change in the interest which the Company could acquire.

v) Nowata County, Oklahoma

By letter agreement dated March 9, 1982 between the Issuer and Glenfyne Holdings Limited, Isle of Man, represented by its attorney holder, Robert G. Moase, the Issuer was granted, for \$5,000 U.S., an option to March 24, 1982 to acquire Glenfyne's interest in oil and gas lands in Nowata County comprising approximately 8,600 acres, the Triton-Lenapah Gas Field. For a further payment of \$15,000 U.S. the option was extended to May 31, 1982. The Issuer did not exercise its option. The Issuer paid \$20,000 U.S. for an engineering study. Total costs to the Issuer were \$63,779 Can.

vi) Boyles West Prospect, Kansas

By agreement dated July 10, 1982 the Issuer acquired an option to participate as to a 20% working interest for \$30,000 U.S. (\$36,720 Can.) from Petro Energy Management Co. Inc., 10601 South Western, Box 69, Oklahoma City, Oklahoma. The option was not exercised.

12. THE NAME AND ADDRESS OF ANY PERSON OR COMPANY WHO OR THAT IS OR HAS BEEN A PROMOTER OF THE ISSUER WITHIN THE PRECEDING TWO YEARS AND THE NATURE AND AMOUNT OF ANYTHING OF VALUE RECEIVED OR TO BE RECEIVED FROM THE ISSUER

William H. Muskeyn, 2150 Palliser Avenue, Coquitlam, B.C., deceased, and Patrick J. Rogers, 1808 Jade Place, Victoria, B.C., former directors of the Issuer together with Wallace A. McClelland, 1201 Quilchena Avenue, Merritt, B.C. were the Issuer's original promoters.

As vendors of property to the Issuer William H. Muskeyn and Patrick J. Rogers received 287,500 and 75,000 shares respectively and Elsie M. McClelland, wife of Wallace A. McClelland, received 287,500.

The Issuer's promoters as of the date hereof are Hans Guhr, 6705-36th Avenue, Delta, B.C., Lilly Brech, 2380-1055 West Hastings Street, Vancouver, B.C. and Wallace A. McClelland, 1201 Quilchena Avenue, Merritt, B.C. Hans Guhr is the transferee of 437,500 shares within escrow, 337,500 from William H. Muskeyn and 100,000 from Elsie M. McClelland.

During the financial year ended September 30, 1982 the Issuer paid \$750 management fee to a company of which Wallace A. McClelland is a principal. As of September 1, 1982 a management fee of \$750 per month has been paid to Guhr Construction Ltd. whose principal is Hans Guhr.

By agreement dated October 15, 1982 the Issuer granted Wallace A. McClelland an incentive stock option to purchase 17,500 shares exercisable to October 15, 1987 at 18¢ per share.

By agreements dated January 12, 1983 the Issuer granted incentive stock options to Lilly Brech and Hans Guhr to purchase 77,750 and 95,250 shares respectively exercisable to January 12, 1988 at 28¢ per share.

At the 1983 annual general meeting held February 18 shareholders approved the satisfaction of Issuer indebtedness of \$71,011 to Hans Guhr by the issuance of 208,854 shares at a deemed price of 34¢ per share. The Issuer will also issue 3,480 shares at a deemed price of 34¢ per share to Mr. Guhr for each month the indebtedness was outstanding (seven months), a total of 24,360 additional shares.

13. THE NUMBER OF SHARES OF THE ISSUER HELD IN ESCROW OR IN POOL AND A BRIEF STATEMENT OF THE TERMS OF THE ESCROW OR POOLING AGREEMENTS

There are 750,000 shares held in escrow by Guardian Estates & Agencies Ltd., 404-470 Granville Street, Vancouver, B.C., subject to the direction or determination of the Vancouver Stock Exchange. The escrow restrictions provide that the shares may not be traded in, dealt with in any manner whatsoever, or released, nor may the Issuer, its transfer agent or escrow holder make any transfer or record any tradings of the shares without the prior consent of the Vancouver Stock Exchange.

In the event that the Issuer loses or alienates the property or asset for which it issued all or part of the escrow shares the Issuer or any shareholder thereof shall have the express obligation to declare such event or circumstance and the particulars thereof to the Superintendent of Brokers and the Vancouver Stock Exchange who may, at their discretion, make such order or direction for the cancellation of all or any portion of the shares as they deem advisable. The fact that the property or asset has been lost or alienated shall not, in itself, be cause for cancellation of all or part of the shares. The complete text of the Escrow Agreement is available for inspection at the Issuer's registered office, 1202 - 789 West Pender Street, Vancouver, British Columbia.

There are no shares held in pool.

14. THE NUMBER OF EQUITY SHARES OF THE ISSUER OWNED BENEFICIALLY, DIRECTLY OR INDIRECTLY, BY EACH PERSON OR COMPANY WHO OWNS, OR IS KNOWN BY THE SIGNATORIES HERETO TO OWN BENEFICIALLY, DIRECTLY OR INDIRECTLY, MORE THAN 10% OF THE EQUITY SHARES OF THE ISSUER

<u>Name and Address</u>	<u>Number of Shares</u>
Hans Guhr 6705-36th Avenue Delta, B.C.	437,500 escrow 95,500 free
Elsie M. McClelland 1201 Quilchena Avenue Merritt, B.C.	237,500 escrow

15. A BRIEF STATEMENT OF ANY MATERIAL LEGAL PROCEEDINGS TO WHICH THE ISSUER OR ANY OF ITS SUBSIDIARIES IS A PARTY OR WHOSE PROPERTY IS THE SUBJECT OF SUCH PROCEEDINGS

- (a) Olaf Jones of Barbourville, Kentucky, a co-vendor of property in Knox County, Kentucky to the Issuer (see Items 10 and 11 herein), filed an action against the Issuer in the Knox Circuit Court in 1982 claiming there was a failure of consideration for the execution of the deed to the property. Mr. Jones obtained default judgment and garnisheed \$87,585 Can. from the Issuer's account with a Kentucky fidelity and trust company. The default judgment was set aside on February 4, 1983 and the Issuer allowed to defend the matter. A settlement was reached whereby Jones would keep the monies garnisheed less \$5,000 U.S. for the Issuer's legal expenses and the Issuer would retain clear title to the property.
- (b) By writ issued in the Supreme Court of British Columbia on April 13, 1983 Georgetown Investments Ltd. has commenced an action against the Issuer alleging that Georgetown loaned the Issuer \$100,000 U.S. and agreed to issue 120,000 shares to Georgetown in connection with a Nevada property transaction (see Item 11C(iv) herein). The Issuer has filed a statement of defence.

