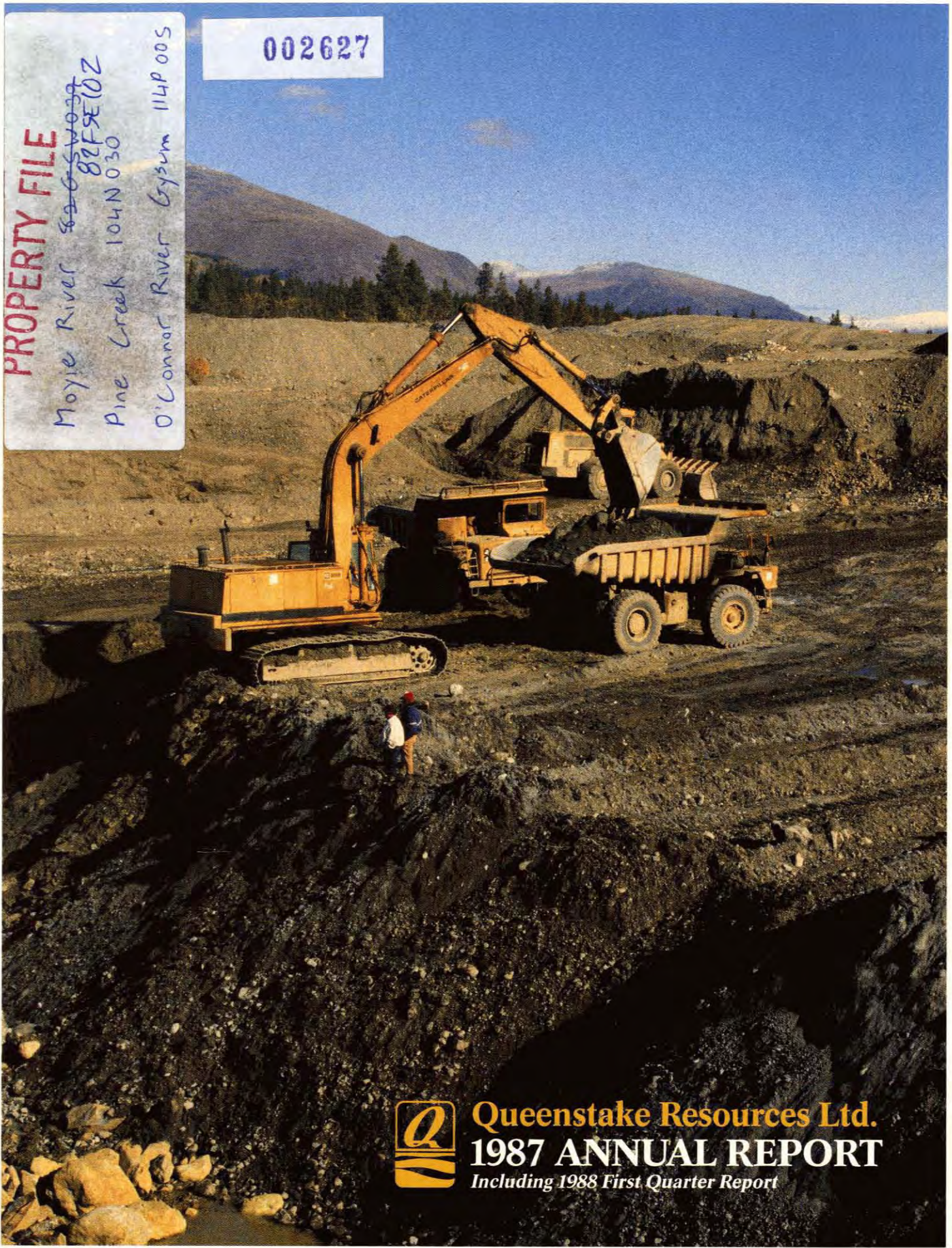


PROPERTY FILE

Moyie River ~~8905W039~~
82F9E10Z
Pine Creek 104N030
O'Connor River Gypsum 114P005

002627



Queenstake Resources Ltd.

