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QUEENSTAKE

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In 1986 Queenstake Resources will continue its Yukon placer mining operations, with the addition of one new property and an expanded equipment fleet. Gold production is expected to increase from the 6,000-8,000 oz. range of the past three years.

The company's Canadian exploration plans and budgets for 1986 include the following placer programs:

- *Moyie River, B.C.* — drilling and bulk test program, stripping 250,000 cu yd of overburden and washing 50,000 cu yd of gravel to determine recoverable grades and cost of extraction for this 6-km property. This budget is \$900,000.
- *Peters Creek, B.C.* — a drilling program with a budget of \$150,000.
- *Yukon Placers* — drilling and pit sampling of previously untested areas of the Black Hills Creek and Maisy May Creek properties plus ongoing evaluation of the Preido Hill and 60 Mile properties. The budget is \$200,000.
- Queenstake has budgeted another \$100,000 for the evaluation of Canadian precious metal projects.

In the U.S., the company has eight hardrock gold and silver projects:

- *Chichagof Gold Mine, Alaska* — underground drifting and drilling on four targets within the Chichagof and two adjacent structures. The work includes 100 ft of drifting, 1,000 ft of drift rehabilitation and 3,000 ft of drilling with a budget of \$1 million.
- *Buckskin National Mine, Nevada* — diamond and reverse circulation

drilling on three target areas to extend existing reserves and test an epithermal zone located in previous drilling. The budget is \$150,000.

- *Argus, California* — reverse circulation drilling on several structures to test the bulk tonnage potential in the area of four previously-mined vein deposits with a budget of \$300,000.
- *Gold King-Imperial Mine, New Mexico* — diamond drilling to extend existing fluxing ore reserves and to follow up the high grade intersection encountered in the last drill program. The budget is \$150,000.
- *Quartz Hill, Montana* — reverse circulation drilling intended to increase reserves to 2 million oz of silver. The budget is \$150,000.
- *Riverside Pass, California* — the third stage of a reverse circulation drilling program testing a detachment surface (low angle fault) containing anomalous gold values on a budget of \$150,000.
- *Mount Hamilton, Nevada* — a continuation of the drill program on this bulk tonnage gold target on a budget of \$250,000.

Queenstake adds \$100,000 to its operating cash flow

VANCOUVER - Queenstake Resources says it has received 625,000 from a limited partnership for the funding of Yukon placer operating costs in exchange for a share of production and "certain tax benefits." President Gordon Guttrath confirms the transaction will add about \$100,000 to Queenstake's operating cash flow.

As of Aug 20, the company had so drawn down \$870,000 of the 1.5-million flow-through share financing provided by Nim and Co. The balance of the funds will be received in the third and fourth quarters. In addition, Queenstake has received a \$100,000 grant from a British Columbia government

for its Moyie River placer and O'Connor River gypsum projects. The Yukon government will also provide \$40,000 to explore Queenstake's Mar gold prospect which will be drilled this year.

Meanwhile the company's placer gold operations at Black Hills Creek and Maisy May Creek in the Yukon are "producing steadily at a production rate somewhat ahead of the 1984 and 1985 mining seasons," Mr Guttrath confirms. The exploration program at Preido Hill was completed in August and the results are now being analysed, he adds.

Bulk sampling at Moyie River near Cranbrook, B.C., has been completed and the pay section is being processed at this moment. Excavation costs are below budget and the project could be another producer, assuming the grade meets minimum requirements. Three new gold properties are being evaluated in the Atlin area. Surface and underground sampling is being done which could lead to a bulk sampling program and production at a later date.

Chichagof mine

The main level at the Chichagof mine in Alaska has been reopened and access secured to the Kay vein structure. Mine records indicate

this vein contains sections of ore grade mineralization. The vein is being drilled and, depending on results, the mine could be dewatered further to explore the structure at depth.

Queenstake is involved in a joint venture with **Bolero Resources** in Nevada and drilling began at the Buckskin mine about a month ago. The old mine workings have been accessed and underground sampling is planned in the third quarter.

Drill cuttings have been submitted from the Argus project for metallurgical test work. The leaching characteristics of the material will be assessed and Queenstake notes

that previous column leach tests gave excellent recoveries. "A closed spaced drilling program is now required to confirm the Devenport reserves as part of the feasibility study for a heap leach mining project," Mr Guttrath says.

Eight holes were completed this year on the company's O'Connor River gypsum project in northwestern B.C. The drill core is being analysed for its gypsum, anhydrite, salt, sulphates and insolubles. The gypsum zone is about 330 ft wide by 1,300 ft long and is 260 ft deep. Transportation and market studies are planned for the next quarter prior to final feasibility, he says.

