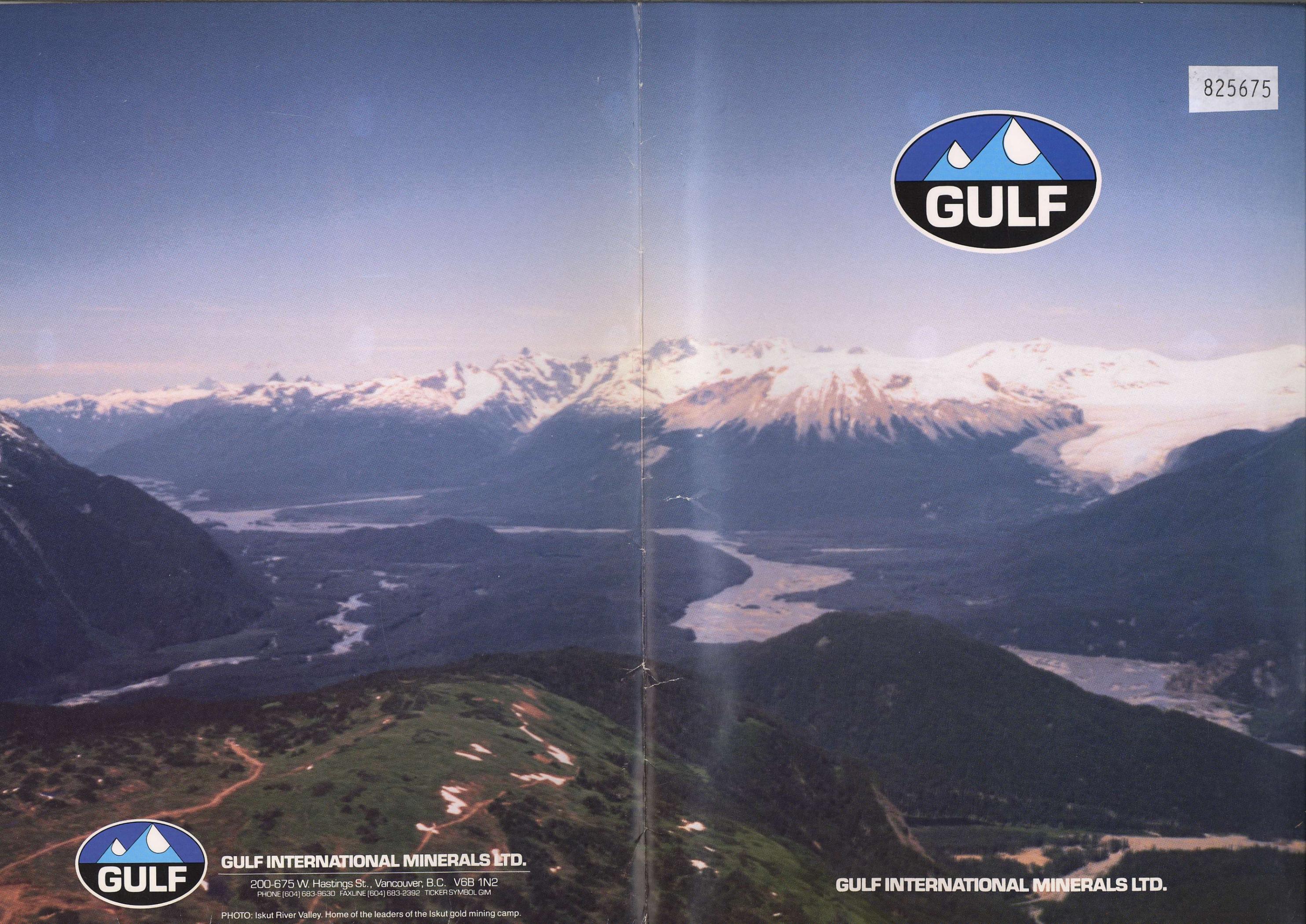


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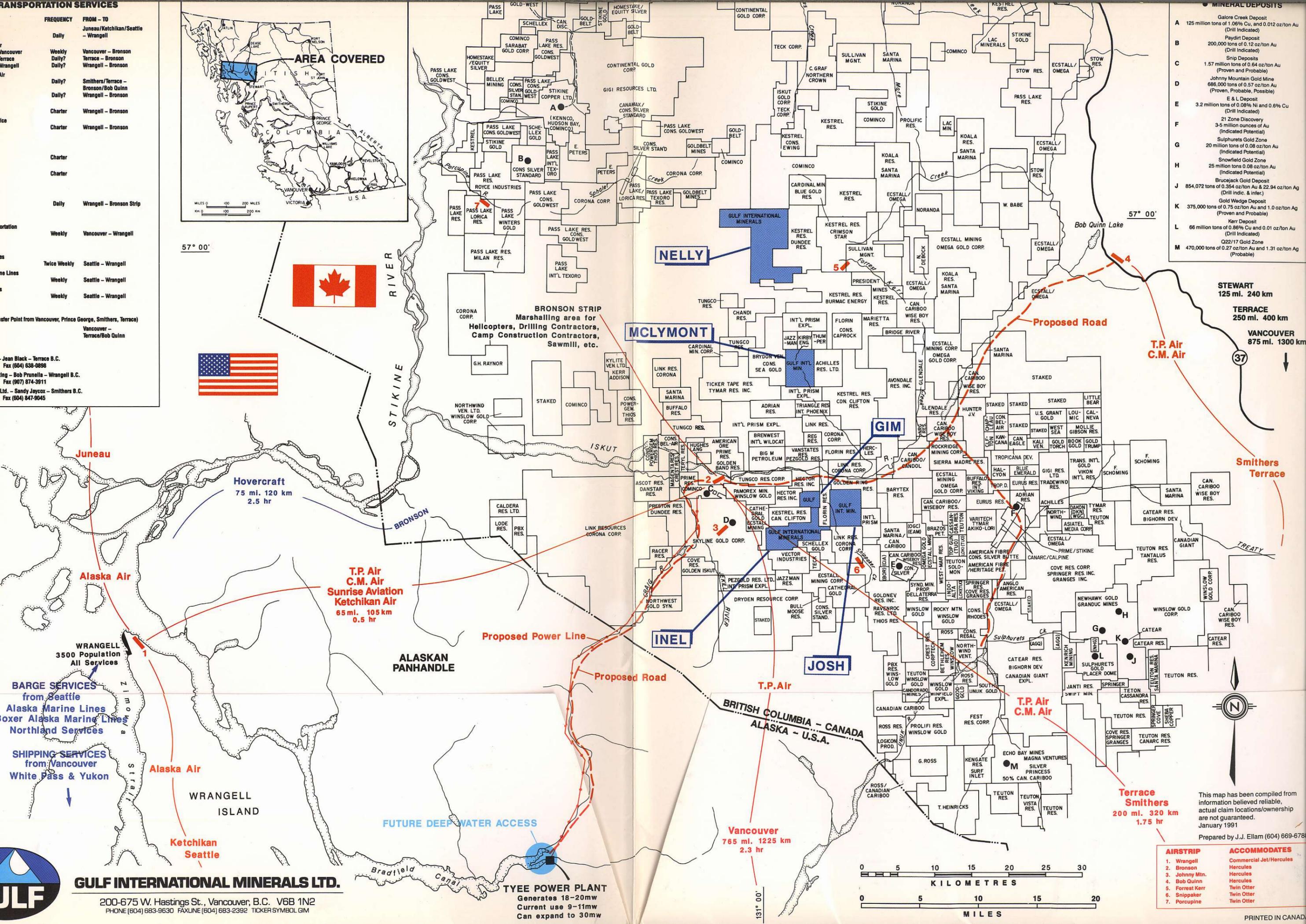


GULF INTERNATIONAL MINERALS LTD.

200-675 W. Hastings St., Vancouver, B.C. V6B 1N2
PHONE (604) 683-9630 FAXLINE (604) 683-2392 TICKER SYMBOL GIM

PHOTO: Iskut River Valley. Home of the leaders of the Iskut gold mining camp.

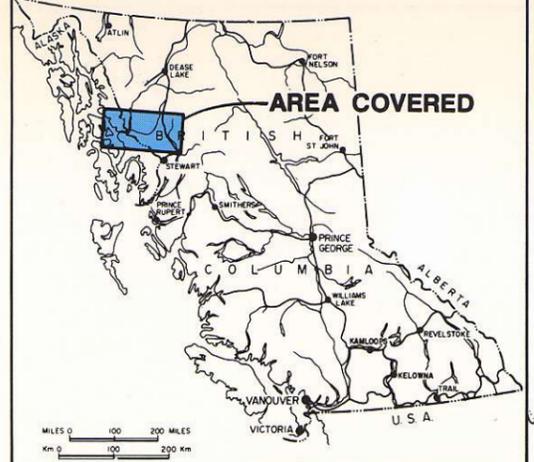
GULF INTERNATIONAL MINERALS LTD.



TRANSPORTATION SERVICES

FREQUENCY	FROM - TO
Daily	Juneau/Ketchikan/Seattle - Wrangell
Weekly	Vancouver - Bronson
Daily?	Terrace - Bronson
Daily?	Wrangell - Bronson
Daily?	Smithers/Terrace - Bronson/Bob Quinn
Daily?	Wrangell - Bronson
Charter	Wrangell - Bronson
Charter	Wrangell - Bronson
Charter	Wrangell - Bronson Strip
Weekly	Vancouver - Wrangell
Twice Weekly	Seattle - Wrangell
Weekly	Seattle - Wrangell
Weekly	Seattle - Wrangell

(From Vancouver, Prince George, Smithers, Terrace)
 Vancouver - Terrace/Bob Quinn
 Vancouver - Terrace/Bob Quinn
 Vancouver - Terrace/Bob Quinn
 Vancouver - Terrace/Bob Quinn
 Vancouver - Terrace/Bob Quinn



MINERAL DEPOSITS

A	125 million tons of 1.06% Cu, and 0.012 oz/ton Au (Drill Indicated)
B	Paydirt Deposit 200,000 tons of 0.12 oz/ton Au (Drill Indicated)
C	Snip Deposits 1.57 million tons of 0.64 oz/ton Au (Proven and Probable)
D	Johnny Mountain Gold Mine 688,000 tons of 0.57 oz/ton Au (Proven, Probable, Possible)
E	E & L Deposit 3.2 million tons of 0.08% Ni and 0.6% Cu (Drill Indicated)
F	21 Zone Discovery 3-5 million ounces of Au (Indicated Potential)
G	Sulphurets Gold Zone 20 million tons of 0.08 oz/ton Au (Indicated Potential)
H	Snowfield Gold Zone 25 million tons of 0.08 oz/ton Au (Indicated Potential)
J	Brucejack Gold Deposit 854,072 tons of 0.354 oz/ton Au & 22.94 oz/ton Ag (Drill Indic. & Infer.)
K	Gold Wedge Deposit 375,000 tons of 0.75 oz/ton Au and 1.0 oz/ton Ag (Proven and Probable)
L	Kerr Deposit 66 million tons of 0.86% Cu and 0.01 oz/ton Au (Drill Indicated)
M	Q22/17 Gold Zone 470,000 tons of 0.27 oz/ton Au and 1.31 oz/ton Ag (Probable)

BRONSON STRIP
 Marshalling area for Helicopters, Drilling Contractors, Camp Construction Contractors, Sawmill, etc.

STEWART 125 mi. 240 km
TERRACE 250 mi. 400 km
VANCOUVER 875 mi. 1300 km

Smithers Terrace

Juneau

Hovercraft
 75 mi. 120 km
 2.5 hr

T.P. Air
C.M. Air
Sunrise Aviation
Ketchikan Air
 65 mi. 105 km
 0.5 hr

Alaska Air

WRANGELL
 3500 Population
 All Services

BARGE SERVICES
 from Seattle
 Alaska Marine Lines
 Coxer Alaska Marine Lines
 Northland Services

SHIPPING SERVICES
 from Vancouver
 White Pass & Yukon

WRANGELL ISLAND

Ketchikan
Seattle

ALASKAN PANHANDLE

FUTURE DEEP WATER ACCESS

Proposed Power Line

Proposed Road

BRITISH COLUMBIA - CANADA
ALASKA - U.S.A.

Vancouver
 765 mi. 1225 km
 2.3 hr

Terrace
Smithers
 200 mi. 320 km
 1.75 hr

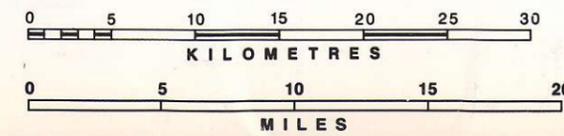
This map has been compiled from information believed reliable, actual claim locations/ownership are not guaranteed.
 January 1991
 Prepared by J.J. Ellam (604) 669-6788

AIRSTRIP	ACCOMMODATES
1. Wrangell	Commercial Jet/Hercules
2. Bronson	Hercules
3. Johnny Mtn.	Hercules
4. Bob Quinn	Hercules
5. Forrest Kerr	Twin Otter
6. Snippaker	Twin Otter
7. Porcupine	Twin Otter

GULF INTERNATIONAL MINERALS LTD.

200-675 W. Hastings St., Vancouver, B.C. V6B 1N2
 PHONE (604) 683-9630 FAXLINE (604) 683-2392 TICKER SYMBOL GIM

TYEE POWER PLANT
 Generates 18-20mw
 Current use 9-11mw
 Can expand to 30mw





GULF INTERNATIONAL MINERALS LTD. 200-675 W. Hastings St., Vancouver, B.C. V6B 1N2 (604) 683-9630 FAXLINE (604) 683-2392
LONDON OFFICE: Camco House, 3 Lanark Square, Docklands, London, England E14 9RE (01) 538-0909 FAXLINE (01) 538-5616

February 19, 1991

Dear Shareholders:

The year 1990 saw dynamic changes for Gulf International Minerals Ltd. The major events during the year included the successful amalgamation with Inel Resources Ltd., completion of a major financing, and negotiation of an option agreement on the Inel property. Details of events can be found in the Notes to the Financial Statements. Two major exploration programs were carried out on the Company's 100% owned McLymont and Inel properties.

Exploration on the McLymont property focused on the Northwest Zone, where a number of high grade gold intercepts were encountered. An improved understanding of the geology of this deposit has resulted in the identification of several new targets including on strike extensions of the Northwest Zone and two new zones not previously explored.

On the Inel property a \$2.5 million underground program tested the immediate vicinity of the new AK Zone breccia. More importantly, it has opened up a totally new target within a broad zone that includes the AK, Discovery and Inel Ridge Zones.

The future for Gulf International Minerals Ltd. is bright. Major companies have expressed interest in our McLymont and Inel properties. With a healthy treasury, programs are being proposed for 1991 on both of these claim groups. We are looking forward to an exciting year and thank you for your continued support.

On behalf of the Board of Directors

R.E. Davis,
President & CEO



GULF INTERNATIONAL MINERALS LTD.

McLYMONT PROPERTY

THE PROPERTY

- 4 Contiguous Claims
- 80 Claim Units
- 2,000 Hectares
- 4,942.4 Acres
- 100% Interest held by Gulf International Minerals Ltd.

LOCATION

- 12 Km North of the Iskut River
- 22 Km Northeast of Skyline's Johnny Mountain Mine
- 32 Km Northwest of the Eskay Creek Deposit
- 19 Km Northeast of Cominco's Snip Mine

HISTORY

- Originally prospected at the turn of the century.
- Early 1960's, Newmont Mining Corp. did exploration in the Iskut area north-northwest of Newmont Lake and off the McLymont claims.
- In 1980, Du Pont of Canada staked what is now the McLymont claims and did exploration work.
- In 1983, Skyline Explorations and Placer Development optioned the claims from Du Pont.
- The claims lapsed in 1986, at which time Gulf staked the McLymont claims.
- From 1987 - 1990 Gulf did exploration work and discovered a Gold Skarn (NW Zone) on which intense drilling has been done with most significant results.

INTRODUCTION

The McLymont property is unique in the Iskut Gold Camp in that it represents the only known occurrence of a gold-enriched skarn deposit. The Northwest Zone is mineralized over a strike length of 985 ft. and to depths of up to 650 ft. below surface. The zone has not yet been fully delineated. The 1990 summer program, which included 13,233 ft. of diamond drilling, resulted in a much improved understanding of the geological controls of the gold mineralization. This program also led to the identification of a number of other prospective gold skarn targets on the property.

HISTORICAL PERSPECTIVE

The McLymont Creek area was initially prospected by Newmont Exploration and other major mining companies in the 1950's and 60's for base metals. At this time, numerous copper-bearing iron skarn deposits were identified, but none contained significant gold values.

During the early 80's when initial gold exploration through the Iskut began, Dupont, one of the most active companies in the camp found the McLymont property to have significant gold potential.

However, Dupont discontinued exploration in Canada and it was not until 1986 that Gulf International Minerals Ltd. staked the property and drilled the first holes. Discovery of high grade gold mineralization, over significant widths in the Northwest Zone, came shortly thereafter.

GEOLOGICAL SETTING

Mineralization at McLymont is hosted in sedimentary and volcanic rocks that have been intruded by the same intrusive rocks that appear to be related to all of the major mineral deposits in the region, including Skyline, Snip, Eskay, Sulphurets and the Stewart Camp.

Structure has also been important in localizing gold mineralization, and the McLymont property is known for a number of strong, north and northeast trending fault zones which transect this geology. One of these structures, the McLymont Fault,

appears to have been very important in controlling the location of the gold mineralization in the Northwest Zone.

Mineral deposits on the property are of two types. The most significant so far, is the Northwest Zone, where gold is associated with silver and base metals in skarn and replacement mantos within sedimentary rocks adjacent to a mineralized shear. In the earlier discovered Camp Zone, gold occurs in a set of northwest trending quartz-sulphide veins within a large granitic intrusion.

1990 PROGRAM

Work in 1990 included mainly diamond drilling in the Northwest Zone. This work was focussed on expanding the zone's tonnage potential and understanding more fully the controls of mineralization. The work included 13,233 ft. of drilling in 33 holes.

For this program, Gulf purchased its own lightweight drill. This machine proved to be extremely effective and resulted in a considerable cost saving over the course of the program.

In addition, surface mapping and exploration was begun to identify other gold targets on the property.

1990 RESULTS

The program was successful in providing new geological information which has resulted in a much better understanding of the nature and distribution of gold within the Northwest Zone. A number of significant, new, high-grade intersections were encountered, many with visible gold in the drill core. The 1990 program also showed that the deposit is still open for expansion along strike to the north and south.

The 1990 work has confirmed that the distribution of gold values in the Northwest Zone is somewhat irregular. Nonetheless, the gold occurs with important values of silver and copper within a thick and continuous zone of sulphide mineralization and related alteration. Since the gold is concentrated in localized pockets through the deposit, it would be difficult to estimate the grade of the deposit with drill hole data alone.

The improved understanding of the

geology, mineralization and related rock alteration at the Northwest Zone has led to the positive identification of two other target areas in the property which have the same characteristics and anomalous gold values.