1987 ANNUAL REPORT

Including 1988 First Quarter Report



1987 Annual Report

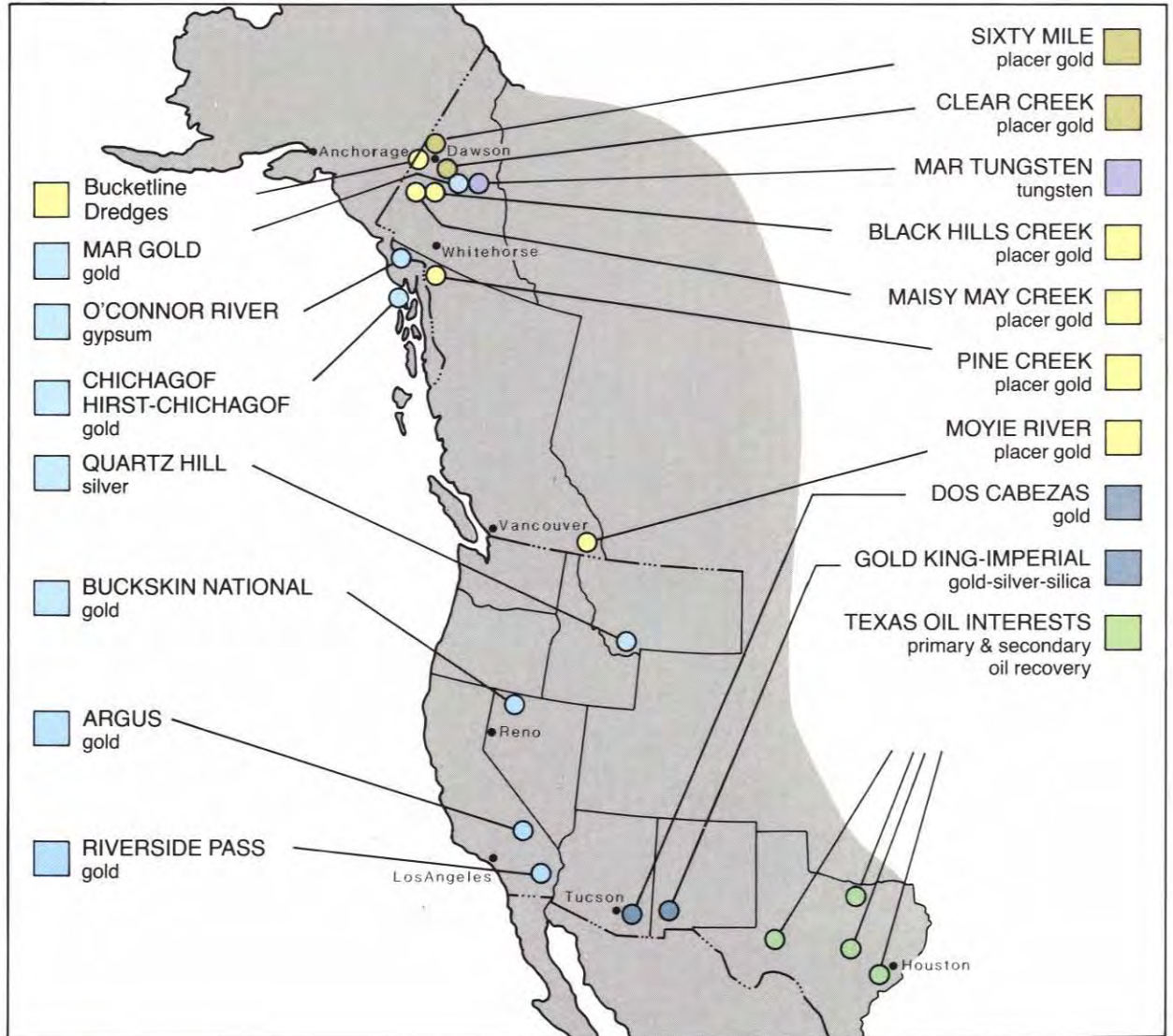
including 1988 First Quarter Report

Front cover:

Wayne Lerner, Yukon placer manager, and Ed Kolody, 1987 Pine Creek Manager inspecting Queenstake's Pine Creek, B.C. mining operation. A large excavator loads rock trucks which carry the pay gravels to a fixed washing plant where the placer gold is recovered. In 1987, the Pine Creek operation produced 7,002 ounces of gold.

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Queenstake Property Locations



- tungsten reserve
- placer reserves and royalty interests
- hardrock projects funded by joint ventures
- placer properties in production
- hardrock projects funded by Queenstake
- oil properties

President's Report

On behalf of the board of directors, I am pleased to present the eleventh Annual Report of your Company together with the audited financial statements for the year ended December 31, 1987 and financial statements for the quarter ended March 31, 1988.

In 1987, Queenstake achieved record gold production volumes, sale revenues and cash flow in its placer division, while increasing placer reserves with the acquisition of the Pine Creek property. Management is now undertaking a more active investor relations/market development program with the objective of ensuring that the market price of Queenstake shares increases to the level of standard industry multiples for reserves, gold production and cash flow.

In the hardrock Division the Dos Cabezas project was well advanced, and initial gold production is expected this year. Drill indicated gold reserves at the Argus property were increased from 23,000 ounces to 65,000 ounces by the Davenport Vein drill program.

Three million dollars was raised to carry out exploration and development work on the Chichagof Gold Mine by transferring the project to a new company, Golden Sitka Resources Inc., which then completed a primary public financing through the Vancouver Stock Exchange. Queenstake holds a 26% shareholding in Golden Sitka. Queenstake also increased its working capital during the year, and had a year-end cash balance of \$2.7 million.

During 1988, Queenstake will continue to aggressively evaluate new placer and hardrock projects. Placer reserves will be maintained and production increased, but the present corporate objective is to acquire a hardrock gold producer to increase and diversify cash flow.

Late in the year, a 19.9% shareholding in the Company was sold by Canada Tungsten Mining Corporation to a wholly owned subsidiary of Sandhurst Mining N.L. of Sydney, Australia at a price of \$1.76 per share. Sandhurst's investment in Queenstake is very positive given their expertise in development of placer deposits and in international finance. Richard Tinsley, Managing Director of Sandhurst, and Le Furlong, Deputy Chairman and Executive Director, have joined Queenstake's Board to take an active role in assisting Queenstake's growth.

Based on the doubling of Queenstake's gold production in 1987 which yielded net earnings of \$618,808 (9¢ per share) and operating cash flow of \$2,070,325 (29¢ per share), the board of directors has today declared the Company's initial semi-annual dividend payment of 2½¢ per share.

Thanks to the continuing efforts of Queenstake employees and the support of our shareholders, the Company expects to continue 1987's growth in placer gold revenues and cash flows, and we anticipate bringing one or two hardrock properties forward to the feasibility stage in 1988.

Gordon C. Gutrath
President and Chief Executive Officer
April 25, 1988

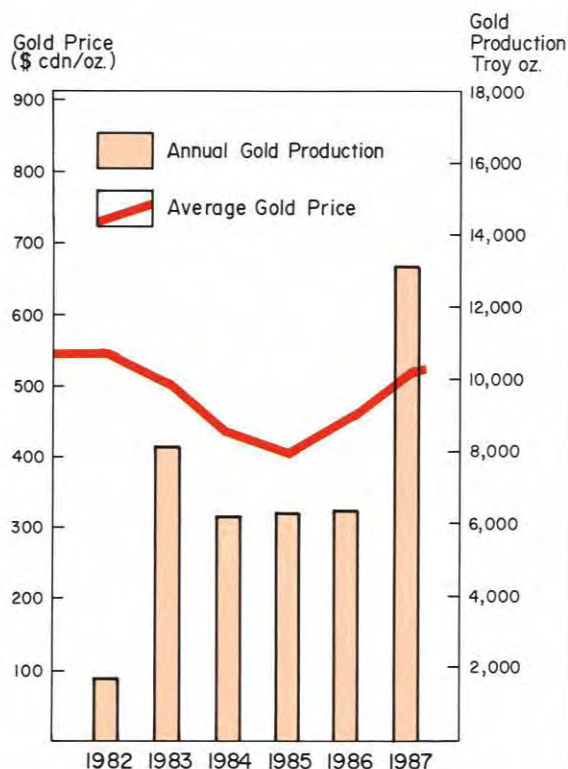
1987 HIGHLIGHTS

- Queenstake's placer gold production increased by 107%, from 6,375 ounces in 1986 to 13,222 ounces in 1987.
- With increased gold production, higher gold prices and the Company receiving the proceeds from 100% of net production, Queenstake's placer gold sales revenue increased by 417%, from \$1.3 million in 1986 to \$6.9 million in 1987.
- With the acquisition of the Pine Creek, Atlin property and equipment in mid-1987, Queenstake added 7,000 ounces of annual placer gold production capacity and approximately 23,000 ounces to the Company's placer gold reserves.
- In October, 1987, a 19.9% controlling share position in Queenstake was sold by Canada Tungsten Mining Corporation Limited to Sandhurst Mining N.L. at a price of \$1.76 per share.
- In October, 1987, \$3 million was raised by a new company, Golden Sitka Resources Inc., to fund ongoing Chichagof exploration. After the public distribution, Queenstake held 26% of the shares of Golden Sitka.
- Late 1987 drilling on the Argus project resulted in reserve increases (Davenport vein — 1,016,600 tons grading 0.064 ounces gold per ton).

