

Queenstake Resources Ltd.

002620

Revised May 6, 1988(MC)

CUSIP Number 748310

Destroy all previous Basic and White cards on this Company.

Stock Symbol QTR

Head Office - 9th floor, 850 West Hastings Street, Vancouver, B. C. V6C 1E1

Telephone - (604) 684-1218

THE COMPANY holds interests in producing and prospective mining properties in northern and western Canada and United States.

Fiscal Year	COMPARATIVE DATA								
	Total Assets	Shldre' Equity	Working Capital	Total Revenue	Cash Flow	Net Income	Earns Per Sh.	Price Range	
	000's								
	\$	\$	\$	\$	\$	\$	\$	Common Shares	High	Low
1987 ...	18,459	16,623	2,400	7,176	2,089	619	0.09	2.90	0.75
1986 ...	14,822	13,314	d439	1,701	d195	d4,915	d0.86	2.35	1.52
1985 ...	18,004	15,690	d85	2,383	335	d776	d0.16	4.10	1.85
1984 ...	17,114	15,056	d481	2,959	331	d685	d0.15	6.75	2.01
1983 ...	15,708	14,177	2,548	4,584	2,363	1,012	0.23	5.75	2.80

CONSOLIDATED CAPITALIZATION AT DECEMBER 31, 1987

	Outstanding	%
Long-term debt	\$732,102	4
Common stock*	20,628,997	118
Common stock subscribed	35,442	1
Retained earnings	d4,041,933	d23

* Net of 240,626 shares (\$401,688) held by a subsidiary

SUMMARY STATEMENT

Net income for the year ended Dec. 31, 1987 was \$618,808 or nine cents per share on revenues of \$7,176,318. This compares with a year-earlier loss of \$4,914,690 or 86 cents per share. A \$3,688,872 writedown of resource properties and equipment was taken in 1986 - writedowns in 1987 totaled \$106,869.

Change in control of the company was effected in December of 1987 when Canada Tungsten Mining Corporation Limited sold a 19.9% shareholding to Sandhurst Mining N.L. of Sydney, Australia. Sandhurst subsequently increased its holdings to 24% by means of a private placement of 400,000 units in March 1988.

Gold production in 1987 totaled 13,222 oz. compared with a year-earlier 6,375 oz. Over 50% of 1987 production was achieved at the Pine Creek mine, near Atlin, B.C., which was acquired during the year. Capital expenditures on resource properties and equipment totaled \$3,341,073 for 1987, up 16% from 1986. \$2,973,353 was raised in 1987 through the issue and subscription of shares, up from \$2,539,230 in 1986.

The Chichagof properties in southeastern Alaska were transferred to Golden Sitka Resources Inc. during 1987. Following a \$3,000,000 public offering which reduced Queenstake's interest to 26%, a \$1,500,000 underground program was undertaken at the former gold producer.

Current exploration philosophy is to concentrate operating and exploration activities in precious metals (primarily gold) in Western Canada and the United States. Cash flow from existing operations, new equity issues, and joint ventures will be used to finance new development.

The Dos Cabezas Mine in Arizona is the subject of a 6,000 ft. underground drilling program in 1988 to evaluate reserves defined in prior work. Underground rehabilitation, construction of surface facilities and mine equipment acquisition are now complete for possible production in 1988.

The Financial Post

INFORMATION SERVICE

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QUICK REFERENCE DATA

Major Shareholder — Sandhurst Mining N.L. held a 24% interest in March, 1988.

Incorporation — British Columbia charter, May 3, 1977.

Fiscal Year Ends — December 31.

Annual Report Appeared — May, 1988

Annual Meeting — June 9, 1988.

Listed — QTR - Toronto Stock Exchange.

Auditors — Deloitte, Haskins & Sells, C.A., Vancouver.

Transfer Agent and Registrar — Royal Trust Co., Vancouver.

Bankers — Canadian Imperial Bank of Commerce, Toronto Dominion Bank, Vancouver.

