



CONTACT INFORMATION

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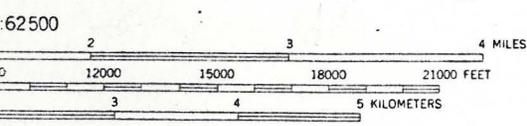
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COMPENSATION MINE

GREENLEE COUNTY
ASH PEAK DISTRICT
T8S R30E Sec 3 N $\frac{1}{2}$

MILS Greenlee Index #123

See: Map I-1310-B p. 4; Mineral Deposit Map of the Silver City 1⁰ x 2⁰ Quad, NM & AZ
Guthrie 15' map (included in file)



Interval 80 feet
Contour 40-foot contours
on sea level



QUADRANGLE LOCATION

ROAD CLASSIFICATION	
Heavy-duty	Light-duty
Medium-duty	Unimproved dirt
	U.S. Route

NATIONAL MAP ACCURACY STANDARDS
FOR 25, COLORADO OR WASHINGTON 25, D. C.
AND SYMBOLS IS AVAILABLE ON REQUEST

GUTHRIE, ARIZ.
N3245—W10915/15

1960



Queenstake Resources LTD.
1981 ANNUAL REPORT



In summary, the Bullion Creek property represents an attractive exploration prospect, in a rapidly developing area, that definitely warrants ongoing development by a major company with the resources and experience to properly evaluate its potential. Queenstake is now presenting the property to major mining companies.

Mar Tungsten Deposit, Yukon (tungsten)

In 1981 Canada Tungsten re-evaluated the exploration data and results of 45,000 feet of diamond drilling completed in 1979 and 1980 at a cost of \$3.5 million on the Mar deposit.

A surface exploration program was carried out in 1981 resulting in the discovery of additional tungsten mineralized zones. Further drilling is planned for 1982 to determine their significance. Canada Tungsten has recently announced drill indicated 6 million tons with a grade of 0.8% WO₃.

Queenstake has a 20% carried interest in the Mar Agreement area that covers Haggart Creek watershed, approximately 138 square miles. Canada Tungsten has maintained its option in 1982 by making a payment of \$100,000 and performing certain work commitments. Future option payments are \$100,000 per year until a total of \$1,000,000 has been paid or a commitment is made to place the property into production. In addition, Canada Tungsten can purchase one-half of Queenstake's 20% carried interest for \$2,000,000 on making a decision to place the property into production.

UNITED STATES MINERAL DEVELOPMENT

In 1981 Queenstake moved the U.S. office from Denver, Colorado to Tucson, Arizona. Exploration and evaluation have continued on three U.S. properties throughout the year.

Compensation Mine, Arizona

Exploration and development work on this property at the end of 1980 and early 1981 confirmed the presence of a marketable precious metal bearing silica flux.

However, the southwest U.S. copper smelters are suffering from the depressed copper market and have greatly reduced production and therefore require less silica. Queenstake is currently negotiating with regional smelters to obtain a market for the flux or a joint venture partner in the development of the property.

Gold King-Imperial Mine, New Mexico

During the year we conducted an extensive development program, rehabilitated a shaft to the 200 foot incline level. An ore pocket was put in 50 feet below the 200 foot station and 630 feet of drifting on or parallel to the Imperial vein was completed.

A program of surface pit and air track drill sampling indicated another ore shoot beyond the 200 feet level drift.

At the present time the exploration staff is completing an evaluation of the property including its potential as a flux mine and the possibility of milling the ore. Upon completion of this report the Company intends to review the acquisition of other properties in the area and to discuss the potential for joint venture development with regional smelter concerns.

Argus Mine, California

In 1981 we acquired this property from several vendors in a series of agreements. Our exploration work included the mapping of the surface structures and accessible underground workings and archive research on the old level plans, checked by new underground samples.

We contracted a mini feasibility study to Harrison Western Mining, a large U.S. tunnel contracting and development engineering firm. They have reported their estimated costs of access to the ore body, cost estimates for milling, permitting and other engineering costs and critical path time estimates for putting this property into full production.

Other work on the property during the year comprised claimstaking, legal survey, aerial photographs and extensive surface rehabilitation. A BLM application for drill sites has been filed. The field staff are analyzing the potential for drilling this property to intersect the vein at depth to determine true vein width, the mix of sulphide and oxide ores and approximate grades.

At the present time a post graduate thesis paper is being written on the Argus deposits that will provide a detailed geological evaluation of the property. This will assist in determining ore controls and drill targets. This thesis evaluation will include ore control on the vein system utilizing the latest evaluation techniques.