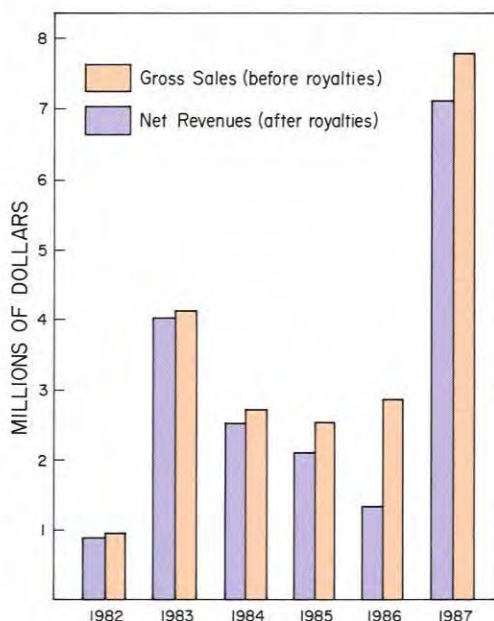


Queenstake was incorporated in 1977 by four founders: (seated) John A. McLallen (l), Gordon C. Gutrath (r), (standing) Patrick M. Reynolds (l), Lauch F. Farris (r).





The substantial 1987 increase in the value of Queenstake's gold production is due to a doubling of ounces produced and an increase in average gold price received.



In 1987, the percentage increase in net revenue was greater than the increase in value of production due to a 1986 hedging loss and a 1986 joint venture funding arrangement, not used in 1987.



Financial Review and Outlook

For the year ended December 31, 1987, Queenstake's earnings were \$618,808 (9¢ per share) and cash flow from operating activities was \$2,070,325 (29¢ per share). This compares to a loss of \$4,914,690 (86¢ per share) and cash used for operating activities of \$109,318 (2¢ per share) for 1986. Queenstake's 1987 gold sales revenue were \$6,922,559 compared to \$1,339,928 in 1986.

From 1984 through 1986, Queenstake operated with a continual working capital deficiency, utilizing bank credit lines or bullion loans to bridge finance placer gold operations while maintaining its program of capital expenditures in presently non-income producing hardrock exploration and development projects.

In 1987, to restore working capital, Queenstake raised \$3.3 million from equity financings and purchased, for \$2.1 million, the Pine Creek, Atlin, B.C. placer property and equipment, which in turn produced operating cash flow of \$2.3 million, recovering its capital cost within four months of its acquisition and adding reserves for several more years of production at the same rate.

In March, 1988, Queenstake placed with a subsidiary of Sandhurst Mining NL, an equity issue of 400,000 units for net proceeds of \$532,000, increasing working capital and completing the Company's long term equity issues program. No further equity issues are planned unless warranted for larger scale project acquisitions.

The Company's 1988 placer gold mining operations are expected to show a marginal increase in output over 1987, and 4,500 ounces of 1988 gold production has been hedged at a price of U.S. \$504 per ounce with a floor price program for an

Ten Year Financial Summary of Consolidated Financial Information

(\$000's except per share amounts)

	1987	1986	1985	1984
Balance Sheet:				
Total Assets	18,459	14,821	18,004	17,114
Liabilities	1,836	2,245	2,314	2,058
Shareholders Equity	16,623	12,576	15,690	15,056
Equity per common share	\$ 1.89	\$ 2.06	\$ 3.05	\$ 3.12
Earnings:				
Revenues	7,176	1,701	2,383	2,959
Earnings (loss)	619	(4,915)	(776)	(685)
Earnings (loss) per share	\$.09	\$ (.86)	\$ (.16)	\$ (.15)
Cash Flow:				
Working capital from operations	2,089	(195)	335	331
Cash from operating activities	2,070	(109)	449	521
Cash from operating activities per share	\$.29	\$ (.02)	\$.09	\$.11

additional 5,000 ounces, thus ensuring a good average gold price and strong placer cash flow for the year.

For 1989, the price of 3,000 ounces of production has been fixed at U.S. \$525 per ounce with a floor price minimum of U.S. \$375 per ounce for a further 5,000 ounces.

With initial cash flow expected from the Dos Cabezas Mine in 1988 and possible production from the Argus Mines in 1989, Queenstake's revenue and cash flow should achieve new highs in the next few years.



Gold bars cast by Degussa, Queenstake's gold refiner.

Queenstake Resources Ltd.



Queenstake's share price historically has fluctuated around the price of gold.



Queenstake uses water monitors such as this hydraulic set-up at Maysy May Creek to inexpensively remove thawed overburden from pay gravels.

1983	1982	1981	1980	1979	1978
15,708	14,112	13,883	12,430	3,833	716
1,531	1,072	984	351	187	21
14,177	13,040	12,899	12,079	3,646	695
\$ 3.16	\$ 2.93	\$ 2.92	\$ 2.74	\$ 1.10	\$.36
4,584	1,867	1,970	343	63	—
1,012	115	704	48	(116)	—
\$.23	\$.03	\$.16	\$.01	\$ (.04)	—
2,363	605	1,501	132	(116)	—
2,178	708	1,178	188	(203)	—
\$.49	\$.16	\$.27	\$.04	\$ (.07)	—





Queenstake mechanic, Simon Cant, performing a diesel engine overhaul in the Whitehorse shops.



Queenstake overhauls its heavy equipment fleet during the winter at its Whitehorse maintenance shops.



Van Schuyler, Queenstake mechanic, completing wheel loader maintenance.

Placer Mining Operations

In 1987, Queenstake had five placer mines in production, three in the Yukon and two in B.C. The Yukon mines are all located in the Dawson area on creeks peripheral to the Klondike gold fields. Queenstake has operated the only bucketline dredge in Canada for the past seven years, but in 1987 the last of the dredgeable reserves on Clear Creek were mined out. Queenstake's two other Yukon mines are on Black Hills Creek and Maisy May Creek. These are bulldozer-trommel-slucce operations and have reserves for approximately five to ten years of mining.