There are no other legal proceedings to which the Issuer or any of its subsidiaries is a party or whose property is the subject of such proceedings.

16. THE AGGREGATE DIRECT OR INDIRECT REMUNERATION PAID OR PAYABLE BY THE ISSUER AND ITS SUBSIDIARIES DURING THE PAST YEAR TO THE INSIDERS OF THE ISSUER

During the year ended September 30, 1982 the Issuer paid \$750 management fee to a company of which Wallace A. McClelland is a principal. As of September 1, 1982 a management fee of \$750 per month has been paid to Guhr Construction Ltd. whose principal is Hans Guhr.

17. BRIEF PARTICULARS OF ALL OPTIONS TO PURCHASE SECURITIES OF THE ISSUER UNLESS OTHERWISE DISCLOSED HEREIN

By agreement dated October 15, 1982 the Issuer granted Wallace A. McClelland an incentive stock option to purchase 17,500 shares exercisable to October 15, 1987 at 18¢ per share.

By agreements dated January 12, 1983 the Issuer granted incentive stock options to Lilly Brech and Hans Guhr to purchase 77,750 and 95,250 shares respectively exercisable to January 12, 1988 at 28¢ per share.

The options were approved by shareholders at the annual general meeting held February 18, 1983.

18. THE DATES OF AND PARTIES TO AND THE GENERAL NATURE OF EVERY MATERIAL CONTRACT ENTERED INTO BY THE ISSUER OR ANY SUBSIDIARY WITHIN THE PRECEDING TWO YEARS WHICH IS STILL IN EFFECT AND NOT PREVIOUSLY DISCLOSED HEREIN

There are no other material contracts entered into not previously disclosed herein.

Material contracts disclosed in this Statement of Material Facts may be inspected at the offices of Speton & Company, Barristers & Solicitors, 1202-789 West Pender Street, Vancouver, B.C. during normal business hours during the primary distribution of the securities offered by this Statement of Material Facts and for thirty (30) days after completion of primary distribution.

19. PARTICULARS OF ANY OTHER MATERIAL FACTS RELATING TO THE SECURITIES BEING OFFERED AND NOT DISCLOSED UNDER ANY OTHER TERMS

There are no other material facts.

WARSTAR RESOURCES INC.

CONSOLIDATED FINANCIAL STATEMENTS

31 MARCH 1983

SMITH, FLYNN, STALEY

CHARTERED ACCOUNTANTS

225 - 4299 CANADA WAY,
BURNABY, B.C. V5G 1H3
TELEPHONE: 434-1384

R. C. SMITH C.A.
A. R. FLYNN C.A.
D. L. STALEY C.A.

AUDITORS' REPORT

To the Directors of
Warstar Resources Inc.

We have examined the consolidated balance sheet of Warstar Resources Inc. as at 31 March 1983 and the consolidated statements of deficit, changes in financial position and deferred exploration and development costs for the six months then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion these financial statements, when read in conjunction with the notes attached thereto, present fairly the financial position of the company as at 31 March 1983 and the costs of its exploration activities and the changes in its financial position for the period then ended in accordance with generally accepted accounting principles.

7 June 1983


Chartered Accountants

WARSTAR RESOURCES INC.
 (Under the Company Act, British Columbia)
 CONSOLIDATED BALANCE SHEET
 AS AT 31 MARCH 1983

ASSETS

MINERAL PROPERTIES (Note 2)	\$ 245,085
DEFERRED EXPLORATION AND DEVELOPMENT COSTS - Schedule A (Note 1)	184,716
	\$ 429,801

LIABILITIES

CURRENT

Bank overdraft	\$ 13,365
Accounts payable	9,515
Due to director (Note 3e)	71,011
	93,891

SHAREHOLDERS' EQUITY

SHARE CAPITAL (Note 3)		
Authorized - 10,000,000 shares without par value		
Issued and fully paid -	\$ 1,097,002	
DEFICIT - Exhibit B	(761,092)	335,910

ON BEHALF OF THE BOARD:

Norm Zuber, Director
Elly Beel, Director

\$ 429,801

WARSTAR RESOURCES INC.
 CONSOLIDATED STATEMENT OF DEFICIT
 FOR THE SIX MONTHS ENDED 31 MARCH 1983

Exploration costs on property not acquired - Written off	\$ 1,237
Balance - 30 September 1982	<u>759,855</u>
BALANCE - 31 MARCH 1983	<u><u>\$ 761,092</u></u>

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
 FOR THE SIX MONTHS ENDED 31 MARCH 1983

SOURCE OF FUNDS		\$ NIL
APPLICATION OF FUNDS		
Deferred exploration and development costs - Schedule 1	\$ 37,651	
Adjustment for items not affecting working capital -		
Issuance of share capital for fees	(1,150)	
Write off of fixed assets	<u>(125)</u>	
	36,376	
Mineral claims	<u>87,585</u>	<u>123,961</u>
DECREASE IN WORKING CAPITAL		123,961
Working capital - 30 September 1982		<u>30,070</u>
WORKING CAPITAL DEFICIT - 31 MARCH 1983		<u><u>\$ 93,891</u></u>

WARSTAR RESOURCES INC.
 CONSOLIDATED SCHEDULE OF DEFERRED EXPLORATION
 AND DEVELOPMENT COSTS
 FOR THE SIX MONTHS ENDED 31 MARCH 1983

DIRECT

Foreign

Jones Coal property, Knox County,
 Kentucky, U.S.A.