Jack Thorne Mine, California

Since this property, near Fresno, was acquired a program of surface blast pit and underground sampling has been carried out. The geological mapping indicates an unusual metamorphic structure. Further exploration work on this property is being considered.



George Phelps — Exploration Manager, U.S.

Dear Shareholder:

We are pleased to present you with the first of Queenstake's quarterly reports including financial statements and review of operations. The quarterly reports will supplement the semi-annual reports you have received in the past.

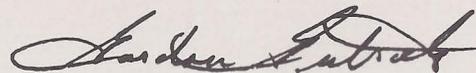
SUMMARY OF OPERATIONS:

- At September 30, 1982, working capital, including cash, short term receivables and inventories, less accounts payable, is \$4,415,000 of which cash is \$3,758,000.
- For the nine months ended September 30, 1982 Queenstake's net earnings were \$153,000, and cash flow from operations was \$590,000.
- A \$400,000 program of drilling and surface exploration was conducted by Eldorado Minerals and BRX Resources on Queenstake's Bullion Creek property. The exploration program has indicated an extensive lead-zinc-silver anomaly. Preliminary drilling has tested only a small portion of the target area indicating a very favourable geologic environment for stratabound lead-zinc-silver mineralization. Queenstake and its joint venture associates are now completing evaluation and compilation of data for presentation to major mining companies.
- Negotiations are currently proceeding for major mining company participation in Queenstake's Argus Gold Property in California. Our field crews are presently continuing the program of surface sampling and area property examination.
- Although hampered by record poor ice conditions at the start-up, the Clear Creek Dredge mined 2,038 ounces of raw placer gold in the season which ended October 22nd. This was an increase of 21% over the 1981 mining rate for the same number of net mining days. Ground preparation, water control structures and sampling have all been completed for the area to be mined in 1983, and equipment maintenance will be carried out over the winter.
- Negotiations are proceeding for a smelter contract for the precious metal bearing silica flux from our Gold King-Imperial Mine in New Mexico. Development and underground sampling have been completed on the Jim Crow workings with promising results.

- We have completed our Yukon placer gold exploration and acquisition programs for 1982. The Barker Creek bulk sample program did not indicate a unit value sufficient to sustain a profitable operation. However, the Company was successful in replacing this prospective property with a well defined and very promising placer property at Black Hills Creek, Yukon, which will be placed into production in 1983. A sampling program has been completed on the production area with positive results, and mine planning and equipment acquisition are now under way.
- On the Dublin Gulch-Mar tungsten deposit, optioned to Canada Tungsten Mining Corporation Limited, drilling was conducted outside the main reserve area, intersecting a tungsten mineralized skarn area that will warrant further exploration.
- A program of exploration for precious metal deposits was conducted in the southern B.C. coast leading to the acquisition of a number of properties which will be further explored in 1983.
- Queenstake recently announced the successful financing of a significant secondary oil recovery project operated by Canyon Resources Inc., of Dallas, in which Queenstake holds a 12.5% equity interest.

Canyon has arranged a \$US 2.5 million financing in order to proceed with the first phase of the redevelopment of the South Lake Trammel reservoir, Nolan County, Texas. The reservoir has produced 3 million barrels of oil to date and Canyon estimates an additional 2-2.5 million barrels of oil can be recovered by infill drilling and waterflooding. Phase I involves the drilling of eight infill wells and recompleting several wells as injectors and is designed to produce 600,000 barrels of oil. The Phase II development will involve an additional 12-14 wells plus the associated injector conversions and it is anticipated that this funding will be provided from conventional production debt financing. Canyon will continue to operate the program and owns a 21.1% net revenue interest in the field.

On behalf of the Board of Directors



Gordon C. Gutrath
President

Queenstake Resources Ltd.
Consolidated Statement of Earnings
For the Nine Months Ended September 30

	1982 \$	1981 \$
Revenues		
Gold Sales	548,931	349,458
Oil Sales	157,556	114,152
Interest	530,089	872,004
Mineral property options	125,000	66,713
Loss on metal price hedging	(14,912)	—
	<u>1,346,664</u>	<u>1,402,327</u>
Costs and Expenses		
Operating & production — gold	500,945	149,438
Depreciation of mining plant and equipment	60,073	35,400
Depletion of placer mining properties	96,435	46,700
Operating and production — oil and gas	72,877	65,136
Depletion of oil and gas properties	80,010	21,324
General and administration	129,357	85,038
Mineral property costs written off	60,797	7,544
	<u>1,000,494</u>	<u>410,580</u>
Operating Earnings	346,170	991,747
Provision for income taxes	149,583	412,683
Share of loss of Canyon Resources, Inc.	43,510	5,283
	<u>153,077</u>	<u>573,781</u>
Net Earnings		
	<u>3¢</u>	<u>13¢</u>
Earnings per Share		

This statement has been prepared without audit.