In 1987, Queenstake acquired the Pine Creek placer property at Atlin, B.C. and upgraded the existing operation. Pine Creek produced over 50% of Queenstake's placer gold in 1987. The Moyie River placer property near the town of Cranbrook in southern, B.C. was placed into full scale production late in 1987 after two and one half years of exploration.

During the winter of 1987, Queenstake's equipment fleet was overhauled in our Whitehorse maintenance facility and a new large excavator, rock truck and other operating units were purchased.

In April, 1988, the mine crew and equipment fleet mobilized to the properties on schedule, benefitting from good weather conditions, and it is now expected that 1988 gold production will show a modest increase over 1987.

Placer Gold Production and Revenue

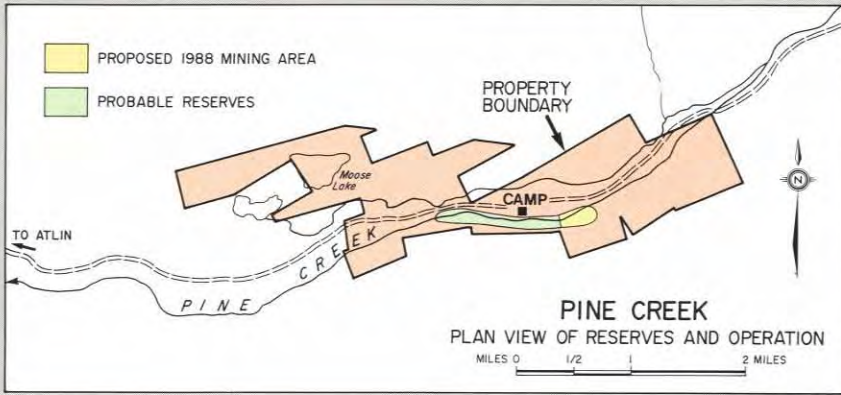
	1987	1986
Gold Production: (troy ounces)		
Clear Creek	679	1,136
Black Hills Creek	1,763	2,460
Maisy May Creek	2,334	2,105
Moyie River	1,444	182
Pine Creek	7,002	—
Other	—	492
Total production	13,222	6,375
Royalties	(537)	(148)
Inventory change	(268)	58
Partner's share	—	(1,950)
Net Metal Sold	12,417	4,335
Average sale price (\$ Cdn/oz)	\$ 604	\$ 383*
Net sale proceeds	\$7,496,439	\$1,660,847
Allocation of sale proceeds:		
Revenues	\$6,922,559	\$1,339,928
Cost recoveries	\$ 573,880	\$ 320,919

*after deduction of 1986 hedging loss

Pine Creek, B.C.

In 1987, Queenstake acquired the Pine Creek project and expanded output, producing 7,002 fine troy ounces of gold. The 1988 mining program commenced on schedule at Pine Creek, 5 miles from Atlin, B.C. The major equipment





overhaul throughout the winter was completed and relining of the trommels on site was under way in April.

The 1988 mine plan provides for a marginal increase in production on the following basis:

Mining Season:	Start up date	April 5
	Stripping	April 15 - November 15
	Mining	June 1 - October 20
	Shut down date	November 20

- 25 Person Crew:
(plus manager)
- 1 Foreman
 - 1 Mechanic
 - 1 Welder
 - 8 Plant operators
 - 8 Mining equipment operators
 - 2 Stripping operators
 - 1 Labourer
 - 1 Gold man
 - 1 Cook
 - 1 Bullcook

- Major Equipment Components:
- 1 D10 Caterpillar Bulldozer
 - 1 D9H Caterpillar Tractor
 - 2 988B Caterpillar Loaders
 - 1 966 Caterpillar Loader
 - 1 245 Caterpillar Excavator
 - 1 235 Caterpillar Excavator
 - 2 769B Caterpillar Rock Trucks
 - 1 769C Rock Truck

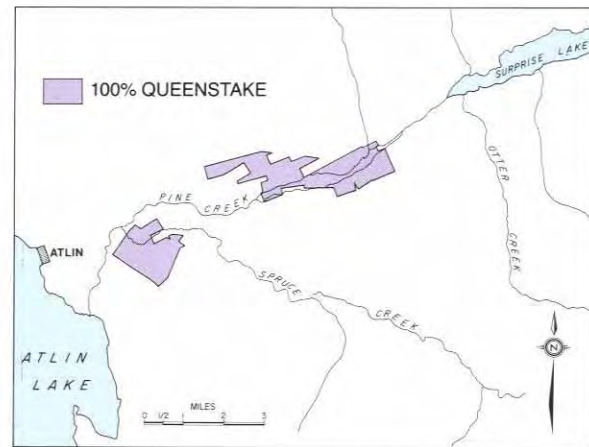
Mine Plan: To process an estimated 300,000 cubic yards of pay gravels, two trommels have been set up at the east end of the property. Remnant reserves from the 1987 mine area to the west will be trucked to a stockpile site at the trommels. Tailings from earlier placers in this area will be separately stockpiled and processed. Stripping of the virgin reserves peripheral to the earlier mining area and continuing upstream is now under way. Drill programs will be carried out during the 1988 mining season to define extensions of reserves and for grade estimates in 1989 mine planning.



This 50,000 cubic yard ore stockpile at Pine Creek was mined and processed in 1987.



Herman Liedtke, machinist, working in the Company's Whitehorse machine shop.



Queenstake is increasing its holdings in the Atlin placer camp, expanding production and increasing gold reserves.

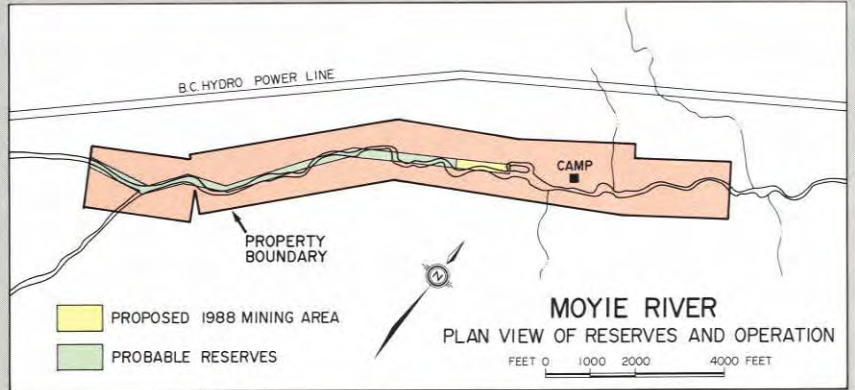




Gus Fiorentino, contractor, provides equipment and crews to mine Queenstake's Moyie River property.