These require drill testing.

In addition, the southeastern half of the property, which is underlain by similar rock types and is known to host a number of mineral showings, has yet to be explored in detail.

PROPOSED 1991 PROGRAM

The Northwest Zone requires additional drilling at both ends of its now defined 985 ft. strike length. Two drill holes have also been proposed to test the deposit at depth adjacent to the McLymont Fault. Total proposed drilling in these areas totals 8,000 ft.

Two approaches are being considered to collect a bulk sample in order to evaluate the grade and tonnage of the deposit. A large surface trench at the south end of the deposit is the least expensive alternative. An underground adit would provide complete coverage of the deposit for bulk sampling and reserve calculations, as well as a drill platform for additional testing at depth.

The remainder of the property requires drill testing of the two identified targets, the Gorge and Black Bear Zones, totalling 4,000 ft., as well as detailed mapping and prospecting, geochemical surveys and geophysical surveys to cover the southeastern portion of the property.

DIAMOND DRILL HIGHLIGHTS

Drill Hole	Length(ft)	Gold (oz/ton)
87-25	3.6	1.52
87-29	6.2	8.09
88-25	4.9	0.698
88-28	15.1	0.810
88-28	16.1	0.645
88-31	9.8	0.620
88-32	3.3	1.420
88-35	6.9	3.551
89-1	6.9	1.502
89-5	5.9	0.719
89-11	26.9	0.625
89-22	8.9	0.549
89-25	16.7	0.486
89-29	6.2	0.970
90-1	10.5	1.131
90-2	16.1	0.638
90-16	2.9	0.450
90-17	5.6	0.828
90-18	9.2	7.280
90-26	8.8	0.715
90-31	6.6	1.289

12 500 N

JAZZMAN PROPERTY

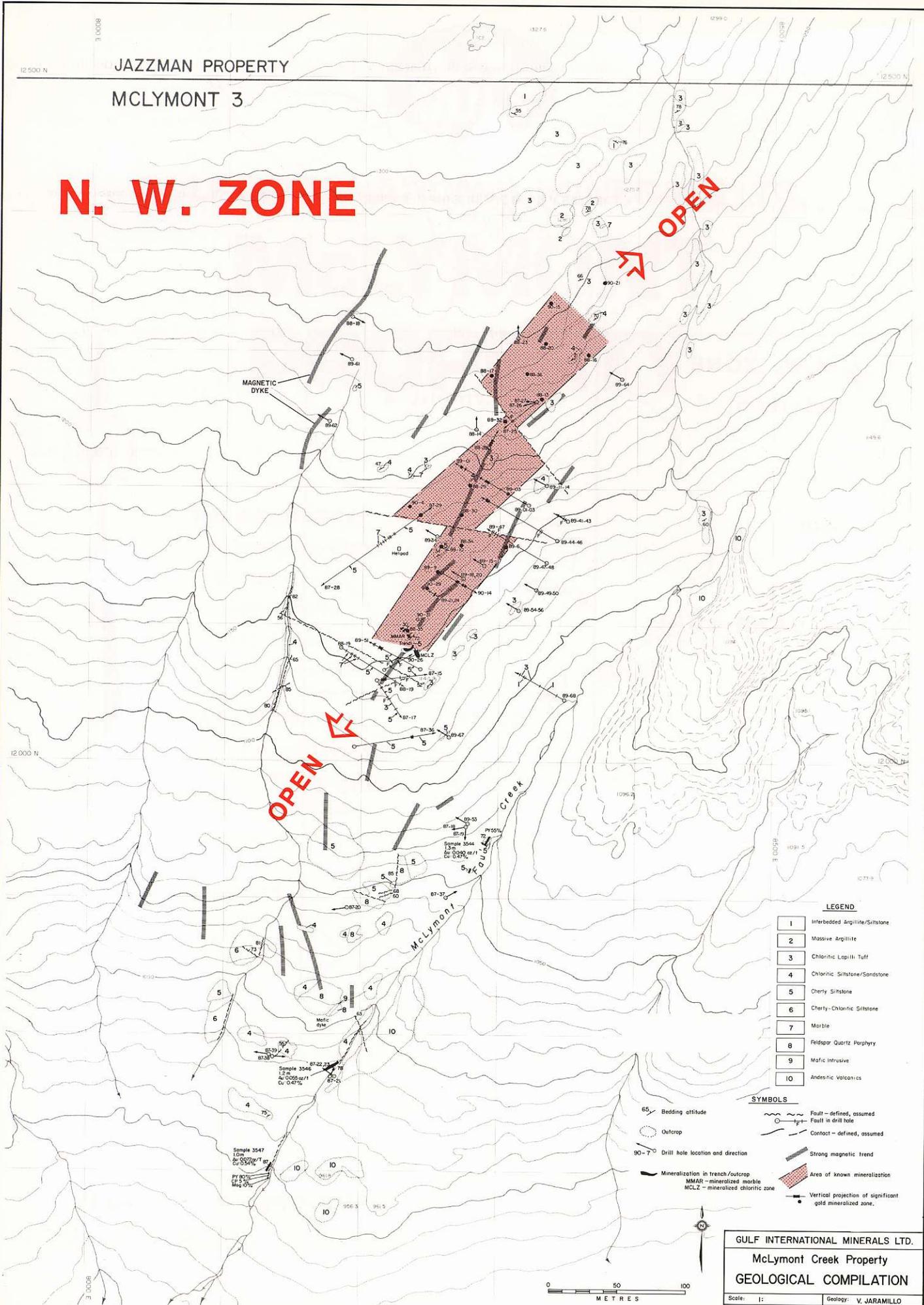
MCLYMONT 3

12 500 N

N. W. ZONE

OPEN

OPEN



LEGEND

- 1 Interbedded Argillite/Siltstone
- 2 Massive Argillite
- 3 Chloritic Lapilli Tuff
- 4 Chloritic Siltstone/Sandstone
- 5 Cherty Siltstone
- 6 Cherty-Chloritic Siltstone
- 7 Marble
- 8 Feldspar Quartz Porphyry
- 9 Mafic intrusive
- 10 Andesitic Volcanics

SYMBOLS

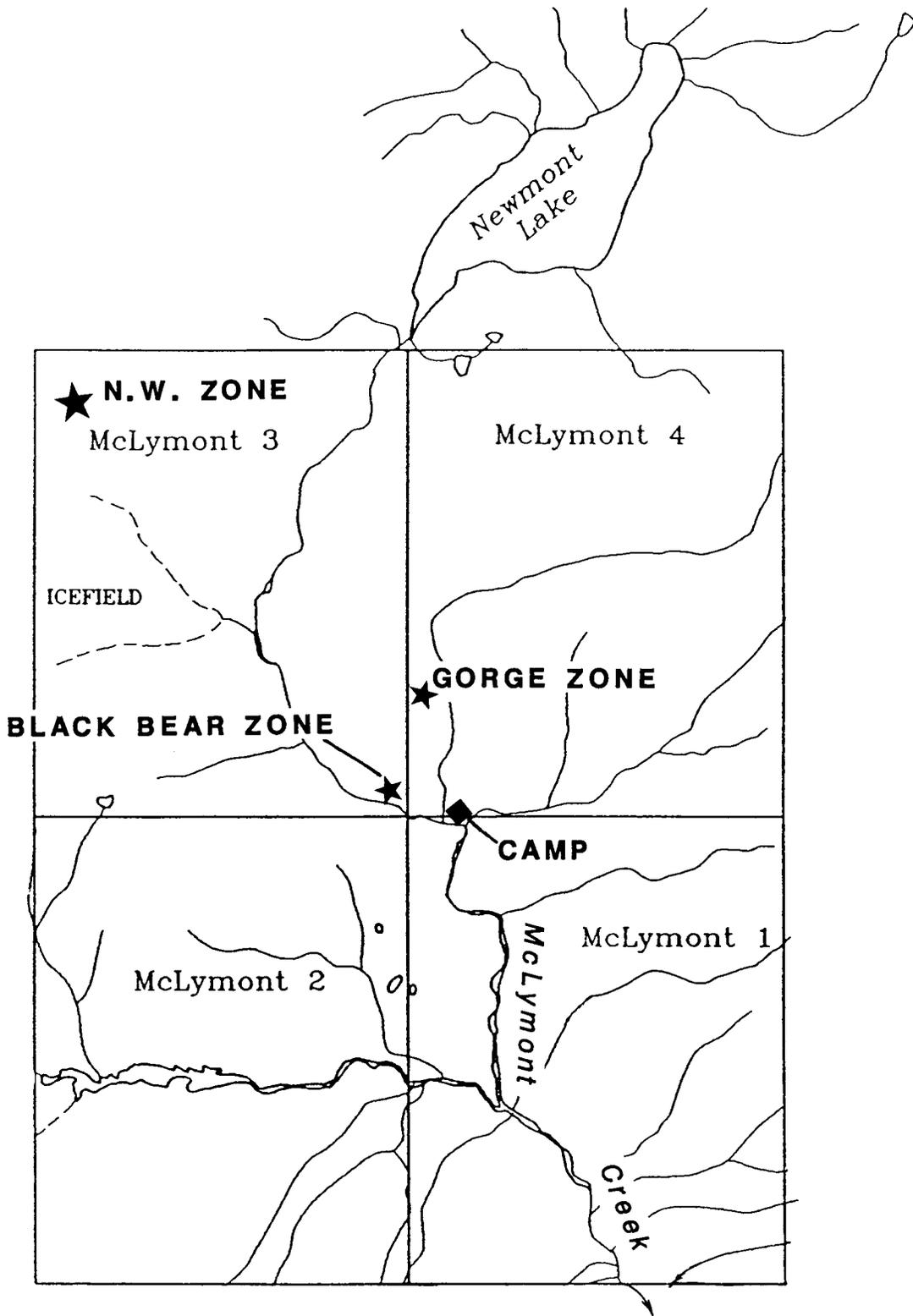
- 65 Bedding altitude
- Outcrop
- 90-7° Drill hole location and direction
- Mineralization in trench/outcrop
MMAR - mineralized marble
MCLZ - mineralized chloritic zone
- Fault - defined, assumed
- Fault in drill hole
- Contact - defined, assumed
- Strong magnetic trend
- Area of known mineralization
- Vertical projection of significant gold mineralized zone

GULF INTERNATIONAL MINERALS LTD.

McLymont Creek Property GEOLOGICAL COMPILATION

Scale: 1:	Geology: V. JARAMILLO
Date: DECEMBER, 1990	Approved: R. GIFFORD





McLymont Property
 SURFACE LOCATION MAP



GULF INTERNATIONAL MINERALS LTD.

INEL PROPERTY

THE PROPERTY

- 15 Contiguous Claims
- 217 Claim Units
- 5,424 Hectares
- 13,400 Acres
- 100% Interest held by Gulf International Minerals Ltd.

LOCATION

- 5 Km East of Skyline's Johnny Mountain Mine
- 7 Km Southeast of Cominco's Snip Mine
- 35 Km West of Eskay Creek Deposit

HISTORY

- Originally prospected at the turn of the century.
- Staked by R. Gifford in 1969, and optioned to Skyline Exploration Ltd.; subsequently acquired by Skyline in 1975.
- Early 70's - optioned to Texasgulf and Ecstall Mining and explored for base metal potential.
- Early 80's - surface gold exploration by Skyline.
- Late 80's - optioned by Inel Resources Ltd., major surface and underground programs for gold.
- 1990 - Inel earns 100% interest; Inel amalgamates with Gulf; property optioned to Avondale Resources Ltd.; \$2.5 million exploration program completed.

INTRODUCTION

The Inel property remains one of the most prospective in the Iskut Gold Camp. A \$2.5 million exploration program carried out in 1990 examined the AK gold breccia from underground. The geology of this zone is now better understood, however, the program was cut short before it had reached its full objective. With the underground portion of the project now in place, the stage is set for a drilling campaign to fully evaluate the AK's potential.

HISTORICAL PERSPECTIVE

The Inel property has been the subject of systematic base and precious metals exploration programs since the late 60's. In the past 20 years, surface exploration has resulted in the discovery of numerous gold, copper and zinc occurrences and a complex, highly mineralized geological framework which hosts vein, breccia, porphyry and massive sulphide styles of mineralization.

Since 1987, exploration on the property has been accelerated with the excavation of two separate underground openings and significant diamond drill programs both from surface and from underground.

This work now totals 3,880 ft. of underground development and 37,700 ft. of diamond drilling in 175 holes.

GEOLOGICAL SETTING

The property is underlain by the same sequence of volcanic and sedimentary rocks which host the nearby Snip and Johnny Mountain gold deposits. These rocks have been cut by a variety of intrusions which appear to have been important in forming the district's ore deposits.

One of these intrusives, a distinctive syenite porphyry, forms a dike-like body cutting across the central part of the property. An intrusive breccia lies adjacent to this dike and hosts the gold mineralization of the AK Zone.

Related mineralization includes the Discovery Zone gold-sulphide veins which were examined from the 1500 level underground workings in 1987 and 1988. At the same time, surface drilling tested high grade showings on the Inel Ridge Zone, directly above the workings. In 1989, while testing for depth extensions of the AK Zone, an exciting new discovery, the Inel Creek Zone, was made. All of these zones appear to be related to the same gold mineralized system. Assay highlights are shown in the accompanying table.

1990 PROGRAM

Work in 1990, funded by Avondale Resources Ltd., totalling \$2.5 million value, was under the field direction of Gulf. The objective of the program was to define an economic reserve in the AK Zone by driving an adit into the hanging wall of the zone and drilling from underground. The program included 1,230 ft. of drifting, which was completed by October 11, 1990. Unfortunately, due to the early arrival of winter, the drilling program was cut short before the program objective could be realized. Drilling from underground included 7,743 ft. in 22 holes.

1990 RESULTS

A major part of the 1990 program involved an upgrading of the camp facilities, mobilization of a new D-6 tractor and underground drill jumbo, construction of road access and the establishment of the new 1650 portal site. This work was successfully completed by August 2, 1990 and the underground drifting begun.

Initial drilling confirmed the presence of high grade gold mineralization within the AK intrusive breccia, with results such as:

DRILL RESULT HIGHLIGHTS

	Hole No.	Width (ft.)	Gold oz/ton
AK Zone	S-112	18.0	0.233
	incl	5.0	0.631
	S-115	10.0	0.676
	S-116	24.0	0.611
	incl	8.0	1.213
	S-140	4.4	0.554
	S-143	3.0	0.702
	S-147	5.0	0.308
	S-148	17.4	1.110
	S-149	15.0	0.541
Discovery Zone	U-171	24.3	1.197
	U-172	3.3	0.918
	U-174	4.0	0.468
	U-179	5.0	0.619
	U-182	6.2	0.700
	U-185	12.0	0.812
	incl	6.1	0.961
	incl	5.0	0.763
	U-40	13.3	0.770
	U-87	10.1	0.460
U-101	15.5	0.308	
U-104	6.3	0.433	
U-111	3.5	0.717	
Inel Ridge Zone	S-34	7.4	0.868
Inel Creek Zone	S-98	3.6	1.202
	S-119	15.1	0.485
	S-130	1.6	94.279
	incl	4.9	0.689
	S-160	6.8	0.319
S-163	4.9	0.558	

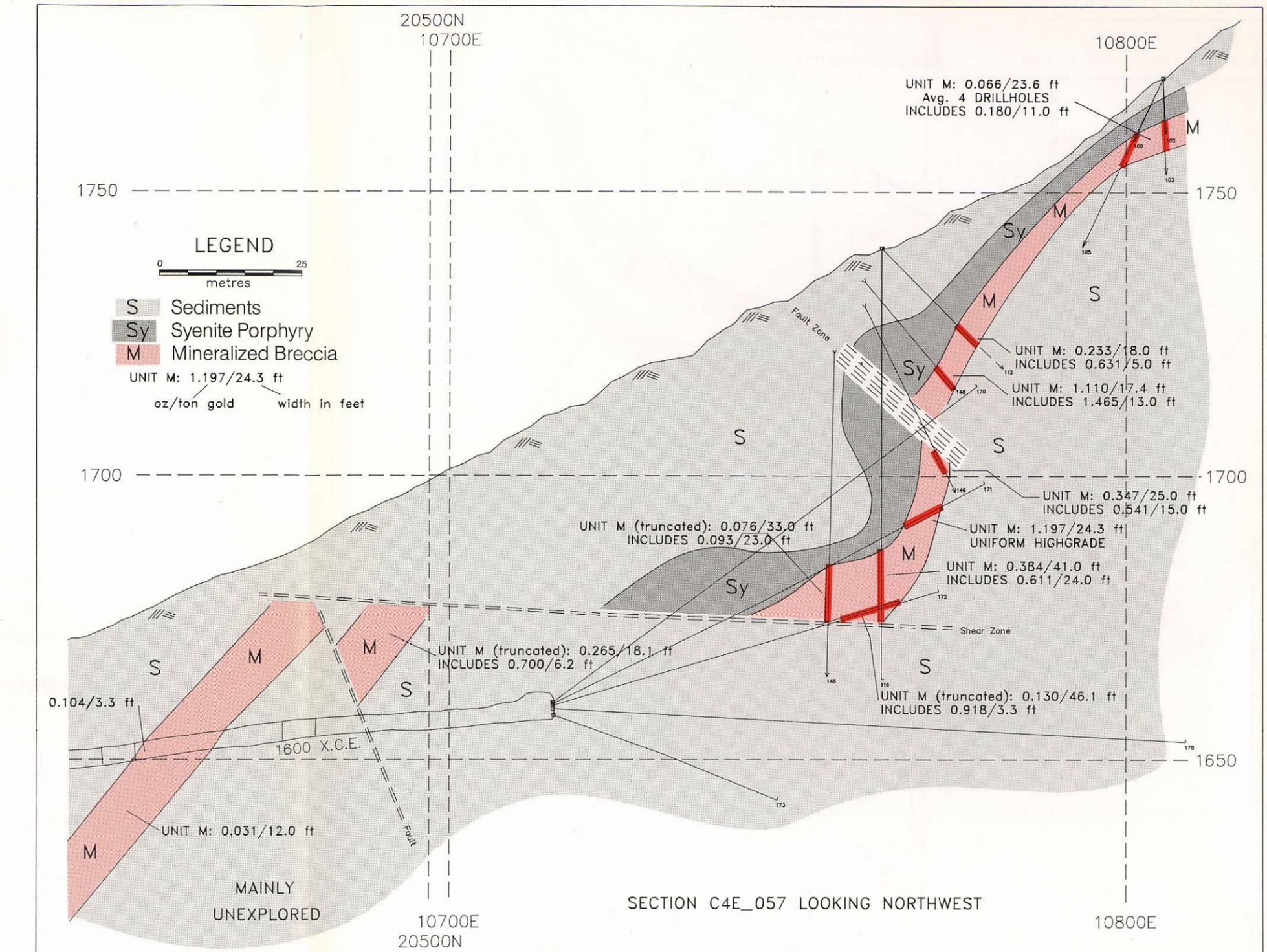
Additional drilling along strike confirmed the continuity of the breccia, although gold values were lower. Interpretation of the geology from the drilling and underground exposures has shown the breccia to be offset by a flat fault at about the adit level, displacing it to the south.