Note:

Change in Accounting Policy

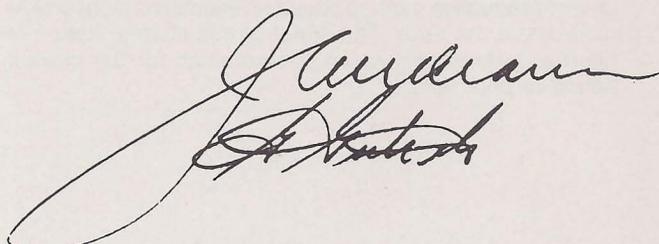
The company has adopted the "area of interest method" in accounting for capitalized costs relating to the acquisition of, exploration for and development of placer gold properties in the Yukon River basin area. All such costs are aggregated and are charged to future operations on a unit-of-production method based on estimated recoverable reserves in the area. The effect of this change does not have a material impact on net earnings for the current period or prior years.

Queenstake Resources Ltd.
Consolidated Statement of Changes in Financial Position
For the Nine Months Ended September 30

	1982	1981
	\$	\$
Funds Provided		
From Operations		
Net earnings	153,077	573,781
Depreciation and Depletion	243,786	103,424
Deferred income taxes	149,583	412,683
Share of loss of Canyon Resources, Inc.	<u>43,510</u>	<u>5,283</u>
	589,956	1,095,171
Recovery of mineral property costs	—	8,287
Recovery of oil and gas property costs	12,894	—
Proceeds from issue of shares	15,000	115,200
Reclassification of income taxes payable	<u>—</u>	<u>17,317</u>
	617,850	1,235,975
Funds Applied		
Expenditures on mineral properties and related assets	1,664,325	1,979,139
Expenditures on oil and gas properties	—	95,862
Employee share purchase loans	15,000	115,200
Investment in Canyon Resources, Inc.	—	372,735
Reduction of agreement payable	<u>—</u>	<u>5,000</u>
	1,679,325	2,367,936
Decrease in Working Capital	1,061,475	1,331,961
Working Capital, Beginning of Period	<u>5,476,107</u>	<u>7,320,536</u>
Working Capital, End of Period	<u>4,414,632</u>	<u>5,988,575</u>

This statement has been prepared without audit.

APPROVED BY THE DIRECTORS



DIRECTORS

J. A. McLALLEN
 Chairman, Queenstake Resources Ltd.,
 Director, Westmin Resources Ltd.

J. D. REDPATH
 Director, Dome Mines
 Chairman, Canada Tungsten Mining Corporation Limited

P. M. REYNOLDS
 Director, N.P. Energy Corp.,
 Fargo Oil Corporation

M. K. COFFIN
 Secretary & Treasurer, Canada Tungsten Mining Corporation Limited

J. H. FOREMAN
 President of Canada Tungsten Mining Corporation Limited and Amax of Canada Limited

R. C. ATKINSON
 President, Energex Minerals Ltd.

G. C. GUTRATH
 President, Queenstake Resources Ltd.

L. F. FARRIS
 President, Fargo Oil Corporation

REGISTRAR & TRANSFER AGENT

Royal Trust Company
 555 Burrard Street
 Vancouver, B.C. V7X 1K2

LISTING

Vancouver Stock Exchange and Toronto Stock Exchange
 Ticker Symbol - QTR

HEAD OFFICE

9th Floor - 850 West Hastings St.,
 Vancouver, B.C. V6C 1E1
 Phone: (604) 684-1218 Telex: 04-508875

14

Queenstake Resources Ltd.



NEW OFFICE IN TUKSON

GEORGE PHELPS

8619 N. BASED VENTSD

(602) 299-7756

SHAREHOLDER REPORT
November, 1982

QUARTERLY FINANCIAL STATEMENTS
Nine Months Ended September 30, 1982

COMPENSATION MINE

GREENLEY COUNTY

MG WR 11/2/84: Visited the Compensation mine in Greenlee Co. There was no equipment on the property and no sign of recent activity.