\$ 1,150

Outside property examination

1,237

\$ 2,387

Domestic

Golden Sidewalk, Lillooet Mining
 Division, B.C.

1,2373,624

INDIRECT AND ADMINISTRATIVE

Legal, accounting and auditing

12,969

Management fees

4,500

Travel and promotion

4,006

Telephone

3,676

Office rent

3,600

Salaries and benefits

2,378

Office and other

1,417

Stock exchange fees

1,000

Service charges and interest (net)

356

Write-off of fixed assets

12534,027

TOTAL COSTS FOR THE PERIOD

37,651

Deferred exploration and development
 costs - 30 September 1982

148,302

Write-off of costs relating to
 properties abandoned

(1,237)

DEFERRED EXPLORATION AND DEVELOPMENT COSTS

- 31 MARCH 1983

\$ 184,716

WARSTAR RESOURCES INC.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 31 MARCH 1983

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Consolidation

These financial statements include the accounts of the company and its wholly-owned subsidiary, Warstar Resources - U.S. Inc.

(b) Exploration Activities

The company follows a full cost method of accounting for exploration activities whereby all costs, including related general and administrative expenses, are capitalized during the development stage for an area of interest. The capitalized costs are amortized on an area of interest basis when the property is placed into production or written off to deficit when the mineral rights are abandoned.

As of 31 March 1983, the company had no production and accordingly all costs, including general and administrative expenses, have been deferred.

The amount shown on the balance sheet for deferred exploration and development costs represents amounts expended to date on properties held and is not intended to reflect present or future values.

(c) Mineral properties

The company follows the practice of capitalizing acquisition costs of properties and rights. Such costs are written off when abandoned or amortized on a unit-of-production method when placed in service.

The amount shown on the balance sheet for mineral properties represents amounts expended to date on these properties and is not intended to reflect present or future values.

2. MINERAL PROPERTIES

Mineral properties consist of the following:

Domestic

Golden Sidewalk, Lillooet Mining Division, B.C. - Cash payment	\$ 25,000	
Goldbelt and Alpha Extension, Lillooet Mining Division, B.C. - 750,000 shares	<u>7,500</u>	\$ 32,500

Foreign

Jones Coal property, Knox County, Kentucky, U.S.A. 50,000 shares	125,000	
Garnisheed cash (see Note 4b)	<u>87,585</u>	212,585

\$ 245,085

WARSTAR RESOURCES INC.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 31 MARCH 1983

3. SHARE CAPITAL

(a) During the period ended 31 March 1983, the company issued 5,000 treasury shares at a deemed value of 23¢ per share in consideration for a finders' fee relating to the Jones property.

(b) Issued and paid up capital consists of the following:

<u>Consideration</u>	<u>- # -</u>	<u>- \$ -</u>
Cash	1,055,002	\$ 853,352
Properties	850,000	242,500
Finders' fee	5,000	1,150
	<u>1,910,002</u>	<u>\$ 1,097,002</u>

(c) 750,000 shares are held in escrow, to be released only with the consent of the governing regulatory bodies.

(d) The company has granted stock options to its directors and employees as follows:

	<u>No. of Shares</u>	<u>Option Price Per Share</u>	<u>Option Exercisable Until</u>
Directors	77,750	\$ 0.28	12 January 1988
	17,500	\$ 0.18	15 October 1987
Employee/Director	95,250	\$ 0.28	12 January 1988
	<u>190,500</u>		

(e) The following share commitments are subject to the approval of the governing regulatory bodies:

	<u>Shares</u>
Property acquisition agreement, Jones property (Note 4b)	150,000
Balance of finders' fee, relating to Jones property, at \$ 0.23 each	15,000
Settlement indebtedness to a director in the amount of \$ 71,011, at \$ 0.34 per share	208,854
Bonus to director for above indebtedness, in lieu of interest	24,360
	<u>398,214</u>

WARSTAR RESOURCES INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 MARCH 1983

4. AGREEMENTS

(a) Under a 1979 agreement the company acquired the Golden Sidewalk property for \$ 525,000. The terms called for a payment of \$ 25,000 and the balance of \$ 500,000 to be paid by way of 5% net smelter returns, provided that if the balance is not paid in full by 30 September 1989 the claims will revert to the vendor.

(b) Under the agreement entered into by the company in January 1981, the company acquired a 286 acre tract of land in consideration for the issuance of 200,000 treasury shares. (50,000 shares were issued from treasury in 1981 and a further 50,000 shares were provided from the holdings of individual shareholders.)

In 1982, one of the vendors commenced an action against the company alleging non-compliance with the agreement and other representations. A default judgment was obtained resulting in the garnisheeing of the company's bank balance in the amount of \$ 87,585. The company has agreed to the garnisheeing of the funds in return for a quit claim from this vendor.

In addition, the company expects to be able to obtain a quit claim from the second vendor which would negate the obligation to issue the final 100,000 shares.

5. CONTINGENT LIABILITY

In April 1983, an action was filed against the company alleging that the company borrowed from this party \$ 100,000 U.S. and agreed to issue to this party 120,000 shares in connection with a Nevada property transaction.

The company's solicitor is of the opinion that the company has a good defense against this action.

6. RELATED PARTY TRANSACTION

During the six months ended 31 March 1983 the company paid \$ 4,500 as management fees and \$ 3,600 as office rent to a company controlled by one of the directors.

7. STATUTORY INFORMATION

During the six months ended 31 March 1983, the remuneration paid or payable to directors and officers, as defined in the Company Act, British Columbia, was \$ 2,272 (paid to an employee).

