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Introduction to The North Star Mine

In June 1984 Caprock entered into an Option Agreement with Anaconda Minerals Company, a division of Atlantic Richfield Company, to acquire a 51% interest in a former producing gold property known as the North Star Mine, Kofa Mining District, Yuma County, Arizona. The terms of the agreement call for the payment of \$65,000 (U.S.) to Anaconda together with a \$300,000 (U.S.) work expenditure on the North Star over a three year period.

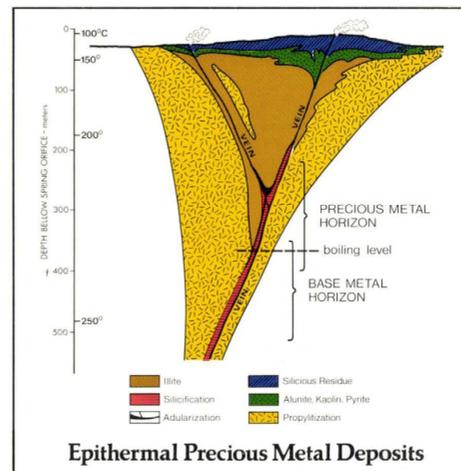
The North Star vein was discovered in 1906. Between 1907 and 1911 the Property produced approximately 100,000 ounces of gold from ore grading in excess of 1.5 oz. per ton. The cut off grade at that time was 0.6 oz. of gold per ton and no ore less than this grade was mined.

In a 1935 report by a former Anaconda employee whose reports are considered reliable, the vein material below the main ore shoot between the 5th and 8th levels is reported to grade 0.5 oz. of gold per ton over a 5' width. This grade is very attractive considering present day gold prices and estimated operating costs.

Mineralization of the North Star Mine is interpreted as being epithermal in nature. "Epithermal" is a term applied to those ore deposits formed in and along fissures or other openings in rocks by deposition at shallow depths. They are distinguished from "mesothermal" and "hypothermal" lodes by the minerals they contain, by their textures and by the character of the alteration of their wall rocks.

The epithermal model shown depicts the type which has recently come into prominence in mineral exploration in the Southwestern United States. As precious metal rich gases ascend in the mineralizing system, heat and pressure are reduced near the surface. It is within this zone that the precious metals are deposited. Often, an enriched gold bearing zone is found near the base of the mineralized section of the vein and is commonly referred to as a "bonanza zone". (See Exploration Target 5 on Longitudinal Section).

One of the characteristics of an epithermal system is a low silver to high gold ratio. The absence of silver in a vein suggests the structure is high in the system, as is the case in the North Star Mine.



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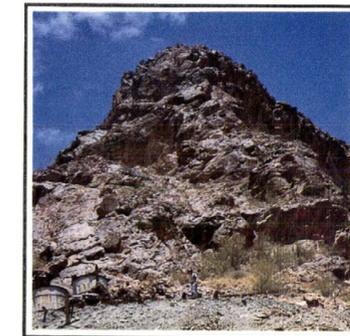
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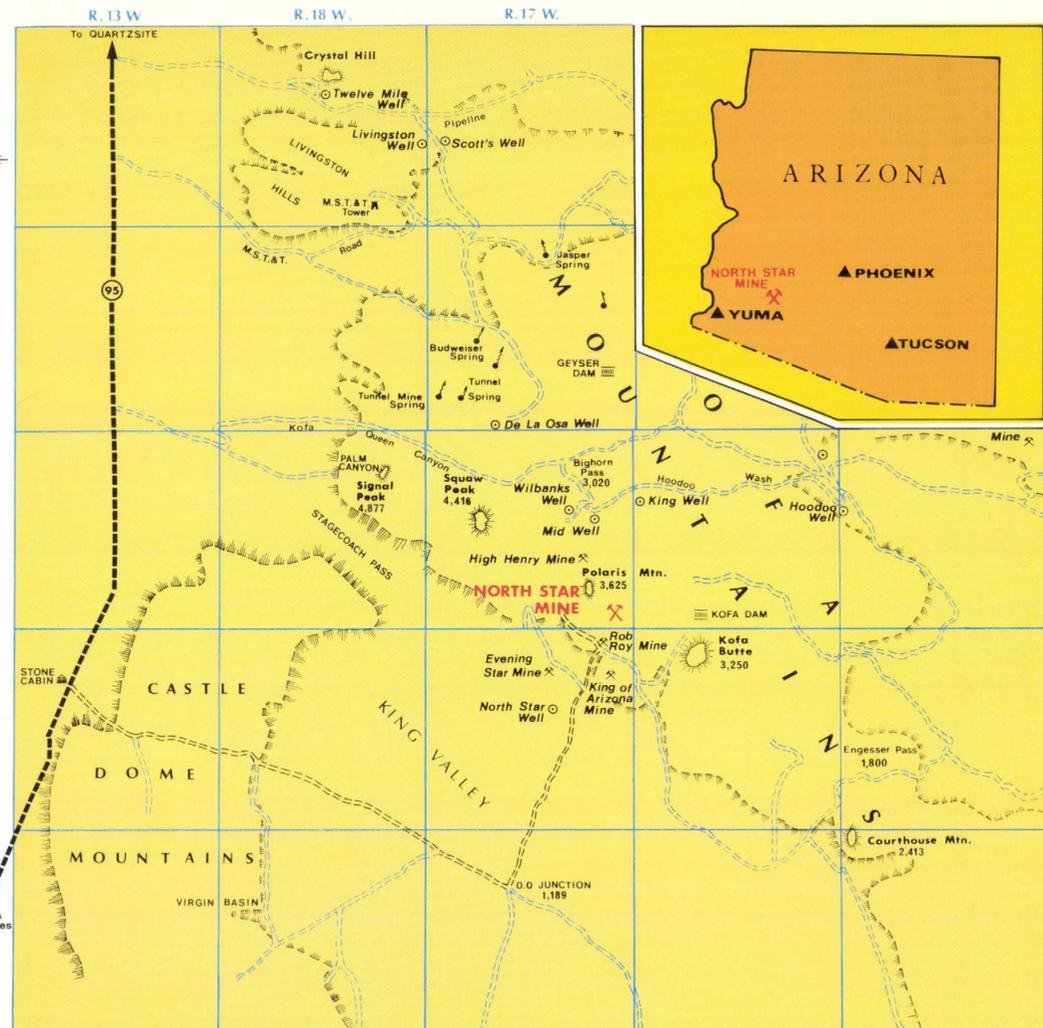
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The North Star Mine



CAPROCK ENERGY LTD.



Exploration Program

Derry, Michener & Booth (DM&B) of Golden, Colorado were commissioned to evaluate the North Star, and have recommended a three phase program of exploration and development.

The DM&B report dated July 1984 defines five targets at the North Star which hold promise of significant gold mineralization. The location and description of these targets is given on the Longitudinal Section diagram of the property.

The conclusion of the DM&B report reads as follows:

"The North Star Mine has an excellent potential to again become a significant producer. The silicified volcanic breccia which hosts the ore body is reported to contain significant amounts of gold below the stoped areas. Sampling and evaluating the extent and tenor of this mineralization can be effected through both underground efforts and surface drilling."

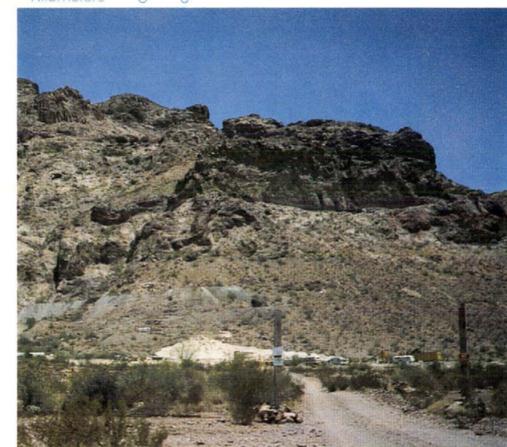
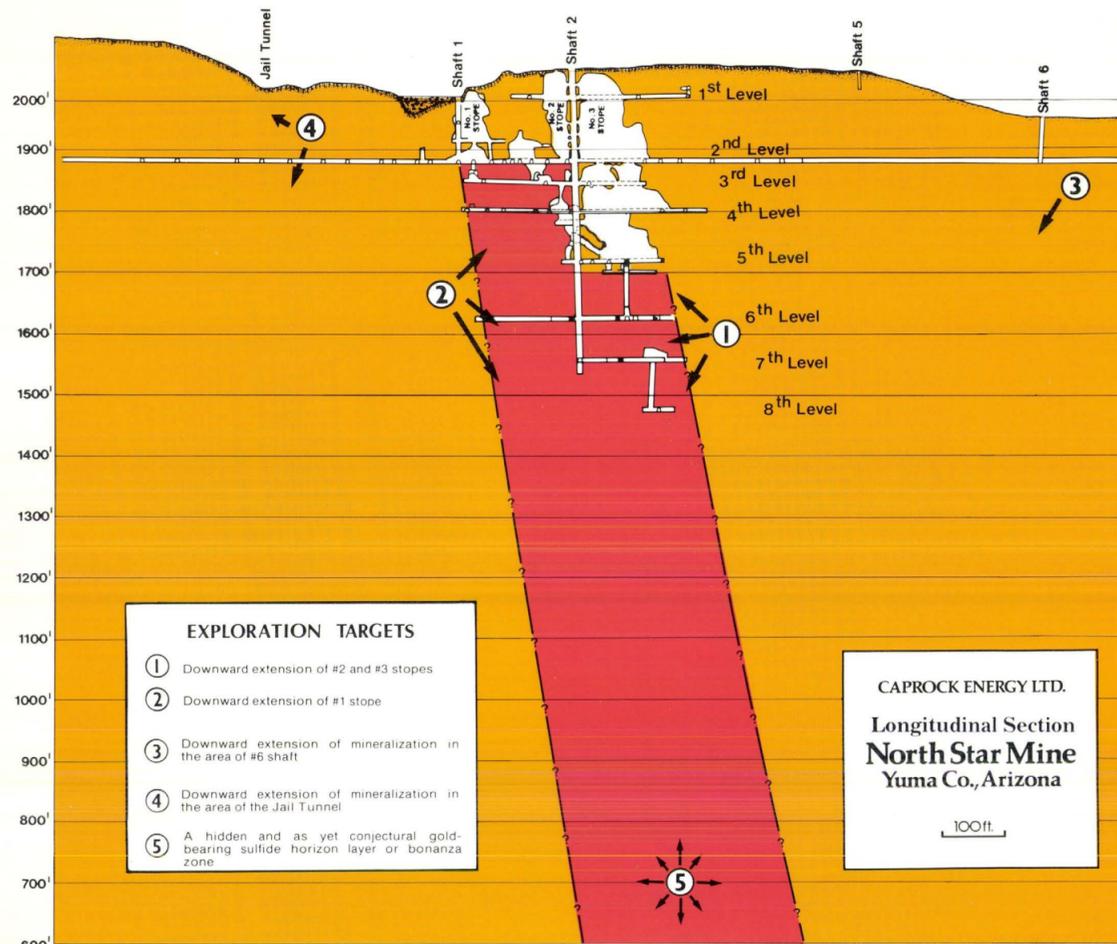


Photo taken from road entering the North Star property from the south. The mine dumps (grey) are located above the tailings (white).



- EXPLORATION TARGETS**
- ① Downward extension of #2 and #3 stopes
 - ② Downward extension of #1 stope
 - ③ Downward extension of mineralization in the area of #6 shaft
 - ④ Downward extension of mineralization in the area of the Jail Tunnel
 - ⑤ A hidden and as yet conjectural gold-bearing sulfide horizon layer or bonanza zone

CAPROCK ENERGY LTD.
Longitudinal Section
North Star Mine
 Yuma Co., Arizona
 100ft.

The first phase of the recommended program was initiated in October 1984 and is expected to take two months to complete.

This phase consists of concurrent underground and surface programs. The underground program is designed to dewater and rehabilitate the old mine workings below the 4th level to allow detailed sampling and mapping of all the lower levels. Once dewatering has progressed below the 4th level, the condition of the 4th level north crosscut will be assessed for use as an underground drilling station. The cross cut is ideally located to test down dip potential of the ore mined from stopes 2 and 3.

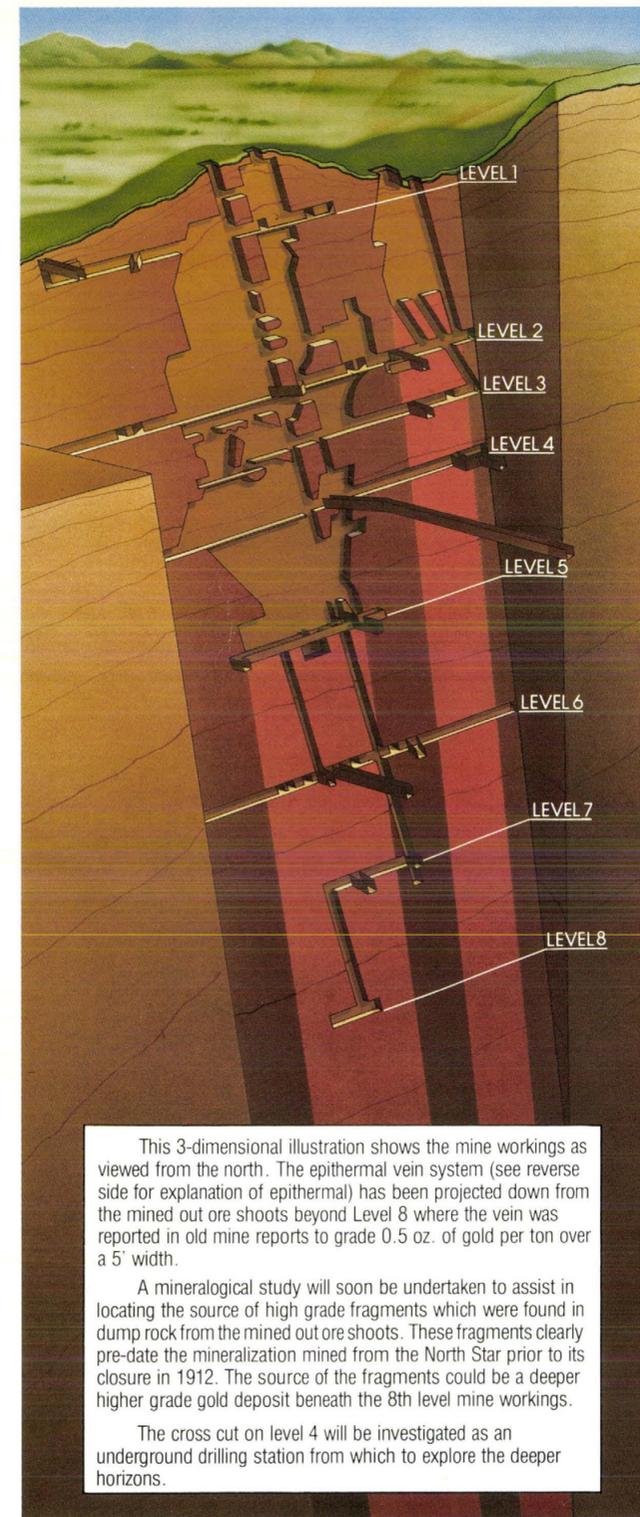
Surface drilling will be required to test the deep potential of the North Star vein. It is the belief of geologists familiar with the North Star that there exists beneath the North Star Mine a volcanic, sulfide layer enriched in gold and which may be the source of the gold mined in the past at the North Star.

