

**QUEENSTAKE RESOURCES LTD.  
CONDENSED CONSOLIDATED BALANCE SHEET**

	September 30, 1988	December 31, 1987
Current assets	\$ 3,085,534	\$ 3,503,870
Current liabilities	(1,028,304)	(1,104,032)
Working capital	2,057,230	2,399,838
Investments	1,734,673	1,742,133
Resource properties and equipment	14,069,333	13,212,637
Long-term debt	(358,741)	(732,102)
Shareholders' equity	\$ 17,502,495	\$ 16,622,506

(unaudited)

**QUEENSTAKE RESOURCES LTD.  
CONSOLIDATED CASH FLOW STATEMENT**

FOR THE PERIODS ENDED SEPTEMBER 30

	Three Months		Nine Months	
	1988	1987 (restated)	1988	1987 (restated)
<b>Operating activities</b>				
Net earnings	\$ 398,687	\$ 660,087	\$ 204,254	\$ 120,592
Items not involving cash				
Depreciation and depletion	896,387	804,955	1,202,615	963,462
Resource property dispositions	8,403	210,843	12,565	213,560
Share of (earnings) loss of Canyon Resources, Inc.	—	(49)	440	2,128
Working capital from operations	1,303,477	1,675,836	1,419,874	1,299,742
Accounts receivable	(46,641)	(611,558)	108,215	(187,413)
Inventories	564,837	671,414	(458,613)	(797,630)
Accounts payable and accrued liabilities	(377,420)	223,848	216,859	573,538
Cash from operating activities	1,444,253	1,959,540	1,286,335	888,237
<b>Investing activities</b>				
Resource property costs recovered	20,000	528,012	20,000	729,132
Premiums from flow-through shares	—	60,710	—	96,424
Expenditures on resource properties and equipment	(513,829)	(630,067)	(2,090,607)	(3,199,582)
Cash used for investing activities	(493,829)	(41,345)	(2,070,607)	(2,374,026)
<b>Financing activities</b>				
Issue of and subscriptions for shares (net of issue costs)	319,960	1,799,736	901,091	3,279,799
Share subscriptions receivable	—	—	—	150,000
Dividends	—	—	(231,373)	—
Agreements payable (net of repayments)	(417,309)	(1,619,260)	(440,948)	352,000
Bank loans (net of repayments)	(75,000)	(746,708)	(225,000)	(649,177)
Cash (used for) from financing activities	(172,349)	(566,232)	3,770	3,132,622
Increase (decrease) in cash	778,075	1,351,963	(780,502)	1,646,833
Cash, beginning of period	1,183,830	340,954	2,742,407	46,084
Cash, end of period	\$ 1,961,905	\$ 1,692,917	\$ 1,961,905	\$ 1,692,917

(unaudited)

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**QUEENSTAKE RESOURCES LTD.  
CONSOLIDATED STATEMENT OF EARNINGS**

FOR THE PERIODS ENDED SEPTEMBER 30

	Three Months		Nine Months	
	1988	1987 (restated)	1988	1987 (restated)
<b>Revenues</b>				
Gold sales	\$ 4,705,696	\$ 4,067,918	6,293,968	\$ 4,211,420
Oil sales	15,245	18,294	27,029	39,113
Interest earned	26,383	8,384	105,716	17,534
Management fees and other	42,694	38,637	129,462	76,604
	4,790,018	4,133,233	6,556,175	4,344,671
<b>Costs and expenses</b>				
Direct operating	3,003,459	2,207,287	4,311,954	2,602,107
Depreciation and depletion	896,387	804,955	1,202,615	963,462
General and administrative	224,222	147,206	541,258	277,141
Non-recurring severance payment	127,672	—	127,672	—
Interest expense	7,877	22,464	28,924	82,283
Resource property dispositions	8,403	210,843	12,565	213,560
	4,268,020	3,392,755	6,224,988	4,138,553
<b>Operating earnings before the undernoted</b>	521,998	740,478	331,187	206,118
British Columbia Mineral Resource Tax	(119,350)	(76,350)	(119,350)	(76,350)
Loss on foreign exchange	(3,961)	(4,090)	(7,143)	(7,048)
Share of earnings (loss) of Canyon Resources, Inc.	—	49	(440)	(2,128)
<b>Net earnings</b>	\$ 398,687	\$ 660,087	\$ 204,254	\$ 120,592
<b>Earnings per share</b>	\$ 0.04	\$ 0.08	\$ 0.02	\$ 0.02
<b>Cash from operating activities per share</b>	\$ 0.16	\$ 0.23	\$ 0.15	\$ 0.12