REPORT ON
THE
GOLDEN SIDEWALK, GOLD BELT
AND ALPHA CLAIMS
BRIDGE RIVER AREA
LILLOOET MINING DIVISION, B.C.

FOR

WAR STAR RESOURCES INC.
7th Floor, 609 Granville Street
Vancouver, B.C.

BY

J.P. ELWELL ENGINEERING LTD.
1026 - 510 West Hastings Street
Vancouver, B.C.

March 14th 1983

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VLF EM SURVEY.....	In Pocket	
SOIL GEOCHEMISTRY SURVEY.....	" "	
FOR Cu, Pb, Zn, and Ag.		

REPORT ON THE GOLDEN SIDEWALK, GOLD BELT & ALPHA CLAIMS
LILLOOET MINING DIVISION, BRITISH COLUMBIA

SUMMARY

The Golden Sidewalk and Gold Belt claims, located in the Bridge River area of the Lillooet Mining Division of B.C., cover two old gold-silver prospects dating from the 1930's.

Geologically, the claims are underlain by the Ferguson Series of andesitic and basaltic volcanics, cherts, limestones, etc., which are contorted and faulted, with some of the faults being filled with quartz-calcite veins carrying varying amounts of sulphide mineralization and gold-silver values.

On the Gold Belt claim, originally the Dauntless property, previous exploration has disclosed a steep dipping quartz-calcite vein, 6' to 8' wide carrying gold values in the 0.2 oz/ton range. On the Golden Sidewalk claim, originally known as the Peerless, an old adit has been driven over a narrow vein carrying lead, zinc, gold and silver values, and there is evidence of other mineralized structures within the claim.

Exploration carried out on the Golden Sidewalk claim during 1980 consisted of VLF-EM and geochemical surveys. This work resulted in several anomalous zones which were recommended for further exploration by a Max-Min EM survey to define targets for trenching and drilling.

Recommendations are made in this report for a two phase exploration program. Phase I will consist of further diamond drilling on the Gold Belt (Dauntless) vein structure; the

Max-Min EM survey on part of the Golden Sidewalk claim; and stripping of confirmed anomalies preparatory for diamond drilling. Phase II, as justified by Phase I, will consist of drifting on the Gold Belt (Dauntless) vein, and diamond drilling of mineral zones on the Golden Sidewalk claim.

Phase I is estimated at a total of \$80,000, and Phase II at \$145,000 for a combined total of \$225,000.

INTRODUCTION

On June 25th 1979, the writer submitted a report to War Star Resources Inc., on the Golden Sidewalk, Gold Belt and Alpha claims, located in the Bridge River area of the Lillooet Mining Division of B.C., and an addenda to this report was submitted August 31st 1979. These reports covered the initial phases of exploration recommended for the claims which included soil sampling, VLF-EM survey, and a Max-Min EM survey, part of which work was carried out by Geotronics Surveys Ltd. with the results compiled in their report dated June 29th 1980.

This report discusses the results of the work accomplished, and proposes a further program of exploration.

The report was prepared for War Star Resources Inc., 7th Floor, 609 Granville Street, Vancouver, B.C. Information and data used in this report has been derived from previously submitted reports which are acknowledged under "References".

LOCATION & ACCESS

The Golden Sidewalk claim, originally known as the Peerless property, and later staked as the Zinc claims, is located at the south end of Tyaughton Lake and consists of 20 metric units (5EW x 4NS). The Alpha and Gold Belt claims consisting of 4 reverted Crown Grants and 4 located claims cover Mawson Pond and adjoin the Golden Sidewalk claim at the southeast corner.

Access to the property from Lillooet is by way of the Bridge River road west for 96km and then north for 7km. From this point several logging roads cross various parts of the property.

The B.C. Hydro power line to Bralorne follows the highway, and there is ample timber and water available for all purposes.

A location map, drawn from M92J/15E and W, accompanies this report.