Nonetheless, gold mineralization is very widespread and appears to be picking up in intensity towards the east end of the new workings.

POTENTIAL OF THE AK ZONE

Work on the AK Zone has shown the potential for a significant tonnage of high grade gold mineralization. Mineralized breccias, although not previously recognized in the Iskut Gold Camp, are a well recognized class of ore deposit, described from around the world, which are often associated with vein deposits such as Snip and Johnny Mountain. The gold grades of over 0.5 oz/ton and thicknesses of over 20 ft. encountered in the vicinity of the original AK showing demonstrate the potential for the discovery of a significant gold deposit.

Of great interest are the possible strike extensions: Over 1,500 ft. to the south, and almost 500 ft. lower in elevation, gold mineralization in the southern part of the Discovery Zone has some striking similarities to the AK breccia. These are also closely



associated with a syenite porphyry intrusive dike. Surface trenches have yielded results up to 8 oz/ton gold in this area. This zone is also partially exposed in the lower levels of underground workings completed in 1988. To the east, higher on the ridge, and also on strike with the AK Zone, numerous high grade gold occurrences have been discovered. These occurrences, known as the Ridge Zone, were originally exposed on surface, and have been followed up with limited diamond drilling.

Some of the most exciting possibilities for high grade mineralization are just to the south of the new workings, where the AK-Ridge Zone trend is intersected by the trend of the Discovery Zone veins.

OTHER POTENTIAL ON THE INEL PROPERTY

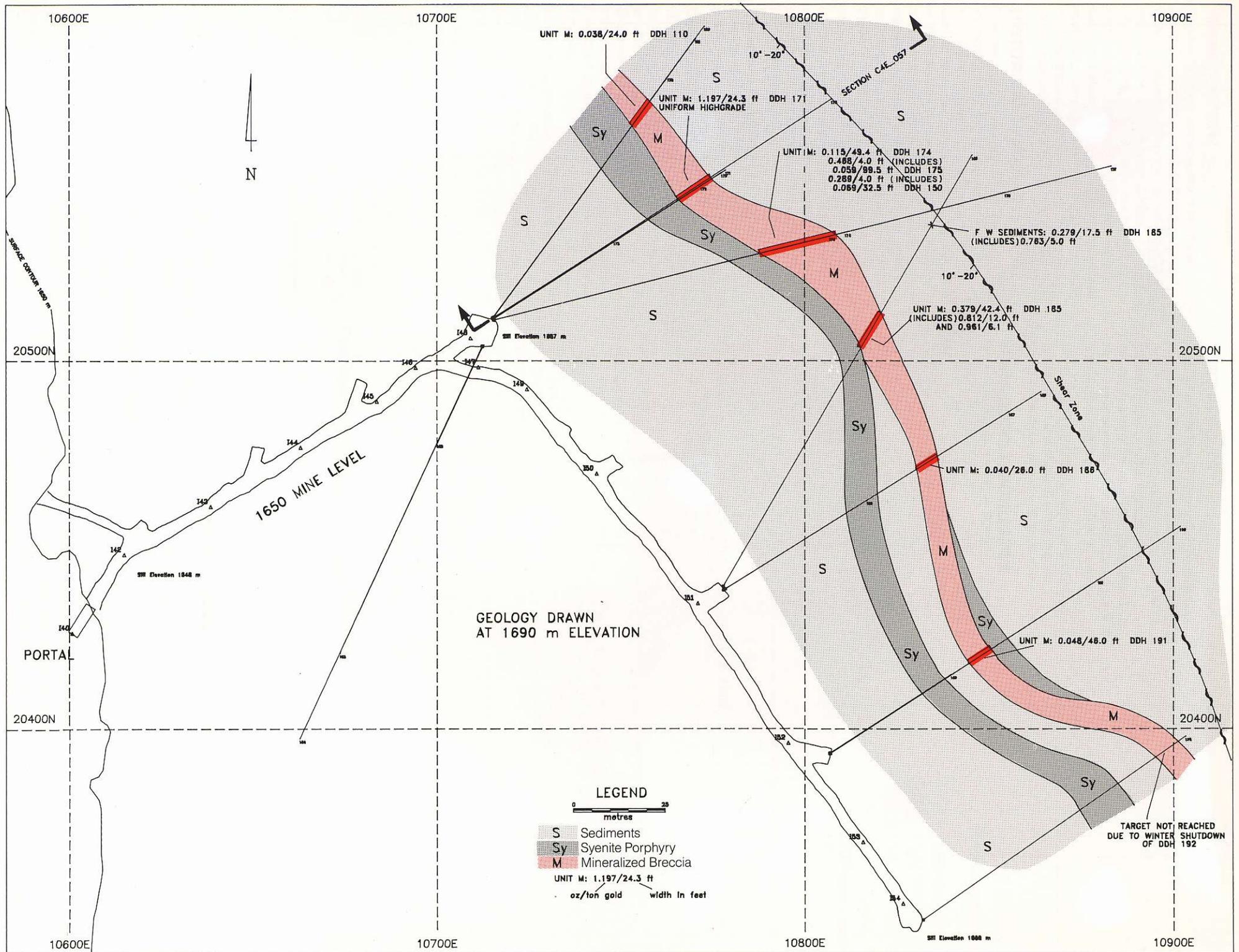
The AK gold breccia represents only part of the Inel Property's potential. The property is known to host several other styles of mineralization. Gold with copper in veins, gold with zinc and copper in stratabound, massive zones and porphyry copper-gold mineralization. Anyone of these target types has the potential to produce a world class mineral deposit on the property.

Gulf is funding research on the mineral deposits of the region through the Mineral Deposits Research Unit at the University of British Columbia. Given the much improved understanding of the geological setting of the Iskut Gold Camp that is evolving from

this work, as well as current studies by the Geological Survey of Canada and the British Columbia Geological Survey Branch, the time is right for a complete review and re-mapping of the Inel property.

RECOMMENDED PROGRAM

The main thrust of the 1991 program should be to complete the work begun in 1990. This would involve a short extension of the 1650 level drift and up to 30,000 feet of underground drilling. The program would also include detailed surface mapping of the entire property.



10600E 10700E 10800E 10900E



UNIT M: 0.038/24.0 ft DDH 110
 UNIT M: 1.197/24.3 ft DDH 171
 UNIFORM HIGHGRADE
 UNIT M: 0.115/49.4 ft DDH 174
 0.466/4.0 ft (INCLUDES)
 0.058/89.5 ft DDH 175
 0.289/4.0 ft (INCLUDES)
 0.069/32.5 ft DDH 150
 SECTION CAE 057
 10°-20°

F W SEDIMENTS: 0.279/17.5 ft DDH 185
 (INCLUDES) 0.763/5.0 ft

UNIT M: 0.379/42.4 ft DDH 183
 (INCLUDES) 0.812/12.0 ft
 AND 0.961/6.1 ft

UNIT M: 0.040/26.0 ft DDH 186

UNIT M: 0.048/46.0 ft DDH 191

TARGET NOT REACHED
 DUE TO WINTER SHUTDOWN
 OF DDH 192

20500N 20500N

1650 MINE LEVEL

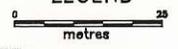
GEOLOGY DRAWN
 AT 1690 m ELEVATION

PORTAL

20400N

20400N

LEGEND



- S Sediments
- Sy Syenite Porphyry
- M Mineralized Breccia

UNIT M: 1.197/24.3 ft
 oz/ton gold width in feet

10600E 10700E 10800E 10900E

SRI Elevation 1688 m

SRI Elevation 1848 m

SRI Elevation 1887 m

GULF INTERNATIONAL MINERALS LTD.

NOTICE OF ANNUAL GENERAL MEETING OF MEMBERS

NOTICE is hereby given that the Annual General Meeting of the Members of Gulf International Minerals Ltd. (the "Company"), will be held at the Engineer's Club, 640 West Pender Street, Vancouver, British Columbia, on Thursday the 28th day of March, 1991, at the hour of 10 o'clock in the forenoon for the following purposes:

1. To receive and consider the Report of the Directors and to receive and consider the Audited Financial Statements for the period ending December 31, 1990 together with Auditors' Report thereon.
2. To appoint Auditors for the ensuing year and to authorize the Directors to fix the remuneration to be paid to the Auditors.
3. To fix the number of Directors for the ensuing year at six (6).
4. To elect Directors for the ensuing year.
5. To approve the granting of future incentive stock options to Insiders of the Company in such amounts and at such prices as may be permitted by the regulatory authorities, the renegotiation of existing options in amounts and at prices acceptable to the regulatory authorities, and the issuance of shares upon exercise of such incentive stock options, as more particularly described under the heading "Particulars of Other Matters To Be Acted Upon", in the accompanying Information Circular.
6. To authorize the Company's solicitors to fix the hours during which the records of the Company may be inspected and examined.
7. To transact such other business as may properly be transacted at such meeting or at any adjournment thereof.

If you are unable to attend the Annual General Meeting in person, please read the Notes accompanying the Instrument of Proxy enclosed herewith and then complete and return the proxy within the time set out in the Notes. As set out in the Notes, the enclosed Proxy is solicited by Management, but, you may amend it, if you so desire, by striking out the names listed therein and inserting in the space provided, the name of the person you wish to represent you at the Meeting.

DATED at Vancouver, British Columbia, on the 21st day of February, 1991.

BY ORDER OF THE BOARD

"Reginald E. Davis"

REGINALD E. DAVIS, PRESIDENT

GULF INTERNATIONAL MINERALS LTD.

INFORMATION CIRCULAR

**For the Annual General Meeting
To Be Held on March 28, 1991**

SOLICITATION OF PROXIES

This Information Circular is furnished in connection with the solicitation of proxies by the Management of Gulf International Minerals Ltd. (the "Company"), for use at the Annual General Meeting (the "Meeting"), of the Members of the Company, to be held at the time and place and for the purposes set forth in the accompanying Notice of Meeting and at any adjournment thereof. The cost of solicitation will be borne by the Company.

APPOINTMENT AND REVOCATION OF PROXIES

The persons named in the accompanying form of Proxy are Directors and/or Officers of the Company. A MEMBER HAS THE RIGHT TO APPOINT A PERSON TO ATTEND AND ACT FOR HIM ON HIS BEHALF AT THE MEETING OTHER THAN THE PERSONS NAMED IN THE ENCLOSED INSTRUMENT OF PROXY. TO EXERCISE THIS RIGHT, A MEMBER SHALL STRIKE OUT THE NAMES OF THE PERSONS NAMED IN THE INSTRUMENT OF PROXY AND INSERT THE NAME OF HIS NOMINEE IN THE BLANK SPACE PROVIDED, OR COMPLETE ANOTHER INSTRUMENT OF PROXY. THE COMPLETED PROXY SHOULD BE DEPOSITED WITH THE COMPANY'S REGISTRAR AND TRANSFER AGENT, CENTRAL GUARANTY TRUST COMPANY, 800 WEST PENDER STREET, VANCOUVER, BRITISH COLUMBIA OR WITH THE REGISTERED OFFICE OF THE COMPANY AT #1600-609 GRANVILLE STREET, VANCOUVER, BRITISH COLUMBIA AT LEAST 48 HOURS BEFORE THE TIME OF THE MEETING OR ADJOURNMENT THEREOF.

The Instrument of Proxy must be signed by the Member or by his attorney in writing, or, if the Member is a corporation, it must either be under its common seal or signed by a duly authorized officer.

A Member who has given a proxy may revoke it at any time before it is exercised. In addition to revocation in any other manner permitted by law, a proxy may be revoked by instrument in writing executed by the Member or by his attorney authorized in writing, or, if the Member is a corporation, it must either be under its common seal, or signed by a duly authorized officer and deposited with the Registered Office of the Company at #1600-609 Granville Street, Vancouver, British Columbia, or with the Company's Registrar and Transfer Agent, Central Guaranty Trust Company, 800 West Pender Street, Vancouver, British Columbia at any time up to and including the last business day preceding the day of the Meeting, or any adjournment of it, at which the proxy is to be

used, or to the Chairman of the Meeting on the day of the Meeting or any adjournment of it.

VOTING OF SHARES AND EXERCISE OF DISCRETION OF PROXIES

On any poll, the persons named in the enclosed Instrument of Proxy will vote the shares in respect of which they are appointed, where directions are given by the Member in respect of voting for or against any resolution, will do so in accordance with such direction.

IN THE ABSENCE OF ANY INSTRUCTION IN THE PROXY, IT IS INTENDED THAT SUCH SHARES WILL BE VOTED IN FAVOUR OF THE MOTIONS PROPOSED TO BE MADE AT THE MEETING AS STATED UNDER THE HEADINGS IN THIS INFORMATION CIRCULAR. The Instrument of Proxy enclosed, when properly signed, confers discretionary authority with respect to amendments or variations to the matters which may properly be brought before the Meeting. At the time of printing this Information Circular, the Management of the Company is not aware that any such amendments, variations or other matters are to be presented for action at the Meeting. However, if any other matters which are not now known to the Management should properly come before the Meeting, the Proxies hereby solicited will be exercised on such matters in accordance with the best judgment of the nominee.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

On February 14, 1991, 11,549,864 shares were issued and outstanding, each share carrying the right to one vote. Only those Members of record on February 14, 1991 holding common shares shall be entitled to vote at the forthcoming Annual General Meeting or any adjournment thereof in person or by proxy.

To the knowledge of the Directors and Senior Officers of the Company, only the following own, directly or indirectly, or exercise control or discretion over, shares carrying more than 10% of the voting rights attached to all outstanding shares of the Company:

<u>Name of Member</u>	<u>No. of Shares</u>	<u>Percentage of Issued and Outstanding</u>
CDS & Co.	1,980,331*	17.15%
Tordom Company #108	1,326,295	11.48%
West Canada Depository Trust Company	5,048,731*	43.71%

* Management of the Company is unaware of the beneficial owners of the shares.

The above information was supplied by the Registrar and Transfer Agent and Management for the Company.

FINANCIAL STATEMENTS

The audited financial statements of the Company for the period ending December 31, 1990 (the "Financial Statements"), together with the Auditors' Report thereon, will be presented to Members at the Meeting. The Financial Statements, together with the Auditors' Report thereon and Directors' Report to Members are being mailed to Members of record with this Information Circular. Copies of the Financial Statements, together with the Directors' Report to Members, Notice of Meeting, Information Circular and Proxy will be available from the Company's Registrar and Transfer Agent, Central Guaranty Trust Company, 800 West Pender Street, Vancouver, British Columbia, or the Company's Registered Office, #1600-609 Granville Street, Vancouver, British Columbia.

ELECTION OF DIRECTORS

The persons named in the enclosed Instrument of Proxy intend to vote for the election of a Board of Directors comprised of six (6) persons. The names of further nominees for Directors may come from the floor at the Meeting. The Company has received no nominations for Directors pursuant to Sections 177 and 178 of the Company Act as set out in the Advance Notice of Meeting, published in The Province newspaper on January 29, 1991.

Each Director elected will hold office until the next Annual General Meeting or until his successor is duly elected, unless his office is earlier vacated, in accordance with the Articles of the Company.

INFORMATION CONCERNING NOMINEES SUBMITTED BY MANAGEMENT

<u>Name, Country of Ordinary Residence and Other Positions if any held with the Company</u>	<u>Principal Occupation or Employment During the Past Five Years</u>	<u>Year First Became a Director</u>	<u>No. of Shares Beneficially Owned Directly or Indirectly</u>
REGINALD E. DAVIS West Vancouver, B.C. DIRECTOR & PRESIDENT CHAIRMAN OF THE BOARD & CHIEF EXECUTIVE OFFICER	Formerly President and a Director of Skyline Explorations Ltd. (now known as "Skyline Gold Corporation"); Chairman and Chief Executive Officer of the Issuer; he is not a director or officer of any other reporting company.	1990	483,003
GERALD G. CARLSON* West Vancouver, B.C. DIRECTOR	President of Dromedary Exploration Company Ltd. Adjunct Professor of Geology, U.B.C.; director or officer of 5 other reporting companies.	1990	1,000
CHRISTOPHER W. COWAN* North Vancouver, B.C. DIRECTOR & SECRETARY CHIEF FINANCIAL OFFICER	Formerly Camp Manager with Skyline Explorations Ltd. Previously, Assistant General Manager, Sandman Hotel, Howe Street, Vancouver, B.C.; he is not a director or officer of any other reporting company.	1990	5,320
EDWARD W. GROVE Victoria, B.C. DIRECTOR	Independent consulting geologist since 1981; director or officer of 1 other reporting company.	1990	6,187

MICHAEL D. LAIDLAW Chigwell, England DIRECTOR	Vice President of the Issuer; previously an independent investment adviser; he is not a director or officer of any other reporting company.	1990	50,000
ROBERT G. GIFFORD* Port Moody, B.C. DIRECTOR	Mr. Gifford is a consulting geologist. He is not a director or officer of any other reporting companies.	1990	107,159

* Denotes Member of Audit Committee

Unless otherwise stated above, each of the above-named nominees has held the principal occupation or employment indicated for the past five years.

The number of shares beneficially owned by nominees for directors, directly or indirectly, as of February 14, 1991, is based on information furnished by the nominees themselves.

EXECUTIVE COMPENSATION

The number of executive officers of the Company is two (2).

Since the Company was amalgamated on April 9, 1990 the fiscal year ending December 31, 1990 runs from April 9, 1990 to December 31, 1990.

For the fiscal year ending December 31, 1990, Reginald Davis was paid \$18,000 for acting as an employee of the Company.

Prior to his resignation as President Gerald G. Carlson received \$31,650 for the fiscal year ending December 31, 1990. In addition, Mr. Carlson received \$15,125 for the fiscal year ending December 31, 1990 for providing mining consulting services.

Further, for the fiscal year ending December 31, 1990, E.W. Grove Consultants Ltd. received \$14,964.77 from the Company for geological consulting fees. Edward Grove, a director of the Company, owns 50% of E.W. Grove Consultants Ltd. Robert Gifford, P.Eng., a director received \$27,100 for geological consulting fees for the fiscal year ended December 31, 1990. A majority of these fees were charged to and paid by Avondale Resources Inc. pursuant to the option agreement on the Inel Property.

By agreement dated June 1, 1989 Christopher Cowan ("Cowan") was appointed Manager of Gulf for a term expiring on May 31, 1992. As Manager, Cowan received \$45,000 for the fiscal year ending December 31, 1990.

During the fiscal year ending December 31, 1990 DASS 42 Holdings Ltd. was paid the sum of \$22,500 for providing administrative, promotion and financial services. DASS 42 Holdings Ltd. is a company controlled by Michael D. Laidlaw, a director of the Company.

