

CARNES CREEK EXPLORATIONS LTD. (CSK-V)

SUSPENDED COMPANY RE-LISTED - Carnes Creek Explorations shares were reinstated for trading 15Jun89, in conjunction with a guaranteed rights offering. The shares were suspended 22Aug88. Shareholders of record 23Jun89 will receive 1 right for each sh. held; 3.5 rights and 15¢ are required to buy 1 sh. to 24Jun89. Of the \$298,041 proceeds from the rights offering, \$270,000 will be used to pay debts. As of 14Jun89, Carnes had 6,954,289 shs. issued. There will be 8,941,228 shares issued upon exercise of the rights.

By 5Dec88 agt., **QUEENSTAKE RESOURCES LTD. (QTR-T)** acquired an option to earn a 60% interest in the Treetop property of 30 placer leases on Spruce Creek, 9 miles east of Atlin, B.C. from Carnes. To exercise the option, Queenstake must make a \$25,000 payment, issue 95,328 shs. in stages & conduct a minimum of \$150,000 exploration program in 1989. The property is subject to a 5% gross royalty or payments of \$25,000 per year, whichever is greater, to an end price of \$500,000.

Spruce Creek placer gravels have been in continuous production since the early 1900's. Some 300,000 ounces of gold have been produced over a channel strike length of 15,000 feet and widths varying from 200 to 500 feet. From 1950 to 1957, recorded underground production from this channel averaged in excess of 0.50 ounces per cubic yard making it one of the richest North American placer gold deposits.

In 1989, Carnes carried out exploration consisting of 10 seismic lines totalling 5,500 m, 27 large diameter drill holes totalling 1,400 m, bulk testing of two sites and tailing sampling.

The seismic survey and the drilling outlined a thick section of tertiary gravels varying in width from 500 to 2,000 feet underlying the two mile length of the property. The drill program was not able to confirm economic grade in the tertiary channel underlying the company's property but did locate a gold bearing glacial deposit identified as an esker. This was a new discovery and lies above the much deeper tertiary deposit. Three holes were drilled in the esker over a distance of 4,000 feet and returned: 80 ft. of 0.015 oz.gold/cubic yard; 40 ft. of 0.013 oz.gold/cubic yard; and 40 ft. of 0.043 oz.gold/cubic yard.

These grades are economic considering that no stripping is required and mining and processing costs would be low. The overall volume of material in the esker is in the order of 2,000,000 to 4,000,000 cubic yards, but additional drilling and bulk sampling will be required to determine continuity and grade.

In April 1989, Queenstake constructed a haul road from the lower Spruce Creek mining site to the esker. A deep bulldozer trench was cut across the west end of the esker to allow bulk samples to be collected by benching down from surface to a depth of 40 to 50 feet. A backhoe will then be used to sink pits from the bottom of the trench to depths of 65 to 75 feet below surface. The bulk samples will be trucked to the lower site on Spruce Creek where a trommel screen-gold recovery plant will be used to process the samples. At least one more bulldozer trench and backhoe pit bulk sample site will be completed to evaluate DH 87-11. Contingent on the results of phase I and II, a production feasibility study could be completed during the winter of 1989-90 with production starting in June 1990.

In 1989, Queenstake will be placing into production its mine in the Spruce Creek valley that is surrounded by the Carnes Creek-Queenstake joint venture property.

On 31Mar89, the annual meeting elected Carnes directors: William Irwin-president, Desmond Harrison-secretary William Clancey, William Keast, George Bleiler, James Mason and Donald Duguid.

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