Three holes will be drilled from surface and located to provide for 2 or 3 intersections of the host breccia. Two of the holes will be extended to 1,200' to test for the existence of the sulfide layer.

If the lower levels of the underground workings are inaccessible the surface drilling program will be extended to 6 holes to test the vein between the 4th and 8th levels.

Phase Two will consist of further surface drilling from different locations as well as underground drilling and engineering studies. The total cost of the first two phases is estimated at \$360,000 (U.S.).

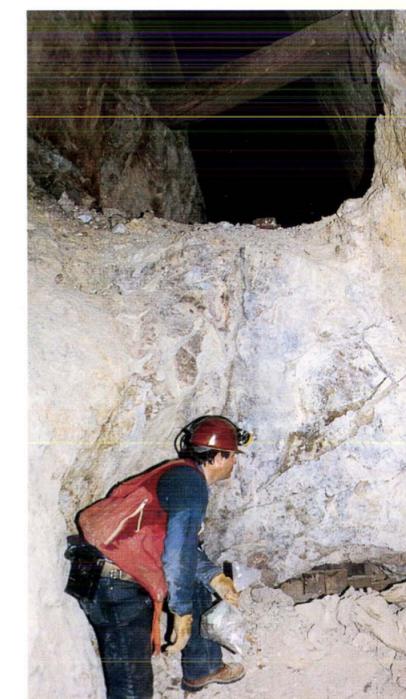
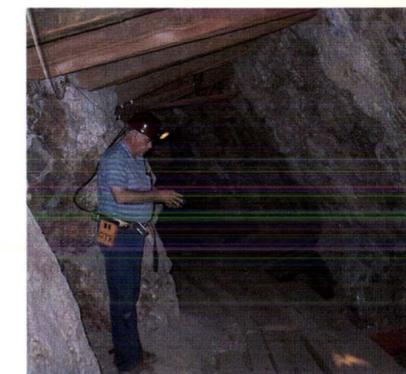
Data from Phase One and Two will be the basis for budgeting preproduction development programs in Phase Three.



This 3-dimensional illustration shows the mine workings as viewed from the north. The epithermal vein system (see reverse side for explanation of epithermal) has been projected down from the mined out ore shoots beyond Level 8 where the vein was reported in old mine reports to grade 0.5 oz. of gold per ton over a 5' width.

A mineralogical study will soon be undertaken to assist in locating the source of high grade fragments which were found in dump rock from the mined out ore shoots. These fragments clearly pre-date the mineralization mined from the North Star prior to its closure in 1912. The source of the fragments could be a deeper higher grade gold deposit beneath the 8th level mine workings.

The cross cut on level 4 will be investigated as an underground drilling station from which to explore the deeper horizons.



Owing to a "nugget effect" sampling only gives an approximate ore grade as evidenced by radical grade variations between adjacent vein samples. However, these grade variances are identical to variances found in the old stope assay plans. In order to more accurately determine gold content and character, channel samples were cut at 5 foot intervals along the 87 feet of the exposed vein to produce a 200 lb. bulk sample. Hazen Research process tested the bulk sample for total gold content and have reported a grade of 1.11 ounces gold per ton. This preliminary bulk sample evaluation indicates that the Big Croppings vein has a typical Chichagof gold content in excess of 1 ounce of gold per ton.

Reasonable strike and plunge projections for the Big Croppings orebody suggest it will have probable dimensions comparable to other known ore shoots; that is, four to five feet wide by 200-300 feet of strike length by 800-1200 feet of plunge, or about 100,000 tons. The grade should approximate the historic average grade of 1.2 ounces of gold per ton.

PHASE 2 EXPLORATION PROGRAM

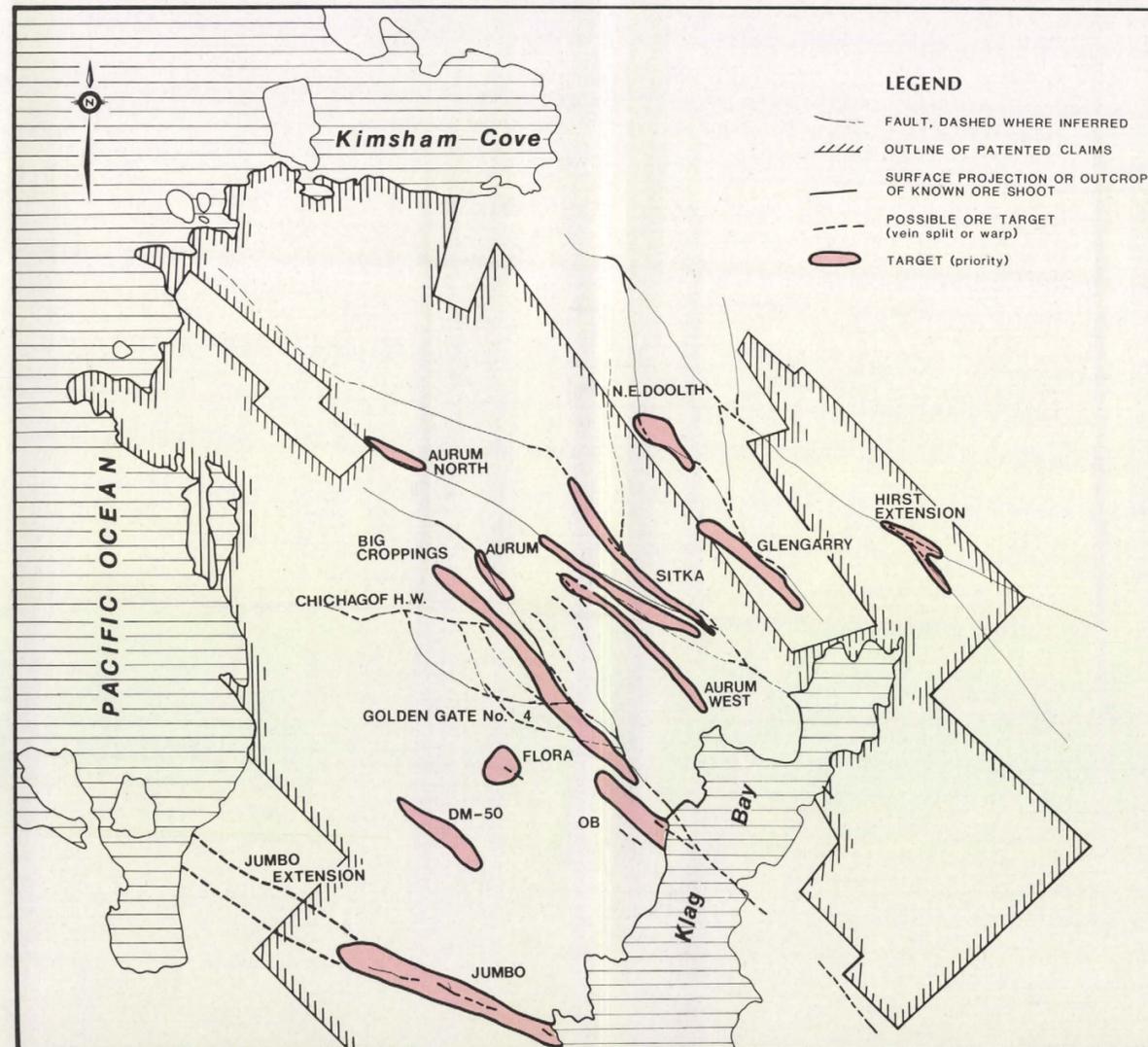
Big Croppings Vein

Golden Gate No. 1 Adit: Extend the Golden Gate No. 1 adit northwest until we completely cross the Big Croppings Vein; this may require about 200 feet of drifting. We also propose to drive a 100-foot crosscut in the hanging wall, cut a drill station at the end, and drill two to four holes to establish down-dip continuity for the vein.

Golden Gate No. 4 Adit: Re-enter the Golden Gate No. 4 Adit to explore the down-dip extent of the Big Croppings Vein. This will require up to 325 feet of bypass drifting, 2,130 feet of drift cleanup and rehabilitation, and extending the drift about 200 feet northward. We also plan to crosscut 50 feet into the hanging wall, cut a drill station, and drill two to four holes to establish down-dip continuity below this level.

Surface Drilling: Drill one or two holes from the surface to test the shallower portions of the vein and up to four shallow holes to test the footwall stockwork zone under Trenches 1-9; the latter is a lower priority budget item and may not be completed under this next phase of the exploration program.

CHICHAGOF GOLD MINE ORE TARGET MAP



Aurum-Sitka Targets

Re-open the Main Level adit to provide access to the Main Level crosscut. This may require 180 feet of bypass drifting around the Chichagof oreshoot, possible rehabilitation of 2,700 feet of adit and 640 feet of track replacement at the portal. This work will allow us to map and sample the Sitka and Aurum structures exposed underground in the Main Level crosscut and the rehabilitated workings will ultimately serve as a production haulage level.

Golden Gate No. 4 Target

Drill two surface drill holes, each about 400-500 feet in length to explore this target. In addition, we plan on cutting one or two short crosscuts from the Main Level to search for a down-dip extension of this vein.

Proposed Budget

The Phase 2 program will cost about \$500,000 and will require six months to complete. The purposes of this program are to complete the exploration and development of the Big Croppings ore shoot, explore the Golden Gate No. 4 target, re-open and map the Main Level crosscut and drill the Aurum West target.

TAILINGS

In addition to the hardrock potential, the Chichagof Mine contains a large volume of tailings from the old stamp milling operations. Queenstake drilling and assay work has indicated a volume of 430,000 tons grading 0.11 ounces of gold per ton. Metallurgical studies indicate that an 85% recovery can be obtained by a regrinding, gravity and flotation system.

CONCLUSION

Exploration of the Big Croppings ore shoot has given a great deal of credibility to the 300,000 ounce gold target described in the U.S. Bureau of Mines report on the Chichagof property. Adding the 40,000 recoverable ounces in the mines tailings, plus expansion potential in numerous exploration targets, the Chichagof Mine has significant economic potential.

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Chichagof Gold Mine Project Report

January 25, 1985

For additional information contact:
GORDON GUTRATH, President
DONALD SHARP, Vice President, Finance

This report to shareholders reviews the history and development of the Chichagof Gold Mine project and presents the results of the 1984 exploration program and plans for 1985.

LOCATION

The property is located on tidewater on the west side of Chichagof Island, 50 air miles northwest from Sitka and 70 miles west of Juneau, the capital of Alaska. There is seldom snow or freezing conditions at the lower elevations allowing year round surface exploration and mine production.

Map #1



Location of Chichagof Mine

HISTORY-DEVELOPMENT

The Chichagof Mine was one of the richest gold producers in Alaska. Between the time of its discovery in 1905 and closure in 1942 by the War Order Act, the recorded production was 660,000 ounces of gold and 200,000 ounces of silver from 596,478 tons of ore. Average recovered ore grade was 1.09 ounces of gold per ton from a head grade of 1.20 ounces of gold per ton. Between 1918 and 1921 production from the rich Temby-Rust ore shoot averaged 76,000 ounces of gold per year from ore with an average head grade of 2.12 ounces gold per ton.

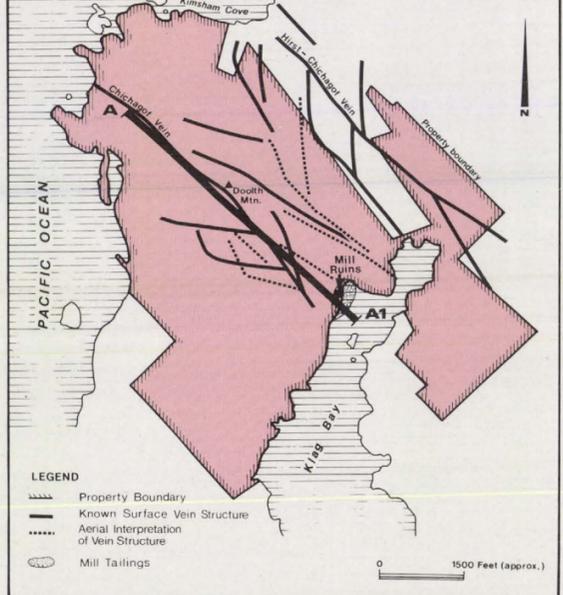
AGREEMENT

In April, 1983, Queenstake acquired an option to earn a 50% interest in the Chichagof Gold mine property held under lease by Exploration Ventures Company (Exvenco). Queenstake has earned a 25% interest in the project to date, and intends to increase this interest to 50%. This expenditure will be used to complete the exploration of the Big Croppings vein, to outline at least one more ore shoot, and to establish the economic viability of the project. The joint venture partners must then fund their equal working interests or be diluted to a 20% after payout net profits interest.

EXPLORATION SUMMARY

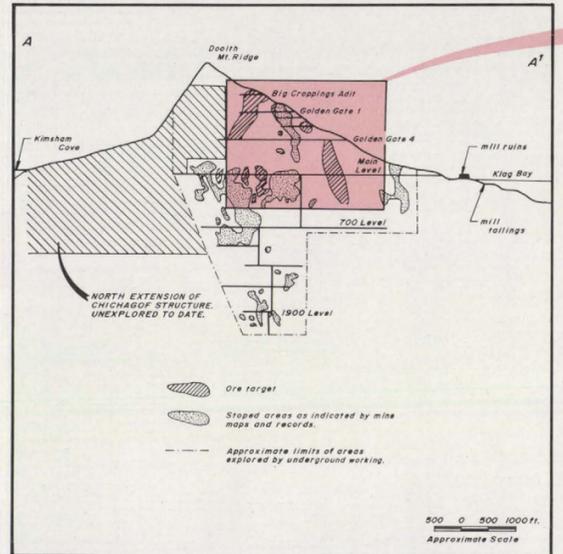
In 1983, exploration consisting of geochemical sampling, geological mapping, surface trenching, and diamond drilling indicated 14 gold mineralized targets. The 1984 exploration program was planned to further outline the highest priority target, the Big Croppings zone.

Plan view showing Chichagof Property and the Extensive Vein Structures.