Other than as disclosed herein there has been no cash compensation, including salaries, fees, commissions and bonuses paid or to be paid to the executive officers of the Company for services rendered during the most recently completed fiscal year, being December 31, 1990.

For the fiscal year ended December 31, 1990 no cash or other remuneration was paid to the Company's Directors and there are no arrangements to pay compensation to any of the Directors of the Company in their capacity as such, other than as disclosed herein.

The Company currently has an aggregate of 600,000 outstanding share purchase options which have been granted to Insiders of the Company, as follows:

<u>Date of Granting</u>	<u>No. of Shares</u>	<u>Exercise Price</u>	<u>Option Expiry Date</u>
January 14/88	50,000	\$1.79	January 13/93
July 26/88	80,000	\$1.80	July 25/93
April 17/89	30,000	\$1.75	April 16/94
June 14/89	50,000	\$1.30	June 13/94
July 26/89	125,000	\$1.64	July 25/94
August 21/89	120,000	\$1.825	August 20/94
December 19/89	50,000	\$1.31	December 18/94
July 24/90	95,000	\$1.30	July 23/95

Under the rules and policies of the Vancouver Stock Exchange, the price of a stock option is set at the average closing price of the Company's shares for a ten (10) day period prior to the date the option is granted, and, in some circumstances the price at which the stock option was granted may be less than the market price of the Company's shares on the date of granting.

No stock options were exercised during the Company's year end of December 31, 1990.

There is no other employment remuneration which exceeds \$10,000.00 in the aggregate.

The purpose of the resolution in the general form to be presented to the members is to save the Company from calling a further meeting of the members to approve incentive stock options to Insiders granted between now and the next Annual General Meeting or incentive options renegotiated between now and the next Annual General Meeting. Because of the requirements of the regulatory authorities and the provisions of the Exchange Policy, the Management of the Company recommends that the Members approve this resolution.

Examination of Records

Shareholders will be asked to authorize the Company's solicitors to fix the hours that the records of the Company may be inspected and examined.

The Management of the Company knows of no other matters to come before the Meeting other than those referred to in the Notice of Meeting. Should any other matters properly come before the Meeting, the shares represented by the Proxy solicited hereby will be voted on such matter in accordance with the best judgment of the persons voting by proxy.

DATED at Vancouver, British Columbia, on the 21st day of February, 1991.

BY ORDER OF THE BOARD

"Reginald E. Davis"

REGINALD E. DAVIS, PRESIDENT

GULF INTERNATIONAL MINERALS LTD.

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1990

Morgan & Company

Chartered Accountants

1210 - 675 West Hastings Street
Vancouver, B.C. V6B 1N2
Telephone (604) 687-5841
Fax (604) 687-0075

AUDITORS' REPORT

To the Shareholders
Gulf International Minerals Ltd.

We have audited the consolidated balance sheet of Gulf International Minerals Ltd. as at December 31, 1990 and the consolidated statements of loss and deficit, deferred exploration expenditures and changes in financial position for the period from April 9, (date of amalgamation), to December 31, 1990. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 31, 1990 and the results of its operations and the changes in its financial position for the period then ended in accordance with generally accepted accounting principles. As required by the British Columbia Company Act, we report that, in our opinion, these principles have been applied on a basis consistent with those applied in the preceding period by the predecessor companies.

Vancouver, B.C.

January 31, 1991



Chartered Accountants

GULF INTERNATIONAL MINERALS LTD.

CONSOLIDATED BALANCE SHEET

DECEMBER 31, 1990

	<u>December 31,</u> <u>1990</u>	<u>April 9,</u> <u>1990</u>
ASSETS		
CURRENT		
Cash and short term deposits (Note 4)	\$ 1,386,547	\$ 237,503
Accounts receivable	94,702	26,890
Loans receivable (Note 5)	90,000	-
Prepaid expenses	<u>10,533</u>	<u>8,546</u>
	<u>1,581,782</u>	<u>272,939</u>
INVESTMENTS (Note 6)	81,100	142,500
INTEREST IN OIL AND GAS PROPERTIES (Note 7)	256,782	475,040
MINERAL PROPERTIES (Note 8)	19,875	19,875
DEFERRED EXPLORATION EXPENDITURES	8,459,039	7,531,589
FIXED ASSETS (Note 9)	<u>810,258</u>	<u>638,707</u>
	<u>\$ 11,208,836</u>	<u>\$ 9,080,650</u>
LIABILITIES		
CURRENT		
Accounts payable	\$ 69,520	\$ 403,176
Current portion of long term debt	<u>49,358</u>	<u>-</u>
	<u>118,878</u>	<u>403,176</u>
LONG TERM DEBT, secured (Note 10)	<u>79,326</u>	<u>-</u>
SHAREHOLDERS' EQUITY		
CAPITAL STOCK (Note 11)	13,118,582	10,614,319
DEFICIT	<u>(2,107,950)</u>	<u>(1,936,845)</u>
	<u>11,010,632</u>	<u>8,677,474</u>
	<u>\$ 11,208,836</u>	<u>\$ 9,080,650</u>

Approved by the Directors:

R. H. Ford

Chris Coonan

GULF INTERNATIONAL MINERALS LTD.

CONSOLIDATED STATEMENT OF LOSS AND DEFICIT

FOR THE PERIOD ENDED APRIL 9, 1990 TO DECEMBER 31, 1990

	April 9 to December 31, 1990	January 1 to April 9, 1990 (unaudited)
OIL OPERATIONS		
Revenue - net of operating costs and royalties - (loss)	\$ 23,543	\$ (47,068)
Depletion	23,400	6,600
Legal and operating management	<u>19,489</u>	<u>-</u>
LOSS FROM OIL OPERATIONS	(19,346)	(53,668)
OPTION PAYMENTS RECEIVED	30,000	30,000
EQUIPMENT RENTAL INCOME	251,696	-
EXPLORATION PROGRAM MANAGEMENT FEES	409,552	-
INTEREST INCOME	<u>92,967</u>	<u>21,767</u>
REVENUE (LOSS) BEFORE ADMINISTRATIVE COSTS	<u>764,869</u>	<u>(1,901)</u>
ADMINISTRATIVE EXPENSES		
Accounting and audit	20,130	5,630
Amalgamation expense	32,164	-
Legal fees	38,093	6,604
Salaries and benefits	175,969	68,792
Office and equipment rent	40,930	21,445
Office, telephone and miscellaneous	71,051	66,155
Public relations and shareholder communications	58,696	23,474
Travel and accommodation	39,633	21,965
Regulatory fees	10,246	4,884
Stock transfer fees	8,664	2,181
Insurance	20,581	6,906
Finders' fee	57,500	52,500
Depreciation	55,787	571
Loss on disposal of equipment	473	-
	<u>629,917</u>	<u>281,107</u>
NET INCOME (LOSS) BEFORE THE FOLLOWING	134,952	(283,008)
Property investigation	-	10,596
Write down of oil interests	209,657	-
Write down of investments	<u>96,400</u>	<u>-</u>
LOSS FOR THE PERIOD	171,105	293,604
DEFICIT, BEGINNING OF PERIOD	<u>1,936,845</u>	<u>1,643,241</u>
DEFICIT, END OF PERIOD	\$ <u>2,107,950</u>	\$ <u>1,936,845</u>

GULF INTERNATIONAL MINERALS LTD.

CONSOLIDATED STATEMENT OF DEFERRED EXPLORATION EXPENDITURES

FOR THE PERIOD ENDED APRIL 9, 1990 TO DECEMBER 31, 1990

	<u>April 9 to December 31, 1990</u>	<u>January 1 to April 9, 1990 (unaudited)</u>
EXPLORATION EXPENDITURES		
Wages and benefits	\$ 167,051	6,235
Camp costs and maintenance	115,808	7,427
Transportation	232,301	27,712
Geological	28,093	-
Geophysical	22,437	-
Diamond drilling	255,350	3,464
Assay costs	21,961	38
Trenching	7,093	-
Line cutting	3,900	-
Supplies and freight	5,411	331
Drafting and mapping	22,407	-
Technical reports	25,262	100,000
Depreciation	<u>180,376</u>	<u>2,746</u>
EXPLORATION EXPENDITURES FOR THE PERIOD	1,087,450	147,953
DEFERRED EXPLORATION, BEGINNING OF PERIOD	7,531,589	7,383,636
RECOVERY OF DEFERRED COSTS		
Technical report expense recovered	(50,000)	-
Option payments	<u>(110,000)</u>	<u>-</u>
DEFERRED EXPLORATION, END OF PERIOD	\$ <u>8,459,039</u>	\$ <u>7,531,589</u>

GULF INTERNATIONAL MINERALS LTD.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE PERIOD FROM APRIL 9, 1990 TO DECEMBER 31, 1990

	<u>April 9 to December 31, 1990</u>	<u>January 1 to April 9, 1990</u> (unaudited)
OPERATING ACTIVITIES		
Loss for the period	\$ (171,105)	\$(293,604)
Add: non-cash items:		
Write down of investments	96,400	-
Write down of oil and gas interests	209,657	-
Loss on disposal of equipment	473	-
Depreciation and depletion	<u>79,187</u>	<u>7,171</u>
	214,612	(286,433)
 Cash provided (used) by changes in non-cash working capital	 <u>(444,097)</u> <u>(229,485)</u>	 <u>6,528</u> <u>(279,905)</u>
FINANCING ACTIVITIES		
Shares issued for cash	2,438,123	637,500
Shares issued for services	66,140	-
Long term financing on fixed assets	<u>79,326</u>	-
	<u>2,583,589</u>	<u>637,500</u>
INVESTING ACTIVITIES		
Purchase of fixed assets	(408,187)	(25,003)
Exploration expenditures - net of depreciation	(747,074)	(145,207)
Investment in oil interests	(14,799)	(73,398)
Investments	(35,000)	-
Mineral property acquisitions	-	(300)
	<u>(1,205,060)</u>	<u>(243,908)</u>
 INCREASE IN CASH	 1,149,044	 113,687
 CASH AND SHORT TERM DEPOSITS, BEGINNING OF PERIOD	 <u>237,503</u>	 <u>123,816</u>
 CASH AND SHORT TERM DEPOSITS, END OF PERIOD	 \$ <u>1,386,547</u>	 \$ <u>237,503</u>

GULF INTERNATIONAL MINERALS LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1990

NATURE OF OPERATIONS

The Company is in the process of exploring its mineral properties and is attempting to outline drill indicated reserves and determine whether these reserves are economically recoverable.

The recoverability of amounts shown for mineral properties and related deferred costs is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

1. SIGNIFICANT ACCOUNTING POLICIES

a) Interest in Oil and Gas Properties

The Company accounts for oil and gas properties by capitalizing all costs relating to acquisition, exploration, and development. Separate full cost centres are maintained for each field or program in which the Company has an interest. Costs accumulated in these centres for successful programs are amortized by the unit of production method based on estimated proven reserves; costs of unsuccessful or abandoned properties are charged to earnings. The carrying values of successful programs are assessed annually for possible impairment and written down to estimated market value where appropriate.

b) Mineral Properties and Related Exploration Expenditures

The Company records its interest in mining properties at cost. Exploration expenditures relating to mineral properties are deferred until the properties are brought into production from that area, or until the properties are sold, allowed to lapse or abandoned, at which time the deferred expenditures are written off.

c) Administrative Costs

Administrative costs are charged against earnings as incurred.

d) Depreciation

The Company depreciates its fixed assets at 20% and 30% on the straight-line method except for oil and gas well equipment which is depreciated on the unit of production basis.

e) Option Payments

Option payments received are deducted from deferred exploration up to the amount recorded for the related property, any excess is recorded as revenue for the period.

GULF INTERNATIONAL MINERALS LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1990

1. SIGNIFICANT ACCOUNTING POLICIES - continued

f) Basic Loss per Share

Basic loss per share has not been provided as it is not considered meaningful at this stage of the Company's operations.

2. CONSOLIDATION

These financial statements include the accounts of the Company's wholly-owned subsidiaries, Dass No. 20 Holdings Ltd. and Inel Management Ltd.

3. AMALGAMATION AND COMPARATIVE FIGURES

On April 9, 1990 the Company was formed by statutory amalgamation of Gulf International Minerals Ltd. and Inel Resources Ltd. which combined the net assets and operations of two companies primarily engaged in exploration of mineral properties. All of the common shares of each of the companies were exchanged for common shares of Gulf International Minerals Ltd. as follows:

	<u>Pre- Amalgamation Common Shares</u>	<u>Exchange Ratio</u>	<u>Post- Amalgamation Common Shares</u>	%
Gulf International Minerals Ltd.	4,531,449	1.0	4,531,449	47%
Inel Resources Ltd.	12,656,039	2.5	<u>5,062,415</u>	53%
			<u>9,593,864</u>	

The amalgamation has been accounted for as equivalent to a pooling of interest; the costs of the assets to the predecessor companies are reflected as costs to the amalgamated company. The fiscal year end of the amalgamated company has been established as December 31. The comparative figures reflect the operations of the predecessor companies from January 1, 1990 to April 9, 1990 as though they had been amalgamated at that time. Due to differing fiscal year ends of the predecessor companies comparative financial statements are not presented for any period prior to that date.

4. TERM DEPOSITS

Of the Company's term deposits \$47,500 are held as reclamation bonds by the Ministry of Mines, and \$33,000 is pledged as collateral for other companies.

GULF INTERNATIONAL MINERALS LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1990

5. LOANS RECEIVABLE

Loans receivable consist of:

Loan to a company controlled by a director - secured	\$ 60,000
Other	<u>30,000</u>
	\$ <u>90,000</u>

6. INVESTMENTS

a)	<u>Number of Shares</u>	<u>Cost</u>	<u>Market</u>
Redwood Resources Inc.	50,000	\$ 10,000	\$ 3,500
Consolidated Kyle Resources Inc.	10,000	7,500	1,600
Calnor Resources Ltd.	500,000	100,000	65,000
Avondale Resources Ltd.	50,000	<u>60,000</u>	<u>11,000</u>
		\$ <u>177,500</u>	\$ <u>81,100</u>

The Company's investment in shares has been written down to market value at December 31, 1990, and a loss of \$96,400 has been recognized in the operations for the period.

- b) The Company also holds 3,000 shares of KRS (1987) Financial Limited purchased for \$300,000 in connection with a flow-through share agreement. These shares are redeemable on February 28, 1993 for consideration of the surrender of 50,000 outstanding shares of Gulf International Minerals Ltd. Alternatively, if the shares of Gulf trade as high as \$7.20 per share for 30 days prior to that date, the shares of KRS are redeemable for \$300,000 cash. Due to the contingent nature of the consideration for future redemption, the carrying value of these shares is presented as a reduction of shareholders' equity.

7. INTEREST IN OIL AND GAS PROPERTIES

Pembina Alberta

The Company holds a 10% working interest in five wells located in the Pembina area of Alberta.

Cost	\$ 267,090
Accumulated depletion	<u>(235,308)</u>
Net book value	\$ <u>31,782</u>

GULF INTERNATIONAL MINERALS LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1990

7. INTEREST IN OIL AND GAS PROPERTIES - continued

Dodsland Oil Programme, Saskatchewan

The Company acquired a 75% interest in 98 wells and related equipment in Saskatchewan for	\$ 472,657
An additional 25% was acquired during the period	25,000
Accumulated depletion	<u>(63,000)</u> 434,657
Write down to estimated realizable value	<u>(209,657)</u> <u>225,000</u>
TOTAL INTEREST IN OIL AND GAS PROPERTIES	\$ <u>256,782</u>

On July 1, 1990 the Company has sold its interest in the Dodsland oil wells for overriding royalties on production from the wells as to 4% on 8 wells, 15% on 65 wells, 1% on 25 wells, and \$103,500 or an additional 5% overriding royalty for its equipment. The purchaser of certain of the wells has appointed Gulf as its exclusive sales agent for a gathering system developed by the operator until December 31, 1999. Gulf will receive 50% of all consideration received by the operator for the system. The operator has the right to buy back the overriding royalty interest and the right to the gathering system for \$500,000 on or before July 30, 1991.

8. MINERAL PROPERTIES

a) McLymont claims, Liard Mining Division	
100% interest acquired for staking costs	\$ 1,000
b) Cur Ell property	
100% interest acquired for staking costs	8,912
c) Josh 1 to 4 claims, Liard Mining Division	
100% interest acquired for staking costs	<u>4,663</u>
Balance carried forward	\$ 14,575

GULF INTERNATIONAL MINERALS LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1990

10. LONG TERM DEBT

The Company has purchased certain mining equipment under agreements for sale and is obligated to make the following payments:

Year ending December 31, 1991	\$ 68,346
1992	60,614
1993	<u>29,042</u>
Total payments	<u>158,002</u>
Amount representing interest	<u>29,318</u>
Balance of obligation	\$ <u>128,684</u>
Represented by current portion	\$ 49,358
Long term liability	<u>79,326</u>
	\$ <u>128,684</u>

11. CAPITAL STOCK

- a) Authorized - 100,000,000 common shares without par value
- b) Issued

	<u>Shares</u>	<u>Amount</u>
Balance at April 9, 1990	9,593,864	\$ 10,914,319
Issued during the period		
For services	56,000	66,140
For cash, net of commission and issue costs	<u>1,900,000</u>	<u>2,438,123</u>
	<u>11,549,864</u>	13,418,582
Investment in KRS (1987) Financial Ltd. (Note 6(b))		<u>(300,000)</u>
		\$ <u>13,118,582</u>

GULF INTERNATIONAL MINERALS LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1990

11. CAPITAL STOCK - continued

- c) During the period the Company has completed a public offering consisting of 1,900,000 units at a price of \$1.39 per unit. Each unit consisted of one share and one share purchase warrant. The warrants, which entitled the holders to purchase further shares, subsequently expired without being exercised.
- d) During the period the Company issued 6,000 shares for services in connection with the amalgamation at a deemed value of \$8,640 and 50,000 shares as a finders' fee at a deemed value of \$57,500.
- e) The Company has granted incentive stock options to directors and employees as follows:

<u>Granted to</u>	<u>Number of Shares</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
Director	50,000	\$1.30	June 13, 1994
Directors	95,000	\$1.30	July 23, 1995
Employees	165,000	\$1.30	July 23, 1995
Employees	132,500	\$1.09	August 30, 1995
Director	50,000	\$1.79	January 13, 1993
Directors	80,000	\$1.80	July 25, 1993
Director	30,000	\$1.75	April 16, 1994
Director	125,000	\$1.64	July 25, 1994
Director	120,000	\$1.82	August 20, 1994
Director	50,000	\$1.31	December 18, 1994
Employee	10,000	\$2.52	December 31, 1991
Employee	20,000	\$1.75	April 16, 1994
Employee	20,000	\$2.25	September 12, 1994
Employees	30,000	\$1.31	December 18, 1994

12. EMPLOYEE STOCK PURCHASE PLAN

During the year the Company purchased 44,000 shares of its stock on the open market on behalf of field and office employees. The employees agreed to repay the Company on a payroll deduction plan on which there was \$44,607 unpaid at December 31, 1990. The amount due no longer reflects the market value of the shares held. Subsequent to the date of these financial statements the plan has been terminated; the Company will reimburse employees for amounts paid and will hold the shares.