Flow-through funds, grants attract Queenstake to B.C.

VANCOUVER - Reflecting the availability of flow-through funds and provincial government grants, **Queenstake Resources** will spend \$1.5 million this year on seven mineral properties in British Columbia. The longer operating season for placer gold mines in the province is also cited as a reason for shifting emphasis away from the Yukon where all its placer activities have been concentrated.

One-third of the budget will be spent in the Moyie River area near Cranbrook, primarily for bulk sampling a pay channel which was drilled previously and contained gold. The program will determine recoverable gold values and Queenstake confirms that operating costs thus far are under budget. Unit costs from Yukon placer operations are \$215(US) per oz and Moyie River could lower these costs further, says Queenstake.

An extensive work program consisting of drilling, underground drift sampling and open pit tests is planned on four to six deposits in the Atlin camp which could generate at least one new gold producer for 1987. Similar programs are being conducted in other parts of the province to augment existing gold production and replace mined-out

reserves. Queenstake has budgeted \$500,000 for its O'Connor River project which hosts one of the province's largest gypsum deposits. Located approximately 65 road miles from Haines, Alaska, and tidewater, the deposit is amenable to bulk mining techniques which are similar to those employed at Queenstake's placer operations.

The work program will include 10,000 ft of drilling, detailed mapping, sampling and a comprehensive analysis of gypsum for wall-board and cement uses. The drill program is expected to provide a proven reserve at which time detailed transportation and marketing studies will begin. A 6-mile road into the property will have to be upgraded and a quarry site prepared for the first bulk shipment.

A feasibility study could be completed this year with full-scale production starting in 1987. The gypsum market was strong in 1985 and any improvement in the U.S. and Canadian economies would increase demand and price, the company feels.

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Queenstake says \$4 million budgeted for placer mining

VANCOUVER — This year could be the busiest ever for Queenstake Resources' Yukon placer mining operation, its primary source of revenue.

With a budget of approximately \$4 million, the company will be working on three properties, one of which, Blackhills Creek, could be production-expanded by as much as 50%. All the properties are located within 75 miles of Dawson City.

President Gordon Gutrath anticipates a much better year, citing over-all production costs of \$C.300 per oz. and the fact 5,000 oz. of 1986 production has been sold forward at \$504.

A strong emphasis will be placed on building up the company's cash position, something Queenstake's vice-president finance, Donald Sharp, says could eventually precipitate an expansion of assets in the hardrock mining sector. He says approximately \$3 million has been budgeted in 1986 for hardrock precious metal exploration and development programs in the western United States, adding that Queenstake's direct funding will total about \$500,000.

Most of the programs will be funded from cash flow and a large portion of that income will be reinvested in Yukon placer operations to expand reserves, improve the mining plant and mobile mining equipment. Problems with equipment have often reduced gold output to below forecast in the past.

To supplement operating cash flows, Queenstake expects to raise about \$2 million in equity, primarily from flow-through shares. And he explains that a \$1-million line of credit is also available from a major Canadian bank.

Bulk sampling is planned for Queenstake's Moyie River project near Cranbrook, B.C., which could operate for eight months a year, much longer than an equivalent Yukon operation. The reason for this is because the ground is thawed, a major problem in the north. This prospect now is being drilled and mining will be done on a contract basis to reduce startup

costs. The pay channel is very high grade by placer standards but the high stripping ratio will partially offset that fact, the company says. There are no royalties on the ground which Queenstake purchased outright and there has been past production in the area.

Additional placer prospects are being looked at near Barkerville and at Atlin, B.C., where a number of private companies have successful placer mining operations.

Hardrock mining projects in-

volve joint ventures, something the company has entertained for placer operations. Mr. Sharp says Queenstake might consider a joint venture if a large reserve block became available, but nothing is planned at the moment.

Advanced hardrock projects include the Chichagof mine in Alaska and the Argus property in California. Approximately \$1 million has been spent in the past year at Chichagof for underground development in the upper levels of the old mine. Gold values have tended to be erratic and some vertical development (raising) will be required to confirm grades.

The company expects to finalize a deal shortly which would significantly expand its land position there. In the next six months, \$550,000 will be spent on the property which would be followed by a further \$400,000 for the next phase. "It should be an active year in the development of the project," Mr. Gutrath says.

The Argus was drilled last year and those results are being evaluated. Both underground and open pit potential exists, the latter being heap leach. Only a portion of the structure has been tested and Mr. Gutrath says the property looks promising.

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