Map #2

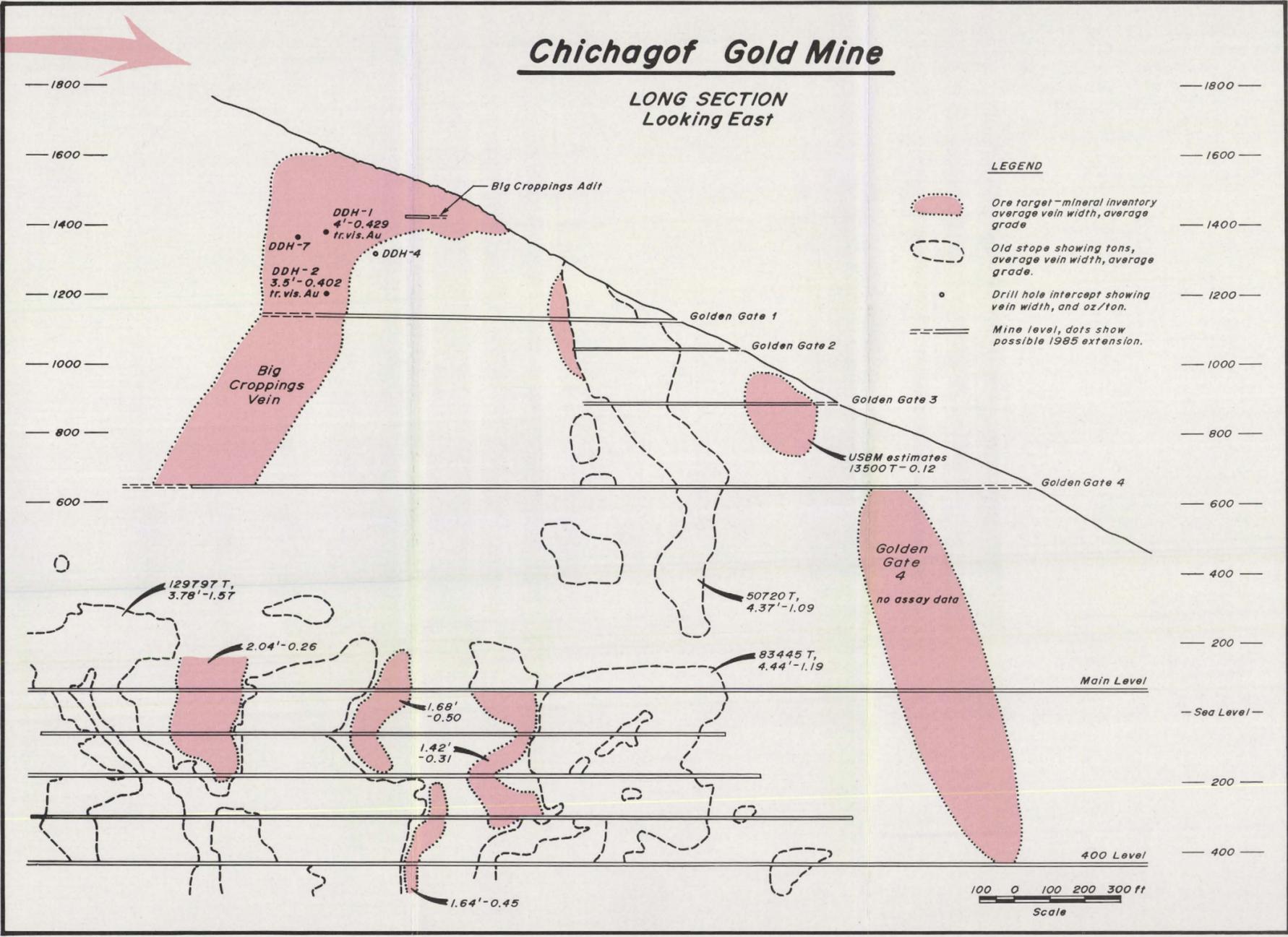
Map #3



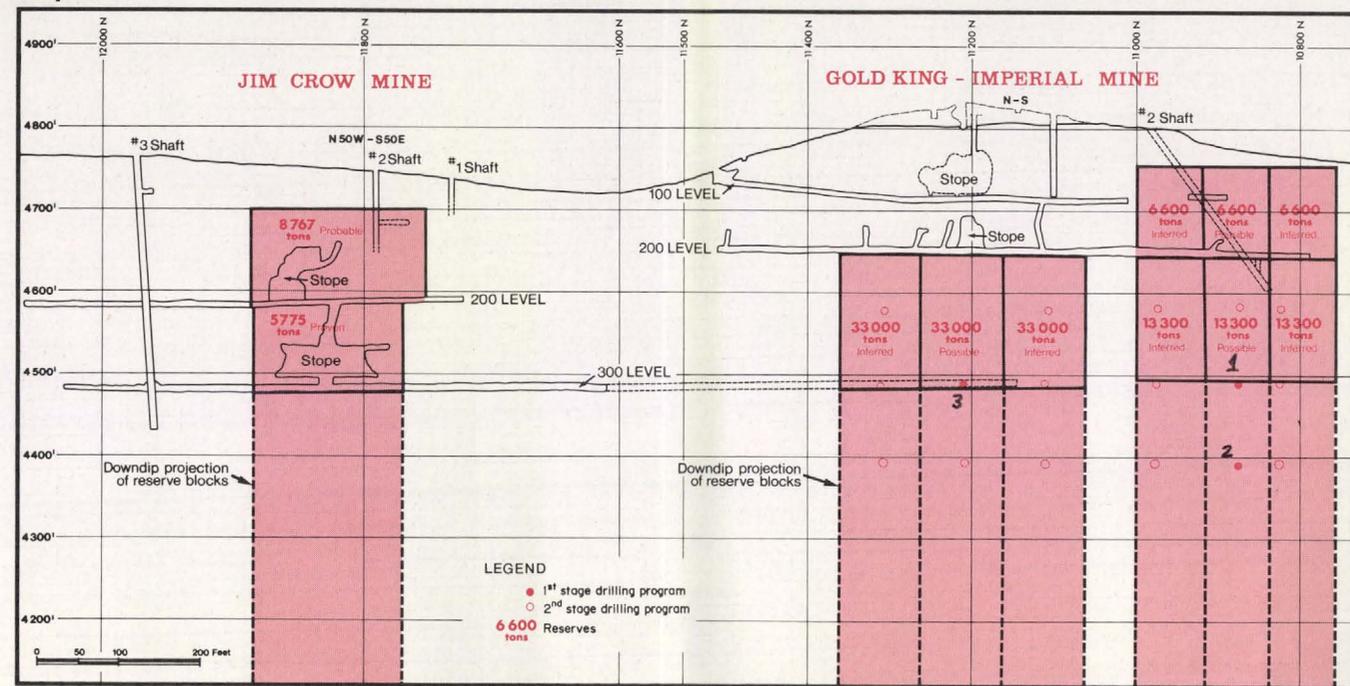
Section A-A1 showing the major Chichagof Mine workings, over approximately 3,000 vertical feet.

The Big Croppings vein zone was drilled in 1983 following the completion of the surface trenching and mapping program. The first hole intercept was 200 feet below surface vein exposure at a four foot true width and graded 0.43 ounces per ton gold. The second hole intercept was 390 feet below surface, was four feet true width and graded 0.40 ounces per ton gold.

Underground development on Golden Gate No. 1 adit began on June 25, 1984 and continued until December 6, 1984. Over 1,150 feet of rehabilitation and bypass adit were required until the Big Croppings vein structure was encountered. At the original face of the structure, the vein was eight inches wide and graded 0.088 ounces per ton gold. This vein has now been explored 87 feet along strike in the drift extension and is five feet wide at the new face. Visible gold is common throughout the entire 87 feet but grades vary erratically from 0.04 to 2.526 ounces per ton gold. Plus 1.0 ounce per ton gold assays were obtained from five of the 18 rounds sampled, and the grade increased as the vein widened, a typical feature of Chichagof ore shoots.



Map #4



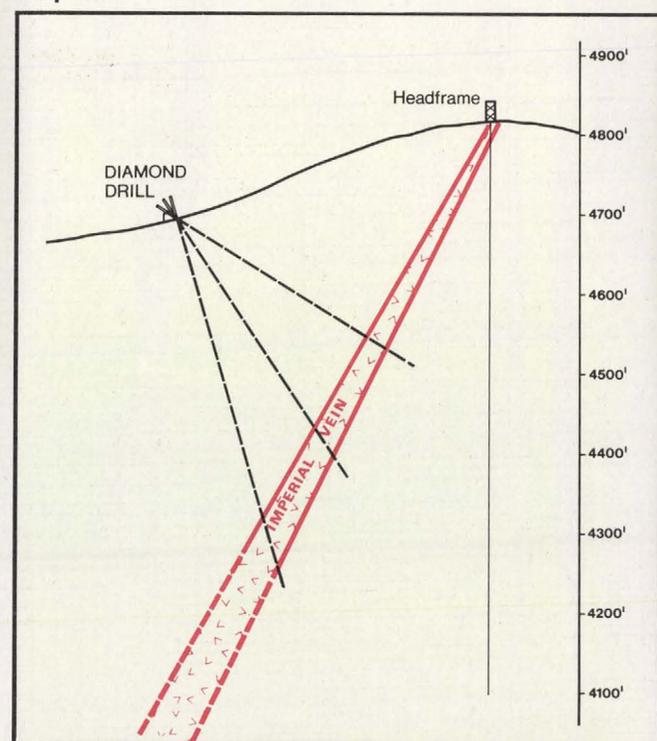
Long section of the Gold King-Imperial and the Jim Crow Mines.

below the present workings, but there was no improvement in grade. Hole 3, drilled 150 feet below the Gold King No. 1 shoot on the 200 level, intersected a zone of very high grade mineralization. The samples were analysed by Root and Norton Assayers, Silverton, Colorado and the three highest grade samples were check assayed by Chemex Labs in Vancouver, B.C. The drill hole intervals are as follows:

Hole	Interval	Width Feet	Root & Norton		Chemex	
			Gold oz/ton	Silver oz/ton	Gold oz/ton	Silver oz/ton
DDH #3	265 to 266	1	2.214	412.4	2.155	404.26
	266 to 267	1	0.104	13.84	0.106	13.37
	267 to 268	1	0.246	10.70	0.315	11.01
	268 to 269	1	0.016	3.35		
	269 to 271	2	0.010	2.55		

From 265 to 271 feet over a mining width of 5.5 feet the weighted average grade is 0.43 oz. gold and 74.23 oz. silver per ton.

Map #5



Schematic diagram showing vein intersections of drill holes.

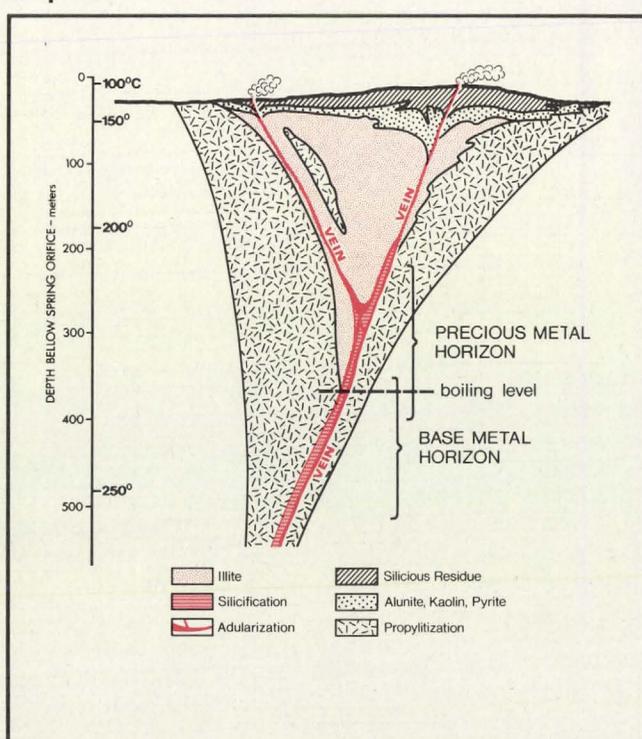
CONCLUSIONS

The one foot high grade intersection (over 10 ounces per ton measured in gold equivalent) is promising support for the theory that the upper level high grade sulphide breccia fragments may be derived from a high grade zone a few hundred feet deeper. Further drilling will be required to test this section and increase reserves.

A number of major mining companies are reviewing the Gold King-Imperial project with a view to participation in future exploration and development expenditures.

Gordon C. Gutrath, P.Eng.
President

Map #6



Model for an Epithermal Precious Metal Deposit.

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Gold King-Imperial Mine,
New Mexico
(Gold-Silver-Silica)

EXPLORATION REPORT

FEBRUARY 6, 1985

For additional information contact:
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DONALD SHARP, Vice President, Finance

**Gold King-Imperial Mine
New Mexico
(Gold-Silver-Silica)**

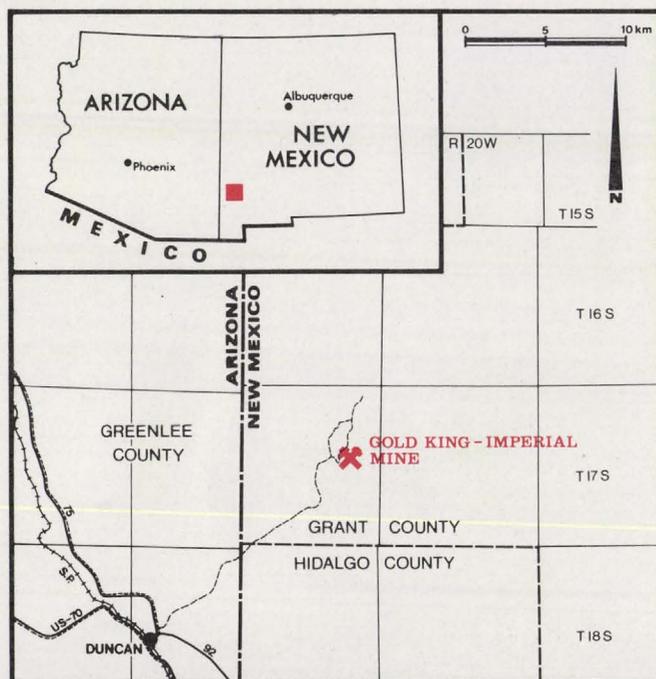
HIGHLIGHTS

- High Grade Precious Metal Values in Recent Drilling
- One foot intercept grading 2.214 ounces per ton gold and 412.4 ounces per ton silver.
- Six foot intercept averages 0.43 ounces per ton gold and 74.23 ounces per ton silver.