PROPERTY

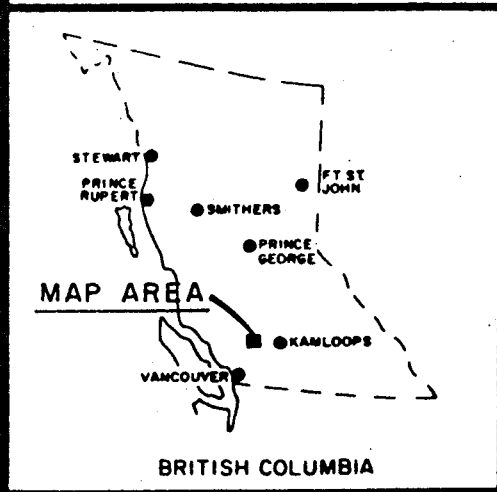
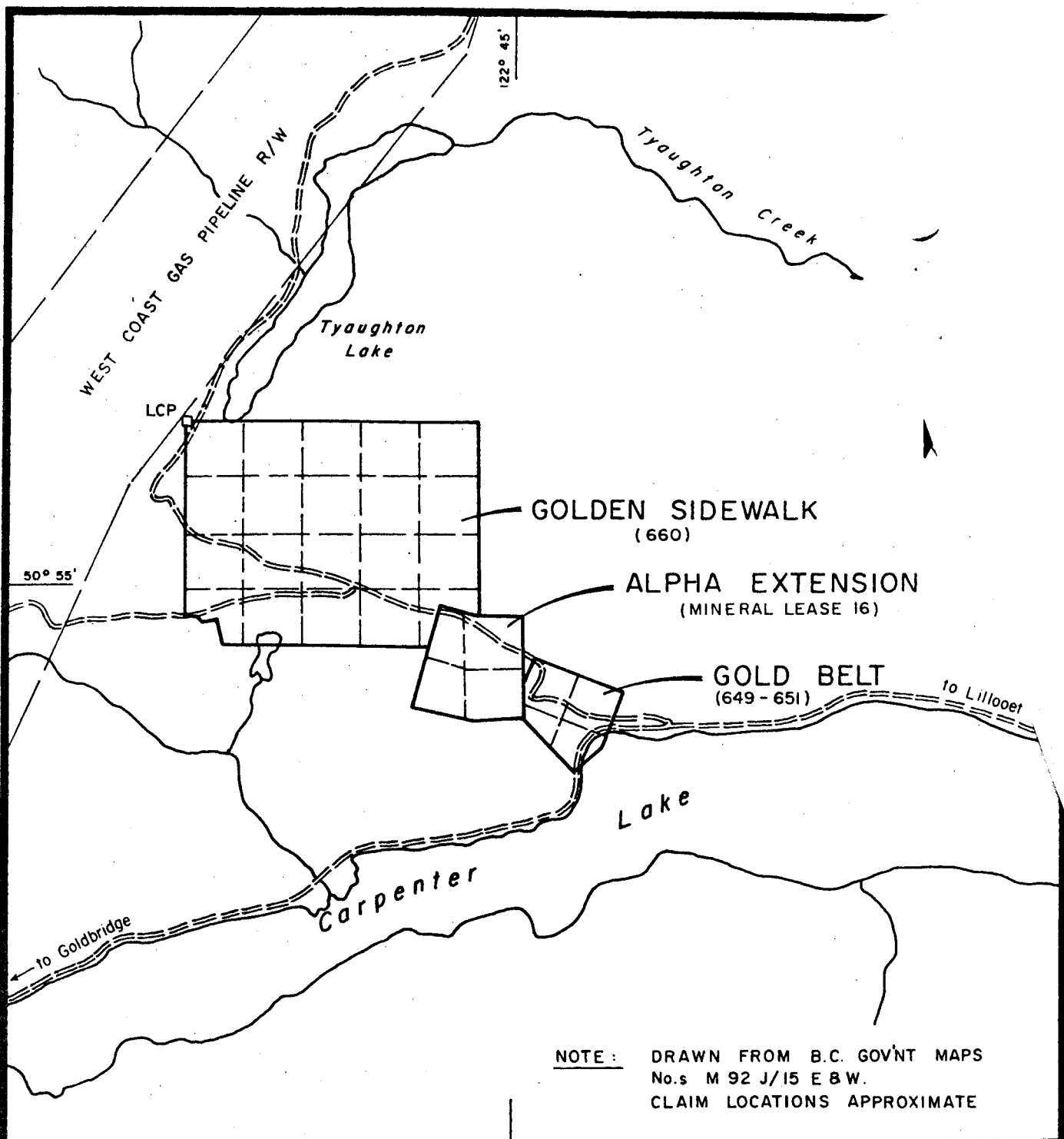
According to data examined, the property consists of the following claims:

<u>Name</u>	<u>Record No.</u>	<u>Anniversary Date</u>
Gold Belt #1-#4 incl.	649-652 incl.	August 8th 1984
Golden Sidewalk	660	August 28th 1984
Alpha Ext. (653)
Alpha Ext. #2 (Reverted	654)
Alpha Ext #3 † Crown	655	‡ August 8th 1984
Alpha Ext #4 (Grants)	656)

The position of these claims is shown on the location map accompanying this report.

HISTORY OF THE PROPERTY & EXPLORATION

The history of the Gold Belt claims which cover the old Dauntless prospect dates from around 1935 when the present adit was started by the Reward Mining Co. Ltd. Since this time the ground has been held by a number of companies including San Doh Mines Ltd., which carried out some bulldozer trenching and diamond drilling in 1965. Later it was staked by Rainbow Lake Explorations Ltd., and in 1974 by Ashcroft Resources Ltd., which company carried out further sampling and diamond drilling in 1975, this work being examined by the writer and covered by a report dated November 19th, 1975. (The results of this work are discussed in a later section).



WARSTAR RESOURCES INC.

LOCATION MAP

GOLDEN SIDEWALK, ALPHA EXTENSION AND GOLD BELT CLAIMS

GOLD BRIDGE AREA, LILLOOET MINING DIVISION B.C.

Scale = 1:50,000

JUNE 1979

J.P. ELWELL P. Eng.

The Golden Sidewalk claim covers the property of the Peerless Gold Mines Ltd., and a description of the workings, consisting of 2 adits, an inclined shaft, and some trenches is contained in the B.C. Minister of Mines Report for 1937.

In 1974 the property was re-staked as the Zinc claims by Thunder Creek Mines Ltd., and a report was prepared by Charles A.R. Lammle, P.Eng., dated December 1974. No work was reported and the claims lapsed, the area being re-staked by P. Polischuk for Dawson Logging and Construction in 1978, which company carried out a program of line cutting and some bulldozer trenching.

These trenches were examined and sampled by the writer in August, 1979, with the results reported in the Addenda Report of August 31st 1979.

In May 1980, the company carried out VLF-EM and geochemical surveys over the Golden Sidewalk claim with the soils being analyzed for Au, Pb, Zn, and Ag. The data collected from these surveys was submitted to Geotronics Surveys Ltd. for plotting and analysis of results, and Geotronics submitted a complete report dated June 29th 1980, with recommendations for further work. The findings and recommendations are covered in a later section of this report. No exploration work has been done on the claims since 1980.

GENERAL AND ECONOMIC GEOLOGY

Both the Golden Sidewalk and Gold Belt claims are underlain by the Ferguson Group of andesitic and basaltic volcanics, cherts, argillites and limestones, which are believed to be of Triassic or older age. Locally, these rocks have been intruded by serpentized ultrabasic rocks and Cretaceous or Tertiary feldspar porphyries. The Ferguson rocks

are highly contorted and altered, and are cut by strong faults, some of which are filled with quartz-calcite veins carrying both sulphide mineralization as well as variable gold and silver values.

