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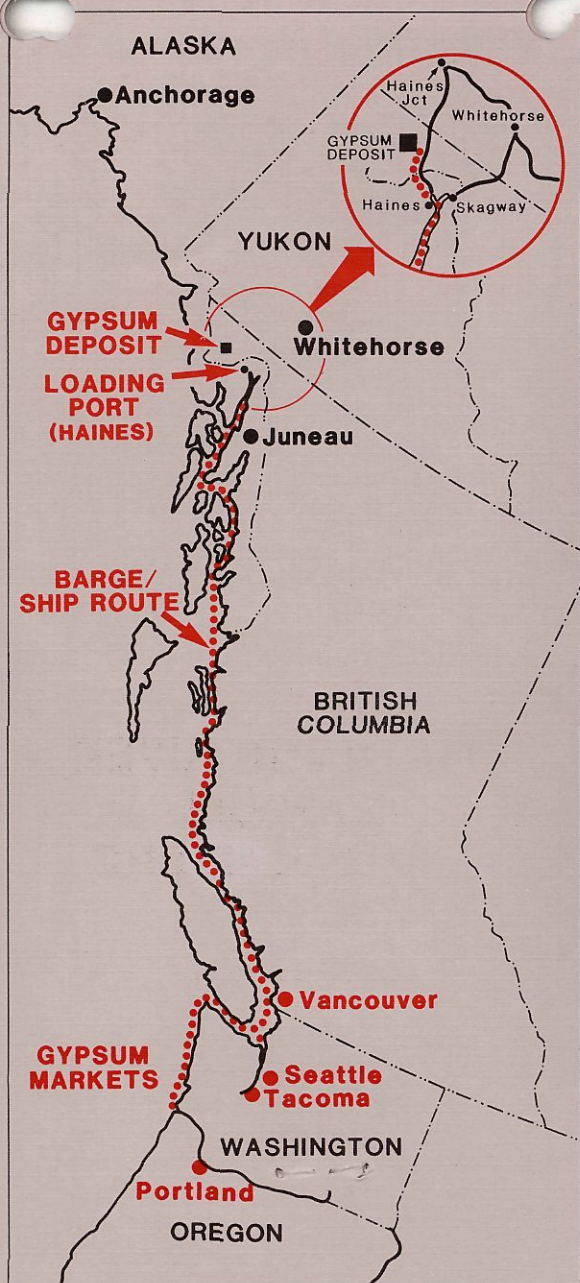


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**O'CONNOR RIVER
GYPSUM
JOINT VENTURE**