LOCATION

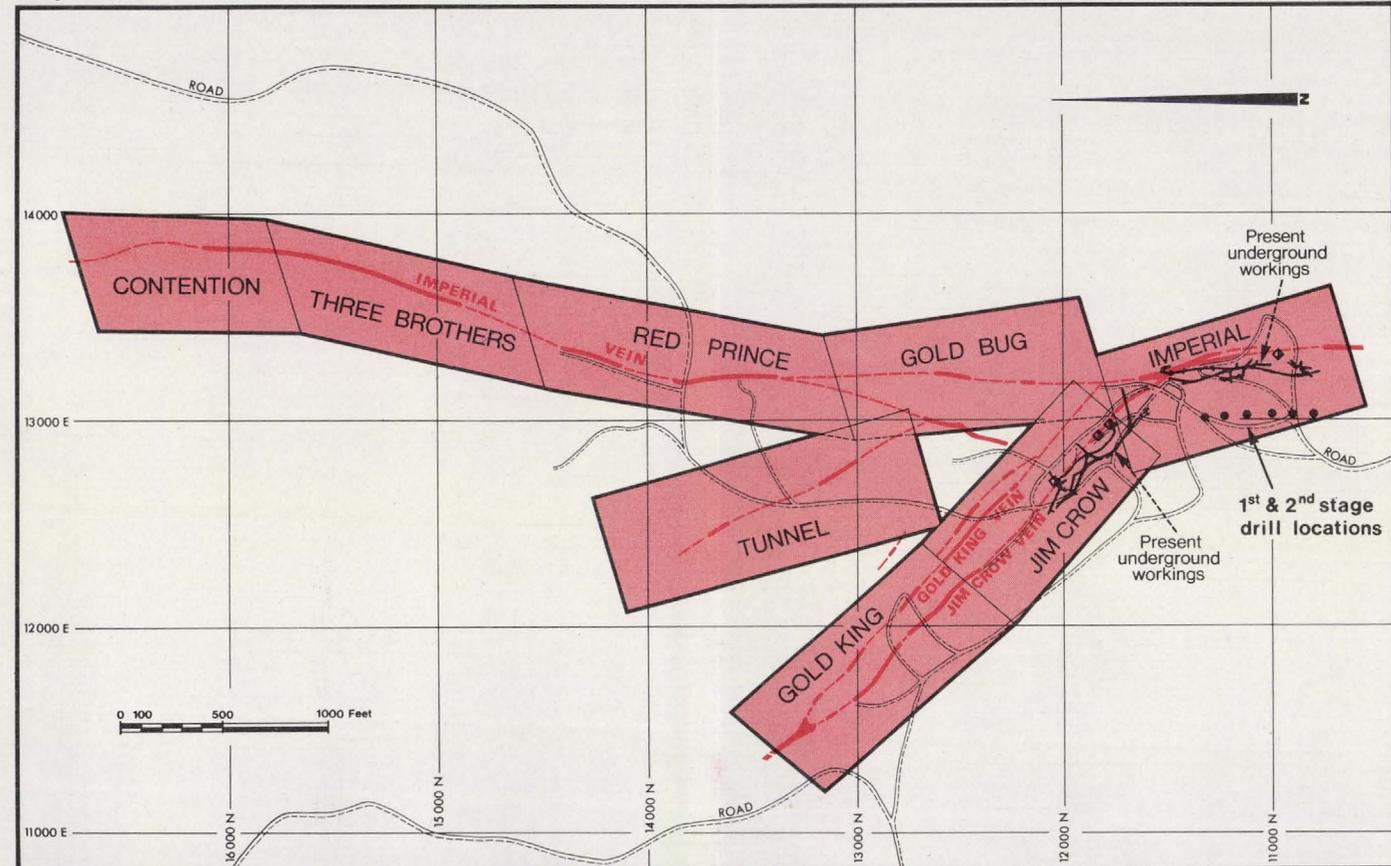
The property is located in the Steeple Rock Mining District, New Mexico, four miles east of the Arizona boundary and twelve miles northeast of Duncan, Arizona. There are both direct rail and highway connections from Duncan to the Phelps

Map #1



Location of Gold King-Imperial Mine

Map #2



Plan view showing the claim boundaries and underground workings.

Dodge smelter at Morenci some thirty miles to the northwest.

HISTORY

Lode prospecting in the Steeple Rock district started about 1880 and production of precious metals followed soon after. Total known production from the district is 4,000,000 ounces of silver, 100,000 ounces of gold, and over 10,000,000 pounds of lead, zinc, and copper from approximately 300,000 tons of ore. At one time there was development work on twelve mines in the district, but most of the production was from the Carlisle mine, located about two miles northeast of the Gold King-Imperial property.

AGREEMENT

Queenstake holds a 50% interest (including 100% of the first 1.5 million of cash flow) in 22 patented and unpatented claims and a 100% interest in 101 unpatented claims which include the Gold King-Imperial and the Jim Crow Mines.

PROJECT REVIEW

Gold and silver values are associated with finely disseminated sulphides in a brecciated and resilicified vein zone which has been traced on surface in numerous trenches, pits and short adits for a minimum of 2,000 feet. The Jim Crow workings have explored the vein at a depth of 300 feet and the Imperial incline shaft has opened

workings on the 100 foot and 200 foot levels. Detailed sampling of the shallow workings has outlined numerous mineralized zones. The increase in precious metal content from surface to the 300 foot level and the occurrence of very high grade sulphide breccia fragments in this classic epithermal vein system indicates that a much higher grade precious metal zone could be present at depth.

EXPLORATION REVIEW

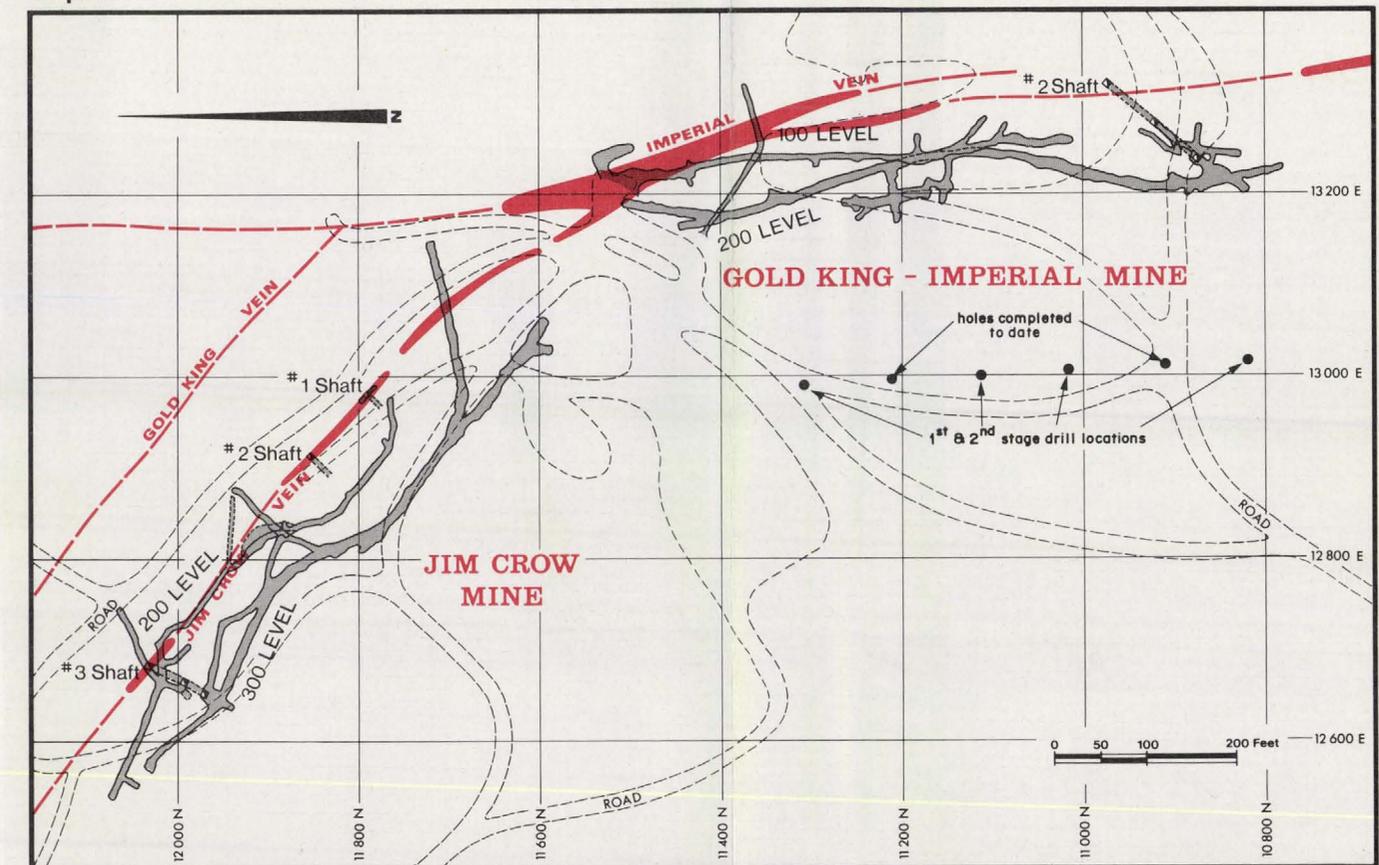
Exploration at the Gold King-Imperial Mine project since 1981 has delineated two vein shoots approximately 200 feet apart in the Imperial Mine and one vein shoot in the Jim Crow Mine with potential reserves in excess of 180,000 tons at an

average grade of 0.10 ounces per ton gold and 3.54 ounces per ton silver. The two Imperial vein shoots contain 46,900 tons at 0.14 ounces per ton gold and 3.63 ounces per ton silver. The Jim Crow vein shoot contains 14,535 tons of an average grade of 0.15 ounces per ton gold 4.40 ounces per ton silver.

RECENT RESULTS

A three hole drill program carried out in late 1984 expanded the reserve base and tested the potential for very high grade "bonanza" ore at a relatively shallow depth below the present underground workings. Two of the holes drilled under the Gold King shaft mineralized zone outlined the continuation of the vein zone to a depth of 270 feet

Map #3



Plan view of property showing phase #1 and #2 drill program.

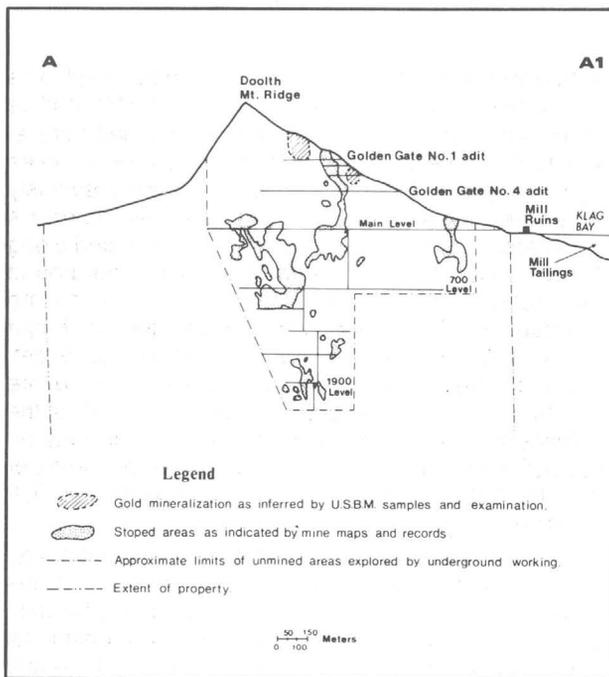
selective sampling of quartz from the dump by Queenstake personnel shows an average of 0.27 ounces per ton. Work done on the stamp mill tailings by the USBM and Exvenco indicate reserves in excess of 400,000 tons grading 0.11 ounces per ton.

The exploration program will concentrate on a search for "blind" ore shoots that do not outcrop and could not be located by early prospecting methods. Trace element geochemistry and detailed geological mapping will assist in locating these "blind" ore shoots for drilling. A number of prime target areas have already been identified for detailed investigation. In addition, the tailings from the stamp mill will be drilled.

On site underground and surface exploration to define drill targets will commence in May, 1983 and is expected to be completed by July, 1983. The Phase II drilling program is projected to begin in August or September, 1983.

The Vancouver Stock Exchange has neither approved nor disapproved the information contained herein. This News Release was prepared on behalf of the Company by Gordon Gutrath, President.

Section A-A1 showing the major Chichagof Mine workings, over approximately 3,000 vertical feet.



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Chichagof Gold Mine NEWS RELEASE

April 20, 1983

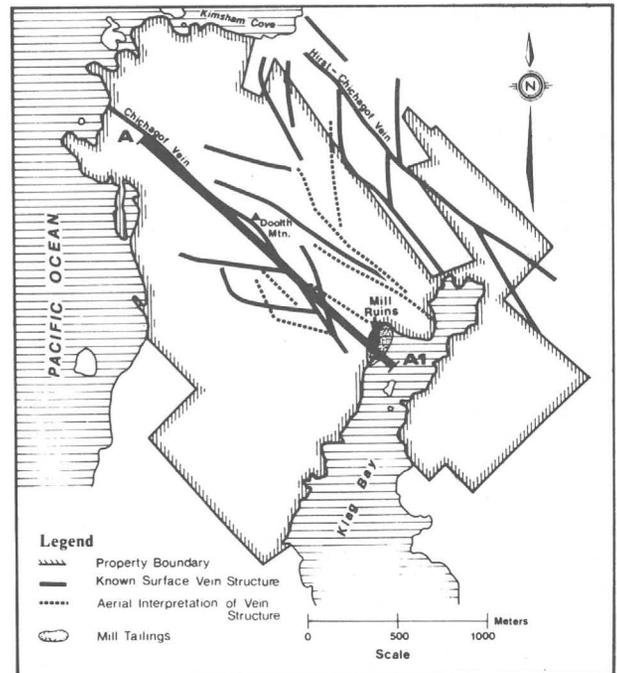
For additional information contact:
GORDON GUTRATH, President
DONALD SHARP, Vice President, Finance

Queenstake Resources Ltd. (Queenstake) announces that it has today acquired an option to earn a fifty percent interest in the Chichagof Gold Mine in Alaska. Queenstake can exercise this option by funding \$U.S. 1.3 million of surface and underground exploration, diamond drilling and mine rehabilitation expenditures in a phased program.

The first two phases require the expenditure of \$U.S. 700,000 by December 31, 1984 to earn a 25% interest with the balance due by December 31, 1987 to increase the interest to 50%. Queenstake and Exploration Ventures Company, Venture 80-04 (Exvenco), a U.S. limited partnership, will thereafter continue their exploration and development program in a joint venture in which each party provides one half of the funds or suffers dilution of its percentage interest.