On the Gold Belt claims (Dauntless property) the structure of economic interest is a strong shear zone striking at about 55° with a dip of about 80° to the northwest. The shear is mineralized with quartz-calcite carrying arsenopyrite, pyrite, and stibnite with variable gold and silver values. A 246 foot adit driven over the shear to the southwest indicates a vein width of 6 to 10 feet tending to pinch to the southwest.

The Golden Sidewalk claim which covers the old Peerless property on which an old adit and some trenching has partially developed a northeast trending mineralized fissure vein containing erratic depositions of sphalerite, pyrite and galena with gold-silver values associated with a vein material of quartz, calcite, and ankerite. Other mineral showings are reported, but have not been confirmed.

DISCUSSION OF RESULTS

A. Gold Belt (Dauntless zone)

Detailed geological studies of this zone by Sullivan, Kelly, and Lamble all concur that the presently known vein structure which has been partially developed by the adit and some drilling is worthy of continued exploration, both along strike and to depth. The results of the 1975 drilling program which was examined by the writer has traced the vein near the adit mouth to at least 120 feet in depth without decrease in width or gold values, which at today's prices represents about \$100.00 (Can.) per ton. (See plan

and section of D.D. holes accompanying this report). The geological examinations have indicated the distinct possibility of a parallel shear about 200 feet to the northeast. Kelly, in his report, quotes low values in gold and silver from samples of weathered wall rock, but states that the vein would be obscured by deep overburden, and would require exploration by diamond drilling.

The assumed extension of the shear zone to the northeast has been probed from the deep gully about 300 feet northeast of the adit portal. These holes passed through greestone and entered a feldspar porphyry dike where they were stopped with no vein structure being encountered, indicating a possible displacement of the vein by faulting.

The values and widths encountered by the previous drilling and the proximity of the structure to the old Minto mine, which is in the same geological formation, justifies further drilling to delineate the vein along strike and to depth.

B. Golden Sidewalk (Peerless zone)

The VLF-EM and geochemical surveys were conducted over grid lines cut east-west at 100m spacing with 33m sample intervals. In their report dated June 29th 1980, Geotronics Surveys Ltd. found sizable anomalous areas in the north-western part of the claim area and with good correlation of the lead, zinc, and silver values and fair correlation of these metals with the copper values.

Accompanying this report are copies of the geochem. results for each of the four metals, as well as a plot of the VLF-EM results. The conclusions of the Geotronic's report are reproduced verbatim on the next page:

1. The VLF-EM anomalies probably have reflected mainly faults and possibly lithologic contacts. Many of these are related to soil anomalies.

Some of the most interesting parts of the VLF-EM anomalies are those that appear to indicate cross-structure since these would be prime areas to look for sulphide mineralization.

2. The anomalous soil results occur west of the baseline and north of Line 24S.
3. The mode of the causative sources appears to be parallel and sub-parallel fissure veins and/or shear zones as indicated by the shape of the anomalies as well as the correlation with the VLF-EM results. The mineralization is likely lead and zinc sulphides with silver values, and some copper sulphides.
4. The most promising anomalous zone, by far, is that labelled A, which occurs in the northwest corner of the property. The zone is quite extensive, being 800m long, 800m wide and open to the northwest. It probably is caused by several sources as explained above. The anomalous values of each of the metals have intensities of several standard deviations.
5. Anomalous zones B and E are also of considerable exploration interest though these zones are somewhat smaller. Zones A, B and E could well be related.

The recommendations made in the report were to carry out the Max-Min survey as recommended by the writer in his report of June, 1979, in order to delineate the anomalies more precisely for diamond drill targets. An I.P. survey

is also suggested if the Max-Min EM system does not work well.

In general, the claim area, as it stands, has two distinct target areas for exploration. The Gold Belt claims cover a quartz vein system which previous drilling and drifting has indicated as having economic widths and gold values at current prices, but which requires tracing along strike and to depth by further diamond drilling together with possibly some geophysics to detect the suspected fault offset section. On the Golden Sidewalk (Peerless) claim, geophysics and soil sampling has indicated sizable anomalous areas which may indicate base metal veins with gold-silver values similar to that encountered in the Peerless adit where dump samples have resulted in high gold values associated with lead and zinc.

A phased program of exploration is proposed, Phase I being a continuation of the work outlined in the previous reports, and Phase II being contingent on favourable results from Phase I.

