To Schneider

ROSSLAND

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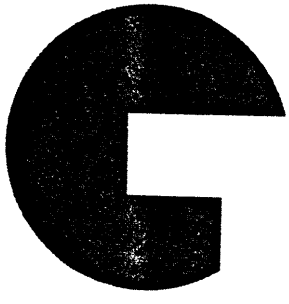
GUNSTEEL RESOURCES INCORPORATED



PROSPECTUS

EFFECTIVE APRIL 29, 1986

HISTORY

The Rossland mining camp was the second largest gold camp in British Columbia in terms of recorded production. Total recorded production (mainly during the period 1895-1937) is 2,706,000 ounces of gold and 3,300,000 ounces of silver from 5,915,000 tons of ore with an average grade of 0.47 ounces of gold per ton, 0.6 ounces of silver per ton and 1% copper. Most production came from four deposits (Le Roi, Centre Star, War Eagle and Josie) in the core of the camp. Molybdenite was produced at Red Mountain during the period 1966 to 1971.

Examination of old claim maps indicates that the JERO claim area has been staked and restaked many times, but apparently little systematic exploration work has been carried out. Jero Resources Ltd., through a predecessor company conducted an airborne electomagnetic survey (Sheldrake, 1981) and outlined a number of electromagnetic anomalies which were verified by ground VLF-EM surveys (this study). Pasieka (1981) conducted a geochemical survey for gold on the TAP claim (now covered by the JERO 5 claim) and outlined a number of significant gold anomalies.

GEOLOGY

Regional Geology

The Rossland area lies in the Nelson Map Area, 82F (West Half), the geology of which has been described by Little (1960). The geology of the Rossland Mining Camp has been well documented by Drysdale (1915), Bruce (1917), Gilbert (1948), Fyles (1970), Fyles et al (1973), Thorpe (1973) and Little (1982). In summary, the gold deposits of the Rossland camp occur in a complex environment in which major volcanic, sedimentary and intrusive rocks occur. Oldest rocks are the Carboniferous Mt. Roberts Formation which consists of siltstone, sandstone, conglomerate and minor limestones. They are overlain by volcanic rocks and interbedded sediments of the Jurassic Rossland Group. Irregular bodies and dikes of augite porphyry were apparently coeval with the Rossland volcanics. These rocks are intruded by five groups of plutonic rocks: the Rossland monzonite, the Trail batholith (granodiorite), Coryell intrusions (syenite), Rainy Day stock (quartz diorite) and a large number of dikes including diorite, lamprophyre, syenite, and quartz feldspar porphyry.

Ore Deposits of Rossland Camp

The gold-copper deposits of the Rossland camp are predominantly pyrrhotite-rich quartz veins containing up to 70% sulphides. They are locallized by east and north trending