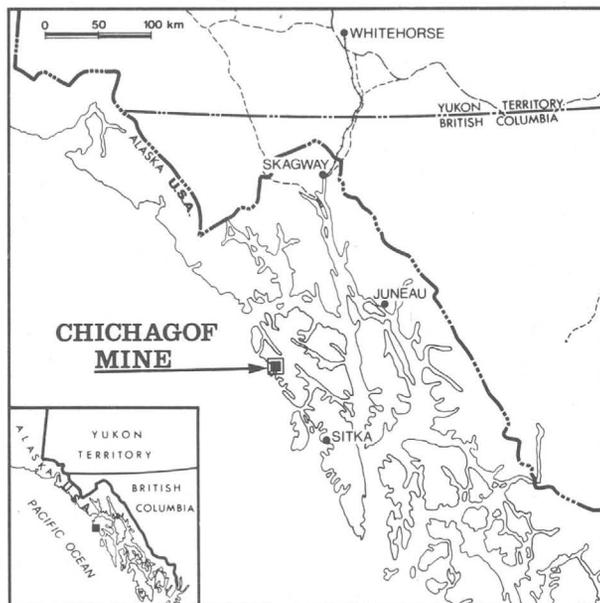
The Chichagof Mine was one of the richest gold mines in Alaska. Between 1915 and 1923, its most productive period, an average of 33,568 tons was mined per year, producing 53,566 oz. of gold per year for a weighted average of 1.60 oz. of gold recovered per ton. Total production over the life of the mine was 647,708 oz. of gold from 596,478 tons for an average recovered grade of 1.09 oz. of gold per ton.

The Chichagof fissure vein has a known length of nearly



Plan view showing Chichagof Property and the Extensive Vein Structures.

Location of Chichagof Mine

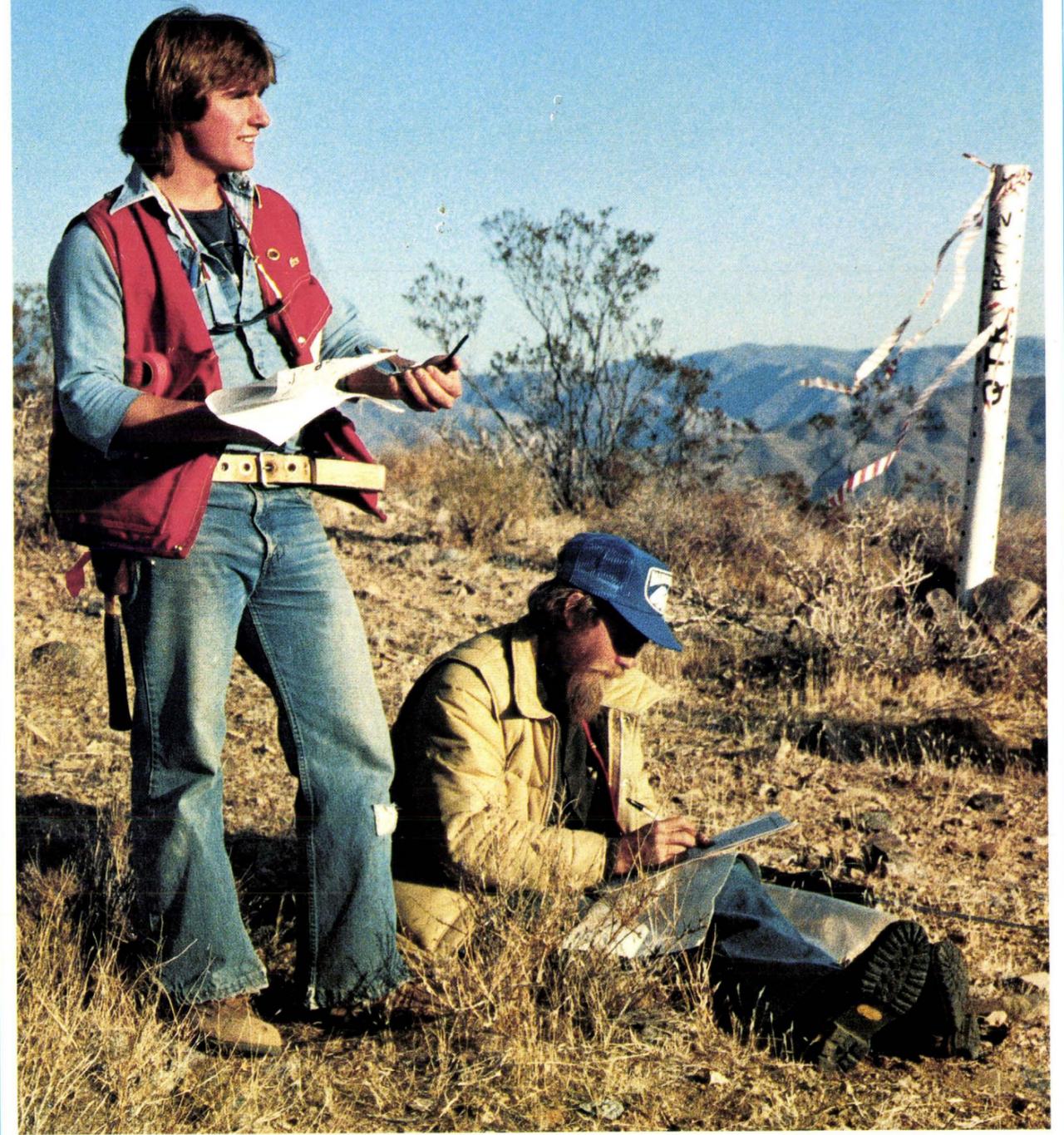


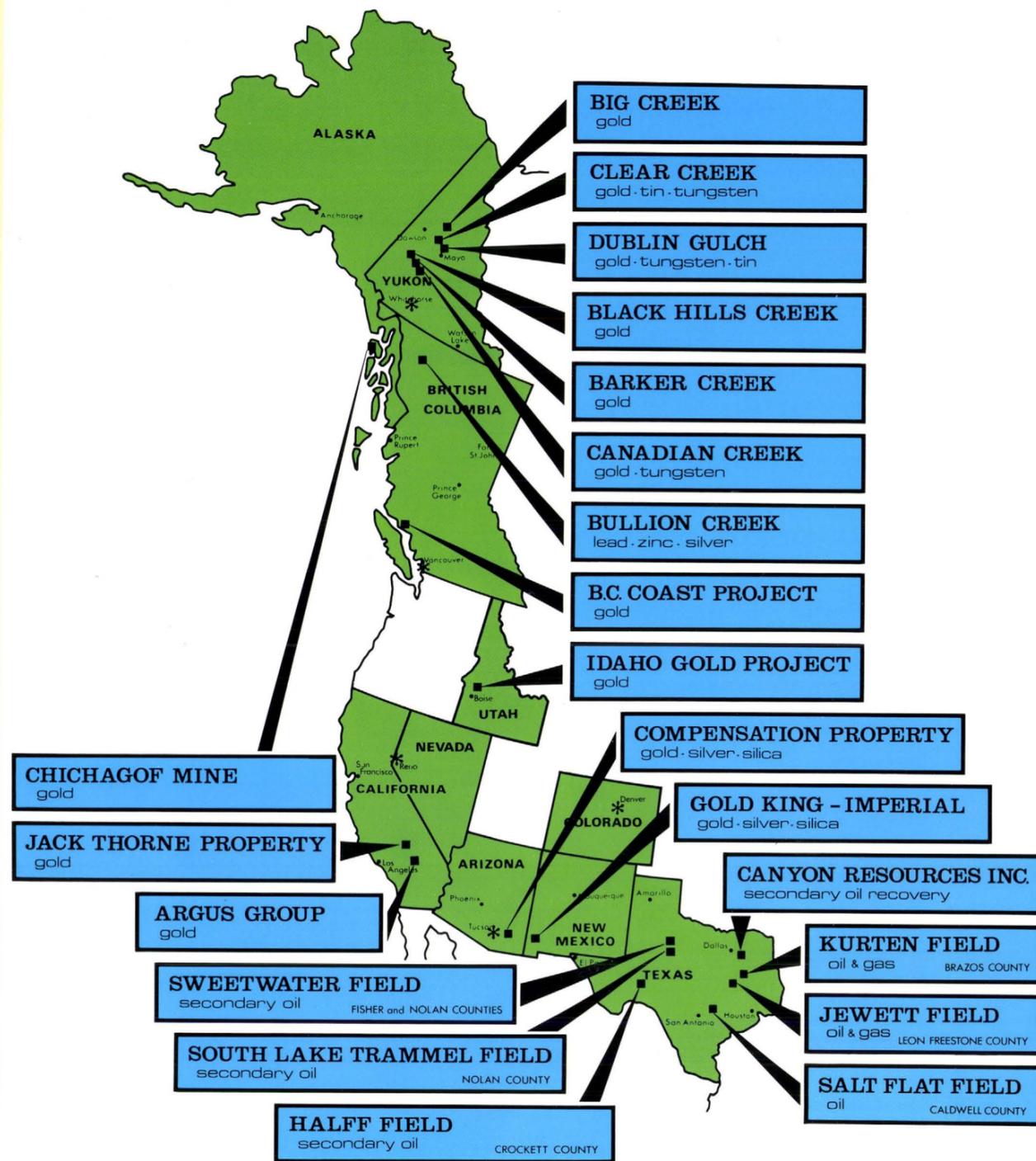
10,000 feet of which only 2,000 feet of strike length was mined. Recent U.S. Bureau of Mines (USBM) studies show high grade gold occurrences in unmined parallel structures on the property and potentially large volumes of lower grade mineralized halos around previously mined ore shoots. In a 1981 USBM Open File Report it is "estimated that significant ore shoots are located along the Chichagof Fault in the area without underground exploration and in fault zones subparallel to the Chichagof Fault that traverse the 29 patented Chichagof Claims. The mining widths would range from 3 to 15 feet. It is estimated that the average grade of these ore shoots is $\frac{1}{2}$ the average grade mined over the life of the Chichagof Mine and the tonnage is $\frac{1}{2}$ million tons or: 500,000 tons hypothetical reserves at 0.6 oz. gold per ton (300,000 oz. gold) and 0.18 oz. silver per ton (90,000 oz. silver)."

Gold is distributed throughout the Chichagof vein system and sampling by the USBM shows numerous values in excess of 1.0 ounces per ton and ranging up to 6.7 ounces per ton. The waste dump carries substantial amounts of gold in the 0.04 ounces per ton range and



Queenstake Resources Ltd. 
1982 Annual Report



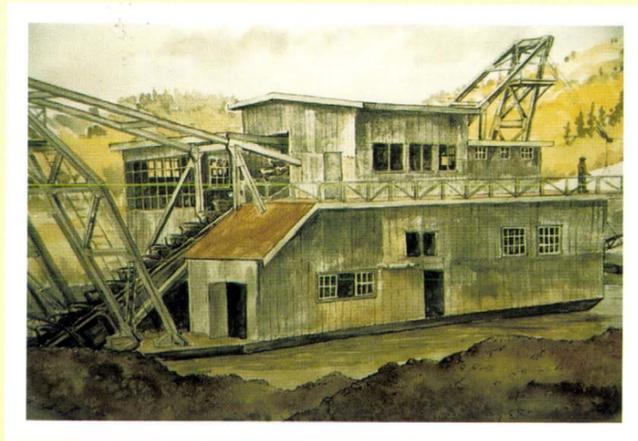


Queenstake Resources Ltd.

PROPERTY LOCATIONS

* QUEENSTAKE EXPLORATION OFFICES

FRONT COVER:
Don Farris and Richard Billingsley locating mining claims on the Argus Projects



Makela painting of the dredge

ANNUAL MEETING

To be held on Tuesday, May 24, 1983, 2:30 p.m. in the Social Suite East, Hotel Vancouver, 900 West Georgia Street, Vancouver, B.C. An audio/visual presentation will be made and a Reception with Directors and Officers will follow the Meeting.

BACK COVER:
The bucketline digs 100 to 120 cubic yards of gravels per hour. (Photo courtesy of Ron Stokes, P. Eng.)

Corporate Profile

Directors

RICHARD C. ATKINSON ^{2,3}
President, Energex Minerals Ltd.

MERVYN K. COFFIN ²
Secretary and Treasurer, Canada
Tungsten Mining Corporation Limited

LAUCH F. FARRIS ¹
President, Fargo Oil Corporation

JAMES H. FOREMAN ^{1,2,3}
President, Canada Tungsten Mining
Corporation Limited

GORDON C. GUTRATH ^{1,2,3}
President, Queenstake Resources Ltd.

JOHN A. McLALLEN
Chairman of the Board, Queenstake
Resources Ltd.

JAMES B. REDPATH
Chairman of the Board, Canada Tungsten
Mining Corporation Limited

PATRICK M. REYNOLDS ³
Private Investor

Committees of Directors:

1. Executive Committee
2. Audit Committee
3. Compensation Committee

Officers and Senior Employees

JOHN A. McLALLEN
Chairman of the Board

GORDON C. GUTRATH
President

LAUCH F. FARRIS
Vice President

DONALD D. SHARP
Vice President, Finance and Secretary

BEVERLY D. DOWNING
Assistant Secretary

GEORGE B. PHELPS
Exploration Manager, U.S.

WAYNE LERNER
Dredge Project Manager, Yukon

CLARENCE WENDT
Project Development Manager, U.S.

Corporate Offices

Registered and Head Office:
900 - 850 West Hastings Street
Vancouver, B.C. V6C 1E1

Exploration Offices:
303B - 308 Steele Street
Whitehorse, Yukon Y1A 2C5

5619 N. Paseo Ventoso
Tucson, Arizona 85732-3658

11628 Quivas Circle,
Denver, Colorado 80234

3435 Indian Lane
Reno, Nevada 89506

Capitalization

10,000,000 shares authorized
- no par value
4,451,200 issued

Solicitors

DuMoulin, Black
1004 - 595 Howe Street
Vancouver, B.C. V6C 2T5

Auditors

Deloitte Haskins & Sells
2000 - 1055 Dunsmuir Street
Vancouver, B.C. V7X 1P4

Bank

Toronto Dominion Bank
839 West Hastings Street
Vancouver, B.C. V6C 1C5

Registrar & Transfer Agent

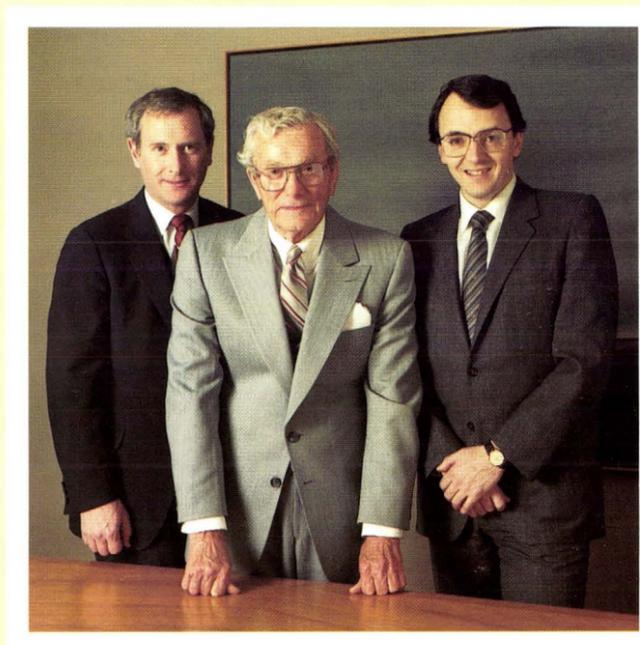
Royal Trust Company
555 Burrard Street
Vancouver, B.C. V7X 1K2

Subsidiaries

Queenstake Resources (U.S.A.) Inc.