Moyie River, B.C.

The Moyie River placer property in south-east B.C., is Queenstake's first placer gold property capable of year round production. A 1987 exploration program, consisting of drilling and bulk sampling, was successful in outlining the gold bearing channel and the bulk sample confirmed the grade in the reserves.



In September, 1987, the property was placed into full scale production. In the 1987 exploration, bulk sampling and production programs at the Moyie River placer property, 239,000 cubic yards of gravels were excavated, of which 65,000 cubic yards were washed, recovering 1,444 fine troy ounces of gold.



At Moyie River, a 3.75 cubic yard excavator loads scrapers which haul the ore to the gold recovery plant.

The winter production program was completed on schedule, the pay gravels being stockpiled for washing in the spring. The winter work plan included 189,000 cubic yards of

1987 Placer Mining Statistics

	Maisy May	Black Hills
Overburden Stripped (cubic yards)	412,964	40,000
Gravel Stripped (cubic yards)	90,000	90,000
Gravel Processed (cubic yards)	170,000	255,000
Total Material Handled (cubic yards)	672,964	745,000
Fine Gold Produced (troy ounces)	2,334	1,763
Grade (fine oz./cu. yd.)	0.014	0.007



gravels excavated, of which 29,000 cubic yards were stockpiled for washing in May, 1988. Work at Moyie River is being carried out by Fiorentino Bros. Contracting, based in Cranbrook.

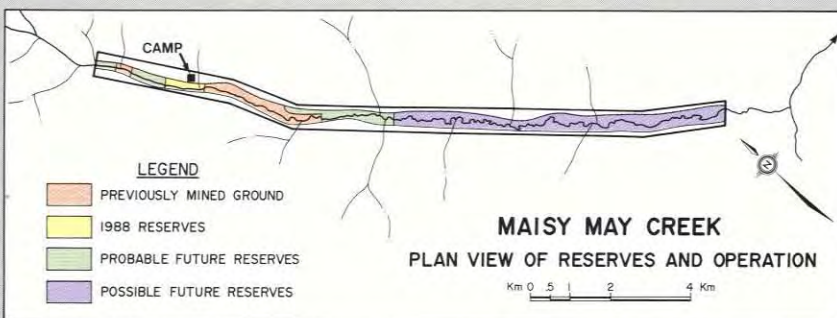
The 1988 mine plan will utilize the following Fiorentino equipment:

- 2 D9H Caterpillar Bulldozers
- 2 627 Caterpillar Scrapers
- 1 245 Caterpillar Excavator
- 1 235 Caterpillar Excavator

Fiorentino employees carry out all project activities except for engineering and gold recovery systems directed by Queenstake manager Michael Henrick. A full production year is planned for 1988 on an operating period from January 10 to December 20.

Maisy May Creek, Yukon

Production at Maisy May Creek, 50 miles south of Dawson City, Yukon was 2,334 fine troy ounces of gold in 1987.



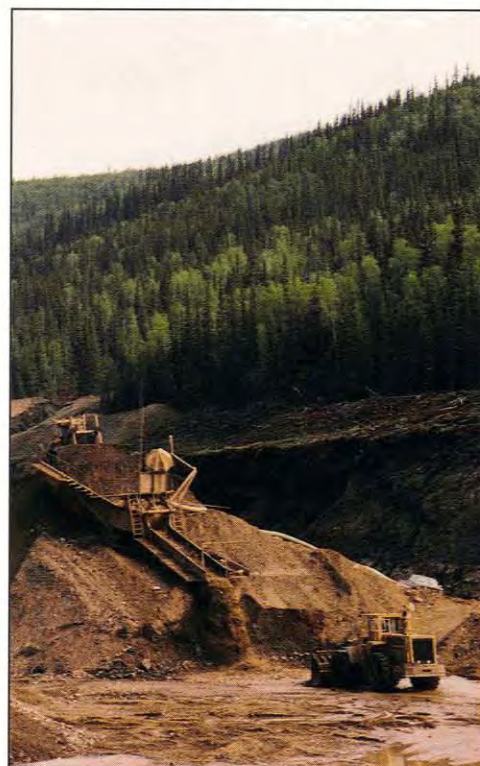
The 1988 mine plan provides for a marginal increase in production with the following parameters:

Mining Season:	Start up date	April 20
	Stripping	April 25 - October 15
	Mining	June 10 - September 30
	Shut down date	October 15
12 Person Crew:	1 Foreman (plus shared manager)	
	5 Dozer operators	
	2 Plant operators	
	1 Cook	
	1 Mechanic/Welder	
	1 Labourer	
	1 Gold man	
Major Equipment Components:	2 D9L Caterpillar Tractors	
	1 980C Caterpillar Loader	
	1 100C Hough Loader	
	1 300EL Caterpillar Excavator	
Mine Plan:	180,000 cubic yards of gravel to be processed with an approximate grade of .014 ounces gold per cubic yard.	

Clear Creek	Pine Creek	Moyie River	Total/Average
0	0	0	452,964
50,000	664,100	184,651	1,078,751
191,415	166,025	65,036	847,476
241,415	830,125	249,687	2,739,191
679	7,002	1,444	13,222
0.004	0.042	0.022	0.016

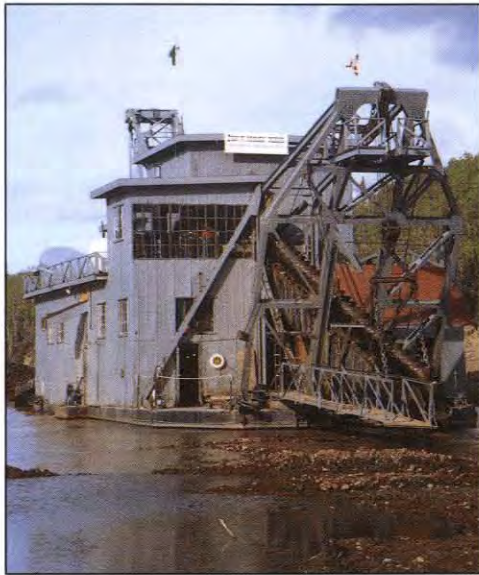


Bruce Rittel, mine technologist employed by Queenstake since 1981, manages the Black Hills and Maisy May placer operations.



