

Gunsteel Resources aims for 1989 start-up of Nugget project

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Jan 9, 1989

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VANCOUVER — With permitting and study of a tailings disposal system in progress, **Gunsteel Resources** (VSE) is currently negotiating financing for the installation of a 100-ton-per-day modular mill to be operational later this year on the Nugget property near Salmo, B.C.

The Nugget property has reserves totalling 223,000 tons grading 0.33 oz gold, however the Gunsteel/Nugget Mines joint venture (50/50) recently entered into an option agreement with **Yukon**

Minerals (ASE) to acquire the Yellowstone property which has a further 28,000 tons grading about 0.5 oz gold in the Yellowstone vein. Both properties are former producers located in the historic Sheep Creek mining camp.

The Yellowstone vein is reported to have produced 5,600 oz of gold from 17,000 tons of ore put through an old stamp mill where recoveries were only about 65%. Gunsteel noted that present methods would recover at least 95% of the gold. In addition to the Yellowknife vein,

which the company believes has excellent potential for substantial additional ore, the newly-acquired property contains the Dixie vein (which produced some ore) and has potential for other veins as well.

Meanwhile work is continuing on the Nugget property, including the driving of the Fawn crosscut to reach the down-dip projection of the Fawn ore zone which Gunsteel said was shown to continue to at least 350 ft below the lowest existing level.

Work was also carried out to open the lower level of the Reno mine on the Nugget property, a former producer which turned out 261,000 tons of ore grading 0.56 oz gold per ton from the Reno vein. The company said the opening of this portal will allow further exploration on the Reno vein and several other parallel veins to the north that can be reached from a long existing crosscut. Although mineralization from the Reno vein carries primarily gold, drilling is planned to test an area where assays of 0.15 oz gold, 2.3 oz silver, 8.4% lead and 0.9%

zinc were recently encountered.

Gunsteel said recent laboratory test work by Cominco Engineering Services confirmed gold recoveries for the Nugget project in excess of 95% using conventional cyanide leaching.

The company is also involved in a joint venture with **Chapleau Resources** (VSE) on a property near Cranbrook, B.C. where further drilling is planned on a large zone of hydrothermally altered sedimentary rocks mineralized with copper and some gold.

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Inco completes work with Seven Mile High on Vault gold project

Inco Gold has completed a 15,000-ft diamond drill program on the Vault gold project in the Osoyoos area of British Columbia and, based on the results, will decide whether to exercise an option to buy 400,000 shares of its joint venture partner on the property, **Seven Mile High Resources** (VSE).

Inco Gold, a wholly-owned subsidiary of **Inco Ltd.** (TSE), has a 60% interest in the property while Seven Mile High has a 40% interest.

Inco's option on the Seven Mile High shares expires May 12. Until then it can buy a 200,000-share block at \$1.75 per share and another 200,000-share block at \$2 per share.

Drilling to date has indicated a large epithermal gold system. Intersections have included 0.18 oz gold per ton over 66.7 ft and 0.22 oz over 49 ft.

Continental to merge with United Lincoln

Affiliate companies **Continental Gold** (VSE) and **United Lincoln Resources** (VSE) plan to merge. The amalgamation will be on the basis of one Continental share for one share of the new company. United Lincoln shareholders will be offered the same share-for-share terms.

Management of both companies is common. Both United Lincoln and Continental hold interests in several promising gold properties in British Columbia.

After the merger is completed, the new company will have 6,521,000 shares outstanding of which 2,252,800 shares will be held by former United shareholders and 4,268,200 shares by former Continental shareholders. The final exchange ratios are still not confirmed until a fairness opinion is completed by the companies financial advisors. The plan is also subject to the approval of at least 75% of the shareholders.