

Queenstake Resources Gypsum Joint Venture

Queenstake Resources Ltd. is currently mobilizing a major work program on its O'Connor River gypsum joint venture in northwestern B.C.

The work program will consist of detailed surface mapping, surface trenching of gypsum extension zones and up to 10,000 feet of HQ core size diamond drilling. The purpose of the program will be to bring reserves indicated by previous mapping, drilling and trenching into the proven category.

The gypsum deposit is located in the extreme northwestern corner of British Columbia, 11 kilometres by winter road to the west of the Haines Highway. Whitehorse in the Yukon, the site of Queenstake's heavy equipment and northern mining offices, is located 170 kilometres to the northeast. Haines, Alaska is 97 kilometres to the southeast of the gypsum deposit and provides excellent dock facilities for marine transportation to potential Pacific Northwest markets for gypsum.

Gypsum currently sells for \$23-27 US per tonne in the Pacific Northwest market area and, in Canadian dollar terms, the selling price is now more than three times its level in the mid-1960's.

In the area from Portland, Oregon to Vancouver, B.C., there is presently an annual consumption of approximately 1,000,000 tons of gypsum: 15% for cement and 85% for wallboard manufacture.

Gypsum is primarily supplied from Spain (for cement) and from Mexico (for wallboard). Queenstake believes the O'Connor River deposit, being much closer to the market area, could make more frequent deliveries with lower ocean transport and handling charges.

In its marketing study Queenstake discovered that transportation costs represented well over half of the gypsum selling price... and immediately set out to effect a number of transportation cost savings. The Haines highway was straightened and paved from the tidewater to the side road leading to the gypsum deposit. This road improvement and lower fuel prices reduced the cost of bringing the material to the loading dock in Haines.

Initially the gypsum would be carried by barge from Haines to market ports. Later, such options as self-unloader bulk carriers could be evaluated.

EXPLORATION HISTORY

Queenstake acquired their option interest in mineral claims covering the east zone of the O'Connor River deposit in early 1986. By May of 1986, Queenstake entered into a joint venture with Haines Gypsum Inc., a Vancouver B.C. private company that owns mineral claims covering the west and south zones, to explore, develop and mine gypsum from the entire deposits.

Queenstake has a 50 percent working interest in the joint venture and also has the option to increase this interest to 70% after 50,000 tonnes of gypsum bulk samples have been shipped from the property. Queenstake is the operator of the project with control of expenditure budgets and work programs.

The O'Connor River gypsum deposit was first discovered in 1958 by Ventures Limited (now Falconbridge Ltd). The property was staked, mapped and a total of 1,132 feet of core holes were drilled.

Ventures defined three zones of gypsum: Aunt Jemima Zone (east of O'Connor River), Aunt Jemima Extension (west of O'Connor River) and Kim Zone (3,000 feet south of the Aunt Jemima Zone). Low gypsum prices were responsible for the discontinued development of the property in 1966.

The O'Connor River gypsum deposit has been sampled many times over the past 27 years. The average gypsum content from these samples has been 88% gypsum, 7% anhydrite and 5% carbonates, and the gypsum is of a good white colour. This sampling and a 6 tonne bulk sample shipped and analyzed in late 1984 indicate the material should be well suited for cement and wallboard applications although large barge samples will be required before the gypsum can be evaluated in full scale tests.

In mid-July Queenstake commenced their activity in the area by upgrading the road access and camp facilities. Drill sites were prepared and drilling and surface trenching are underway. Depending on drill results, road construction to the East Zone will be underway by September and if weather permits, 20,000 tonnes of gypsum

should be claimed.

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