At Maisy May Creek, bulldozers push gravels to a sluice box and tailings are stacked by wheel loaders. In 1988, a rotating trommel screen will be added to improve gold recoveries.





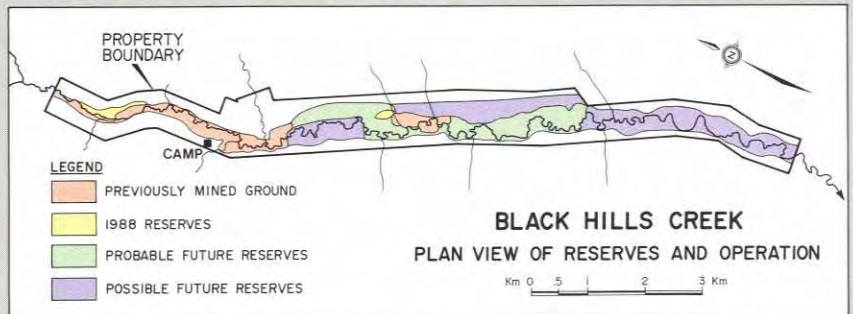
Queenstake's 350 ton bucketline dredge, acquired and renovated at a cost of one million dollars, has now completed its seven year mining operation at Clear Creek, Yukon. The dredge can now be disassembled for transport to a new mine site, presently being sought.



Wayne Lerner, Manager of Queenstake's Yukon mining operations, directs dredging operations and all equipment acquisition and maintenance from the Company's Whitehorse base.

Black Hills Creek, Yukon

Production at Black Hills Creek, 55 miles south of Dawson City, Yukon was 1,763 fine troy ounces of gold in 1987. 1988 mine preparations were under way on schedule with excellent spring weather.



A significant increase in output is expected under the following 1988 mine plan:

Mining Season:	Start up date	April 15
	Stripping	April 25 - October 15
	Mining	June 10 - September 30
	Shut down date	October 15
11 Person Crew:	1 Foreman (plus shared manager)	
	4 Equipment operators	
	2 Plant operators	
	1 Cook	
	1 Mechanic/Welder	
	1 Labourer	
	1 Gold man	
Major Equipment Components:	3 D9H Caterpillar Tractors	
	1 D355A Komatsu Tractor	
	1 D8K Caterpillar Tractor	
	1 980C Caterpillar Loader	
	1 980B Caterpillar Loader	
	1 225 Caterpillar Excavator	
Mine Plan:	Processing 130,000 cubic yards of gravels at an average grade of 0.02 ounces of gold per cubic yard.	

Clear Creek, Yukon

In 1987, the gold content of the Clear Creek gravels continued to decline, reducing gold production to 679 fine troy ounces. Even with the very low operating cost at Clear Creek (\$2.31 per cubic yard of gravels processed) this was uneconomic, and the Clear Creek dredging operation was terminated at the close of the 1987 season.

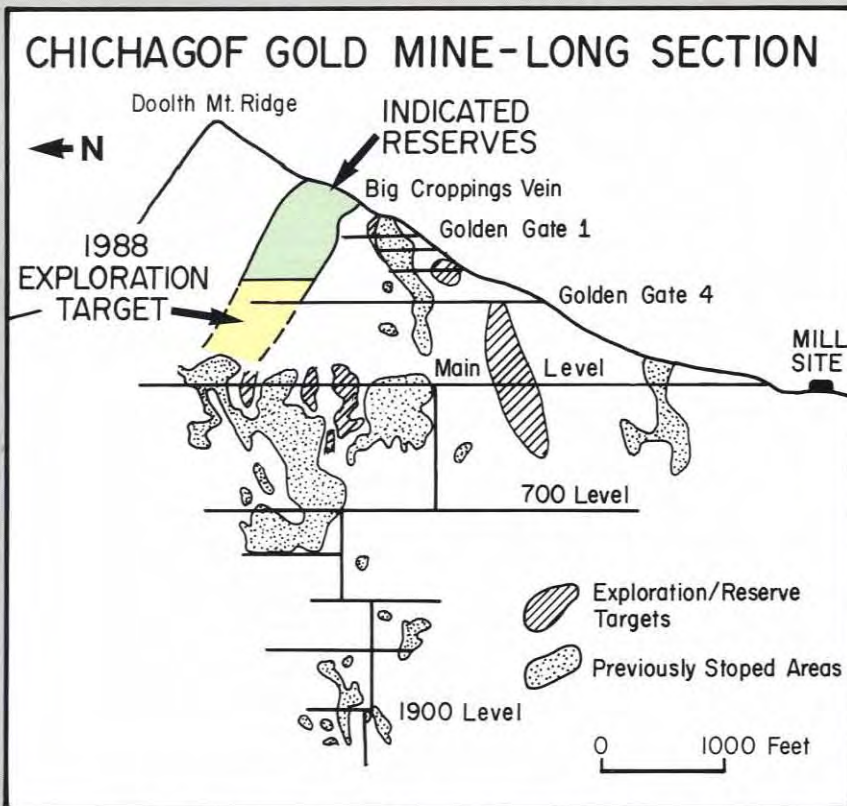
Bucketline Dredges

The 350 ton Clear Creek dredge is now available for relocation to a new mining operation along with Queenstake's two larger (450 ton) dredges located on Yukon River tributaries. Queenstake is now investigating placer joint ventures on dredgeable reserves throughout North America to put these excellent mining units back to work.



**Golden Sitka Resources Inc.
— The Chichagof Gold Mines**

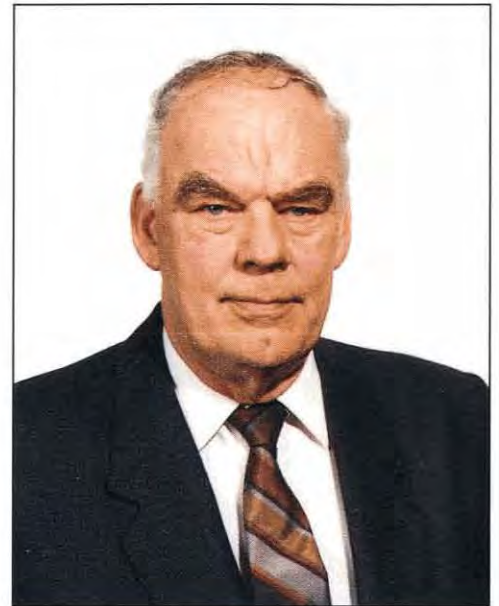
On completion of the \$3.0 million public financing in October, 1987, Golden Sitka began hiring personnel and purchasing and leasing equipment for mobilization to the Chichagof property. The work program started in January, 1988, with installation of services in the Hirst-Chichagof Mine main level to dewater and sample the Kay vein workings and to drill the lower extension of the Kay vein, commencing in early May, 1988.