COMPENSATION MINE

Greenlee
Ash Peak District
T8S R30E Sec. 3 N½

Richard Billingsley of Duncan, AZ, phone 359-2241, is part owner of the Compensation Mine. A Canadian company, Queenstake is financially involved. Billingsley is leasing the property to Mr. Dewey Wilkins of Duncan who is shipping silver-bearing silicious flux to P.D. at Douglas. This mine is northwest of the Ash Peak Mine, about one mile. I believe it is in Section 4, T8S R30E straddling the Greenlee and Graham Counties line. Probably 1/1/81

MG WR 1/15/82: Nick Priznar of the Phelps Dodge land department in Tucson called to ask about the Queenstake Mine near Duncan, AZ. I told him he was probably referring to Queenstake Resources Ltd., 9th Floor, 850 West Hastings St., Vancouver, B. C. V6C 1E1, Canada. This company has a joint venture to develop the Compensation Mine located in Section 3, T8S R30E, approximately one mile west of the Ash Peak Mine. Some silver-bearing, silicious fluxing ore was shipped to the Douglas smelter in 1980(?). The property is now shut down. It was leased to a Duncan-area miner by the owner, Mr. Richard Billingsley of Duncan; phone 359-2241

MG WR 6/11/82: Visited the Compensation Mine. There is no activity at this property. I believe it is now wholly owned by Queenstake Resources, Inc., #c 6750 E. Mississippi Ave., Denver, Colorado 80224.

NJN WR 2/4/83: George Phelps, Exploration Manager for Queenstake Resources, 5619 N. Paseo Ventoso, Tucson, Arizona 85715, phone (602) 299-7756, visited. The company's home office is 9th Floor, 850 W. Hastings Street, Vancouver, B. C. V6C 1E1, phone (604)684-1218. They are active at the Compensation Mine in the Ash Peak District and accross the border in the Steeple Rock District in New Mexico.

MG WR 2/3/84: Learned that Fischer-Watt is drilling (air-track?) on the Compensation Property (Greenlee Co.)

Compensation Mine (F)
Greenlee Co.

Gary
63908175
file



Office of State Mine Inspector

705 West Wing, Capitol Building
Phoenix, Arizona 85007
602-255-5971

STATE MINE INSPECTOR

NOV 04 1986

NOTICE TO ARIZONA STATE MINE INSPECTOR

In compliance with Arizona Revised Statute Section 27-303, we are submitting this written notice to the Arizona State Mine Inspector (705 West Wing, Capitol Building, Phoenix, Arizona 85007) of our intent to start stop (please circle one) a mining operation.

COMPANY NAME Compensation Mining Partners

CHIEF OFFICER Dewey Wilkins

COMPANY ADDRESS P.O. Box X Duncan, AZ. 85534

COMPANY TELEPHONE NUMBER (602) - 359-2603

MINE OR PLANT NAME Compensation Mine

MINE OR PLANT LOCATION (including county and nearest town, as well as directions for locating by vehicle)

12 miles West of Duncan MP 367 on
U.S. 70 Greenlee County

TYPE OF OPERATION UG / Surface PRINCIPAL PRODUCT Silica Flux

STARTING DATE 10-30-86 CLOSING DATE _____

DURATION OF OPERATION _____

PERSON SENDING THIS NOTICE Melodie Duffey

TITLE OF PERSON SENDING THIS NOTICE Business Manager

DATE NOTICE SENT TO STATE MINE INSPECTOR 10-30-86

PLEASE NOTE: Any operation found operating, without having sent this notice to the Arizona State Mine Inspector, will be charged with a petty offense.

John

District Office
425 E. 4th Street
Safford, Arizona 85546

JUL 6 - 1981

*Compensation mine
Greenlee Co.*

Mr. Dewey Wilkins
P.O. Box 555
Duncan, Arizona 85534

Dear Mr. Wilkins:

This correspondence acknowledges receipt of your letter dated June 30, 1981, informing us Total Mine Services has ceased operations at the Ash Peak Compensation Mine, Greenlee County, Arizona, AZ-040-1-MN-18. We recognize you have divested your interest back to Queenstake Resources (U.S.A.) #C 6750 E. Mississippi Avenue, Denver, Colorado 80224.

Be advised no further surface reclamation/rehabilitation is required, and your operations under AZ-040-1-MN-18 are officially terminated. Subsequent operations on these properties by the claimant or a new operator will require a new Notice of Intent to be filed in this office.

Sincerely,

San Simon Area Manager

cc: Mr. George B. Phelps
Queenstake Resources, Inc.
#C 6750 E. Mississippi Avenue
Denver, Colorado 80224

DWOODMAN/espinoza