

002621

Queenstake Resources Ltd.

87(MC)

CUSIP Number 748310

Basic and White
any.

Stock Symbol QTR

or, 850 West Hastings Street, Vancouver, B. C. V6C 1E1

84-1218

is interests in producing and prospective mining properties in northern and western Canada and
roducing oil and gas properties in Texas.

PROPERTY FILE

~~826500905~~
82FSE10Z
MOYIE RIVER

COMPARATIVE DATA									
Total Assets	Shldr's Equity	Working Capital	Total Revenue	Cash Flow	Net Income	Earns Per Sh.	Price Range		
			000's				Common Shares	High	Low
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
22	13,314	d439	1,701	d195	d4,915	d0.86	2.35	1.52	
04	15,690	d85	2,383	335	d776	d0.16	4.10	1.85	
14	15,056	d461	2,959	331	d685	d0.15	6.75	2.01	
08	14,177	2,548	4,584	2,363	1,012	0.23	5.75	2.80	
13	13,040	3,703	1,867	605	115	0.03	3.10	1.50	

CONSOLIDATED CAPITALIZATION AT DECEMBER 31, 1986

	Outstanding	%
Common stock [●]	6,543,013 shs.	135
Common stock subscribed	78,582 shs.	1
Retained earnings		d36
		d4,660,741

● Includes 431,026 shares at \$738,000 held by a subsidiary

SUMMARY STATEMENT

Net loss for 1985 was \$4,914,690 or 86 cents a share, compared with \$775,538 or 16 cents a share in 1985. Expenditures on resource properties were \$2,882,166 in 1986, up from \$2,802,829 in 1985.

Writedowns totaling \$3,688,872 were charged to earnings in 1986 (1985, \$523,135). The charge includes a provision against the Yukon placer properties and mining equipment and certain oil and gas interests.

Gold Production in 1986 totaled 6,400 ounces, up 5% from 6,246 ounces produced in 1985. Capital expenditures on resource properties and equipment totaled \$2,882,166 for 1986, up marginally from 1985. \$2,539,2300 was raised in 1986 from the issue and subscription of shares, up from \$1,407,052 in 1985.

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 was leased in 1986. Previous exploration and development has located 26,600 tons of proven and probable reserves at a yield of approximately 0.43 oz./ton. Probable and geologically inferred reserves total 210,000 tons at .34 oz./ton to .398 oz./ton. An exploration and development program will be carried out in 1987, leading to possible production in late 1987.

The Financial Post

INFORMATION SERVICE

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QUICK REFERENCE DATA

Major Shareholder - In December, 1986, Canada Tungsten Mining Corporation Limited held 32% of the outstanding common shares.

Incorporation - British Columbia charter, May 3, 1977.

Fiscal Year Ends - December 31.

Annual Report Appeared - May, 1987

Annual Meeting - May 27, 1987.

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 a placer gold tungsten property in the Mayo mining district, the Yukon and leases on a number of other 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.

PLACER GOLD OPERATIONS

The company's placer division has three operating mines and five additional properties in B. C. and the Yukon. Production in 1986 was 6,400 fine ounces, 5% over 1985. Indicated reserves are 25,000 ozs., inferred reserves are 49,000 ozs.

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. Dredging operations commenced in 1981 with 10,691 ozs. produced to the end of 1985. Indicated reserves at the end of 1986 were 3,000ozs.

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. 8,288 ozs. of gold have been recovered to the end of 1986.

Maisy 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.

* **Additional Properties** - In 1986 exploration bulk samples were taken at Preido Hill, Moyie River, and Atlin. In 1987 drilling will be done on the Moyie River property.

EXPLORATION AND DEVELOPMENT

Areas of current interest include the following:

Canada

Yukon - In 1986, a bulk sampling program was carried out on Preido Hill, Maisy May Creek, and Black Hills Creek. Exploration expenditures on placer gold properties totaled \$2,230,000.

Exploration in the Mar Gold Zone, consisting of geochemical and trenching programs, have identified 14 gold veins of which four have been tested by diamond drilling, indicating good downp and strike continuity. Additional exploration will be done in 1987.

* **British Columbia** - In March, 1986, the company acquired a gypsum deposit, 65 mi. northeast of Haines, Alaska, six mi. from the Haines highway. The initial 2,265 ft. diamond drilling program is complete, with 3 million tons of gypsum now drill proven. Marketing and transportation studies are being conducted.