(unaudited)

ON BEHALF OF THE  
BOARD OF DIRECTORS

*Richard C. Atkinson*      *Doris A. Meyer*  
DIRECTOR                      DIRECTOR

**QUEENSTAKE RESOURCES LTD.**

Corporate Information

Directors	Richard C. Atkinson Lauch F. Farris V. Le R. Furlong Gordon C. Guttrath John A. McLallen Patrick M. Reynolds C. Richard Tinsley	Yukon Office 5 Juniper Drive Whitehorse, Yukon, Y1A 4W8 403-633-3616 • FAX 403-668-4830
		US Office Suite #1, 1215 Kleppe Lane Sparks, Nevada, 89431 702-356-3888 • FAX 702-356-8543
Officers	Richard C. Atkinson, Chairman Gordon C. Guttrath, President and CEO Doris A. Meyer, Vice-President, Finance Beverly D. Downing, Corporate Secretary Patrick M. Reynolds, Vice-Chairman John A. McLallen, Honorary Chairman	Share Listing Toronto Stock Exchange Symbol: QTR; OTC in the US Standard & Poor's Listing 12g Exemption #82-565
		Transfer Agent Royal Trust Company Bentall Centre One, 505 Burrard Street Vancouver, B.C. V7X 1R5
Registered/Head Office	9th Floor, 850 West Hastings Street Vancouver, B.C. V6C 1E1 604-684-1218 • FAX 604-684-9959	Capitalization Authorized: 50,000,000 Issued: 9,519,878



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**Queenstake Resources Ltd.**



**THIRD QUARTER  
REPORT 1988**

## TO OUR SHAREHOLDERS:

### Highlights of the Third Quarter

- 1988 production projected at 13,800 ounces gold — a record!
- Cash position at September 30 of \$1.96 million, a 16% increase over previous year.
- Dividend of 2½¢ declared November 18, 1988 and payable January 6, 1989.
- First shipment of gold bearing silica flux from Dos Cabezas.
- Buckskin National Mine project back on track — legal dispute settled.

## FINANCIAL

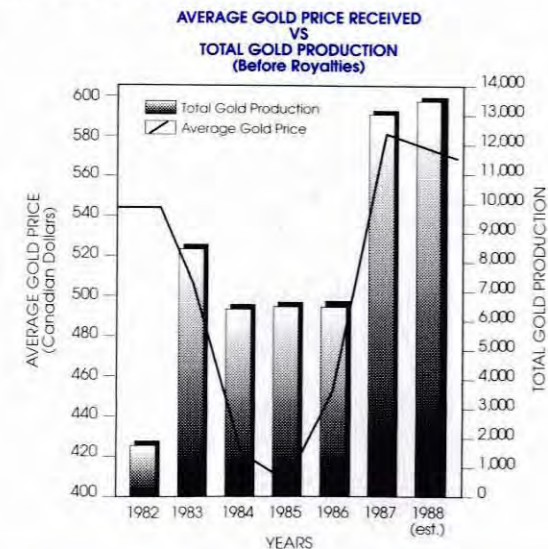
Gold sales for the nine month period to September 30, 1988 were 11,555 fine ounces, with a further 980 ounces added to inventory, for a total of 12,535 fine ounces produced. This is 29% above the 9,683 fine ounces of gold produced during the comparable period last year.

The Company realized an average gold price of US \$460 per ounce as a result of successful hedging operations covering 39% of sales to September 30, a premium of US \$23 per ounce over the average world gold price. Revenue for the nine month period was \$6.3 million, an increase of 49% over last year. Direct operating costs per fine ounce produced increased by only 1%. Consequently, cash flow from operations for the nine month period of \$1.3 million exceeded last year's comparable figure by 45%.