June 25, 1986

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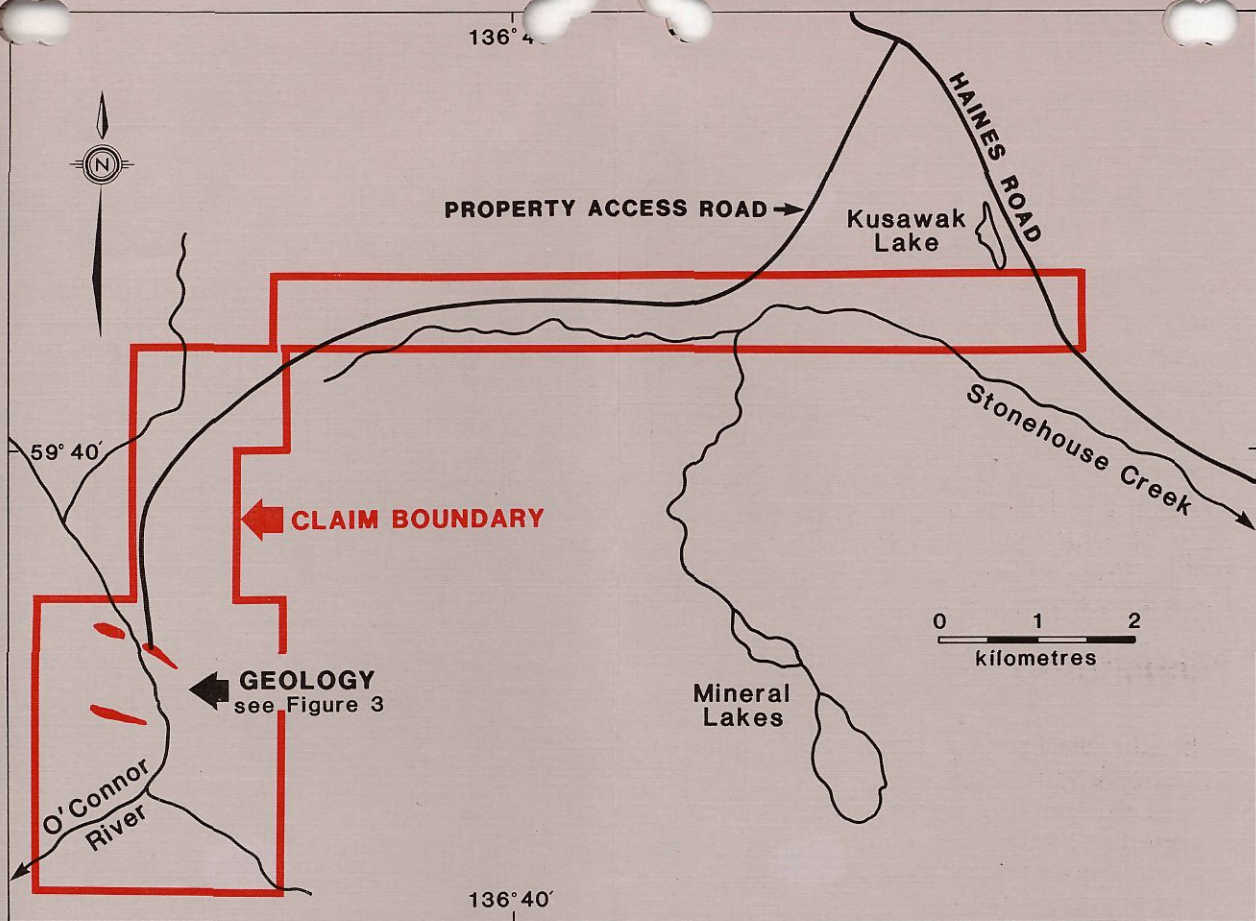


CATION

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

OWNERSHIP

In early 1986, Queenstake acquired an option interest in mineral claims covering the east zone of the O'Connor River gypsum deposit and in May, 1986 the Company 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 deposit. Queenstake has a 50% working interest in the joint venture and has an option to increase this interest to 70% after 50,000 tonnes of gypsum bulk samples have been shipped from the property. This interest may be further increased if Haines Gypsum Inc.'s interest is diluted by funding shortfalls. Queenstake shall be operator of the project with control of expenditure budgets and work programs.



EXPLORATION HISTORY AND RESERVES

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' south of 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 that the material should be well suited for cement and wallboard applications although barge load samples will be required before the gypsum can be evaluated in full scale plant tests.

In the Pacific Northwest (Portland to Vancouver) there is presently annual consumption of approximately 1 million tons of gypsum - 15% for cement and 85% for wallboard manufacture. This material is now primarily supplied from Spain (for cement) and from Mexico (for wallboard). The O'Connor River deposit, being much closer to this market area, could make more frequent deliveries (although seasonal) with lower ocean transport and handling charges.