Bulk exploration has inferred reserves of 30,000 ozs. at the Moyie River placer property. Production is expected to begin mid 1987.

United States

The company's activities in the United States are carried out through a wholly-owned subsidiary, **Queenstake Resources U. S. A. Inc.**

California - The company holds options on the Argus properties, near Bakersfield. The properties include seven former-producing gold mines and are developed by numerous underground workings. A total of 316 claims are controlled by the company. Over the past four 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 gives Childs a 60% interest in Argus in return for Childs spending \$1 million on exploration, development and production by 1989.

Elsewhere in California, the company and an equal joint venture partner located 68 claims at Riverside Pass in 1984. Subsequently, Nicor Minerals optioned the property from Queenstake and its 50% co-owner and then staked an additional 243 claims. Nicor can earn a 50% interest in the entire property by conducting an exploration program at the cost of US\$125,000 between June, 1984 and August 1986 and a further US\$125,000 between September, 1986 and 1987. Queenstake retains a 25% carried interest.

New Mexico - Queenstake holds a 50% interest (with an option for 100% in consideration of US\$300,000) in 22 claims, which includes the Gold King-Imperial and Jim Crow mines and 100% interest in 101 unpatented claims.

Exploration at the Gold King-Imperial mine project since 1981 has outlined two ore shoots in the Imperial mine and one ore shoot in the Jim Crow mine, 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.

Drilling at the Gold King-Imperial mine will resume in 1987, to verify high potential reserves. With existing hoisting, power, and maintenance facilities, favourable findings could lead to a quick return to production.

Nevada - In October, 1985, Queenstake formed a joint venture to fund exploration and development in the western United States. The financing party can earn a 50% interest in all projects covered under the agreement by funding a US\$500,000 exploration program over 3 years. The company will manage the program and will

fund 50% of expenditures over US\$500,000. The principal property is the Buckskin National Mine prospect, Humboldt City, Nev., where Queenstake holds an option to earn a 60% interest. Drilling will continue in 1987.

Alaska — The company is a participant in a joint venture agreement on the former producing Chichagof gold mine, in the southeastern area of the state. In 1986, the joint venture acquired the adjacent Hirst-Chichagof prospect.

Approximately \$3 million has been spent on exploration, producing a number of targets. 1987 exploration if successful will lead to a production feasibility study by year end. Additional exploration funds are being raised, subject to regulatory approval, under a guaranteed agency share offering.

Montana — The company acquired an option to earn a 60% interest in 298 claims known as the Quartz Hill claims (approximately 4,500 acres) by committing to spend \$75,000 for exploration during 1983 and \$100,000 annually on or before June 1990.

Exploration of the Quartz Hill claims during 1985 consisted of a diamond drilling program. Drill indicated ore reserves are estimated at 102,225 tons of ore at an average grade of 12.22 ozs. per ton silver within the Bonanza vein. The ore shoot is open to the west and possible to the east and downdip. Bolero Resources has acquired an option on 20% of the Quartz Hill mine from Queenstake in exchange for an additional US\$350,000 in exploration expenditures.

Arizona — The company acquired the lease to the Dos Cabezas property 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, having a total proven reserve of 24,331 at .43 oz./ton and possible reserves at 76,679 tons at .34oz/ton. In addition there are large amounts of ore amenable to openpit mining and the use of cyanide leaching technology. 1987 programs will include an active surface and underground exploration and development program. Favourable results could lead to the resumption of production within 6 months.

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.

Queenstake also holds an 85% working interest in production from six oil wells in the Salt Flat field in Caldwell City., Texas.

Other interests include 1% to 4% in 40 oil and gas wells operated by Chapman Oil Company of Houston, Texas.

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.

On Dec. 31, 1986, Canada Tungsten held a 32% interest in the company's issued stock.

OFFICERS AND DIRECTORS

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

Directors — R. C. Atkinson, M. K. Coffin, L. F. Farris, J. A. McLallen, G. C. Gutrath, P. M. Reynolds, W. D. Lenton, J. J. Crowhurst, D. D. Sharp, R. A. Snow, all Vancouver.

CAPITAL STOCK (At Dec. 31, 1986)

	Author.	Outstand.
Common	10,000,000 shs.	6,543,013 shs.

Note — An additional 78,582 shares were subscribed and paid for, and were issued in February, 1987.