Listings

Vancouver Stock Exchange
Toronto Stock Exchange
Ticker Symbol for both exchanges is QTR



Founding corporate officers of Queenstake: from left, Lauch Farris, Vice President; Jack McLallen, Chairman; Gordon Gutrath, President



Queenstake's Board of Directors: Back Row (left to right): Merv Coffin, Dick Atkinson, Lauch Farris, Pat Reynolds, Jim Redpath, Jim Foreman. Front Row (left to right): Jack McLallen, Gordon Gutrath.

Queenstake Resources Ltd. Report to the Shareholders

The Directors are pleased to present the fifth Annual Report of your company together with the audited financial statements for the year ended December 31, 1982.

In 1982, Queenstake made advances in its placer and hardrock mining projects, principally the Black Hills Creek gold placer property acquisition and a development option agreement negotiated on the Argus gold mine group in California. Our technical staff was expanded and new mineral properties were explored in California, Idaho, Arizona, British Columbia and Alaska with a number of promising acquisitions.

For the next several years, growth in the exploration and development of the Company's mineral properties will be funded by operating cash flows,

joint participation with other companies and possible new equity financings. With new exploration targets and a growing group of mine finders, your company is entering a period of rapid growth for its mining operations.

On behalf of the Board of Directors I thank Queenstake's employees, shareholders and industry associates for their efforts and support that have provided these opportunities for growth.

Gordon C. Gutrath
President

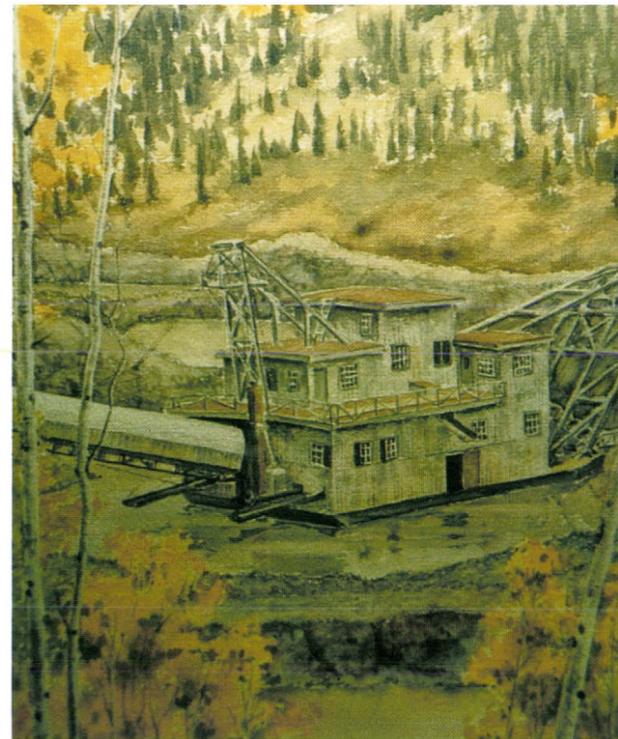
April 30, 1983

1982 Highlights

- Acquisition and production decision on Black Hills Creek placer gold project
- Option of Argus Gold project to Anaconda Minerals Company - extensive work on surface sampling and underground sampling



Aerial view of the Ruth Mine, the largest of the former producers in the Argus Mines group



B.C. artist, Don Makela, painting of Queenstake's bucketline dredge

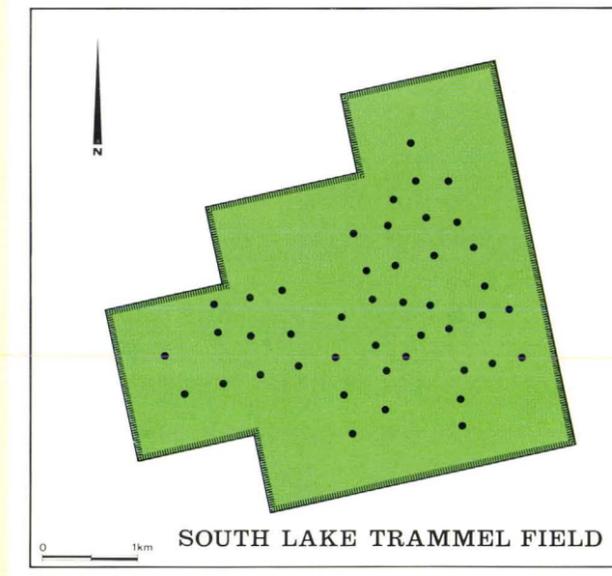
Financial Review and Outlook

In 1982, Queenstake invested \$2.4 million in resource properties and equipment, funded by \$600,000 of cash flow from operations, \$100,000 of net option payments and share issues and a working capital drawdown of \$1.7 million. Resource investments now aggregate \$10 million (net book value) comprised of \$8.9 million mining



Gordon Guttrath points to Queenstake's trading symbol in its first appearance on the Toronto Stock Exchange - listing date: June 9, 1982

- Completion of financing of Canyon Resources, Inc. for \$20,000,000 allocated to three water-flood secondary oil recovery projects
- Completion of reopening and underground sampling and development on the Jim Crow shaft at the Gold King/Imperial Mine in Arizona. The tonnage necessary for a production start was blocked out and smelter contracts for flux supply are under negotiation
- Continuation of Mar Tungsten deposit evaluation by Canada Tungsten Mining Corporation
- \$400,000 drilling/exploration program on Bullion Creek, silver, zinc and lead project near Dease Lake, in British Columbia by joint venture of Queenstake and two Vancouver exploration companies.
- Clear Creek produced 2,038 ounces of raw placer gold in 1982's short production season. Stripping, testing, water control structures and water licence completed in advance of 1983 full production year.



South Lake Trammel Field, Nolan County, Texas

Canyon and a co-investor in 1981 acquired a 100 percent working interest and commenced redevelopment of the South Lake Trammel reservoir, Nolan County, Texas, for an investment of \$US 1.7 million, split 50-50. Canyon subsequently arranged that a third party acquire a 50 percent working interest by funding \$US 2.5 million of continuing development.

The reservoir has produced 3 million barrels of oil to date and Canyon estimates an additional 2 to 2.5 million barrels of oil can be recovered by infill drilling and waterflooding. The \$US 2.5 million financing will fund Phase I, which is the drilling of eight infill wells and recompleting several wells as injectors, and is designed to produce 600,000 barrels of oil at the rate of 300 BOPD. The Phase II development will involve an additional 12 to 14 wells plus associated injector conversions. It is anticipated that this phase will be provided by conventional production debt.

Four of the eight wells have been put on production at 100 BOPD. Gas production from the reservoir has not as yet been initiated but is expected to commence in the immediate future at 1.5 million cubic feet per day.

Future Operations of Canyon Resources

Canyon is constantly reviewing secondary recovery opportunities with the intent of initiating one

new program in each year. Canyon generally attempts to acquire depleted or partially depleted primary oil reservoirs up to 5,000 acres in size. This size of reservoir is considered by Canyon to be optimum for their operations because the acquisition and redevelopment cost can usually be kept under \$10 million and these smaller reservoirs do not attract competition from the major oil companies.

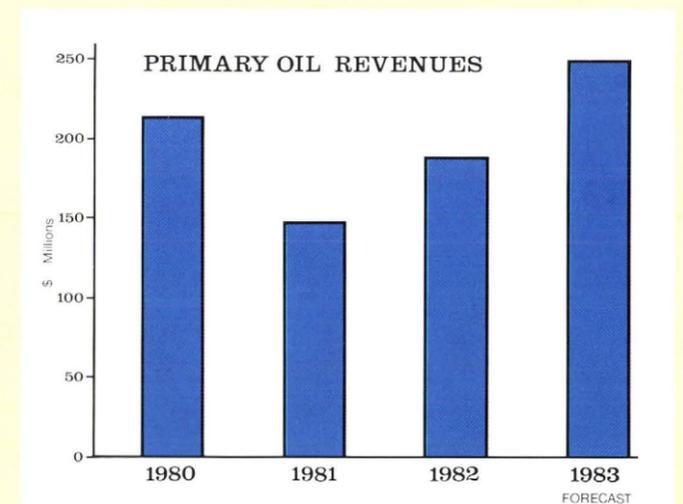
Salt Flat Field, Luling, Texas

Production revenues from two of these six wells have been restored to their original levels through a successful reworking program. We now propose to rework another two of the four remaining wells to determine if acidizing and refracing will also restore their production levels. This work is to be undertaken in the next two months, and, if successful, all of these wells will be placed on a regular upgrading schedule which should offset the declines in production of the last two years.

Chapman Oil 1% Reversionary

In February 1983, Chapman Oil Company of Houston, Texas assigned to your company another 1% reversionary interest in a new discovery well in the South Mula Pasture Prospect, McMullen County, Texas, as part of an agreement to increase our interest in Chapman Oil prospects. Queenstake has a 1% working interest in three development wells which recently spudded in this prospect.

Additional replacement prospects and new development wells should maintain our Chapman Oil prospect primary oil revenues at current levels for some time to come.



Operations of Canyon Resources, Inc.

Sweetwater Canyon Sand Unit, Nolan and Fisher Counties, Texas

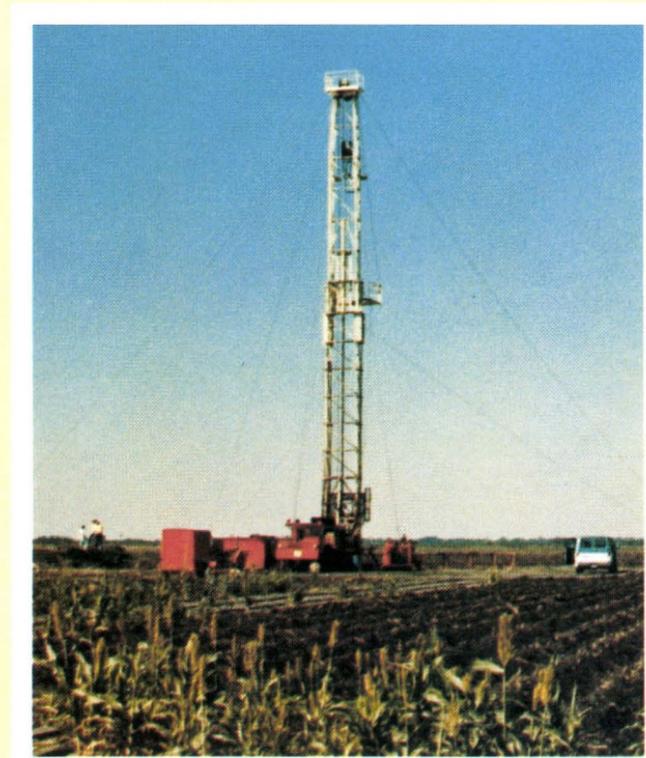
The Sweetwater waterflood project was generated by Canyon personnel and is presently co-managed by Canyon in conjunction with Arden Grover of Midland, Texas. In October 1981 the AT & T Pension fund provided a 12% non-recourse loan in the amount of \$US 4,900,000 to complete the waterflood program. AT & T will earn a 12.5% ownership participation in the unit after payout of principal plus interest.

Canyon earns a 5.25% ownership participation after debt payout in consideration of the following:

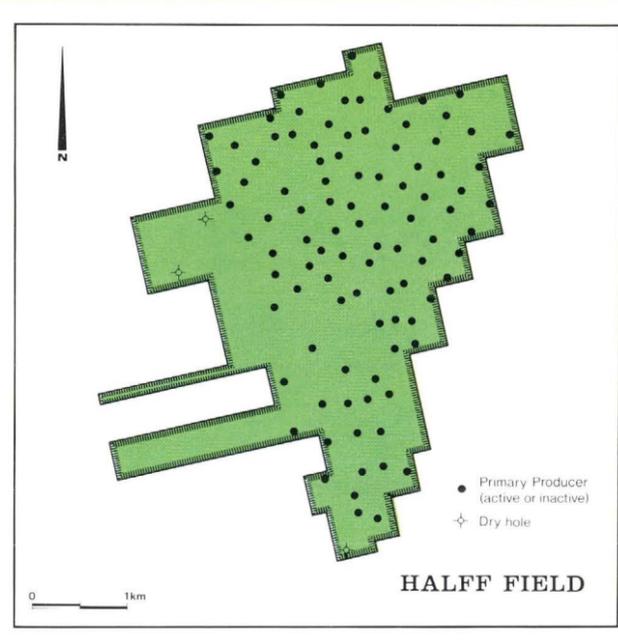
- an equity participation of \$US 125,000
- arranging the \$US 4,900,000 bank loan
- co-managing the project

The waterflood project involved converting existing primary oil production wells to water injectors and drilling infill oil producers.

The redevelopment program has been completed and the field is presently producing at 420 BOPD. The results of this waterflood have indicated a reserve of 2,000,000 BO.



Drilling in a Texas cornfield



Halff Field, Crockett County, Texas

During the year Canyon completed the acquisition of 83% of the 3,000 acre Halff Field. Secondary oil reserves to be developed were initially estimated at 3,000,000 BO.

Canyon's interest in the project is being funded through a 12% non-recourse loan which is provided by the AT & T Pension Fund. The funds approved are as follows:

• Field acquisition (83% W.I.)	\$US	4.35	MM
• Secondary recovery program		6.75	
• Contingency		1.00	
Total	\$US	12.10	MM

Canyon will operate the project and will earn a 3.75% net revenue interest (in that proportion of the field acquired) upon completion of the waterflood, increasing to 31.875% upon repayment of the loan plus interest to the pension fund.

The redevelopment program has been initiated and the reservoir is presently producing at 250 BOPD with an increase to 350 BOPD expected in the next few months.

Experience gained in the initial redevelopment phase has indicated that the redevelopment cost will be less than initially expected. Insufficient production data exist at this time to confirm the initial reserve estimate.

and \$1.1 million oil and gas.