RECOMMENDATIONS

Phase I

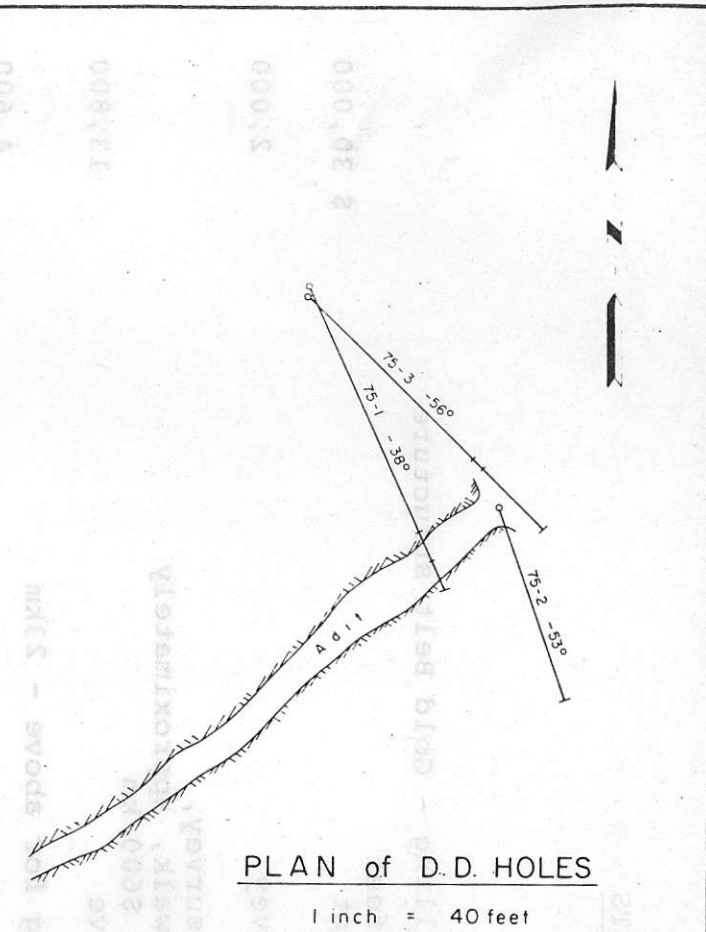
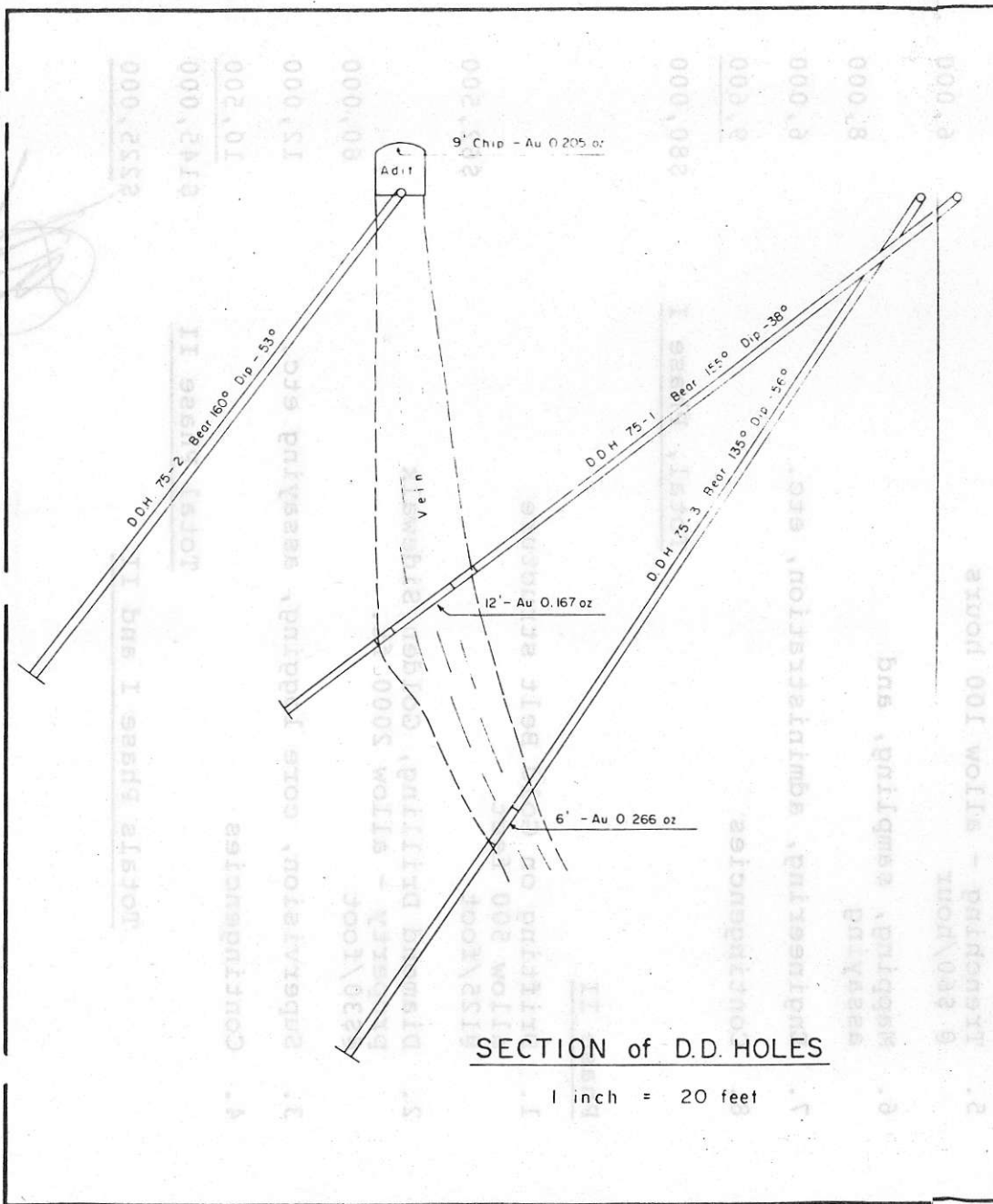
1. Further drilling should be done on the Dauntless vein with holes stepped to the northeast from DDH 75-3 at 50 foot intervals to determine if and where the vein is cut off by faulting.
2. Following (1) holes should be drilled to probe the vein down dip to at least 400 feet.
3. Conduct some lines of VLF-EM normal to the strike to

the southwest. Responses indicating a continuation of the structure should be tested by diamond drilling.

4. The western part of the Golden Sidewalk claim from 0S to 45S and from 28W to 8E should be covered by a Max-Min EM survey. New grid lines will be required.
5. The Peerless adit should be mapped and sampled in detail.
6. Defined EM anomalies should be opened up by bulldozer or backhoe trenching normal to the indicated strike. Map and sample all mineral showings.

Phase II

1. If the drilling results on the Gold Belt (Dauntless) vein system indicate consistent gold values and widths, further development should be by underground drifting. This may take the form of a decline to gain access to the vein at depth.
2. On the assumption that the Phase I program on the Golden Sidewalk (Peerless) ground results are favourable, diamond drilling of certain targets would be in order. The number, depth, and location of the holes would be decided after careful analysis of the Phase I work.



WARSTAR RESOURCES INC.

PLAN & SECTION of D.D. HOLES
DAUNTLESS PROPERTY (Gold Belt)

GOLD BRIDGE AREA, LILLOOET MINING DIV. B.C.