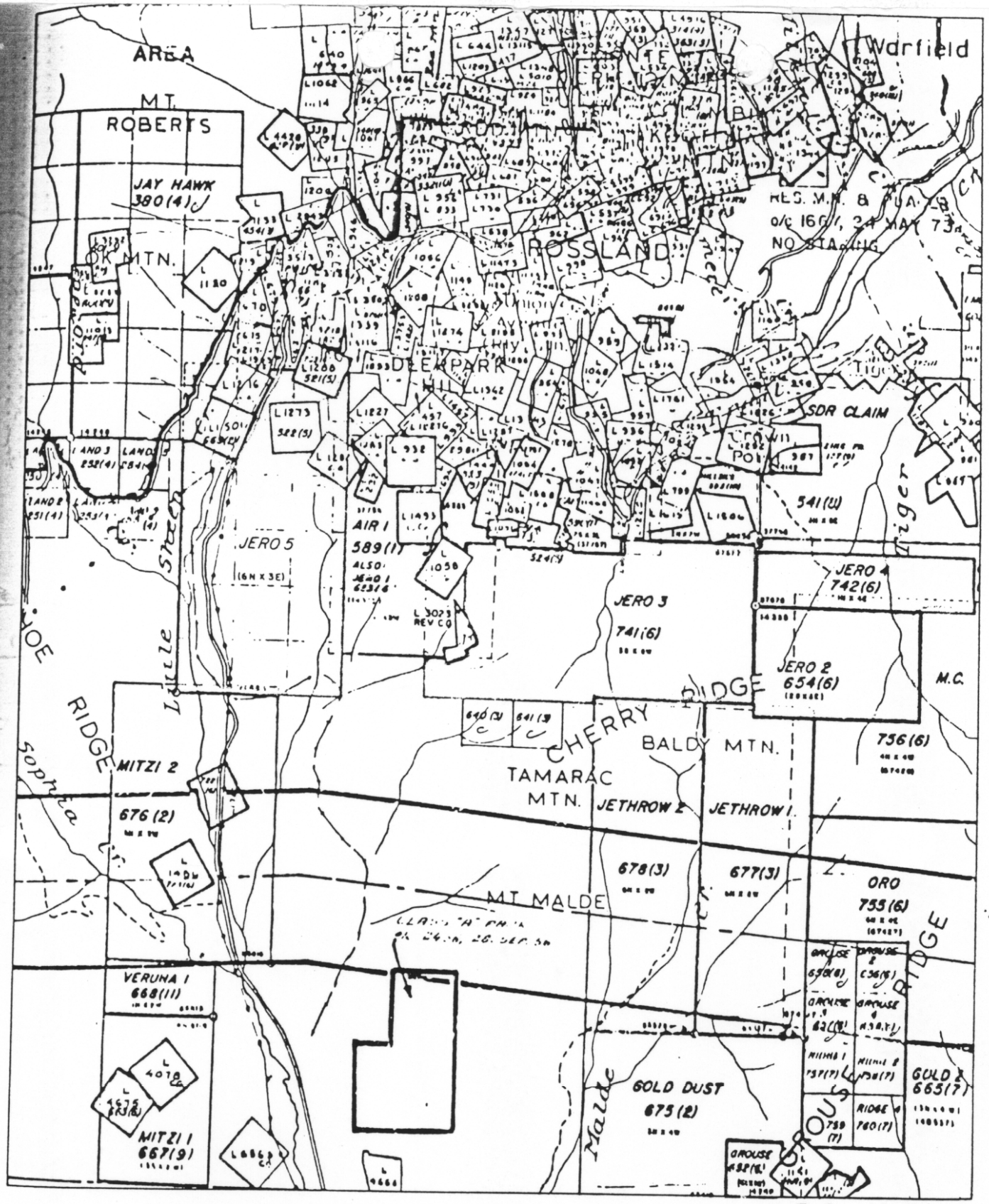
faults where they intersect or lie along contacts of highly competent rocks such as augite porphyry and diorite porphyry. Thorpe (1973) has defined three zones: central, intermediate and outer. Veins of the central zone have a high chalcopyrite content and high Au:Ag ratio. Veins in the outer zone contain sphalerite, galena and tetrahedrite and have a lower Au:Ag ratio. Veins in the intermediate zone are characterized by a wide range of mineralogies including pyrrhotite, chalcopyrite, arsenopyrite, pyrite, molybdenite, cobaltite, gold, bismuth and bismuthinite.

The molybdenite deposits on Red Mountain occur in brecciated granodiorite and hornfelsic and skarny sedimentary rocks of the Mount Roberts Formation. Mineralization consists of irregularly distributed disseminations and veinlets of pyrrhotite, pyrite, magnetite, molybdenite, scheelite and chalcopyrite (Eastwood, 1966; Fyles, 1967; Hainsworth, 1966). Appreciable amounts of gold are reported in the deposits.

The JERO 2-4 claims lie in the outer zone and are situated immediately south of the Lily May, Bluebird and Mayflower prospects. The JERO 5 claim lies immediately to the south of the Midnight-IXL deposit.

Property Geology

The JERO 1-4 claim area is largely overburden covered. Outcrops are confined to road cuts and a few steeper slopes. According to Fyles (1970 - see Figure 4) the claim area is