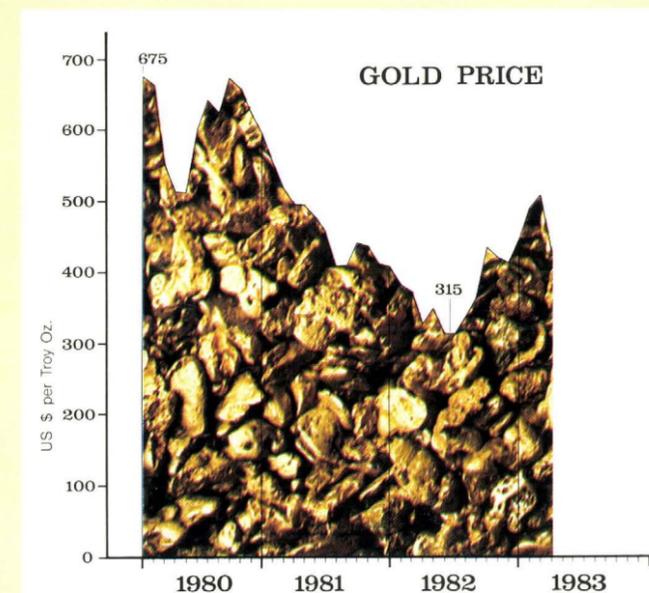
At December 31, 1982, the Company's cash reserves were \$3.5 million. 1983 cash requirements for the seasonal start-up of the Clear Creek dredge operation and the final equipment acquisition and start-up of the Black Hills Creek operations are estimated at \$1.0 million. Apart from new project acquisitions, it is anticipated that cash flow from operations will fund all mine exploration and development costs for the coming year.

Placer gold revenues are projected to increase in 1983, reflecting the commencement of operations at Black Hills Creek. 1,000 ounces of Queenstake's forecast 1983 placer gold production have been hedged at an average price of \$625 Cdn. per ounce. This forward sale will help protect our cash reserves against any possible downturn in the price of gold.

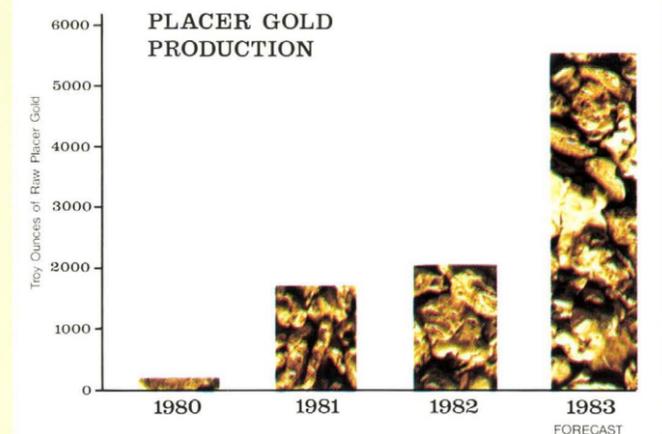
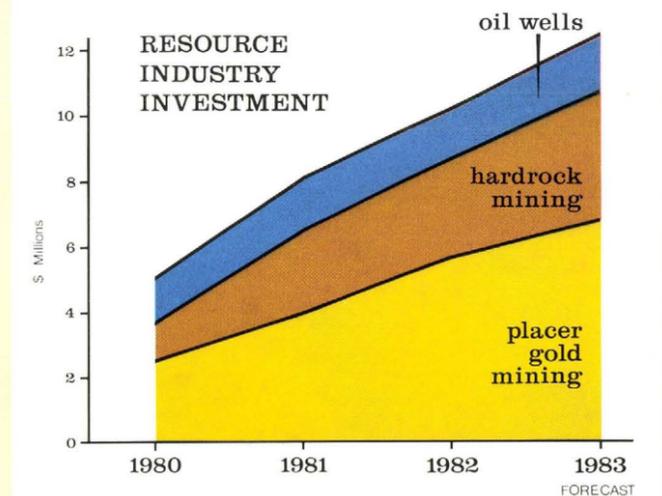
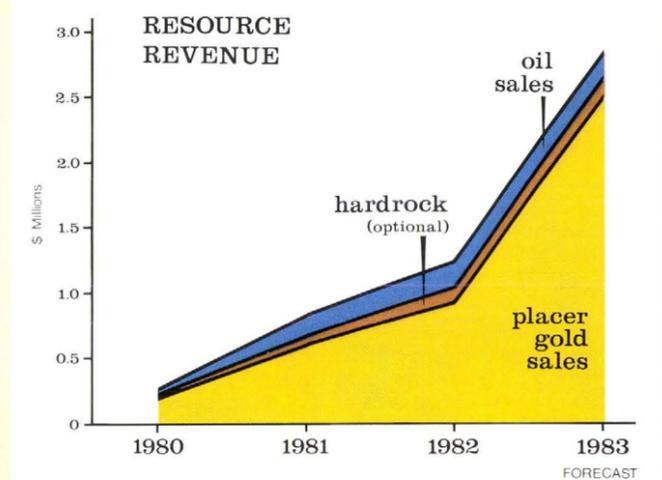
The increase in general and administrative expenses in 1982 is primarily due to an expansion of the Company's exploration, technical and administrative staff to service our growing number of resource projects.

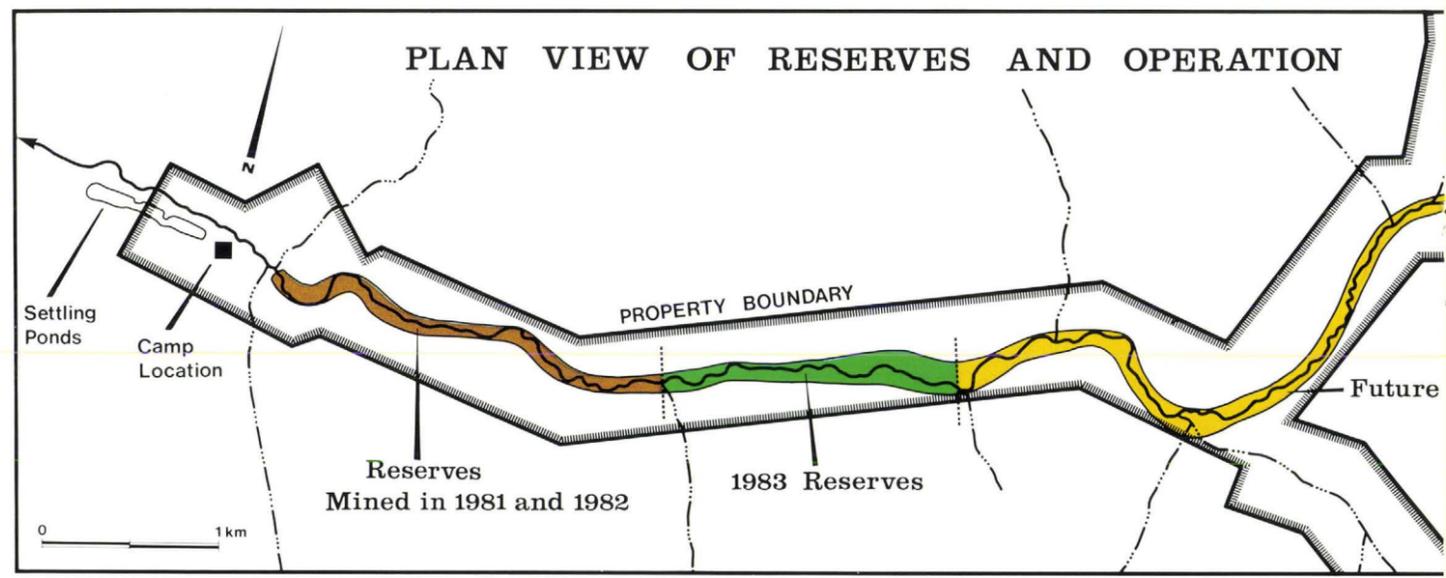
The Company is presently negotiating joint venture financing for a number of mining projects in the acquisition or exploration phases. Whatever the financing method, it is evident that 1983 will herald rapid development in our mining group.

In June 1982, Queenstake shares were listed on the Toronto Stock Exchange which handles



the majority of trades in the Company's stock. A dual listing with the Vancouver Stock Exchange provides better trading liquidity for Queenstake's western shareholders and both exchanges together represent a broader distribution opportunity for future financings.





Clear Creek, Yukon

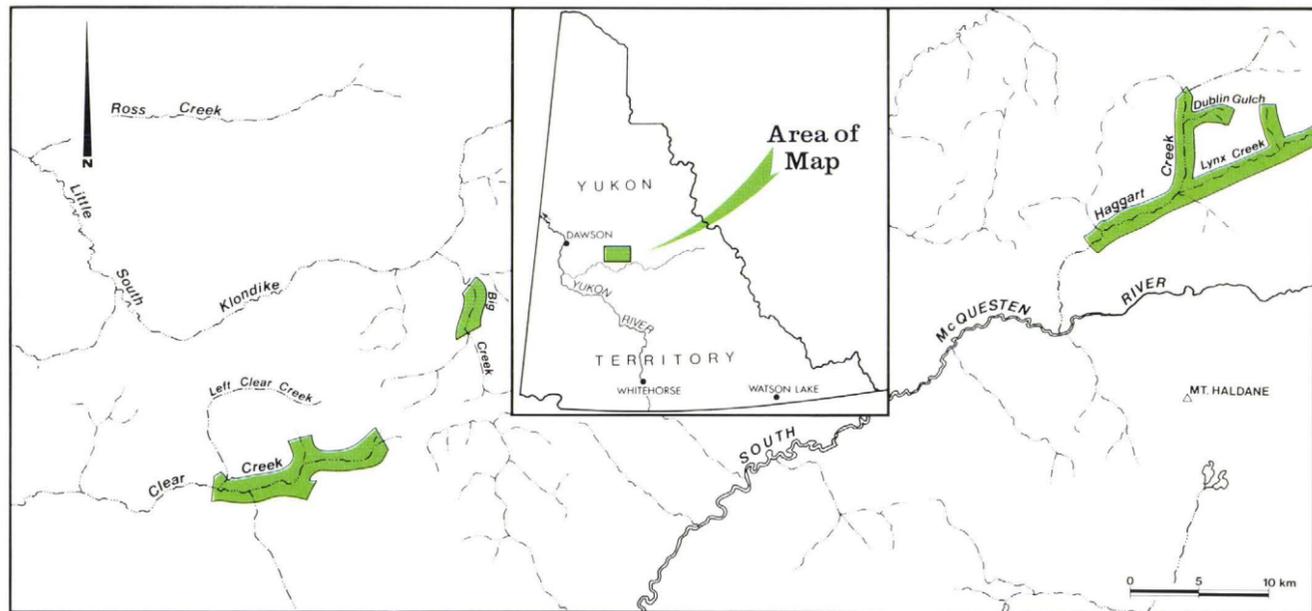
In 1982, Queenstake mined 2038 oz. of raw placer gold with its bucketline dredge at Clear Creek, yielding 1650 ounces of fine gold for gross production revenues of \$934,000. Forecast production for the year was not achieved due to two factors: severe spring ice conditions and discontinuities in the gold pay channel.

The spring ice glaciation delayed the dredge's full production by six weeks. During the year, a government conducted study at Clear Creek indicated that this valley had undergone a period of

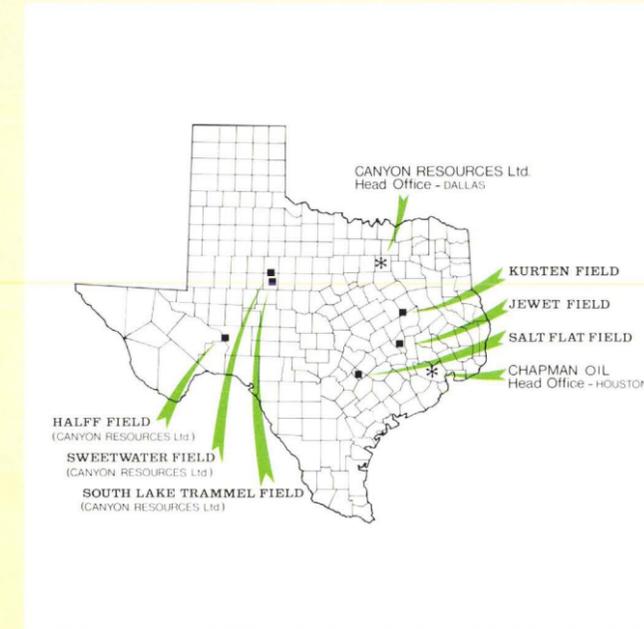
glaciation which changed the original continuous gold bearing stream to a braided, discontinuous channel.

This irregular pattern of gold deposition requires that a great deal of sampling be done to outline economic reserves prior to mining. A program of sampling was conducted in 1982 which has determined the pattern for dredge mining throughout 1983 to ensure that the average gold grade of dredged gravels remains above .01 ounces per cubic yard.

Cost control has been a priority in managing the



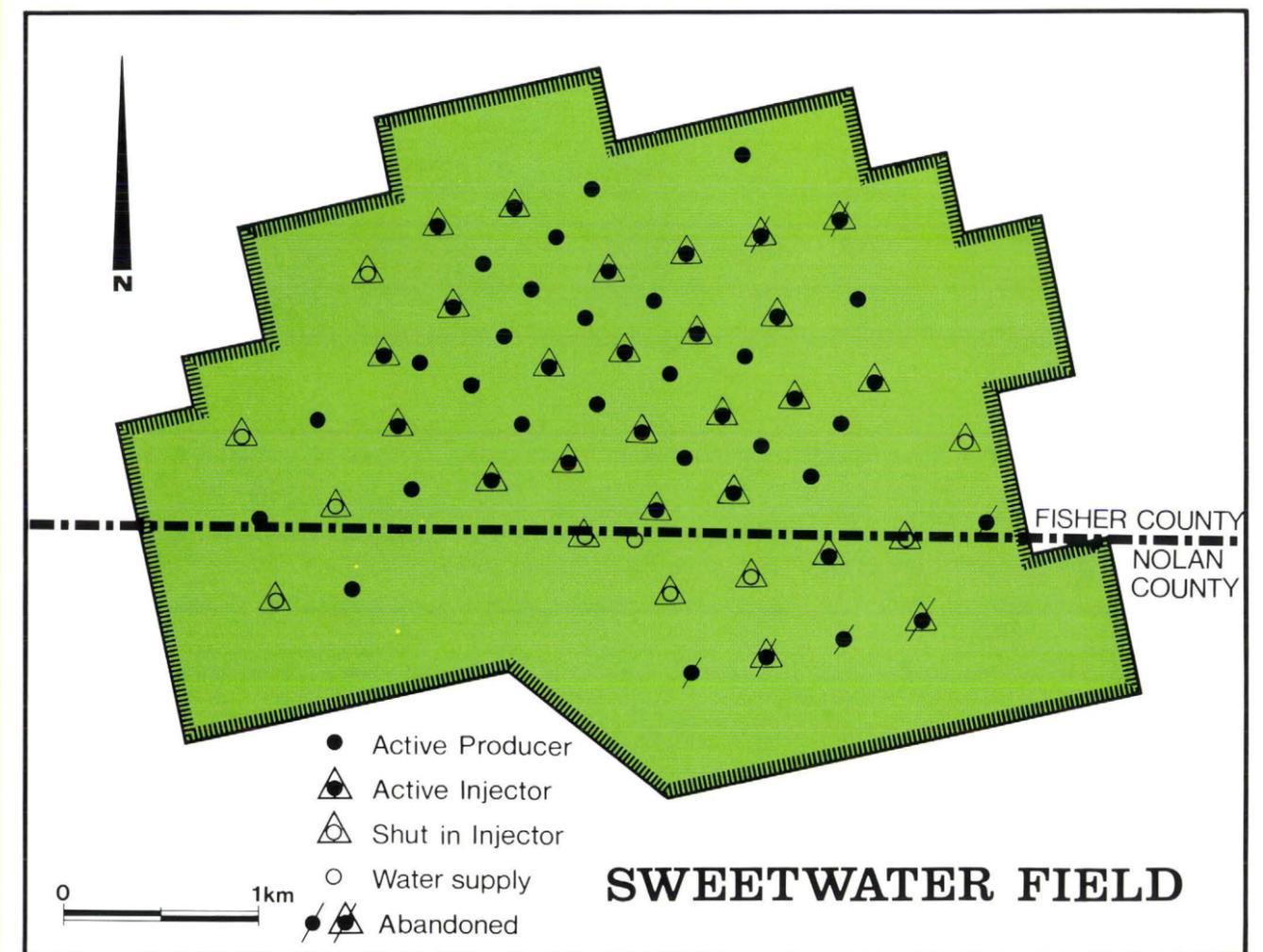
Oil and Gas



Canyon Resources, Inc.