GULF INTERNATIONAL MINERALS LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1990

13. RELATED PARTY TRANSACTIONS

During the period the Company has paid fees to a company controlled by a director for public relations and investor relations services totalling \$22,500.

Fees for geological consulting services totalling \$57,190 were paid to three directors.

The company has loaned \$60,000 to a company controlled by a director. The loan is payable on demand and secured by cash and securities.



GULF INTERNATIONAL MINERALS LTD. 200-675 W. Hastings St., Vancouver, B.C. V6B 1N2 (604) 683-9630 FAXLINE (604) 683-2392
LONDON OFFICE: Camco House, 3 Lanark Square, Docklands, London, England E14 9RE (01) 538-0909 FAXLINE (01) 538-5616

July 29, 1991

Dear Shareholders:

The second quarter ending June 30, 1991, saw your company complete its evaluation work of the 1990 field programs on the Inel and McLymont properties. One of the most significant results of this work was a substantial enhancement of reserve potential at Inel. In addition, several new high quality drill targets were identified at McLymont.

Plans were formulated for a six week \$300,000 exploration program on the Inel. Subsequent to the quarter the field crew has been mobilized, the camp opened and the program is underway. The work being carried out includes geological mapping, prospecting, tractor trenching and sampling. The areas being focussed on are those which have received relatively little attention in the past on this very large property: the West Slope, Moonlight, Wolverine zones and others. In addition, property tours are planned for interested joint-venture partners.

Your company has been actively seeking new investors, particularly in the U.S. and will continue its efforts in this direction.

We are eagerly anticipating exciting, new results from our summer field program which we expect to coincide with renewed interest by investors in VSE junior exploration companies, particularly Gulf International Ltd.

We thank you for your continuing support and look forward to a successful exploration season.

On Behalf of the Board,

R.E. Davis,
President & CEO

GULF INTERNATIONAL MINERALS LTD.

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 1991

Morgan & Company

Chartered Accountants

1210 - 675 West Hastings Street
Vancouver, B.C. V6B 1N2
Telephone (604) 687-5841
Fax (604) 687-0075

REVIEW ENGAGEMENT REPORT

To the Directors
Gulf International Minerals Ltd.

We have reviewed the consolidated balance sheet of Gulf International Minerals Ltd. as at June 30, 1991, and the consolidated statements of loss and deficit, deferred exploration expenditures and changes in financial position for the six months then ended. Our review was made in accordance with generally accepted standards for review engagements and accordingly consisted primarily of enquiry, analytical procedures and discussion related to information supplied to us by the Company.

A review does not constitute an audit and consequently we do not express an audit opinion on these financial statements.

Based on our review, nothing has come to our attention that causes us to believe that these financial statements are not, in all material respects, in accordance with generally accepted accounting principals.

Vancouver Canada

July 23, 1991



Chartered Accountants

GULF INTERNATIONAL MINERALS LTD.

CONSOLIDATED BALANCE SHEET

JUNE 30, 1991
(unaudited)

ASSETS

	1991	1990
CURRENT		
Cash & short term deposits (Note 4)	\$ 1,062,887	\$ 83,260
Accounts receivable	27,116	13,880
Loans receivable (Note 5)	59,850	-
Prepaid expenses	<u>13,747</u>	<u>23,327</u>
	\$ 1,163,600	\$ 120,467
INVESTMENTS (Note 6)	81,100	142,500
INTEREST IN OIL & GAS PROPERTIES (Note 7)	197,000	464,840
MINERAL PROPERTIES (Note 8)	19,875	19,875
DEFERRED EXPLORATION EXPENDITURES	8,718,416	7,429,454
FIXED ASSETS (Note 9)	<u>633,901</u>	<u>644,709</u>
	<u>\$10,813,892</u>	<u>\$8,821,845</u>

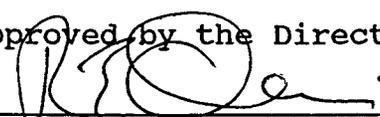
LIABILITIES

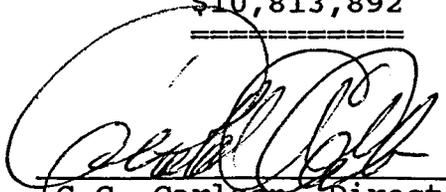
CURRENT		
Accounts payable	\$ 8,362	\$ 247,288
Current portion of long term debt	55,201	-
Loans payable	-	300,000
	<u>63,563</u>	<u>547,288</u>
LONG TERM DEBT (Note 10)	<u>54,181</u>	<u>-</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK (Note 11)	13,060,425	10,622,959
DEFICIT	<u>(2,364,277)</u>	<u>(2,348,402)</u>
	<u>10,696,148</u>	<u>8,274,557</u>
	<u>\$10,813,892</u>	<u>\$8,821,845</u>

Approved by the Directors:


R.E. Davis, President & CEO


G.G. Carlson, Director

GULF INTERNATIONAL MINERALS LTD.

CONSOLIDATED STATEMENT OF LOSS & DEFICIT

FOR THE SIX MONTHS ENDED JUNE 30, 1991
(unaudited)

	1991	1990
OIL OPERATIONS		
Revenue - net of operating costs & royalties	\$ 73,971	\$ (39,604)
Depletion	(59,782)	-
Legal & operating management	<u>(6,043)</u>	<u>-</u>
	\$ 8,146	\$ (39,604)
OTHER INCOME	29,137	-
INTEREST INCOME	<u>64,909</u>	<u>6,739</u>
REVENUE BEFORE ADMINISTRATIVE COSTS	<u>\$ 102,192</u>	<u>\$ (32,865)</u>
ADMINISTRATIVE COSTS		
Accounting & audit	19,011	3,100
Legal fees	12,292	25,184
Wages & benefits	137,056	69,177
Office, telephone & misc.	55,681	53,270
Public relations & shareholder communications	36,409	29,696
Travel & accommodation	24,639	30,968
Regulatory fees	1,410	3,330
Stock transfer fees	3,109	2,147
Insurance	14,687	-
Interest & exchange	10,224	10,867
Depreciation	5,501	-
Bad debts expense	37,500	-
Property investigation	1,000	11,071
Amalgamation expense	<u>-</u>	<u>38,540</u>
	<u>\$ 358,519</u>	<u>\$ 277,359</u>
LOSS FOR THE PERIOD	\$ 256,327	\$ 310,224
DEFICIT, BEGINNING OF PERIOD	<u>2,107,950</u>	<u>2,038,178</u>
DEFICIT, END OF PERIOD	<u><u>\$2,364,277</u></u>	<u><u>\$2,348,402</u></u>

GULF INTERNATIONAL MINERALS LTD.

CONSOLIDATED STATEMENT OF DEFERRED EXPLORATION EXPENDITURES

FOR THE SIX MONTHS ENDED JUNE 30, 1991
(unaudited)

	1991	1990
EXPLORATION EXPENDITURES		
Camp costs & maintenance	\$ 5,865	\$ -
Transportation	2,304	-
Geological	40,054	-
Assessment work & fees	15,058	-
Line cutting	3,800	-
Drafting & mapping	20,257	-
Depreciation	<u>172,039</u>	<u>-</u>
EXPLORATION EXPENDITURES FOR THE PERIOD	259,377	-
DEFERRED EXPLORATION, BEGINNING OF PERIOD	<u>8,459,039</u>	<u>7,429,454</u>
DEFERRED EXPLORATION, END OF PERIOD	<u><u>\$8,718,416</u></u>	<u><u>\$7,429,454</u></u>

GULF INTERNATIONAL MINERALS LTD.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE SIX MONTHS ENDED JUNE 30, 1991
(unaudited)

	1991	1990
OPERATING ACTIVITIES		
Loss for the period	\$ (256,327)	\$ (310,224)
Add: non-cash item:		
Depreciation & depletion	65,283	-
Cash provided (used) by changes in non-working capital	<u>39,207</u>	<u>142,340</u>
	<u>(151,837)</u>	<u>(167,884)</u>
FINANCING ACTIVITIES		
Long term financing on fixed assets	(25,145)	-
Acquisition of Company's shares	(58,157)	-
Capital stock issued for cash	<u>-</u>	<u>8,640</u>
	<u>(83,302)</u>	<u>8,640</u>
INVESTING ACTIVITIES		
Purchase of fixed assets	(1,183)	(6,000)
Exploration expenditures - net of depreciation	(87,338)	-
Sale of oil & gas interests	<u>-</u>	<u>11,000</u>
	<u>(88,521)</u>	<u>5,000</u>
DECREASE IN CASH	(323,660)	(154,244)
CASH & SHORT TERM DEPOSITS, BEGINNING OF PERIOD	<u>1,386,547</u>	<u>237,504</u>
CASH & SHORT TERM DEPOSITS, END OF PERIOD	<u>\$1,062,887</u>	<u>\$ 83,260</u>

GULF INTERNATIONAL MINERALS LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 1991
(unaudited)

NATURE OF OPERATIONS

The Company is in the process of exploring its mineral properties and is attempting to outline drill indicated reserves and determine whether these reserves are economically recoverable.

The recoverability of amounts shown for mineral properties and related deferred costs is dependant upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Interest in Oil & Gas Properties

The Company accounts for oil and gas properties by capitalizing all costs relating to acquisition, exploration, and development. Separate full cost centres are maintained for each field or program in which the Company has an interest. Costs accumulated in these centres for successful programs are amortized by the unit of production method based on estimated proven reserves; costs of unsuccessful or abandoned properties are charged to earnings. The carrying values of successful programs are assessed annually for possible impairment and written down to estimated market value where appropriate.

(b) Mineral Properties & Related Exploration Expenditures

The Company records its interest in mining properties at cost. Exploration expenditures relating to mineral properties are deferred until the properties are brought into production from that area, or until the properties are sold, allowed to lapse or abandoned, at which time the deferred expenditures are written off.

(c) Administrative Costs:

Administrative costs are charged against earnings as incurred.

GULF INTERNATIONAL MINERALS LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 1991
(unaudited)

1. SIGNIFICANT ACCOUNTING POLICIES - Cont'd

(d) Depreciation

The Company depreciates its fixed assets at 20% and 30% on the straight-line method except for oil and gas well equipment which is depreciated on the unit of production basis.

(e) Option Payments

Option payments received are deducted from deferred exploration up to the amount recorded for the related property, any excess is recorded as revenue for the period.

(f) Basic Loss per Share

Basic loss per share has not been provided as it is not considered meaningful at this stage of the Company's operations.

(g) Investments

The Company's portfolio investments are carried at cost and are written down to market value if a permanent impairment in value has occurred.

2. CONSOLIDATION

These financial statements include the accounts of the Company's wholly-owned subsidiaries, Dass No. 20 Holdings Ltd and Inel Management Ltd.

3. AMALGAMATION AND COMPARATIVE FIGURES

On April 9, 1990 the Company was formed by statutory amalgamation of Gulf International Minerals Ltd. and Inel Resources Ltd. which combined the net assets and operations of two companies primarily engaged in exploration of mineral properties. The comparative figures represent operations from April 9, 1990 to June 30, 1990.

GULF INTERNATIONAL MINERALS LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 1991
(unaudited)

4. TERM DEPOSITS

Of the Company's term deposits \$52,500 are held as reclamation bonds by the Ministry of Mines, and \$39,500 is pledged as collateral for other companies.

5. LOANS RECEIVABLE

Loans receivable consist of:

Loan to a company controlled by a Director - secured	\$50,000
Other	<u>9,850</u>
	\$59,850
	=====

6. INVESTMENTS

(a)	<u>No. of Shares</u>	<u>Cost</u>	<u>Market Value</u>
Redwood Resources Inc.	50,000	\$ 3,500	\$ 3,000
Consolidated Kyle Resources Inc.	10,000	1,600	1,400
Calnor Resources Ltd.	500,000	65,000	30,000
Avondale Resources Inc.	50,000	<u>11,000</u>	<u>9,000</u>
		\$81,100	\$43,400
		=====	=====

(b) The Company also holds 3,000 shares of KRS (1987) Financial Limited purchased for \$300,000 in connection with a flow-through share agreement. These shares are redeemable on February 28th, 1993 for consideration of the surrender of 50,000 outstanding shares of Gulf International Minerals Ltd. Alternatively, if the shares of Gulf trade as high as \$7.20 per share for 30 days, prior to that date, the shares of KRS are redeemable for \$300,000 cash. Due to the contingent nature of the consideration for future redemption, the carrying value of these shares is presented as a reduction of shareholders' equity.

GULF INTERNATIONAL MINERALS LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 1991
(unaudited)

7. INTEREST IN OIL PROPERTIES

Cost	\$555,090
Accumulated depletion	<u>358,090</u>
Net Book Value	\$197,000 =====

Pembina Alberta

The Company holds a 10% working interest in five wells located in the Pembina area of Alberta.

Dodsland Oil Programme, Saskatchewan

The Company acquired a 100% interest in 98 wells and related equipment in Saskatchewan.

On July 1, 1990 the Company sold its interest in the Dodsland oil wells for overriding royalties on production from the wells as to 4% on 8 wells, 15% on 65 wells, 1% on 25 wells, and \$103,500, or an additional 5% overriding royalty for its equipment. The purchaser of certain of the wells has appointed Gulf as its exclusive sales agent for a gathering system developed by the operator until December 31, 1999. Gulf will receive 50% of all consideration received by the operator for the system. The operator has the right to buy back the overriding royalty interest and the right to the gathering system for \$500,000 on or before July 30, 1991.

8. MINERAL PROPERTIES

(a) McLymont cldims, Liard Mining Division	
100% interest acquired for staking costs	\$ 1,000
(b) Cur Ell Property	
100% interest acquired for staking costs	8,912
(c) Josh 1 to 4 claims, Liard Mining Division	
100% interest acquired for staking costs	4,663

GULF INTERNATIONAL MINERALS LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 1991
(unaudited)

8. MINERAL PROPERTIES - Cont'd

(d) GIM claim, Liard Mining Division,
100% interest acquired by staking NIL

The Company has granted an option to Consolidated Kyle Resources Ltd. to earn 100% interest in the GIM claim for \$180,000 cash, \$120,000 of which has been received, 10,000 shares and exploration expenditures totalling \$1,000,000 to be expended on or before November 30, 1992.

(e) Inel Property, Liard Mining Division
100% interest acquired for cash and exploration expenditures totalling \$4,800,000. 5,300

TOTAL COST OF MINERAL PROPERTIES \$19,375

9. FIXED ASSETS, at cost

Camp buildings & equipment	\$ 195,177
Mining machinery & equipment	1,151,226
Office furniture & fixtures	<u>55,006</u>
	\$1,401,409
Less: Accumulated Depreciation	<u>767,508</u>
Net Book Value	<u>\$ 633,901</u>

GULF INTERNATIONAL MINERALS LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 1991
(unaudited)

10. LONG TERM DEBT

The Company has purchased certain mining equipment under agreements for sale and is obligated to make the following payments:

Balance of obligation	\$109,382
	=====
Represented by current portion Long term liability - all due by July, 1993	\$ 55,201
	<u>54,181</u>
	\$109,382
	=====

The financing agreements are secured by the assets being purchased.

11. CAPITAL STOCK

(a) Authorized - 100,000,000 Common Shares without par value.

(b) Issued

	<u>Shares</u>	<u>Amount</u>
Balance at December 31, 1990 and June 30, 1991	11,549,864	\$13,418,582
Investment in KRS (1987) Financial Ltd. (Note 6(b))		(300,000)
Repurchase of Gulf International Minerals Ltd. - 44,000 shares		<u>(58,157)</u>
		\$13,060,425
		=====

GULF INTERNATIONAL MINERALS LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 1991
(unaudited)

11. CAPTIAL STOCK - Cont'd

- (c) The Company has granted incentive stock options to Directors and Employees as follows:

<u>Granted To</u>	<u>No. of Shares</u>	<u>Excerise Price</u>	<u>Expiry Date</u>
Director	50,000	\$0.60	Jun. 13/94
Director	95,000	1.30	Jul. 23/95
Employee	95,000	1.30	Jul. 23/95
Employee	112,500	1.09	Aug. 30/95
Employee	50,000	0.60	Jan. 13/93
Director	80,000	0.60	Jul. 25/93
Director	120,000	0.60	Aug. 20/94
Director	50,000	0.60	Dec. 18/94
Employee	10,000	0.60	Dec. 31/91
Employee	20,000	0.60	Apr. 16/94
Employee	20,000	0.60	Dec. 18/94
Employee	20,000	0.60	Feb. 28/96
Director	50,000	0.60	Feb. 28/96

12. RELATED PARTY TRANSACTIONS

During the period the Company has paid fees to a company controlled by a Director for public relations and investor relations services totalling \$15,000.

Fees for geological consulting services totalling \$42,393 were paid to three Directors.

The Company has loaned \$50,000 to a company controlled by a Director. The loan is payable on demand and secured by cash and securities with a current market value of \$37,559.



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REPORT ON

THE INEL PROPERTY

Iskut Gold Camp
British Columbia, Canada

Gulf International Minerals Ltd.

R.G. Gifford, P. Eng.
February 25, 1991

GULF INTERNATIONAL MINERALS LTD.

INEL PROPERTY

Iskut Gold Camp

British Columbia, Canada

HIGHLIGHTS OF INEL PROPERTY

Mineral deposits of significance are known for stratabound basemetal (Discovery North section, Zinc Knob), and breccia hosted gold (AK Zone and Discovery South section).

Potential exists for the development of stratabound massive sulphide deposits and breccia hosted gold deposits of economic worth.

Claims are underlain by favourable geology: rhyolites and felsic intrusives are followed by clastic sediments and mafic volcanics.

Property is situated in the middle of the Iskut Gold Camp: Eskay Creek lies to the east, Skyline to the west and Snip to the northwest.

On the basis of exploration and prospecting to date, the potential for discovering new deposits or extensions to known occurrences is high.

PROPOSED PROGRAM, 1991

Drilling - 25,000 feet
Mining - 1,000 feet
Geological Mapping - 7 areas
Geochemical Soil Surveys - 4 areas
Geophysical Magnetic & EM Surveys - 2 areas

PROPOSED BUDGET, 1991

\$1.7 million program
Crew of 30, mid-July through mid-October

INFRASTRUCTURE

Fully equipped 40-man camp
Surface and underground equipment on-site
10 kilometres to Bronson airstrip
Pending construction of Iskut Road to within 10 kilometres

REGIONAL GEOLOGY

The Inel Property is situated within the Stikine Arch, a Paleozoic to Mesozoic-aged arc of volcanic and sedimentary rocks. The oldest exposed rocks in the area are limestones and volcanic rocks of Permian age. These are overlain by Stuhini Group clastic sediments and volcanic rocks of Upper Triassic age.