The most significant use of funds in the third quarter was an expenditure of \$228,000 on the surface and underground exploration programs at Dos Cabezas, Arizona, as well as \$285,829 expended on placer exploration programs in the Atlin and Cariboo districts of British Columbia.

General and administrative costs have increased over last year, due to growth in the size and activities of the Company, coupled with a more active investor relations program.

A dividend payment of 2½¢ per share has been declared payable on and after January 6, 1989 to shareholders of record on December 15, 1988 provided that in lieu of cash, shareholders of record holding 1,001 or more shares will be paid a stock dividend of fully paid and non-assessable shares of the capital of the Company based on the average closing price of shares of the Company on The Toronto Stock Exchange for the 5 trading days preceding December 15, 1988 (the "Issue Price") and further provided that fractions of shares will be rounded up or down, as the case may be, to the nearest whole number.



## OPERATIONS FROM PLACER MINING DIVISION

Gold production from the 1988 placer mining season is projected to be a total of 13,800 fine troy ounces. This is a second consecutive record production year. Distribution of production was 43% from the Pine Creek Mine, B.C., 23% from the Moyie River Mine, B.C. and 34% from the two mines in the Klondike region, Yukon.

An early April, 1988 start to the processing of the winter ore stockpile at the Moyie River Property, located in south-eastern British Columbia, resulted in much earlier cash flow from operations than experienced in previous years. This continuous winter mining operation at Moyie will provide an ore stockpile which will generate revenue by May, 1989 and, combined with additional mining equipment on site, is projected to increase 1989 Moyie production by one-third. The Pine Creek operation, located in northern British Columbia, will also be starting the 1989 season with a large amount of pre-stripping completed and an ore stockpile.

Queenstake carried out exploration programs, including 3,000 feet of drilling on its operating mines and on six properties in the Yukon and British Columbia in 1988. An active placer exploration and acquisition program will be continued in 1989 to expand gold reserves.

## HARDROCK EXPLORATION/DEVELOPMENT PROJECTS

### Dos Cabezas Project, Cochise County, Arizona

(100% Queenstake)

Material derived from the underground exploration program has been shipped as gold bearing silica flux to Phelps Dodge's Hidalgo Smelter at Playa, New Mexico, 120 miles from the Dos Cabezas property. The initial shipment of approximately 500 tons at 0.37 ounces gold per ton was made the first week of November. Silica flux, with precious metal value, is in high demand by the local copper smelters. In excess of 83% of the gold value in the flux will be received, thereby, generating immediate cash flow from this project for ongoing exploration and development, without incurring the cost and delays of environmental permitting or construction of a mill facility.

Drilling is ongoing on the 5A Level, with 4,200 feet drilled in 15 holes to date. Additional drilling is underway from the 4 Level in order to evaluate a target believed to contain in excess of 100,000 tons of reserves above the previously worked stopes to the west of the present workings on the 5A Level.

Surface mapping and sampling is proceeding in preparation for a surface diamond drilling program on the upper Gold Prince vein system and the adjacent Gold Ridge and Arizona Klondike mines, scheduled for early 1989. A surface trench sample from the Arizona Klondike claims averaged 0.27 ounces per ton gold over 30 feet of length in a highly oxidized shear zone within Cretaceous carbonates and clastic sediments. This zone has a strike length of over 1,750 feet and represents one of the prime exploration targets on the property.

As exploration continues at Dos Cabezas a better understanding of the complex geology and ore deposition is being achieved, resulting in a more efficient drill program and mine development.