N.T.S. 82 F/4W

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CLAIM MAP

JERO CLAIMS

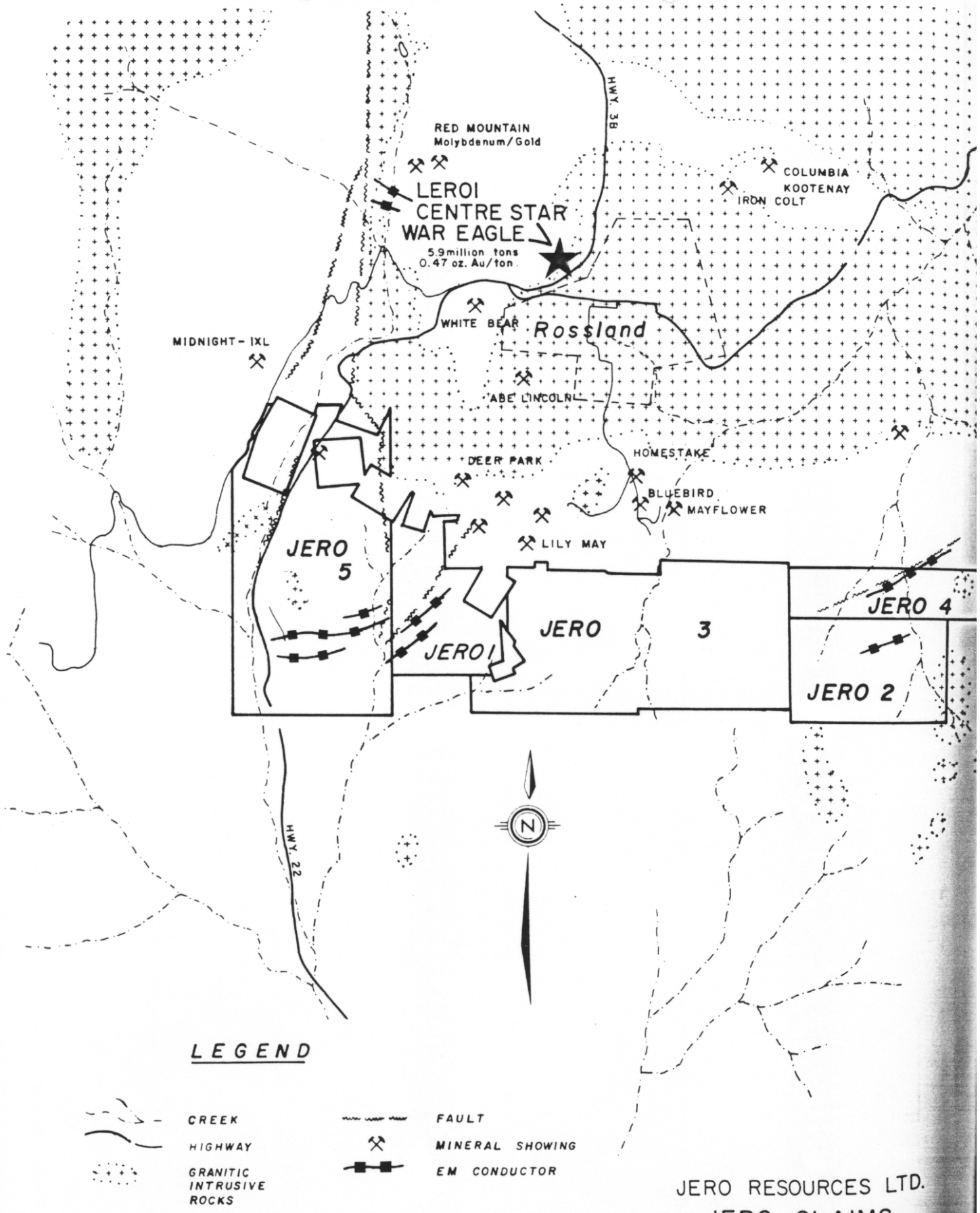
Trail Creek Mining Division - British Columbia

Donald G. Allen

A·M exploration ltd

Figure 3

ROSSLAND PROPERTY



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JERO CLAIMS

TRAIL CREEK MINING DIVISION - BRITISH COLUMBIA

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SCALE

CLAIMS & GEOLOGY

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underlain by sedimentary and volcanic rocks of the Rossland Group (unit 2c, d, and e) and augite porphyry (unit 2f). Examination of a few outcrops on the road across the JERO 2 and 4 claims confirmed the presence of argillite and greenstone, both containing abundant disseminated pyrrhotite. The main rock types observed were northeast-trending dikes of quartz-feldspar porphyry which, because they were more resistant to weathering, form small but prominent ridges.

The JERO 5 claim is underlain mainly by Rossland Group volcanic and sedimentary rocks. Unit 2c is grey to black siltstone and argillite underlying the east central part of the map area where the most prominent airborne EM anomalies occur. Although they are commonly dark in colour, they are not obviously graphitic. The most abundant units are various textured phases of andesite and greenstone (units 2d and 2e). They are grey to green in colour and commonly contain feldspar phenocrysts. Volcanic breccias, agglomerates and sandstones are also common. Pyrite and/or pyrrhotite occurs in trace to minor amounts in units 2c, d and e and very locally is abundant (up to about 4%). Argillites on line 10a are extremely rusted but sulphides were not observed except in the road cut near the power line. Locally both the volcanic and sedimentary rocks are bleached or silicified.

A few dikes or small bodies of coarse grained hornblende syenodiorite were also noted on the JERO 5 claim.

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