COMPANY

Queenstake holds gold and tungsten properties in the Mayo mining district, the Yukon and leases on a number of placer gold properties in the Yukon and B. C.

The company also has numerous hardrock leases, and joint ventures in Alaska, California, Nevada, Arizona, Montana, and New Mexico.

The company holds a property in B. C. with ore grade gypsum. Oil and gas interests are held directly and through a 12.5% interest in Canyon Resources Inc.

OPERATIONS**Hardrock Exploration and Development**

Chichagof Gold Mines — Through 28%-owned Golden Sitka Resources Inc., the company is participating in the development of the Chichagof and Hirst-Chichagof properties in southeastern Alaska. Golden Sitka raised approximately \$3,000,000 in equity financing in 1987. The 1988 program will include dewatering, adit rehabilitation, drift extension and underground diamond drilling.

Argus Project — The company holds options on the Argus properties, near Bakersfield, Calif., covering seven former-producing gold mines and developed by numerous underground workings. A total of 316 claims are controlled by the company. Over the past five years Queenstake has completed a program of research, underground mine sampling, mapping and a feasibility study. The 1984 and 1985 exploration programs outlined three potential open pit areas. In January, 1987 the company signed an agreement with Childs International which gave Childs the right to earn a 60% interest in Argus in return for expenditures of \$1,000,000 by 1989. Drill indicated reserves are 1,016,000 tons grading 0.064 oz. gold per ton. Further drilling in 1988 will attempt to increase reserves.

Mar Gold Project — The property, adjacent to the company's tungsten prospect, includes 14 known gold veins. The property was optioned in 1987 to Can Pro Development Inc., which company may earn a 50% interest on the property by spending \$300,000 over three years and payment of 120,000 shs.

Mar Tungsten — Canada Tungsten conducted over \$4,000,000 in exploration on this property from 1978 to 1983. Indicated reserves are 6,000,000 tons grading 0.8% tungsten oxide.

O'Connor River Gypsum — In March, 1986, the company acquired a gypsum deposit, 65 mi. northeast of Haines, Alaska, six mi. from the Haines highway. Haines Gypsum Inc. will fund and carry out a 50,000 bulk sampling program in 1988 to prove mining feasibility. Queenstake will retain an approximate 50% interest.

Dos Cabezas, Arizona — Acquired in 1986, the property consists of 20 contiguous patented mining

claims and 11 unpatented lode claims. Three former producing mines are present on the property. An intensive underground sampling program was completed in 1987 and a 6,000 ft. underground drilling program for 1988 is underway. Gravity-flotation-cyanidation studies were conducted in 1987 and leaching studies are to be carried out during 1987. Initial production is expected in 1988.

Other Projects — Queenstake holds an option to earn a 60% interest in Buckskin National Mine prospect, Humboldt County, Nev., where surface exploration is planned for 1988. The company also holds an option on 60% of the Quartz Hill gold prospect in Montana and a 25% interest in the Riverside Pass prospect in California. In New Mexico, the company holds a 50% interest in the Gold King - Imperial gold prospects with potential reserves in excess of 180,000 tons at an average of .10 oz./ton of gold and 3.54 oz./ ton of silver.

Placer Gold

The company's placer division had five operating mines in 1987 in B.C. and the Yukon. Production in 1987 was 13,222 oz. gold, up from 6,400 ounces in 1986.

Pine Creek — Queenstake acquired this property, near Atlin, B.C. in 1987. The property produced 7,002 oz. of gold during the year, over 50% of the company total. Seasonal production is scheduled to commence late in May and continue through November. Exploration will be carried out to extend reserves.

Moyle River — Located in southern B.C. near Cranbrook, this property is capable of year round production. Operations commenced in September, 1987, producing 1,444 oz. gold. Year round operations are planned for 1988.