Following this sequence is the Hazelton Group of Lower to Middle Jurassic age. It is subdivided into the Unuk River Formation comprised of mafic flows and intercalated shales and siltstones; the Betty Creek Formation containing volcanoclastic sediments and mafic flows; the Mount Dilworth which is characterized by pyritic, felsic tuffs and breccias; and uppermost, the Salmon River Formation which consists of andesitic pyroclastics in the west that grade into siliceous shales in the east.

These rocks are intruded by plutons of granodioritic to syenitic composition. Related to these intrusive rocks and present on the Inel Property, are "Premier Porphyry" megacrystic alkali-feldspar porphyry dikes that have a presumed genetic link with gold mineralization at the Premier Mine and the AK showing on the Inel Property.

PROPERTY GEOLOGY

The Inel Property is underlain by rocks that are assigned to the Unuk River Formation of the Hazelton Group, with remnants of Betty Creek Formation capping the ridges. The lowest exposed rocks on the property are felsic pyroclastic rocks that are overlain by clastic sediments and interbedded tuffaceous rocks. The sediments are overlain by flows and tuffs of basaltic composition. Basalt dikes and sills are also common within the sedimentary sequence.

All these rocks are intruded by alaskitic to dioritic sills and dikes, including a megacrystic syenite dike. It is probable that there are a number of these dikes on the property.

PROPERTY MINERALIZATION

Mineralization found on the Inel Property to date includes both massive sulphides with gold and basemetal that are stratabound and possibly volcanogenic (Discovery North, Zinc Knob) and sulphide with gold values in an intrusive breccia that is controlled by a major fracture system (AK, Discovery South). Most of the development work on the property has centred on the AK and Discovery mineralized areas.

The AK Zone is the most significant discovery to date and is distinctive because mineralization is associated with an intrusive breccia that cross-cuts the enclosing sediments and closely follows the "Premier Porphyry" type megacrystic syenite dike mentioned above. Mineralization consists of pyrite with sphalerite, galena, chalcopryrite, minor arsenopyrite and significant gold.

The AK Zone was investigated by both surface and underground drilling during 1989 and 1990. Some of the intersections across the full width of the breccia unit include the following:

<u>DDH</u>	<u>LENGTH</u>	<u>GOLD</u>	<u>DDH</u>	<u>LENGTH</u>	<u>GOLD</u>
S-116	41.0 ft	0.384 oz/T	U-171	24.3 ft	1.197 oz/T
S-148	17.4 ft	1.110 oz/T	U-182	18.1 ft	0.265 oz/T
S-149	25.0 ft	0.347 oz/T	U-185	42.4 ft	0.379 oz/T

This zone has been traced for about 800 feet and may extend or repeat into other areas of known mineralization, in particular, the Inel Ridge Zone 700 feet to the southeast and the Discovery South Zone one-half mile to the south.

The Discovery North Zone exhibits stratabound mineralization that includes masses, lenses and stringer zones of sulphide. These consist of mainly pyrite and sphalerite with minor chalcopryrite and galena and significant gold. Some lens complexes have been traced for about 400 - 600 feet by drilling and their extensions remain open. cursory inspection shows the lenses can include characteristics such as in S-11 wherein a 16-foot intersection of massive sulphides gives grades of: **25% PY, 5% Zn, 0.2% Cu, Tr% Pb, 0.8 oz/T Ag, 0.12 oz/T au.**

Mineralization of this character extends across 300 feet of stratigraphy encompassing the transitional zone between clastic sedimentary rocks and basaltic volcanic rocks. This zone has been traced for about 1000 feet in the mine workings, was picked up again about 900 feet to the north in the AK area and possibly is repeated about one-half mile to the south in the Zinc Knob area.

PREVIOUS WORK ON PROPERTY

Mining Development:

- 1500 Portal, Discovery Zone - 2850 feet
- 1650 Portal, AK Zone - 1300 feet

Drilling (underground & surface):

- 175 holes for 87,000 feet in 6 areas - Discovery, AK, Inel Creek, Inel Ridge, Zinc Knob, Western Slopes.

Ground and Airborne geophysics.

Prospecting, trenching, sampling, mapping, soil and silt geochemistry.

PROPOSED PROGRAM

The proposed 1991 exploration program on the Inel Property will concentrate in two main areas: the fracture-controlled breccia system with focus on the AK and Discovery South sections and the possible volcanogenic mineralization with attention to the Zinc Knob section.

The AK and Discovery South program will entail about 1000 feet of additional drifting and 25,000 feet of drilling: 15,000 feet from underground and the balance from surface. In addition there will be surface geological mapping and sampling to integrate the drilling results. Geochemical and geophysical surveys will explore step-out possibilities that exist further afield.

The objective of this program will be to extend the AK mineral trend and to determine if this mineralized intrusive breccia is linked with either the Discovery South section to the south, or to the Inel Ridge Zone to the southeast. Both areas have been explored in the past but in a limited way and for other targets. The limits of mineralization have not been determined for either area.

The second area of interest is the Zinc Knob, primarily a basemetal occurrence, that has been known since the early 1970's but has not been closely investigated. Stratabound pyrite, galena and sphalerite occurs within thinly-bedded shales. These sediments overlie a possible rhyolite dome with felsic tuffs and breccias and associated stockwork pyrite mineralization.

The 1991 program on the Zinc Knob will comprise detailed surface mapping, geochemical surveys, geophysical surveys and trenching and diamond drilling where preliminary results warrant.

PROPOSED BUDGET

Personnel	\$ 200,000
Camp Costs	125,000
Field Costs	50,000
Diamond Drilling	700,000
Underground	225,000
Transportaion	175,000
Engineering	<u>75,000</u>
	\$1,550,000
Contingency (10%)	<u>150,000</u>
TOTAL	\$1,700,000 =====

INFRASTRUCTURE

Further development of the Inel Property will be assisted by the existing all-weather camp with accommodation for 40 men. The camp is comprised of kitchen and dining facilities, mine-dry, sleeping cabins, recreation cabin, warehouse and office/core processing building. Electric power is supplied by generator.

Surface equipment includes two bulldozers and all-terrain vehicles. Underground equipment includes two scoop trams, jumbo drill, jackleg drills, repair shop, as well as power and ventilation equipment. Drilling equipment includes Company-owned surface rig and leased electric underground rig. A machine shop is situated at the AK mine portal.

Access to the camp is gained by helicopter from the Bronson airstrip at the Snip Mine, about 10 kilometres distant. This airstrip is serviced by scheduled flights from Terrace and Smithers, about 250 miles to the south. Flights are also common between Bronson and Wrangell, Alaska 50 miles to the west.

The proposed road from the Stewart-Cassiar highway to the Snip Mine will pass within 10 kilometres of the Inel claims and will provide the option of road access to some portions of the property.

GULF INTERNATIONAL MINERALS LTD.



R.G. Gifford, P. Eng.

February 25, 1991

This report provides an overview of the promising Inel property in its advanced stage of exploration development. For a more detailed view, the reader is referred to reports, illustrations and basic data all of which are on file in the offices of Gulf International Minerals Ltd.

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LONDON OFFICE: Camco House, 3 Lanark Square, Docklands, London, England E14 9RE (01) 538-0909 FAXLINE (01) 538-5616

May 28, 1991

COPY

Dear Shareholders:

During the first quarter ending March 31, 1991, the Company completed its evaluation and compilation work on the McLymont and Inel properties, integrating the results of the 1990 program with earlier results. The Company was also active seeking new exploration opportunities, not only in western Canada but also in the United States and Mexico.

Plans are also underway for 1991 summer programs on both the McLymont and Inel properties.

The Company is looking forward to a successful exploration season and thank you for your continuing support.

On Behalf of the Board

R.E. Davis,
President & CEO



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NEWS RELEASE (GIM) - VSE

The Company is pleased to announce that it is currently under negotiations with Prime Equities Inc. in regards to the future development of Gulf's exploration projects in the Iskut River area of northwestern British Columbia. Gulf's Board of Directors will be joined by Board members of Prime Equity Inc., if negotiations are successful.

DATED THIS 27TH DAY OF FEBRUARY, 1991.

On Behalf of the Board

Reg E. Davis,
President

THE VANCOUVER STOCK EXCHANGE HAS NEITHER APPROVED NOR DISAPPROVED
THE CONTENTS HEREIN.



GULF INTERNATIONAL MINERALS LTD.

McLYMONT PROPERTY

THE PROPERTY

- 4 Contiguous Claims
- 80 Claim Units
- 2,000 Hectares
- 4,942.4 Acres
- 100% Interest held by Gulf International Minerals Ltd.

LOCATION

- 12 Km North of the Iskut River
- 22 Km Northeast of Skyline's Johnny Mountain Mine
- 32 Km Northwest of the Eskay Creek Deposit
- 19 Km Northeast of Cominco's Snip Mine

HISTORY

- Originally prospected at the turn of the century.
- Early 1960's, Newmont Mining Corp. did exploration in the Iskut area north-northwest of Newmont Lake and off the McLymont claims.
- In 1980, Du Pont of Canada staked what is now the McLymont claims and did exploration work.
- In 1983, Skyline Explorations and Placer Development optioned the claims from Du Pont.
- The claims lapsed in 1986, at which time Gulf staked the McLymont claims.
- From 1987 - 1990 Gulf did exploration work and discovered a Gold Skarn (NW Zone) on which intense drilling has been done with most significant results.

INTRODUCTION

The McLymont property is unique in the Iskut Gold Camp in that it represents the only known occurrence of a gold-enriched skarn deposit. The Northwest Zone is mineralized over a strike length of 985 ft. and to depths of up to 650 ft. below surface. The zone has not yet been fully delineated. The 1990 summer program, which included 13,233 ft. of diamond drilling, resulted in a much improved understanding of the geological controls of the gold mineralization. This program also led to the identification of a number of other prospective gold skarn targets on the property.

HISTORICAL PERSPECTIVE

The McLymont Creek area was initially prospected by Newmont Exploration and other major mining companies in the 1950's and 60's for base metals. At this time, numerous copper-bearing iron skarn deposits were identified, but none contained significant gold values.

During the early 80's when initial gold exploration through the Iskut began, Dupont, one of the most active companies in the camp found the McLymont property to have significant gold potential.

However, Dupont discontinued exploration in Canada and it was not until 1986 that Gulf International Minerals Ltd. staked the property and drilled the first holes. Discovery of high grade gold mineralization, over significant widths in the Northwest Zone, came shortly thereafter.

GEOLOGICAL SETTING

Mineralization at McLymont is hosted in sedimentary and volcanic rocks that have been intruded by the same intrusive rocks that appear to be related to all of the major mineral deposits in the region, including Skyline, Snip, Eskay, Sulphurets and the Stewart Camp.

Structure has also been important in localizing gold mineralization, and the McLymont property is known for a number of strong, north and northeast trending fault zones which transect this geology. One of these structures, the McLymont Fault,

appears to have been very important in controlling the location of the gold mineralization in the Northwest Zone.

Mineral deposits on the property are of two types. The most significant so far, is the Northwest Zone, where gold is associated with silver and base metals in skarn and replacement mantos within sedimentary rocks adjacent to a mineralized shear. In the earlier discovered Camp Zone, gold occurs in a set of northwest trending quartz-sulphide veins within a large granitic intrusion.

1990 PROGRAM

Work in 1990 included mainly diamond drilling in the Northwest Zone. This work was focussed on expanding the zone's tonnage potential and understanding more fully the controls of mineralization. The work included 13,233 ft. of drilling in 33 holes.

For this program, Gulf purchased its own lightweight drill. This machine proved to be extremely effective and resulted in a considerable cost saving over the course of the program.

In addition, surface mapping and exploration was begun to identify other gold targets on the property.

1990 RESULTS

The program was successful in providing new geological information which has resulted in a much better understanding of the nature and distribution of gold within the Northwest Zone. A number of significant, new, high-grade intersections were encountered, many with visible gold in the drill core. The 1990 program also showed that the deposit is still open for expansion along strike to the north and south.

The 1990 work has confirmed that the distribution of gold values in the Northwest Zone is somewhat irregular. Nonetheless, the gold occurs with important values of silver and copper within a thick and continuous zone of sulphide mineralization and related alteration. Since the gold is concentrated in localized pockets through the deposit, it would be difficult to estimate the grade of the deposit with drill hole data alone.

The improved understanding of the

geology, mineralization and related rock alteration at the Northwest Zone has led to the positive identification of two other target areas in the property which have the same characteristics and anomalous gold values.

These require drill testing.

In addition, the southeastern half of the property, which is underlain by similar rock types and is known to host a number of mineral showings, has yet to be explored in detail.

PROPOSED 1991 PROGRAM

The Northwest Zone requires additional drilling at both ends of its now defined 985 ft. strike length. Two drill holes have also been proposed to test the deposit at depth adjacent to the McLymont Fault. Total proposed drilling in these areas totals 8,000 ft.

Two approaches are being considered to collect a bulk sample in order to evaluate the grade and tonnage of the deposit. A large surface trench at the south end of the deposit is the least expensive alternative. An underground adit would provide complete coverage of the deposit for bulk sampling and reserve calculations, as well as a drill platform for additional testing at depth.

The remainder of the property requires drill testing of the two identified targets, the Gorge and Black Bear Zones, totalling 4,000 ft., as well as detailed mapping and prospecting, geochemical surveys and geophysical surveys to cover the southeastern portion of the property.

DIAMOND DRILL HIGHLIGHTS

<u>Drill Hole</u>	<u>Length(ft)</u>	<u>Gold (oz/ton)</u>
87-25	3.6	1.52
87-29	6.2	8.09
88-25	4.9	0.698
88-28	15.1	0.810
88-28	16.1	0.645
88-31	9.8	0.620
88-32	3.3	1.420
88-35	6.9	3.551
89-1	6.9	1.502
89-5	5.9	0.719
89-11	26.9	0.625
89-22	8.9	0.549
89-25	16.7	0.486
89-29	6.2	0.970
90-1	10.5	1.131
90-2	16.1	0.638
90-16	2.9	0.450
90-17	5.6	0.828
90-18	9.2	7.280
90-26	8.8	0.715
90-31	6.6	1.289

JAZZMAN PROPERTY

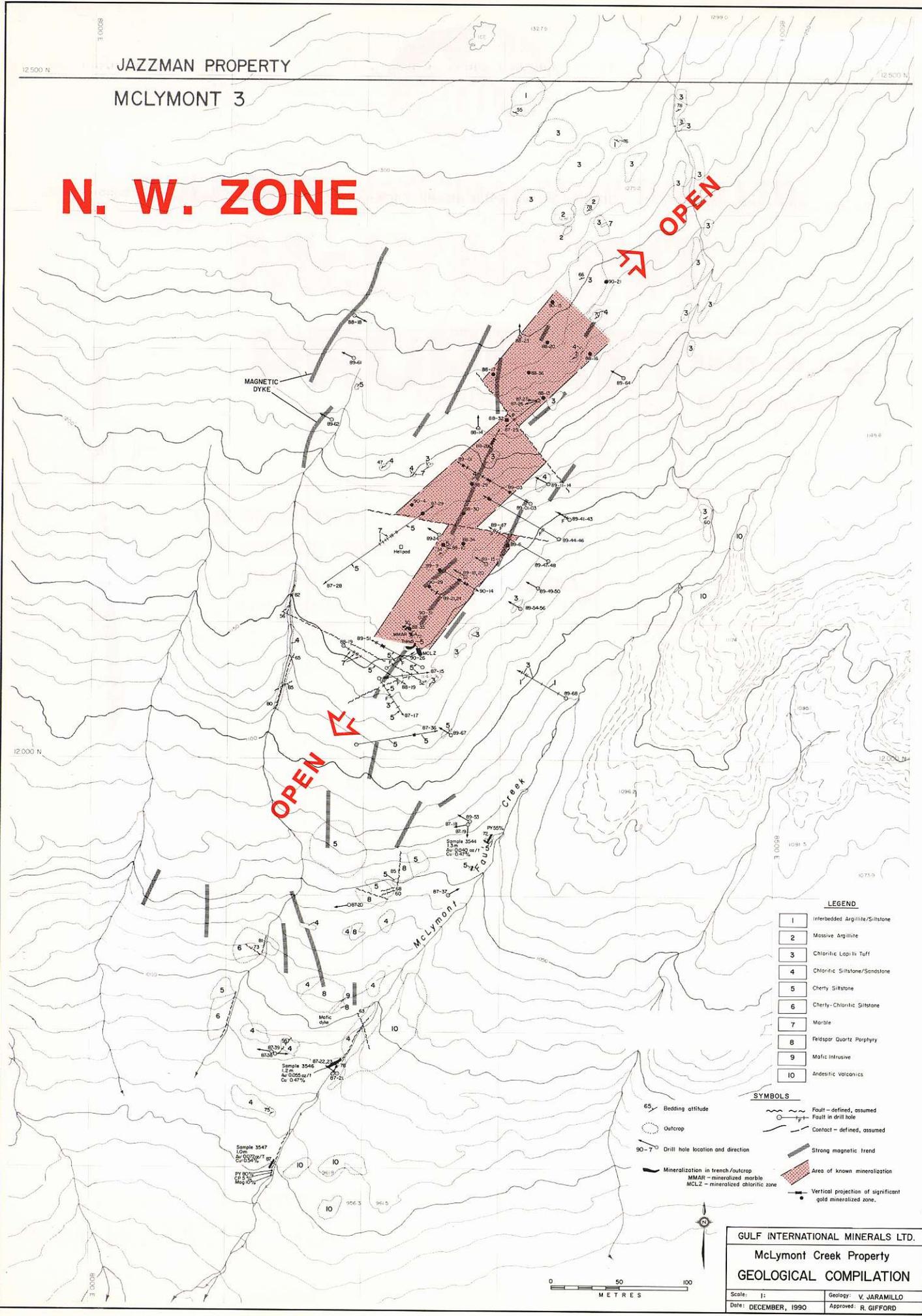
MCLYMONT 3

N. W. ZONE

OPEN

OPEN

MAGNETIC DYKE



LEGEND

- 1 Interbedded Argillite/Siltstone
- 2 Massive Argillite
- 3 Chloritic Lapilli Tuff
- 4 Chloritic Siltstone/Sandstone
- 5 Cherty Siltstone
- 6 Cherty-Chloritic Siltstone
- 7 Marble
- 8 Feldspar Quartz Porphyry
- 9 Mafic intrusive
- 10 Andesitic Volcanics