Work also commenced on the Golden Gate #4 adit of the Chichagof Mine with approximately 1,000 feet of adit rehabilitated with new track laid and services installed as of April, 1988. By mid-year, it is expected that the rehabilitation will be completed to the drift face to start the drift extension and diamond drilling program to determine the extent of the Big Croppings vein reserves.

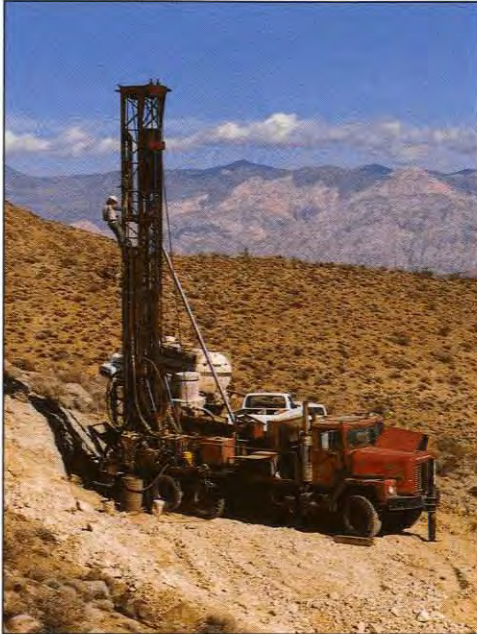


Golden Sitka Resources Inc. was incorporated in 1987 by members of the Chichagof Joint Venture, including Queenstake, to finance exploration and development of the Chichagof and Hirst-Chichagof Gold Mines. Golden Sitka was listed on the Vancouver Stock Exchange (Symbol — GSZ) after completing a \$3 million financing in October, 1987.



Hal McKenzie, President of Golden Sitka and a former President of Hudson Bay Mining and Smelting, is a mining engineer with long experience in underground mine development.

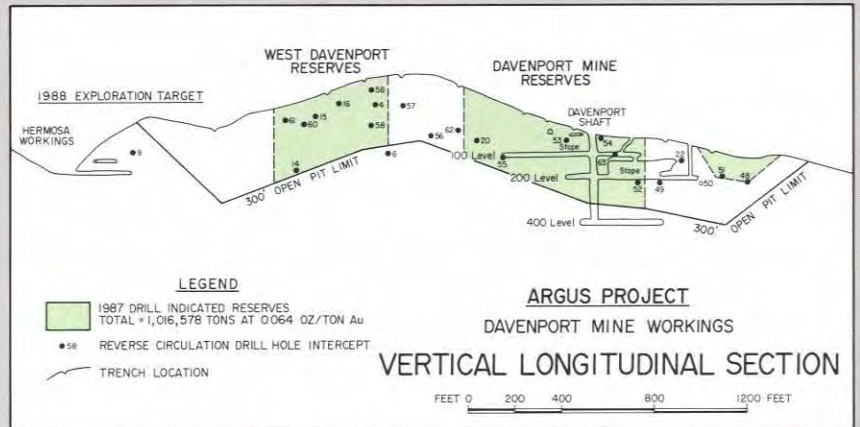




Reverse circulation drilling on the Davenport Vein (Argus project) in 1987 resulted in a 200% increase in drill indicated heap leachable gold reserves to 1,016,600 tons grading 0.064 ounces of gold per ton.

Argus Gold Project, California

During 1987, Childs International Inc., funded a reverse circulation drilling program on the Davenport vein where previously drill indicated reserves were 423,000 tons grading 0.053 ounces of gold per ton. Drilling on 100 foot centres, the 1987 program increased the Davenport drill indicated reserves to 1,016,600 tons grading 0.064 ounces of



gold per ton. Surface sampling for an additional 1,200 feet to the west of the drilled areas has located several wide zones of gold mineralization, including a section of the Hermosa Mine workings grading 0.055 ounces of gold per ton over a 155 foot wide zone.

In March, 1988, Bateman Metallurgical Laboratories of Sparks, Nevada completed its analysis of a composite of Argus drill samples and reported that the Argus ores are extremely amenable (71% recovery) to heap leach cyanidization with moderate cyanide and low lime consumption.

Childs has now committed to fund a 1988 program budgeted at U.S. \$238,000 which will include 11,000 feet of drilling on the Davenport and Hermosa veins to bring the Davenport reserves to the feasibility stage and to add reserves in the Hermosa Mine. This drill program was under way in April, 1988. This budget also includes funds for detailed surface mapping (5 foot elevation contours) and environmental and engineering studies to prepare for mine feasibility and permit applications.

Childs must spend an additional U.S. \$600,000 on exploration, development, permitting or production capital in 1989 to earn a 60% joint venture interest in the Argus project.

Mar Gold Project, Yukon

Queenstake has granted an option to Can Pro Development Inc. to earn a 50% joint venture interest in the Mar Gold property adjacent to Queenstake's Mar Tungsten deposit near Mayo, Yukon. Can Pro may earn the interest by spending \$300,000 in exploration programs on the Mar Gold property over three years and issuing 120,000 Can Pro shares to Queenstake. A diamond

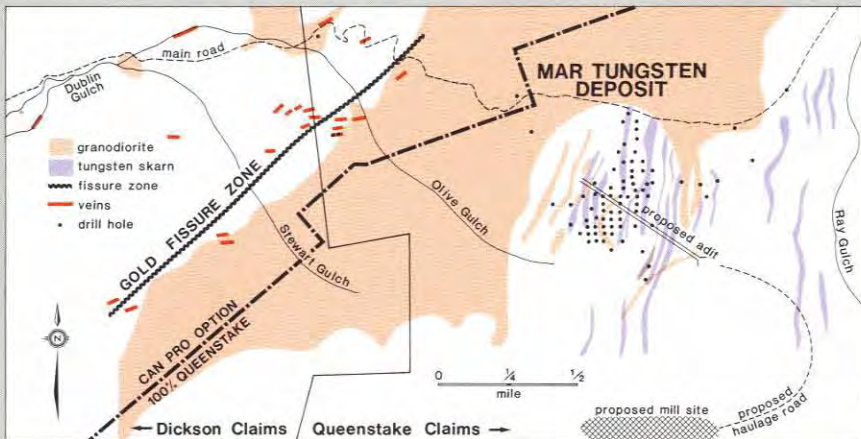


drilling and surface sampling program is planned to be carried out in the next few months.