Black Hills Creek — The property, located 75 miles south of Dawson City, consists of 143 placer mining claims and two leases covering 24 miles of gravels. The property is equipped with bulldozers, front end loaders, and a portable pump sluice box gold recovery system. Production in 1987 was 1,764 oz. gold with a significant increase planned for 1988.

Malsy May Creek — The property, located 15 miles west of the company's Black Hills Creek property, comprises 130 claims. The site is equipped with a full complement of mining and stripping equipment. Operation commenced in 1985. Production in 1987 was 2,334 oz. gold with a similar amount projected for 1988.

Clear Creek — The property, located 60 miles east of Dawson City, comprises 115 placer claims covering ten miles of gravel. The property is equipped with a 2,250 cubic yard-per-day bucket line dredge. The property was mines out in 1987, producing 679 oz. of gold.

Dredges — The company owns one 350 ton dredge (deactivated in 1987 at Clear Creek) and two 450 ton dredges available for relocation.

Oil & Gas Operations

The company's primary petroleum asset is its 12.5% equity ownership in Canyon Resources, Inc. of Dallas, Texas. This company specializes in secondary oil and gas recovery and has conceived and financed three such projects to date at an aggregate cost of US\$21,500,000.

Queenstake has an equity in all carried interest income earned by Canyon and will receive working interest income from Canyon prospects in which it participates.

HISTORY

The company was incorporated in British Columbia on May 3, 1977 and acquired the gold-silver-tungsten prospects in the Mayo area, Yukon.

The Mayo properties were optioned to Canada Tungsten Mining Co. on July 24, 1978. On September 15, the company acquired interests in oil and gas lands and wells in the United States.

In 1979, Canada Tungsten acquired 347,825 shares bringing its interest in the company to 28%

During 1980, the company acquired for US\$312,500, a 12.5% interest in Canyon Resources, Inc. of Dallas, Texas, which specializes in secondary recovery of oil and gas.

On Dec. 31, 1980, Canada Tungsten purchased an additional 1,000,000 shares, bringing its holds to 45% of the outstanding stock. In Dec., 1987, Canada Tungsten

sold a 19.9% interest to Sandhurst Mining N.L. of Sydney, Australia.

OFFICERS AND DIRECTORS

Officers — J. A. McLallen, chm.; P. M. Reynolds, vice chm.; G. C. Guttrath, pres. & CEO; D. D. Sharp, v-p fin.; B. D. Downing, sec.; D. A. Meyer, cont.

Directors — R. C. Atkinson, L. F. Farris, J. A. McLallen, G. C. Guttrath, P. M. Reynolds, D. D. Sharp, all Vancouver; C. R. Tinsley, V. L. R. Furlong, Sydney, Australia.

CAPITAL STOCK (At Dec. 31, 1987)

	Author.	Outstand.
Common	50,000,000 shs.	●8,565,451 shs.

● Not including 240,626 shares held by a subsidiary.

Note — An additional 28,133 shares were subscribed and paid for, and were issued in February, 1987.

Options — At Dec. 31, 1987 options were outstanding for the purchase of 546,000 shares at \$1.10 per share. The options are held by employees and directors and are exercisable as to 33.3% per year, expiring Nov. 20, 1997.

Warrants — Outstanding at Dec. 31, 1987, 1,489,900 as follows: 989,900 issued as part of a private placement in March 1987, each warrant entitles the holder to purchase one common share at \$1.44 to June 30, 1990; 500,000 issued as part of a private placement in August 1987, each warrant entitles the holder to purchase one common share at \$1.85 to June 30, 1988.

Common — One vote per share.

CHANGES IN CAPITAL STOCK

Authorized capital upon incorporation was 5,000,000 common shares of no par value, of which 750,000 shares were issued May 3, 1977, for properties at a deemed value of \$0.01 per share and escrowed.

On July 24, 1978, 180,000 shares were held by Canada Tungsten Mining Co. Ltd. and assumption by that company of the company's obligations regarding its properties. Also in 1978, 1,024,375 shares were issued for \$533,575 cash, including 150,000 to Canada Tungsten.