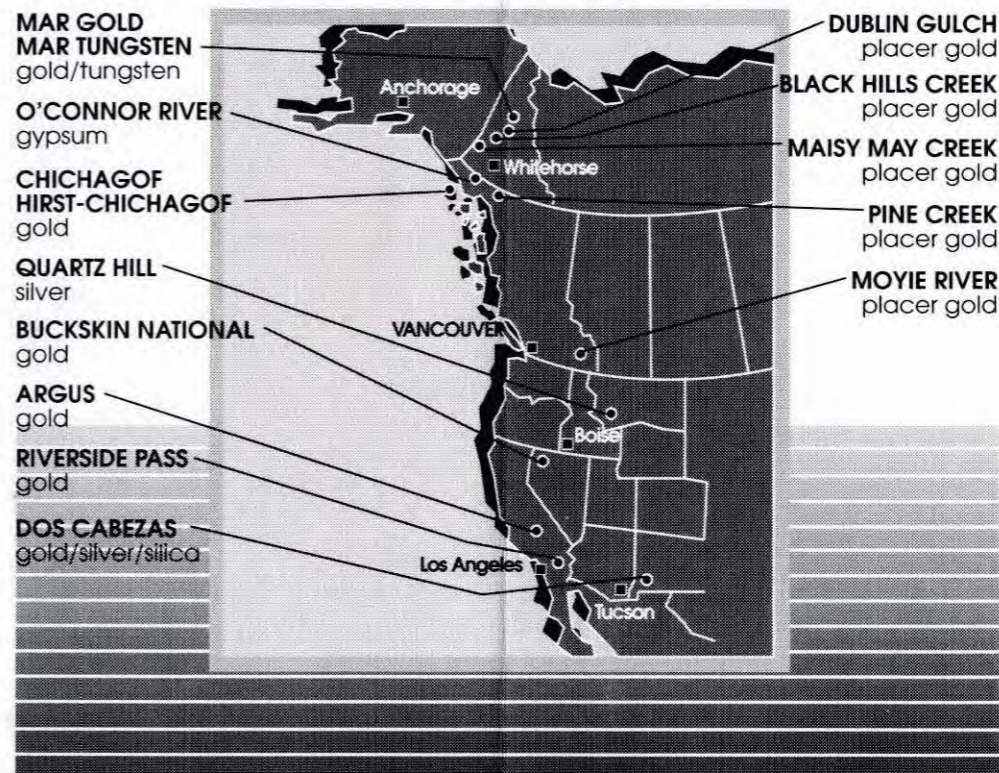
### Argus Project, Inyo County, NE of Randsburg, California

(40% Queenstake, 60% Childs International)

As a result of the 1988 exploration/drilling program, reserves in the Davenport area are now estimated to exceed 1,200,000 tons at 0.054 ounces per ton gold. The potential for an additional 600,000 tons in another zone at 0.03 ounces per ton gold to a depth of 200 feet will be evaluated in 1989.

Engineering studies including open pit modelling, mine plant design, equipment sizing, and capital/operating cost are ongoing to generate input for a prefeasibility study. Environmental baseline studies have been completed and it is believed that there will not be any adverse environmental aspects with the proposed mine plan.

## QUEENSTAKE PROPERTY LOCATIONS



Under the term of the joint venture agreement, Queenstake's funding joint venture partner must advise by the end of this year its commitment to spend US \$545,000 during the forthcoming year.

### Golden Sitka Resources Inc.

(26% Queenstake, 23% Ventures Trident, 23% Exvenco, Balance publicly held)

Chichagof Gold Mine, Sitka, Alaska  
Because of the fire that destroyed the Chichagof camp building on September 12, 1988, Golden Sitka has suspended its underground exploration program at the Chichagof mine until spring of 1989, and is currently planning the 1989 program. After reviewing the results of the 1988 drilling program, the option on the Hirst-Chichagof property was relinquished. Golden Sitka had cash balances of approximately US \$1,000,000 as at September 21, 1988.

### Buckskin National Mine, Nevada

(60% Queenstake, 40% ASARCO)

The legal dispute with the former joint venture partner has been resolved and they have no further interest in the property.

Queenstake optioned the property from ASARCO in 1985 after they had spent approximately US \$600,000. To date there has been US \$332,000 spent by

the previous joint venture partner and US \$69,000 by Queenstake. An additional US \$69,000 will be funded by the Company to acquire its 60% interest in the property. Queenstake is the operator and will be presenting a budget to ASARCO for the 1989 program.

The exploration work to date has developed drill indicated and inferred geologic reserves for the Bell mine of 138,351 tons at a grade of 0.36 ounces per ton gold and 3.37 ounces per ton silver. There is good potential of expanding these reserves but the more significant exploration target is a major epithermal precious metal system that had been previously identified by ASARCO. This latter target will be the main focus of the 1989 exploration program.

ON BEHALF OF THE BOARD OF DIRECTORS

Gordon C. Gutrath  
President and CEO  
November 22, 1988