SYMBOLS

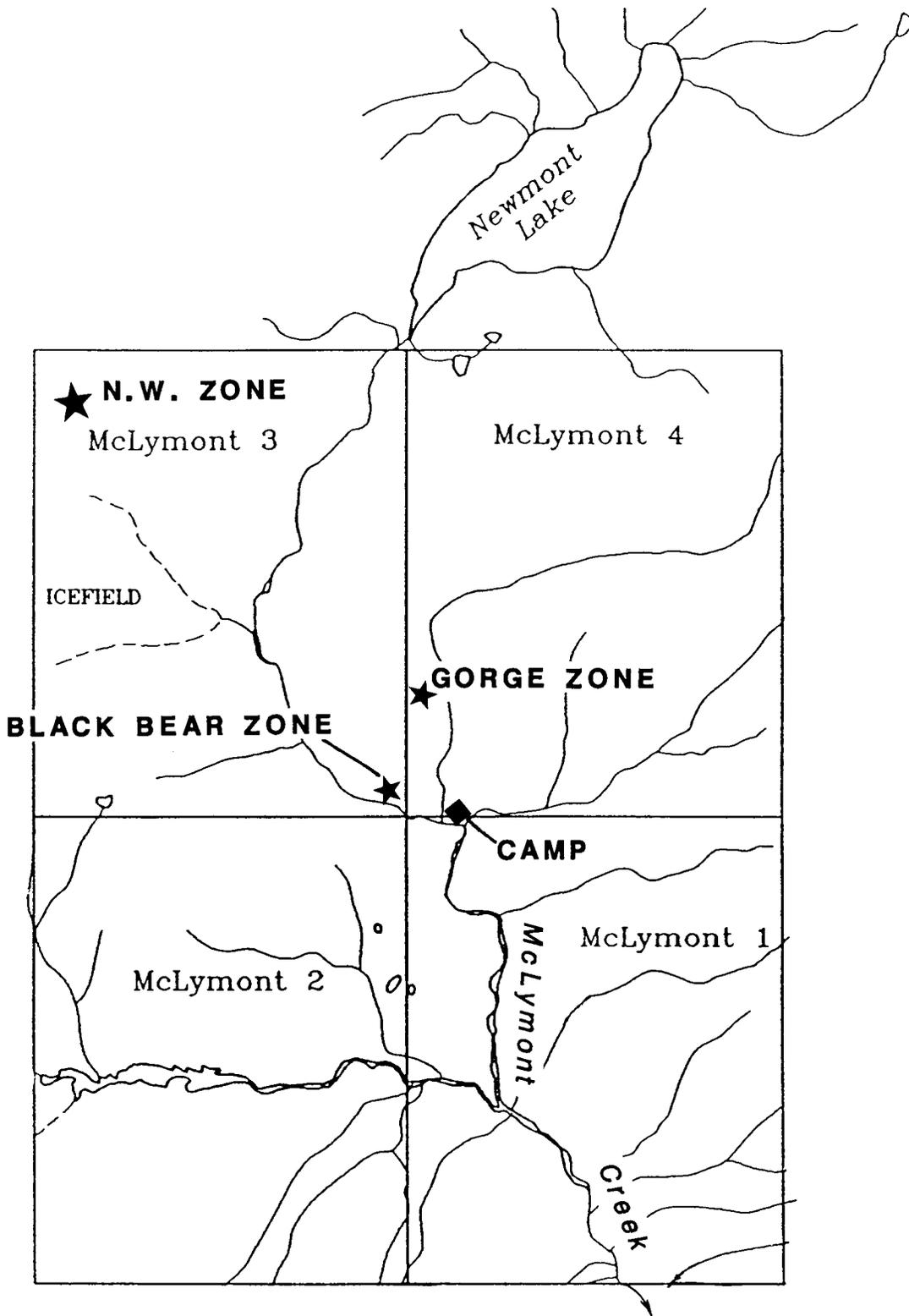
- 65 Bedding attitude
- Outcrop
- 90-7° Drill hole location and direction
- Mineralization in trench/outcrop
- MAMR - mineralized marble
- MCLZ - mineralized chloritic zone
- Fault - defined, assumed
- Fault in drill hole
- Contact - defined, assumed
- Strong magnetic trend
- Area of known mineralization
- Vertical projection of significant gold mineralized zone.

GULF INTERNATIONAL MINERALS LTD.

McLymont Creek Property GEOLOGICAL COMPILATION

Scale: 1:10000
 Date: DECEMBER, 1990
 Geology: V. JARAMILLO
 Approved: R. GIFFORD





McLymont Property
SURFACE LOCATION MAP



→ GSW

GULF INTERNATIONAL MINERALS LTD.

REPORT ON
THE INEL PROPERTY
British Columbia, Canada

GULF INTERNATIONAL MINERALS LTD.

R.G. Gifford, P. Eng.

May 29, 1991

GULF INTERNATIONAL MINERALS LTD.

INEL PROPERTY

Iskut Gold Camp

British Columbia, Canada

STATUS OF INEL PROPERTY, May 1991

A further stage of evaluation of the AK and Discovery zones was recently completed. The AK zone details a breccia-hosted deposit that is permeated by a high concentration of gold. Step-out drilling has traced the mineralization a distance of 800 feet and the zone remains open to extension. Preliminary tonnage determinations for a 200-foot slice of the deposit provides 63,500 tons grading 0.34 oz/ton gold across a width of 24 feet.

The Discovery South zone outlines an additional breccia-hosted gold setting that has similar potential to that of the AK area.

The Discovery North zone describes a volcanic-associated deposit of polymetallic sulfide character that is enriched in zinc and gold. Within this zone are several continuous lenses of sulfide mineralization that contain associated areas of higher base and precious metal values. One of these lenses, the No.1 lens, has been quantified in recent compilation and gives 350,000 tons grading 0.1% Cu, 0.1% Pb, 2.6% Zn, 0.39 oz/ton Ag and 0.102 oz/ton Au.

The AK gold deposit has an excellent potential for developing a major tonnage mining operation. The Discovery North polymetallic zinc/gold deposit is strata-controlled and has huge potential. This deposit has considerable merit and warrants premier attention.

On the basis of exploration and prospecting to date, the potential for discovering new deposits or extensions to those known on the Inel property is pre-eminent.

PROPOSED PROGRAM, 1991

Drilling - 25,000 feet	Geological Mapping - 7 areas
Mining - 1,000 feet	Geochemical Surveys - 4 areas
Geophysical Magnetic & EM Surveys - 2 areas	

PROPOSED BUDGET, 1991

\$1.7 million program; crew of 30, mid-July through mid-October

INFRASTRUCTURE

Fully equipped 40-man camp; surface and U/G equipment on-site
10 kilometres to Bronson air strip
Road construction pending, to within 10 kilometres of property

Corporate Profile

Gulf International Minerals Ltd. is a Canadian natural resource company, currently engaged in the exploration and development of base and precious metal properties in the Province of British Columbia. The Company was incorporated on May 15, 1969 and was listed for trading on the Vancouver Stock Exchange on July 5, 1983. Outstanding share capital on May 29, 1991 consisted of 100,000,000 shares authorized and 11,549,864 shares issued. No shares are held in escrow.

Gulf International Minerals Ltd. has 100% ownership of its principal properties all of which are in British Columbia.

McLYMONT claim group: 80 units, 2000 hectares (4900 acres)
 INEL claim group: 217 units, 5400 hectares (13,400 acres)
 JOSH claim group: 80 units, 2000 hectares (4900 acres)
 GIM claim group: 20 units, 500 hectares (1200 acres) farm-out
 NELLY claim group: 200 units, 5000 hectares (12,300 acres)

The management group of Gulf International Minerals Ltd. is comprised of individuals with a broad experience in mining and finance and in the Iskut River Gold Camp. Reg Davis, Company President, has an extensive mining development and financial background. He pioneered the modern exploration effort in the Iskut Camp through leadership of Skyline Explorations Ltd. and its sister companies Inel Resources Ltd. and Gulf International Minerals Ltd. Bob Gifford, geologist and Director, was the first to recognize the Camp's gold potential, and engineered the Companies' acquisitions in the region. Ted Grove, geologist and Director, was the first to provide a geological model of the area and guided the Companies' exploration projects. Michael Laidlaw, broker/financier and Director, has enabled the projects to attain success. Gerry Carlson, geologist and Director, has wide knowledge of mineral deposits in the Province and in North America.

Introduction

The Inel property was one of the first to be explored in the Iskut Camp because iron-stained rocks and numerous mineral showings boldly advertised the area by red coloration. Prospecting and diamond drilling led to the definition of a number of gold zones on the property, two of which are being examined in detail with underground exploration programs.

A further evaluation stage by the Company of the geological nature and the metal distribution of the AK zone based on 1989/90 development work was recently completed. Results of this data compilation demonstrate that the AK breccia-hosted gold deposit has considerable potential for developing a major mining operation.

Further study by the Company of the Discovery North zone is underway and preliminary results show this volcanic-associated sulfide (zinc/gold) deposit offers potential for large-tonnage operations.

Review of the property continues to point out the additional exploration opportunities that are present in the small part that has experienced prospecting. These untested targets are described in Table II of this report.

In perspective, coverage of the property by preliminary exploration amounts to approximately 10% of the available acreage in the claim group. This work has yielded many mineral prospects several of which are of particular significance. Development work proceeded on a few of these and was successful in each stage to date. These achievements demonstrate that the unexplored 90% of the property retains a superb exploration potential.

AK Mineralization

Emphasis in this report is directed to geological definition of the AK zone of gold mineralization. Compilation work has recently reached an advanced stage of processing. The geological controls governing mineralization in the AK are not fully understood but present data permits identification of a well-founded working model. Salient features of the model are as follows:

1. The host rock, an intrusive breccia, is visually distinctive. It is penetrative in extent both along strike and down dip. It ranges about 20 feet to 40 feet in thickness, and is traced 800 feet along strike and from 150 to 300 feet below surface by drilling. The target formation has a southeast strike and 60 degree southwest dip.
2. The target breccia stands out clearly as a chemically enriched rock unit respecting gold concentration relative to enclosing rocks. Principally associated with this are copper-lead-zinc values which are directly proportional with elevated gold values. As a general rule, concentration levels of approximately Cu 0.1%, Pb 0.1% and Zn 0.5% are directly associated with important gold values of 0.3 oz/ton or better.
3. Implications of the chemical signature extend to exploration targeting where surface geochemistry results with respect to coincident Cu-Pb-Zn-Au anomalies, or where analysis of drilling data with respect to metal distribution maps and coincident Cu-Pb-Zn-Au trends, all with respect to a breccia related background, should be given particular attention. This application can serve as a direct guide to selecting preferred targets for exploration.

4. The host breccia is closely associated with a syenite porphyry dyke system in the AK instance. The breccia penetrates through its close associate the syenite porphyry and through the enclosing sedimentary country rocks. Clasts of both syenite porphyry and sedimentary rock material are observed in the breccia. The breccia generally follows the footwall side of the syenite porphyry but at times will cut across this unit, and at times will separate from this unit to give an intercalated band or possible horse of sediments.

The target structure, the breccia host to gold mineralization, is drilled in sufficient density in one area to serve as a basis for initial projection of reserve potential. The favourable structure remains open along its strike, and with confirmation of a fault offset is open to development down the dip. The broad width of the host breccia and the persistence of its penetrating nature make for a geological target on which to develop important mineable tonnages.

AK Tonnage

Two aspects of the gold distribution are considered in this report both of which give an idea of the important worth of the AK discovery. In one case the better run of values is considered; there is sacrifice in tonnage but the determination gives a measure of grades that can be expected. In the other case the overall average of the breccia, wall-to-wall, is considered; there is attendant diminishing of grade but it gives larger tonnage and an insight to the gold bearing capacity of the structure.

This determination of the metal distribution of the one area that currently sustains sufficient density of drilling for calculation is presented in Table I of this report. The results identify 63,500 tons grading 0.34 opt gold for the breccia, wall-to-wall, within which are 20,200 tons grading 0.68 opt gold for the better run of values.

The volume of influence for the tonnage reckoning takes in only a small portion of the target structure that has been identified to date. The size of panel that was investigated in the deposit measures 200 feet in strike and 230 feet in vertical height. In contrast the testwork to date has identified the favourable structure as 800 feet on strike and open, and reaches 150 to 300 feet up the dip to outcrop. It is open to depth below the mine workings with confirmation of the fault offset. In context the results, derived from the testing of a limited area, provide expectation for oreshoots grading in the order of 0.7 opt gold within an ore field that grades in the order of 0.3 opt gold.

Table I. Tonnage estimates for AK zone

<u>Model</u>	<u>Tons and Grade</u>	<u>Governing Factors</u>
A. Best run of gold bearing breccia	20,200 tons 0.68 opt Au average width = 10 feet tested length = 140 feet tested height = 200 feet	influence per hole approx 10 m (33 feet) for 11 drill holes
B. Overall wall-to-wall breccia	63,500 tons 0.34 opt Au average width = 24 feet tested length = 200 feet tested height = 230 feet	influence per hole approx 10 m (33 feet) for 14 drill holes

Table II. Untested Targets, Inel Property

<u>Target</u>	<u>Comment</u>
A. Big Rock 104B10/822762	Massive sulfide lens in altered sediments bordering megacrystic syenite porphyry. Results include 0.1% Cu, 1.6% Pb, 5.4% Zn, 47.3 opt Ag and 0.20 opt Au.
B. Blizzard Creek 104B10/811745	Prospect results include 0.2% Cu, 0.5% Zn and 1.30 opt Au.
C. Inel Ridge 104B10/807755	Strong coincident CuPbZnAu soil anomaly. On strike 700 feet from AK zone.
D. Superior 104B10/791748	Large sulfide-rich blocks in talus with galena, sphalerite and pyrite. Coincident with airborne "Dighem" conductor.
E. Zinc Creek 104B10/792759	Feldspathic-pyritic alteration of volcanic breccia. Results include 0.2% Cu, 0.3% Pb, 3.9% Zn, 0.5 opt Ag, 0.08 opt Au. Coincident with airborne "Dighem" conductor.
F. Zinc Knob 104B10/795745	Stratabound sulfides with pyrite, galena and sphalerite. Results include 0.6% Pb, 10.9% Zn, 0.5 opt Ag, 0.12 opt Au across 23 feet.
G. Wolverine 104B10/850778	Chalcopyrite, magnetite, pyrite with limestone bands (up to 20 feet wide) intercalated with volcanic sediments. Results include 5.6% Cu, 1.5% Pb, 7.0% Zn, 2.2 opt Ag, 0.02 opt Au. Overall zone appears 700 feet wide, not traced laterally.

AK Structure

Data suggests the target breccia is displaced at mine level and shifted into untested country. The displacement appears to be related to a hinge fault that results in a northwest offset on the footwall side for a distance of approximately 80 feet, at the south end of the mine workings, and possibly 300 feet at the north end.

The displacing structure is interpreted to be shallow to moderate in dip and to cut across the strike of the target at a small angle. It is characterized by argillic alteration of the enclosing wall rock, frequent cementing by sphalerite along broadly dilatant fractures and common association of gouge with faulted intervals.

The interpreted amount of displacement of the breccia results from relationships seen between DDH 186 and DDH 187 on mine section 700, and from relationships in the vicinity of mine section 800.

Confirmation of the amount of this offset will provide a significant additional reserve potential.

Discovery North Mineralization

The Discovery North area exhibits stratabound lenses of semi-massive to massive pyrite which are enriched in zinc and gold. The mineralization is associated with volcanic material in the transition zone from an underlying clastic sedimentary sequence to an interbedded sequence of basaltic flows and fine clastic sediments. The character of this mineralization provides considerable exploration potential. Elements of the mineralized environment are seen at large intervals through its strike extent. The dip extent below mine workings is virtually unexplored.

Initial work on the Discovery polymetallic sulfide deposit defines a stratigraphic sequence, the Inel horizon, which hosts several zones of strata-controlled, disseminated to well-laminated semi-massive and massive sulfides. To date, diamond drilling, staged from a platform of underground development, has defined a preliminary geological reserve of 350,000 tons grading 0.1% Cu, 0.1% Pb, 2.6% Zn, 0.39 oz/ton Ag and 0.102 oz/ton Au for lens No.1. Other parallel lenses are known and remain to be examined.

Within the No.1 lens is a higher grade area for which there is presently outlined 127,000 tons grading 0.1% Cu, 0.2% Pb, 3.5% Zn, 0.72 oz/ton Ag and 0.204 oz/ton Au. Semi-massive and massive sulfide mineralization within the area is exemplified by DDH 87 which returned 0.23% Cu, 2.76% Pb, 7.54% Pb, 2.45 oz/ton Ag and 0.460 oz/ton Au over 10.1 feet. Such intervals are usually associated with a wider section of disseminated and veined base metal sulfides.

The No.1 lens has excellent continuity from hole to hole and section to section. Mineralization remains open in both strike directions and along plunge. The lens is outlined with the following approximate dimensions; 700-foot length and open, 700-foot width and open and thickness ranging from 3 feet to 45 feet.

Drilling has only tested approximately 15% of the known strike length of favourable trend of mineral showings. The Inel stratigraphic horizon in which the Discovery North zone occurs has been traced on the ground over a minimum length of 5000 feet running from the Inel Creek area to the northwest and the Zinc Knob area to the southeast.

The Discovery North is currently under a full-scale compilation of data. First inspection of this work indicates that the following factors can govern mineralization and guide exploration:

a) Mineralization is observed across 300 feet of stratigraphy by drilling and is traced 1000 feet on strike by the Discovery mine workings. The mineralized zone strikes southeast and undulates from near horizontal to a dip of 30 degrees to the northeast.

b) The same kind of mineralization is seen again in a skip to the Inel Creek area of drilling, 1000 feet to the north, and again in a jump to the Zinc Knob area one-half mile to the south.

c) The initial exploration in the Discovery area was directed toward the delineation of structures which had superior gold enrichment. The theme of large scale volcanic-associated sulfide potential was not specifically addressed in the early period of development work and this remains a worthy exploration target.

d) Insight into the form of mineralization is gained from 53 holes pertaining to the Inel horizon. Most of these holes do not penetrate the full range of productive stratigraphy and only a few bracket the hanging wall. The extent of exploration below the mine level is limited to about 100 feet of depth.

e) Mineralization is allied with lenses of massive pyrite and sphalerite and is contained within a broad envelope of chlorite alteration. Other lenses are recognized in the main confining structure. They occur in an echelon manner and have yet to be quantified.

Main Exploration Targets

The preferred targets on the Inel property are concurrently as given below:

1. The AK zone for its gold potential.
2. The Discovery North zone for its large-scale potential respecting massive sulfide (zinc/gold).
3. The Discovery South for possibilities of AK style breccia-hosted gold mineralization.

In detail the primary targets are:

AK area, breccia-hosted gold mineralization.

- a. Expand strike extent to the SE by drilling from surface and from SE limit of the U/G workings.
- b. Confirm offset of main mineralized structure from U/G with shallow down-holes to the NE. With confirmation extend information on the down-dip component below the level of mine workings.
- c. Develop tonnage potential up-dip above the mine workings with drilling from the mine area to fill the presently wide spaced step-out pattern.
- d. Explore the NW strike extension by drilling from mine heading 1650 X.C.E.
- e. Explore the potential of the gold-bearing parallel breccia zone touching and lying to the SW of the mine workings by drilling from the mine.

Discovery North area, volcanic-associated massive sulfide (zinc/gold) mineralization.