In 1979, 300,000 shares were issued at \$1 per share to Chapman Oil Co. of Houston, Texas, for oil and gas properties, and 15,000 for other properties, while 1,047,825 (including 347,825 to Canada Tungsten) were issued for cash of \$2,657,663.

During 1980, 85,000 shares were issued for properties, and on Dec. 31, 1,000,000 shares were issued to Canada Tungsten for \$7,746,954 cash, bringing the number of shares outstanding to 4,402,200.

On May 21, 1981, shareholders approved an increase in authorized capital from 5,000,000 to 10,000,000 no par value common shares.

During 1981, 18,000 were exercised under options, bringing the number of shares outstanding at Dec. 31, 1981 to 4,420,200.

In 1982, 6000 shares were issued on acquisition of a mineral property, and 25,500 shares were issued on the exercise of options.

In 1983, 25,000 shares were issued to acquire mineral properties and 14,000 shares were issued on the exercise of options.

During 1984, the company completed the sale of 310,000 units at the price of \$5.50 per unit. Each unit comprised one common share and one share purchase warrant. Also, 6,0000 shares were issued in exchange for a mineral property and 19,000 share were issued for stock options exercised, bringing the total number of shares outstanding at Dec. 31, 1984 to 4,825,200.

During 1985, 189,394 common shares were sold on a flow through basis, 130,410 were issued for property and a 1,000 (net) were issued on exercise of options, bringing the number of common shares outstanding at Dec. 31, 1985 to 5,146,004.

During 1986, 627,139 common shares were sold on a flow through basis, 92,831 were issued in exchange for mineral properties, 20,000 in exchange for mining equipment, and 657,039 for gold.

During 1987, 1,913,000 shares were issued as part of private unit placements, 199,320 common shares were sold on a flow-through basis, 29,476 in exchange for mineral properties, 2,000 for exercise of options, 46,388 pursuant to the company's share purchase plan, 76,900 for repayment of debt, and 36,000 on exercise of warrants. The company purchased 40,000 shares for cancellation, leaving 8,806,077 shares outstanding at Dec. 31, 1987 including 240,626 shares held by a subsidiary.

PRICE RANGE OF STOCK

		Common (QTR)			
Year	High	Low	Year	High	Low
1979●	\$7.80	\$2.70	1984	\$6.75	\$2.01
1980	10.88	5.50	1985	4.10	1.85
1981	10.00	2.25	1986	2.35	1.52
1982	3.10	1.50	1986	2.90	0.75
1983	5.75	2.80			

● Listed Mar. 8.

LONG-TERM DEBT

The company negotiated a term loan in 1985 for \$975,000 at an interest rate of prime plus 1%. The loan, secured by the company's mobile heavy equipment will be paid off on Mar. 8, 1989 and has an early repayment option on Oct. 26, 1988. Outstanding at Dec. 31, 1987, \$375,000. The company also has \$707,102 outstanding in agreements payable and \$100,000 in obligations under capital lease. The current portion of long-term debt at Dec. 31, 1987 was \$450,000.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
Years Ended December 31

	1987	1986	1985	1984
	\$000's			
Cash from (used for) Operations:				
Net income	619	(4,915)	(776)	(685)
Items not involving cash				
Depreciation, deplet.	1,357	1,270	916	747
Deferred income taxes	....	(372)	(379)	(225)
Share of loss: Canyon	5	133	51	17
Writedowns of prop.	107	3,689	523	476
Change in non-cash working capital	(18)	86	114	223
	2,070	(109)	449	553
Cash from (used for) financing:				
Iss. and subscriptions for shares	3,091	2,539	1,407	1,454
Shares held by a subsid.	336	(738)	....	....
Share subscriptions receiv.	150	220	(370)	....
Long-term debt, net	(427)	(182)	646	851
	3,150	1,839	1,683	2,305
Cash from (used for) Investments:				
Resource prop. costs recovered	727	473	337	267
Premiums from flow-through shares	89	640	391	....
Expend. on resource prop.	(3,341)	(2,882)	(2,803)	(5,228)
	(2,525)	(1,769)	(2,075)	(4,961)
Increase (decrease) in cash	2,696	(39)	57	(2,103)
Cash, beginning of year	46	85	28	2,131
Cash, end of year	2,742	46	85	28