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

TRANSPORTATION

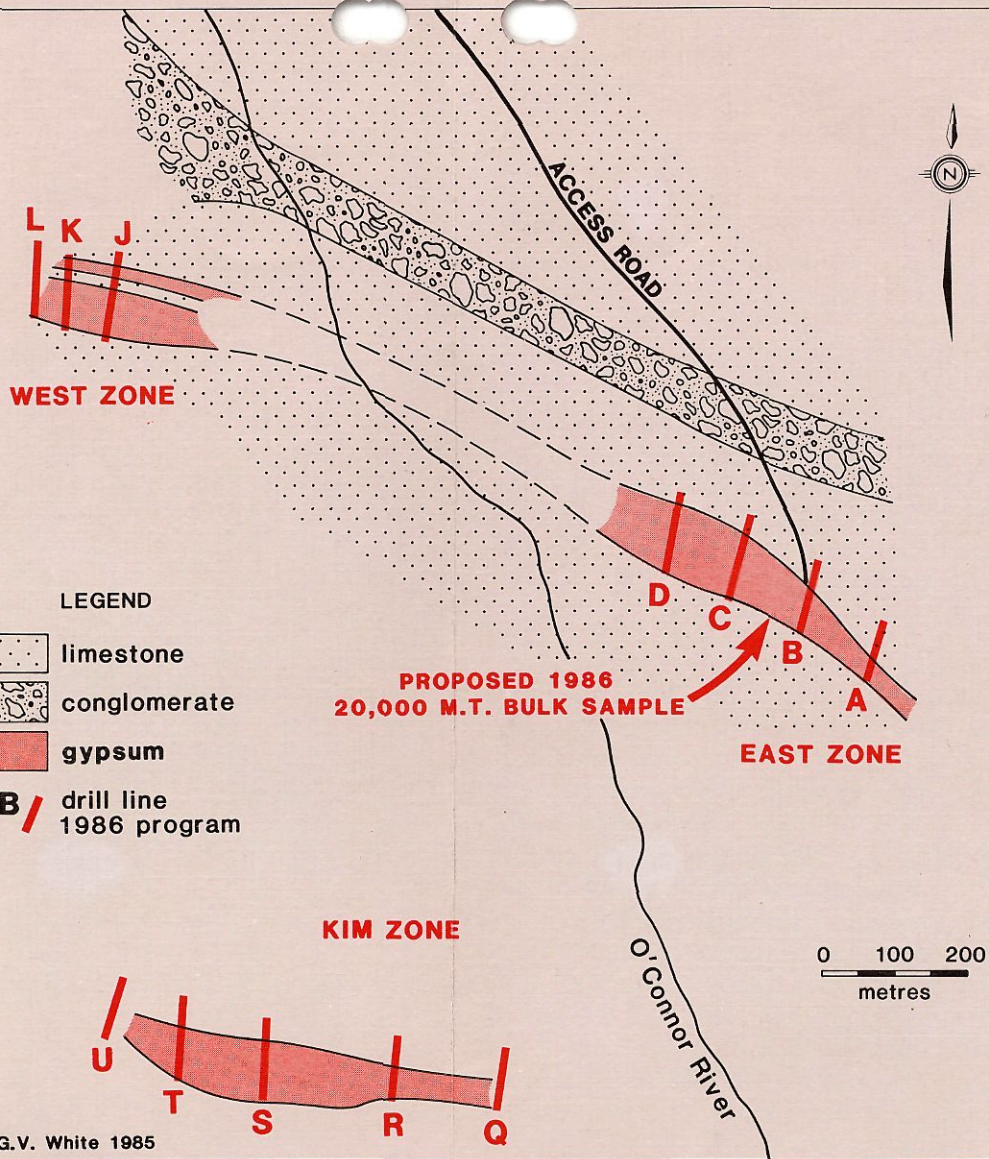
In our preliminary economic analysis, transportation costs represent well over half of the gypsum selling price. However, it appears that a number of transportation cost savings can be effected.

The Haines Highway has recently been straightened and paved from tidewater to the side road leading to the gypsum deposit. This road improvement and lower fuel prices have 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, other options such as self-unloader bulk carriers could be evaluated.

1986 EXPLORATION/DEVELOPMENT PROGRAM

During 1986, Queenstake will complete detailed surface mapping, surface trenching of gypsum extension zones and up to 10,000 feet of HQ core size diamond



Adapted from G.V. White 1985

drilling (see drill line locations on map #3). The purpose of the program will be to bring reserves indicated by previous mapping, drilling and trenching into the proven category.

Mobilization onto the site will proceed in the second week of July when road access will be upgraded and camp facilities will be established. Drill sites will be prepared and drilling and surface tren-

ching should commence by the second to third week in July. Depending on drill results, road construction to the East Zone will be underway by September and, if weather permits, 20,000 tonnes of gypsum will be crushed, screened and hauled to Haines, Alaska and barged to several Lower Mainland cement and wallboard producers to ensure that the material meets all quality standards for such applications.