- a. Explore dip extent by tunnelling eastward to develop a strategic platform and then drilling from this base.
- b. Explore dip extent by additional drilling from the north-end mine workings.
- c. Extend interest into Inel Creek area and drill westward from AK workings to test for the Discovery North style.

Discovery South Area, breccia-hosted gold mineralization.

- a. Test dip extent by drilling from south-end mine workings.
- b. Test step-out strike and dip extension by drilling from proposed eastward mine development.

Exploration Potential

There is a large exploration potential for the AK area of breccia-hosted gold mineralization. The size possibility for this style of deposit is in the order of 1 to 5 million tons of high grade material that could warrant major mining development.

The AK is open to further extensions of both the strike and the dip of the deposit. Subordinate possibilities are found along the strike towards outcrop to the northwest, and up dip from mine workings towards its outcrop on surface. The main potential of the deposit is along both its strike to the southeast and down the dip below the workings, with confirmation of indicated fault offset.

The Discovery South area also has the possibility for developing breccia-hosted gold mineralization. This prospect like the AK deposit has the size possibility for 1 to 5 million tons of high grade material that would merit major development.

Realization of the potential of this area came through the discovery and development of the AK zone in the recent two field seasons. In retrospect, the Discovery South setting is very similar to that of the AK in that:

1. Breccia with notably pyrite-enriched matrix is directly associated with megacrystic syenite porphyry dikes like the AK zone.
2. Significant gold is present both in drilling intersections and in the surface showings.
3. Chalcopyrite, an important ingredient, and pyrite are conspicuous in the environment.

The Discovery South situated one-half mile from the AK zone is quite untested for its potential. Exploration focus to this point has been directed to the promising AK situation.

The Discovery North volcanic-associated mineralization provides considerable exploration potential. Elements of the mineralized environment are seen periodically at wide intervals through a mile of strike extension, and the dip extension is virtually unexplored.

The size possibility for this style of strata-controlled, near-massive sulfide deposit on the average is in the range of 5 to 10 million tons of commercial material, but there is always the possibility of a giant. This kind of deposit is of considerable merit and warrants principal focus, in this case the magnitude of reward requires persistent exploration effort.

The modelling for the Discovery North sulfide deposit is substantially enhanced by the current ability to assign 350,000 tons to one quantified lens from at least three lenses which are known in the favourable Inel stratigraphic horizon. This step was accomplished through the modest application in earlier work of 53 holes drilled in the target area. The early holes utilized in part the 2,260 feet of underground exploration development as a platform, and by extrapolation the current tonnage of this superior exploration target can be rapidly enlarged by continuing drilling from existing workings and by advancing development for the present underground headings.

Complementing the focus on the Discovery North mineralization should be the investigation of similar mineral occurrences of the same strata-controlled style associated with the same Inel horizon. The two principal exploration possibilities currently known are situated in one instance to the south in the Zinc Knob area and in the other to the north in the Inel Creek area.

The recognition of the true nature of some rock units at surface is not readily apparent at first glance. In general some units like the syenite porphyry and the breccia have long been difficult to identify at exposure level. These rocks need to be freshened to see their real character either by abusive hammering or by slicing sizeable chunks with diamond saw. In earlier surface mapping this pain was slipped over. In light of the AK discovery, identification of these units is now important and will need addressing in the coming field season. The presence from place to place of these important associates to gold mineralization is known but not delineated.

A large number of other geological, geochemical and geophysical targets, which indicate good potential for base metal and gold deposits on the property, remain untested for reasons of priority and will be investigated during future exploration programs. Some of these untested targets are described in Table II of this report.

GULF INTERNATIONAL MINERALS LTD.



R.G. GIFFORD, P.Eng.

May 29, 1991

This report provides an overview of the promising Inel property in its advanced stage of exploration development. For a more detailed view, the reader is referred to reports, illustrations and basic data all of which are on file in the offices of Gulf International Minerals Ltd.

Office: 200-675 W. Hastings St., Vancouver, B.C. V6B 1N2
 Tel: (604) 683-9630 Fax: (604) 683-2392

STATEMENT OF QUALIFICATIONS

I, R.G. Gifford, DO HEREBY CERTIFY:

That I am a consulting geologist with a business address at 1256 Alderside Road, Port Moody, British Columbia, V3H 3A7.

That I am a graduate of the University of British Columbia, B.A.Sc., Geological Engineering.

That I am a Registered Professional Engineer in the Association of Professional Engineers of the Province of British Columbia.

That I have practised my profession as a geologist in mineral exploration for the past thirty-three years in Canada, U.S.A., Australia and Central America.

That I have prepared this report on the basis of experience gained by the writer through direct involvement in exploration programs on the property during a 26 year period.

That I am a Director of Gulf International Minerals Ltd.



R.G. Gifford, P. Eng.

Dated at Vancouver, British Columbia, this 29th day of May 1991.

GULF INTERNATIONAL MINERALS LTD.

Report on Inel Property, May 29, 1991

List of Figures

1. Inel Property, Prospects & Development
2. Inel Workings, Looking East Northeast
3. Inel Property, Photo Assemblage
4. Inel Property, Forms of Mineral Occurrence

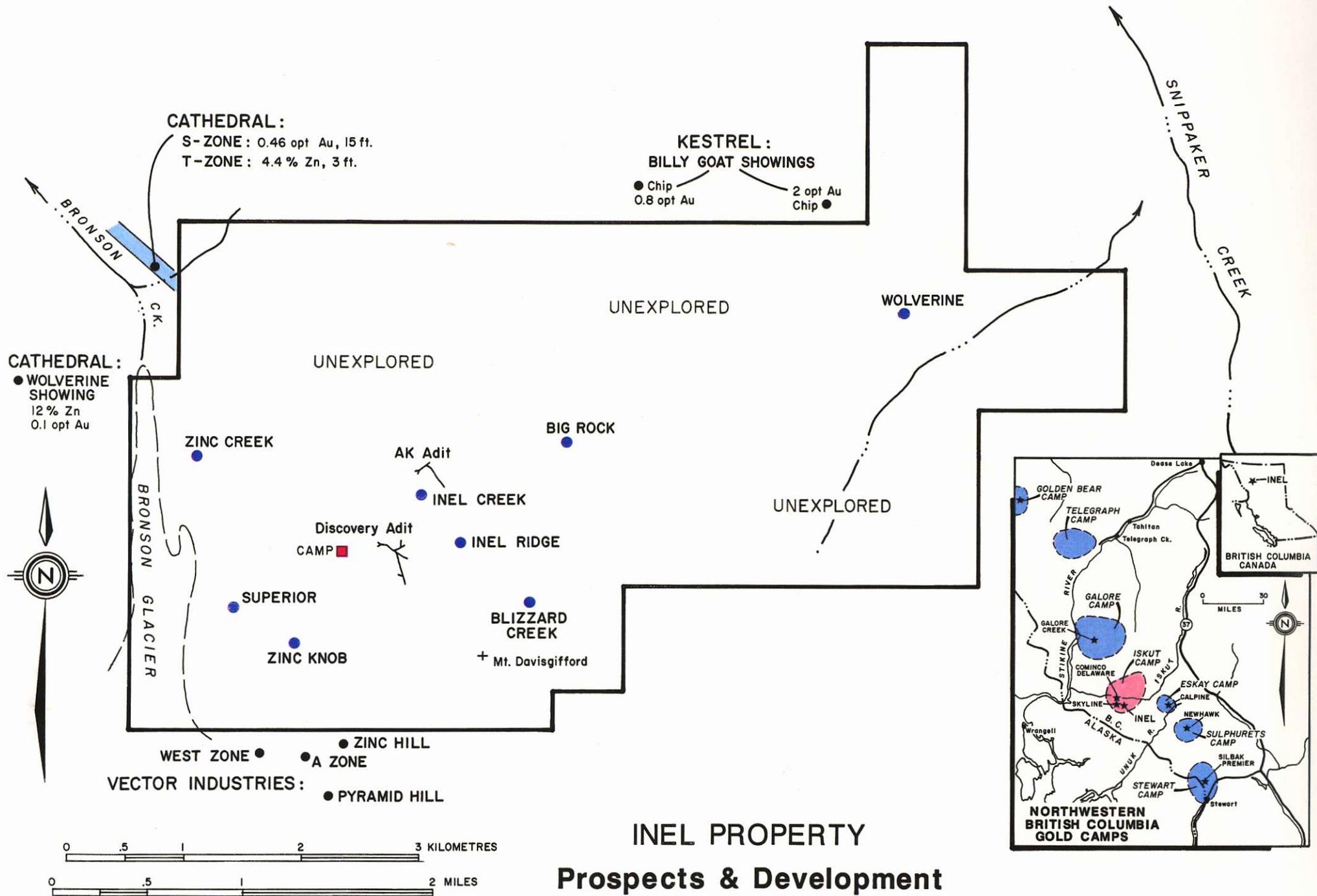
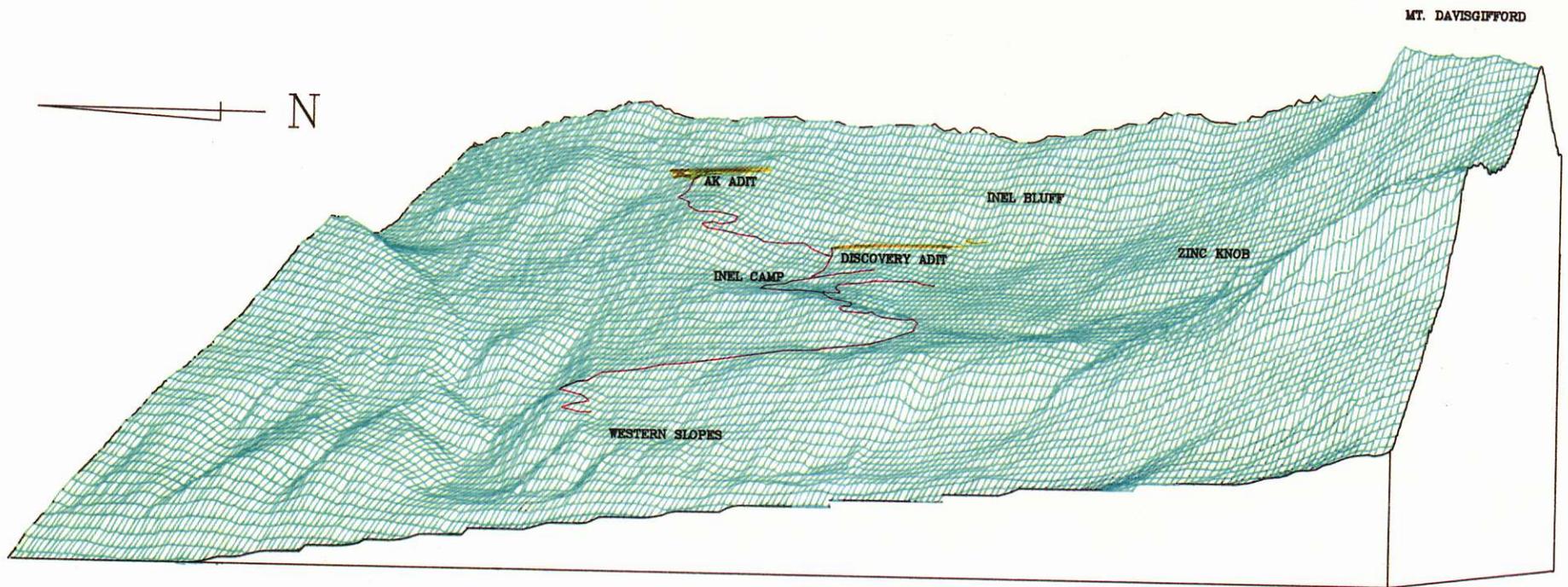


Figure 1

INEL WORKINGS

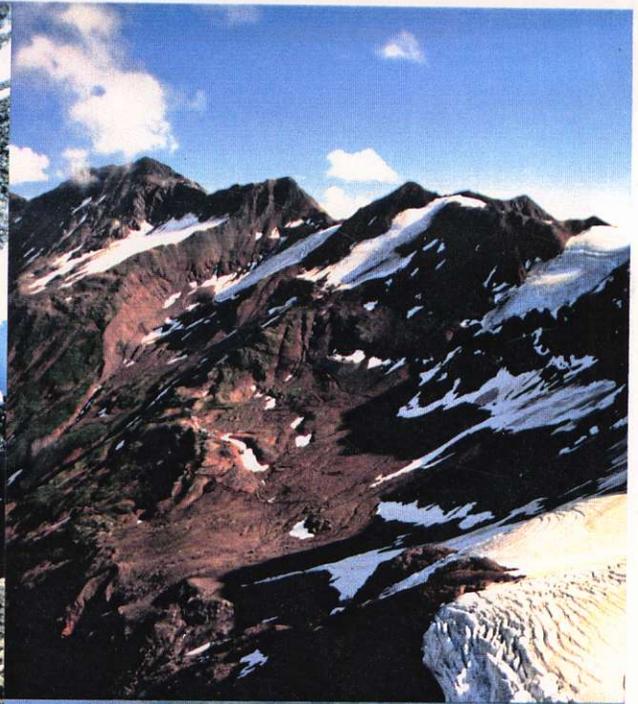
LOOKING EAST-NORTHEAST



Roads in RED

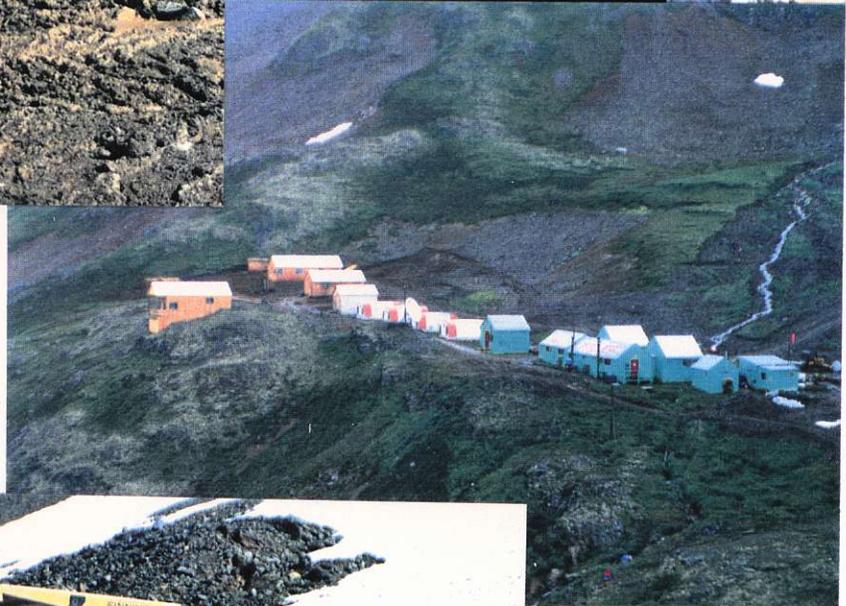
Underground Development in YELLOW

Figure 2



1. AK ADIT
(Top Left)

2. INEL BASIN
(Top Right)

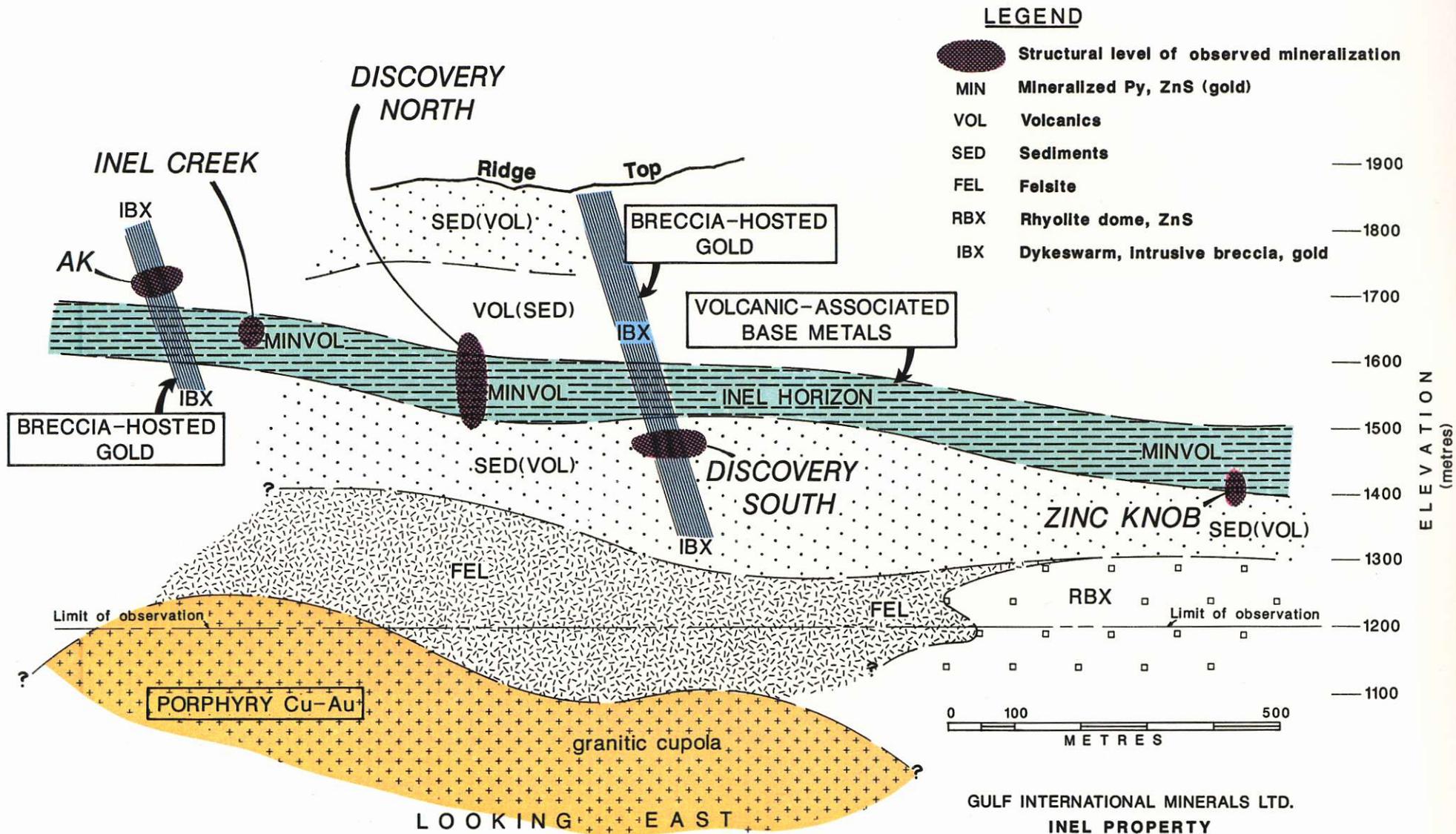


3. INEL CAMP
(Above)



4. COFFEE BREAK
(Bottom Left)

FIGURE 3



**Schematic Composite Section
Interpreted Forms of Mineral Occurrence**

Figure 4