The Mar Gold vein system has been traced for a distance of 20,000 feet. Within this system a shear zone — quartz — sulphide system containing 14 known veins extends over a strike length of 2,500 feet at a width of 900 feet. 1986 drilling by Queenstake produced several drill intersections on the Catto and No. 23 veins grading in excess of one ounce of gold per ton.

Mar Tungsten Property, Yukon

Queenstake's 100% owned Mar Tungsten deposit was explored by Canada Tungsten Mining Corporation from 1978 to 1983 at a cost of \$4 million — including 45,000 feet of diamond drilling — indicating reserves of 6 million tons grading 0.8% WO₃, including sections of higher grade scheelite mineralization. According to recent forecasts of the Canadian government department of Energy, Mines and Resources, "Prices of Tungsten contained in ores and concentrates are forecast to rise over the next three years, increasing from a current range of U.S. \$60-65 to \$90-100 in 1990".



As prices increase, Queenstake will endeavour to develop joint ventures with tungsten consumers for the development of the Mar Tungsten reserves.

O'Connor River Gypsum Deposit, B.C.

In April, 1988, Haines Gypsum Inc. indicated that it will fund and carry out a large bulk sample/mining program on the O'Connor River deposit in 1988, mining and shipping up to 50,000 tons of gypsum to Pacific Northwest cement and wallboard producers. This program requires the construction of a mine haulage road and preparation of the deposit for mining and shipping.

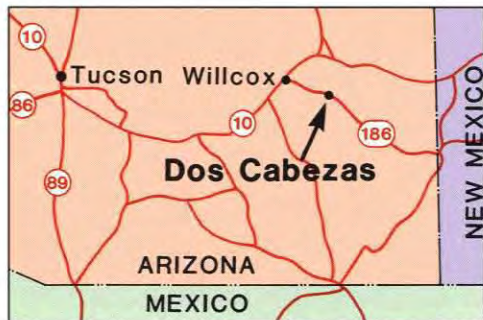
This program is intended to demonstrate the commercial viability of mining the O'Connor River gypsum deposit. Queenstake's 50% participating interest will be reduced marginally in respect of certain capital expenditures of long term benefit made by Haines Gypsum, but the Company retains an option to increase its interest by a further 20% by making a \$175,000 payment to Haines Gypsum.



1986 diamond drilling on the east zone of the O'Connor River gypsum deposit indicated extensive gypsum reserves. A 1988 bulk sampling program is planned to demonstrate economic marketability of the gypsum.



Dos Cabezas, Arizona

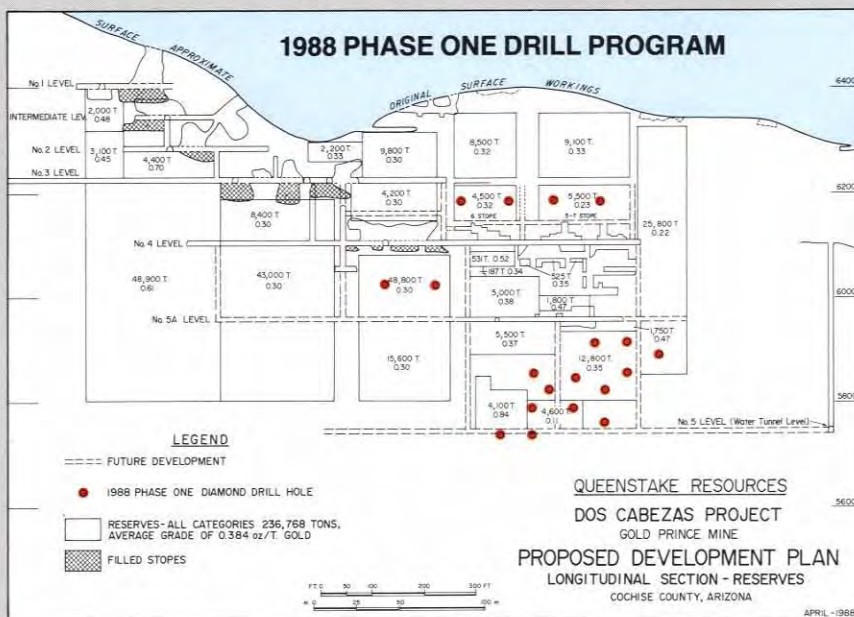


In 1987, Queenstake conducted an intensive underground sampling program at the Gold Prince Mine, aggregating over 600 samples. All principal structures were sampled at 5 or 10 foot centers. Following the sampling program, underground rehabilitation, construction of surface facilities, installation of services and mining equipment acquisition were completed.

A 6,000 foot underground diamond drilling program is planned at the mine to evaluate the extensions of ore reserves defined in Queenstake's 1987-1988 mapping and sampling program and by 9,000 feet of previous diamond drilling done by Phelps Dodge Corporation between 1983 and 1986. A series of three en echelon gold bearing quartz-sulfide veins will be tested in the program, with the goal of bringing the reserves to the drill indicated category. A feasibility study will then be undertaken to evaluate the deposit and define a mining development plan.

Drilling will be conducted by a contractor using a new underground drill recently purchased by Queenstake. The drilling will be done from both existing underground drill stations on the 5A Level and from new stations being constructed on the 5A and 4 Levels of the mine. The vein system will be tested along nearly 1000 feet of strike length and 500 feet of vertical extent.

Preliminary flotation and cyanidation test work conducted by Bateman Metallurgical Laboratories in Sparks, Nevada has been completed, with satisfactory gold recoveries using a combination gravity-flotation-cyanidation circuit. Additional testing is planned to further define grinding and selective flotation variables for the ores. Column leach cyanide testing is planned on near surface stockwork-hosted oxide ores which may be amenable to open pit heap leach technology.



Mine equipment purchases from former operator Phelps Dodge Corporation helped to speed the project to completion at substantial savings over projected equipment costs.