JUNE 1979

J.P. ELWELL P. Eng.

ESTIMATE OF COSTS

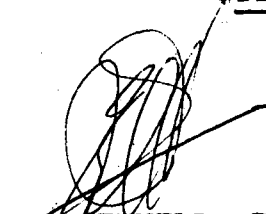
Phase I

1. Diamond drilling - Gold Belt structure allow 1000 feet @ \$30.00/foot	\$ 30,000
2. VLF -EM survey	2,000
3. Max-Min EM survey, Golden Sidewalk, approximately 23km line @ \$600/km all inclusive	13,800
4. Line cutting for above - 23km @ \$200/km	4,600
5. Trenching - allow 100 hours @ \$60/hour	6,000
6. Mapping, sampling, and assaying	8,000
7. Engineering, administration, etc.	6,000
8. Contingencies	<u>9,600</u>
<u>Total, Phase I</u>	\$80,000

Phase II

1. Drifting on Gold Belt structure allow 500 feet @125/foot	\$62,500
2. Diamond Drilling, Golden Sidewalk property - allow 2000 ft. @\$30/foot	60,000
3. Supervision, core logging, assaying etc.	12,000
4. Contingencies	<u>10,500</u>
<u>Total Phase II</u>	\$145,000
<u>Totals Phase I and II</u>	<u>\$225,000</u>

March 14th 1983


J.P. ELWELL, P.Eng.

REFERENCES

Geological Report on the Pond Group of Mineral Claims -
J. Sullivan, P.Eng. March 1965.

Report on the Au Group of Mineral Claim - Sherwin F. Kelly,
P.Eng., November 1973

Preliminary Geological Report on the Zinc Mineral Claims
(Peerless Prospect) - C.A.R. Lammle, P.Eng. Dec. 1974.

Progress Report - Dauntless Property -J.P. Elwell, P.Eng.
July 1975.

B.C. Minister of Mines Report - 1937.

Report on the Golden Sidewalk, Gold Belt and Alpha claims-
J.P. Elwell, P.Eng. June 25th 1979 with Addenda Aug
31st 1979.

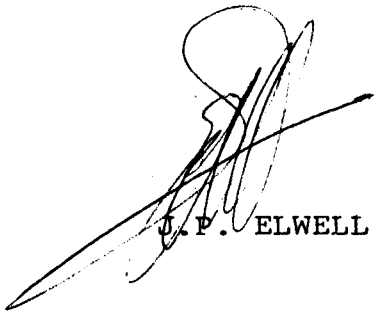
Geophysical-Geochemical Report on VLF-EM and Soil Sample
Surveys, Gold Bridge Property, Lillooet Mineral Division,
B.C. for War Star Resources Inc., by David G. Mark,
Geotronics Surveys Ltd., June 29th 1980.

CERTIFICATE

I, James Paul Elwell, of 4744 Caulfield Drive, West Vancouver, B.C., do hereby certify that:

1. I am a Consulting Mining Engineer residing at 4744 Caulfield Drive, West Vancouver, B.C., and with an office at 1026 - 510 West Hastings Street, Vancouver, B.C. V6B 1L8.
2. I am a graduate in Mining Engineering from the University of Alberta in 1940, and am a Registered Professional Engineer in the Province of British Columbia.
3. I have no personal interest, directly or indirectly, in the properties examined or in War Star Resources Inc. securities, nor do I expect to receive, directly or indirectly, any interest in such properties or securities.
4. The findings in the report are from data obtained from the reports and maps referred to and from a personal examination of the property February 2nd, 1979 and August 16th, 1979.
5. In the area examined, I found the staking to be in accordance with the Mineral Act.
6. This Report may be reproduced in full in the Company's Prospectus or Statement of Material Facts.

DATED at VANCOUVER, B.C. this 14th day of March, 1983.



J.P. ELWELL, P.Eng.

20. STATUTORY RIGHTS OF RESCISSION

Sections 60 and 61 of the Securities Act (British Columbia) provides in effect, that where a security is offered to the public in the course of primary distribution:

- (a) A purchaser has a right to rescind a contract for the purchase of a security, while still the owner thereof, if a copy of the last Statement of Material Facts, together with financial statements and a summary of engineering reports as filed with the Vancouver Stock Exchange, was not delivered to him or his agent prior to delivery to either of them of the written confirmation of the sale of the securities. Written notice of intention to commence an action for rescission must be served on the person who contracted to sell within 60 days of the date of delivery of the written confirmation, but no action shall be commenced after the expiration of three months from the date of service of such notice.
- (b) A purchaser has the right to rescind a contract for the purchase of such security, while still the owner thereof, if the Statement of Material Facts or any amended Statement of Material Facts offering such security contains an untrue statement of material fact or omits to state a material fact necessary in order to make any statement therein not misleading in the light of the circumstances in which it was made, but no action to enforce this right can be commenced by a purchaser after expiration of 90 days from the later of the date of such contract or the date on which such Statement of Material Facts or amended Statement of Material Facts is received or is deemed to be received by him or his agent.

Reference is made to the said Act for the complete text of the provisions under which the foregoing rights are conferred.

21. CERTIFICATE OF THE DIRECTORS AND PROMOTERS OF THE ISSUER:

The foregoing constitutes full, true, and plain disclosure of all material facts relating to the securities offered by this Statement of Material Facts.

June 7, 1983
(Date)

Hans Guhr, Director,
President & Promoter

Hans Guhr

Lilly Brech, Director,
Secretary & Promoter

Lilly Brech

Wallace A. McClelland,
Director

Wallace A. McClelland

CERTIFICATE OF THE AGENT:

To the best of our knowledge, information, and belief, the foregoing constitutes full, true, and plain disclosure of all material facts relating to the securities offered by this Statement of Material Facts.

June 7, 1983
(Date)

WOLVERTON & COMPANY, LIMITED

A. E. Grommet