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS
Years Ended December 31

	1987	1986	1985	1984	1983	1982	1981
	\$000's						
Revenue:							
Gold sales	6,922	1,340	2,103	2,540	4,034	892	617
Oil sales	57	77	136	168	156	190	148
Management fees	197	284	59	72	43	....	....
Interest	....	....	2	79	251	680	1,138
Mineral prop. options	....	....	83	100	100	125	67
Total revenues	7,178	1,701	2,383	2,959	4,584	1,867	1,970
Less: Oper. expenses							
Deprec. & deplet.	1,357	1,270	916	747	818	327	184
General & admin.	555	328	242	364	368	305	138
Interest	96	157	150	....	....	....	....
Properties abandoned	107	3,689	523	477	43	....	41
Income taxes	117	●372	●379	●225	455	106	561
Subsid. loss	6	133	51	17	34	57	11
Net income	619	(4,915)	(776)	(685)	1,012	115	704
Add: Prev. retained earns.	(4,661)	254	1,030	1,715	703	588	(116)
Retained earnings	(4,042)	(4,661)	254	1,030	1,715	703	588
● Recovery.							
Earnings Per Share:							
Common	\$0.10	(\$0.86)	(\$0.16)	(\$0.15)	\$0.23	\$0.03	\$0.16

CONSOLIDATED BALANCE SHEET
At December 31

	1987	1986	1985	1984 [■]	1983	1982	1981
	\$000's						
Assets							
Current:							
Cash and deposits	2,743	46	85	28	2,131	3,471	5,141
Accounts receivable	395	576	66	105	283	213	260
Share subscription receiv.	....	150	370	....	....	....	....
Inventories	366	149	244	282	218	100	174
	3,504	921	765	415	2,632	3,784	5,575
Mining properties, etc.	20,889	20,153	18,940	17,269	11,583	8,704	6,562
Oil & gas properties	1,378	1,379	1,378	1,354	957	1,107	1,225
Less: Accum. deprec., etc.	9,054	7,702	3,297	2,238	•	....	....
Net fixed assets	13,213	13,830	17,021	16,385	12,540	9,811	7,787
Share purch. loans	....	....	15	61	94	130	115
Investments	1,742	70	203	253	270	305	362
Other assets	....	....	....	....	172	83	44
	18,459	14,821	18,004	17,114	15,708	14,113	13,883
Liabilities							
Current:							
Bank loans	....	424	400	450	....	....	....
Accts. payable, accr. liabs.	654	636	150	159	84	80	98
Income taxes pay.	....	....	....	....	....	....	....
Curr. port., l-t debt	450	300	300	....	....	....	....
Agreement payable	....	....	....	267	....	....	....
	1,104	1,360	850	876	84	80	98
Agreements payable	....	410	416	428	294	294	294
Deferred taxes	....	....	373	754	1,153	698	592
Long-term debt	732	375	675	....	....	....	....
Obligation under capital lease	....	100	....	....	....	....	....
Shareholders' Equity							
Capital stock	21,031	17,837	15,014	14,026	12,462	12,338	12,311
Share subscriptions	35	138	422	....	....	....	....
Retained earnings	(4,042)	(4,661)	254	1,030	1,715	703	588
Less: Cost of shares held by subsid.	401	738	....	....	....	....	....
	18,459	14,821	18,004	17,114	15,708	14,113	13,883

• Not shown separately.

(This information is obtained from sources we believe to be reliable, but is not guaranteed)

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