Options — At Dec. 31, 1986 options were outstanding for the purchase of 374,000 shares at between \$2.10 and \$1.77 per share. The options are held by employees and are exercisable as to 20% per year to June 19, 1991.

Common — One vote per share.

Subsidiary — During 1986, a company which subsequently became a subsidiary purchased 431,026 shares for \$738,000.

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, 6,000 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.

In March 1987, 989,900 units were issued for \$1,230,070, each unit consisted of one common share and one purchase warrant. Each warrant is convertible into one common share at \$1.44 until June 30, 1990.

PRICE RANGE OF STOCK**Common
(QTR)**

Year	High	Low	Year	High	Low
1979	\$7.80	\$2.70	1983	\$5.75	2.80
1980	10.88	5.50	1984	6.75	2.01
1981*	10.00	2.25	1985	4.10	1.85
1982	3.10	1.50	1986	2.35	1.52

* 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 early repayment options on Oct. 26, 1986, 1987 and 1988.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
Years Ended December 31

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

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS
Years Ended December 31

	1986	1985	1984	1983	1982	1981	1980
	\$000's						
Revenue:							
Gold sales	1,340	2,103	2,540	4,034	892	617	18
Oil sales	77	136	168	156	190	148	214
Management fees	284	59	72	43	....	....	19
Interest	....	2	79	251	660	1,138	91
Mineral prop. options	....	83	100	100	125	67	....
Total revenues	1,701	2,383	2,959	4,584	1,867	1,970	342
Less: Oper. expenses							
Deprec. & depl.	1,411	1,656	2,264	1,854	957	331	50
General & admin.	328	242	364	368	305	138	160
Interest	157	150	....	....	....	....	....
Properties abandoned	3,689	523	477	43	....	41	....
Income taxes	●372	●379	●225	455	106	561	30
Subsid. loss	133	51	17	34	57	11	....
Net income	(4,915)	(776)	(685)	1,012	115	704	48
Add: Prev. retained earns.	254	1,030	1,715	703	588	(116)	(164)
Retained earnings	(4,661)	254	1,030	1,715	703	588	(116)
● Recovery.							

Earnings Per Share:

Common	(\$0.86)	(\$0.16)	(\$0.15)	\$0.23	\$0.03	\$0.16	\$0.01
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CONSOLIDATED BALANCE SHEET
At December 31

	1986	1985	1984	1983	1982	1981	1980
	\$000's						
Assets							
Current:							
Cash and deposits	46	85	28	2,131	3,471	5,141	7,308
Accounts receivable	576	66	105	283	213	260	64
Share subscription receiv.	150	370	....	....	....	....	....
Inventories	149	244	282	218	100	174	....
	921	765	415	2,632	3,784	5,575	7,372
Mining properties, etc.	20,154	18,940	17,269	11,583	8,704	6,562	3,899
Oil & gas properties	1,379	1,378	1,354	957	1,107	1,225	1,154
Less: Accum. deprec., etc.	7,702	3,297	2,238	●	....	....	....
Net fixed assets	13,831	17,021	16,385	12,540	9,811	7,787	5,053
Share purch. loans	....	15	61	94	130	115	....
Invest. in subsid.	70	203	253	270	305	362	....
Other assets	....	....	....	172	83	44	5
	14,822	18,004	17,114	15,708	14,113	13,883	12,430
Liabilities							
Current:							
Bank loans	424	400	450	....	....	....	....
Accts. payable, accr. liabs.	636	150	159	84	80	98	21
Income taxes pay.	....	....	....	....	....	....	30
Curr. port., l-t debt	300	300	....	....	....	....	....
Agreement payable	....	....	267	....	....	....	....
	1,360	850	876	84	80	98	51
Agreements payable	410	416	428	294	294	294	299
Deferred taxes	....	373	754	1,153	698	592	....
Long-term debt	375	675	....	....	....	....	....
Obligation under capital lease	100	....	....	....	....	....	....
Shareholders' Equity							
Capital stock	17,837	15,014	14,026	12,462	12,338	12,311	12,196
Share subscriptions	138	422	....	....	....	....	....
Retained earnings	(4,661)	254	1,030	1,715	703	588	(116)
Less: Cost of shares held by subsid.	738	....	....	....	....	....	....
	14,821	18,004	17,114	15,708	14,113	13,883	(12,430)

● Not shown separately.

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

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600, 1111 Melville St. Vancouver, V6E 3V6 (604) 683-8254