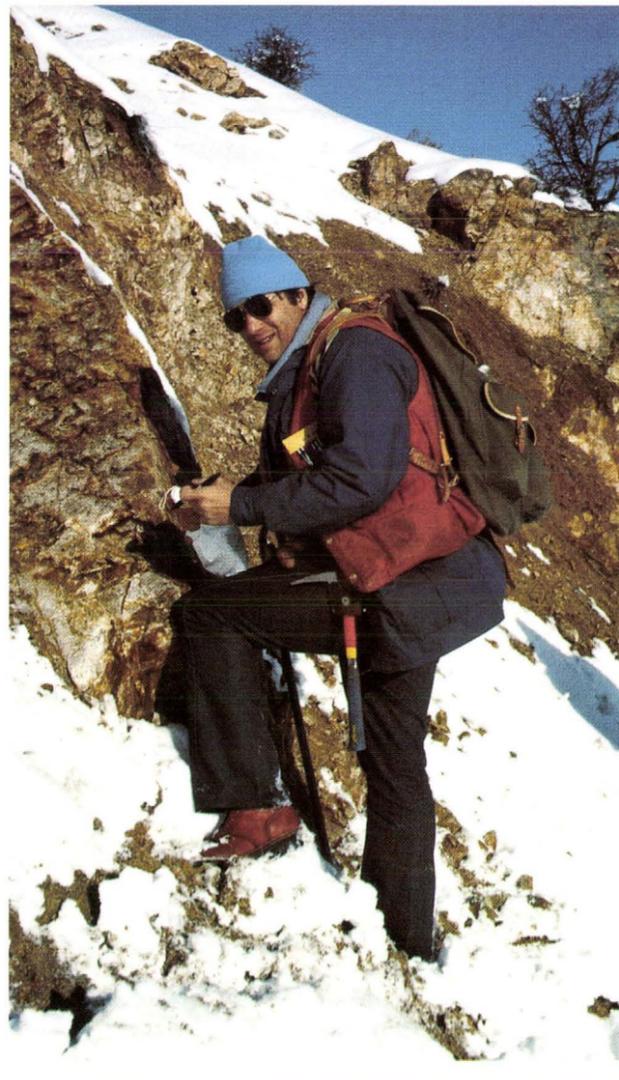
The Company's primary petroleum asset is its 12.5% equity ownership in Canyon Resources, Inc. Since its inception in January of 1981 Canyon has conceived and financed three major secondary oil recovery projects. To date, the aggregate redevelopment funding that has been arranged is \$US 21.5 million and the gross target recoverable reserves are 6 million barrels of oil, which represents a redevelopment cost of \$US 3.58 per barrel.

During 1982 Canyon completed the development of one of the three projects and initiated redevelopment of the other two. The oil production rate at this time is approximately 700 barrels per day. A significant production increase is expected in 1983 as the redevelopment programs continue. Queenstake will receive a distribution of 12.5 percent of the net revenue accruing to Canyon once the projects reach payout. The projects are presently all in the prepayout stage.



Idaho Gold Prospect, Idaho

Queenstake has entered into a joint venture with an Idaho company for the acquisition and exploration of gold properties along a regional structure. The Company is negotiating with landowners in the area and is expected to have a property block assembled by late April, 1983.



George Phelps on first of Idaho project examinations in late 1982

The first property; 750 acres of mineral and surface title, oriented along strike of this structure, has now been acquired by the joint venture and budgets are now being prepared for 1983 exploration programs on this block and other acquisition targets.

Exploration and Property Acquisition

— An Overview

Queenstake's growth projections are based on a plan in which placer mines and silica flux operations generate sufficient ongoing revenues to fund a medium scale program of hardrock exploration, property acquisition and development.

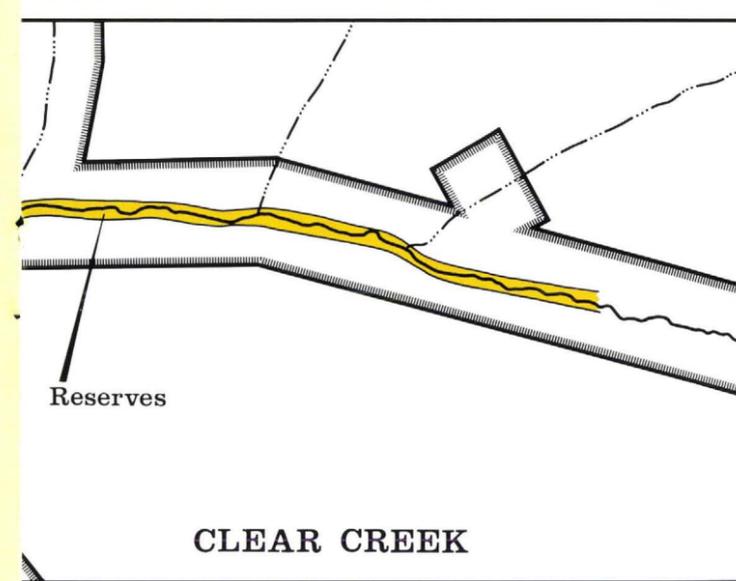
In this, our fifth year of growth, we have achieved a solid base in placer mining (Clear Creek and Black Hills Creek) and are close to a production decision on our gold-silver-silica flux operation (Gold-King Imperial). When in full production, these mines should yield aggregate annual operating cash flows of approximately two million dollars.

These cash flows, combined with investment income and oil and gas earnings, will be directed to the acquisition and exploration of mineral properties which meet the size, rate of return, risk and lead-time-to-cash-flow criteria by which Queenstake screens such opportunities.

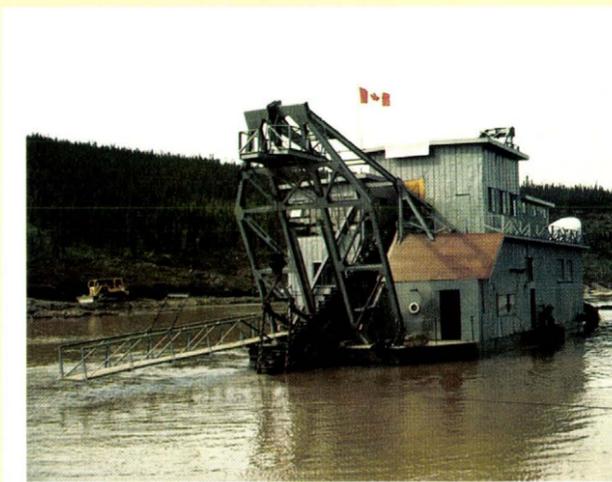
In addition to projects funded wholly by Queenstake, the company will continue to enter into joint ventures which provide an additional return for Queenstake's operating and management expertise, thereby increasing our rate of return and reducing our risk. For projects which are too large for Queenstake to fund through the exploration and development stages, such as the Argus gold deposit or Mar tungsten deposit, the company will offer participation to major companies in return for a carried interest through the high risk exploration/development phases.

To acquire a large base in hardrock mining properties, we have expanded our exploration, project development and mining team to include exploration offices in Whitehorse, Vancouver, Denver, Reno and Tucson. There are now a dozen geologists and mining specialists employed in project acquisitions and development.

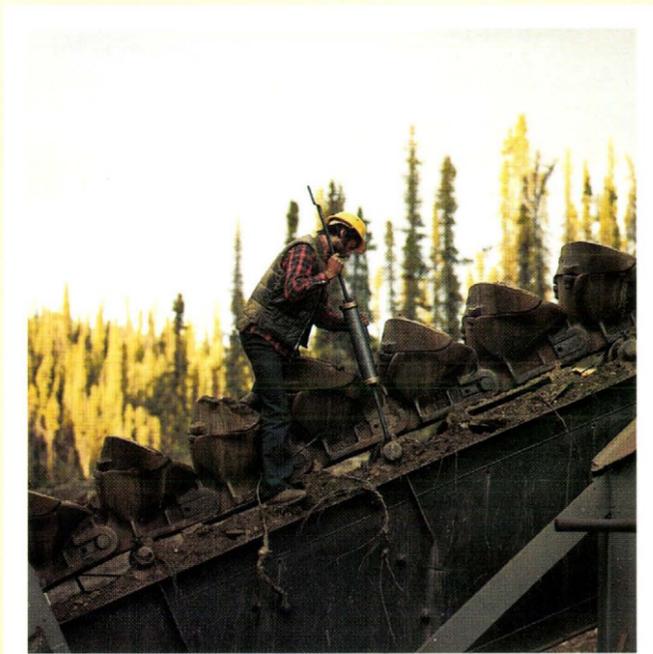
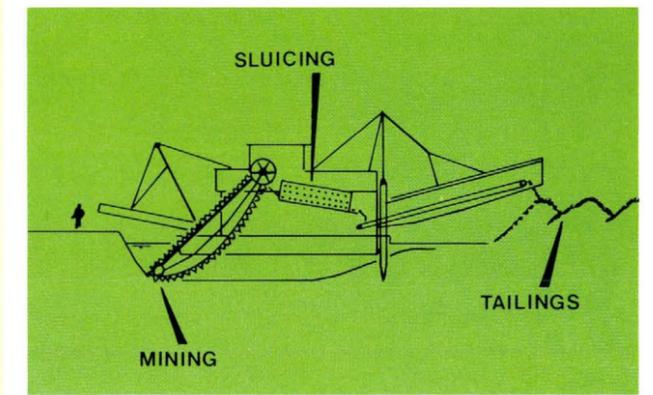
With this rapid growth in both our financing and mining teams, Queenstake has great potential to develop a large and profitable hardrock mining base over the next few years.



placer operations. In 1982, the cash costs of operating at Clear Creek were \$863,805. This represents \$4.70 Cdn. per cubic yard of gravel mined and \$425 U.S. per fine ounce of gold recovered. Included in these 1982 costs were the costs of construction of the creek diversion channel for 1983 mining and stripping and pit testing of the 1983 reserve block. With this work done in advance, 1983 mining costs should not exceed \$800,000 or \$3.25 per cubic yard at our forecast mining rate. At this cost of mining, an estimated mining grade of .01 troy ounces per cubic yard, and throughput of 225,000 cubic yards, the Clear Creek operation would produce an operating profit if the gold price is above \$270. U.S./troy ounce.



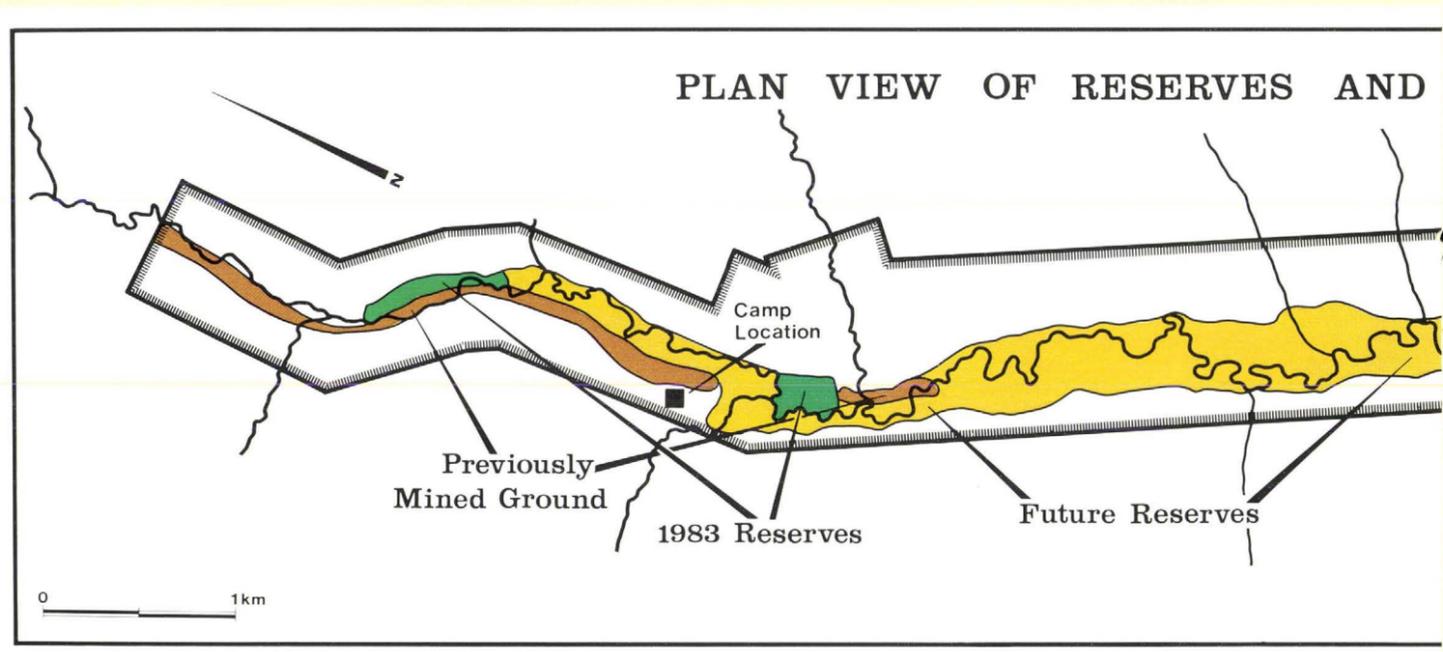
The "John W. Hoggan — Queenstake #1" dredge operating in 1982



The oiler greasing the bucketline pins and bushings

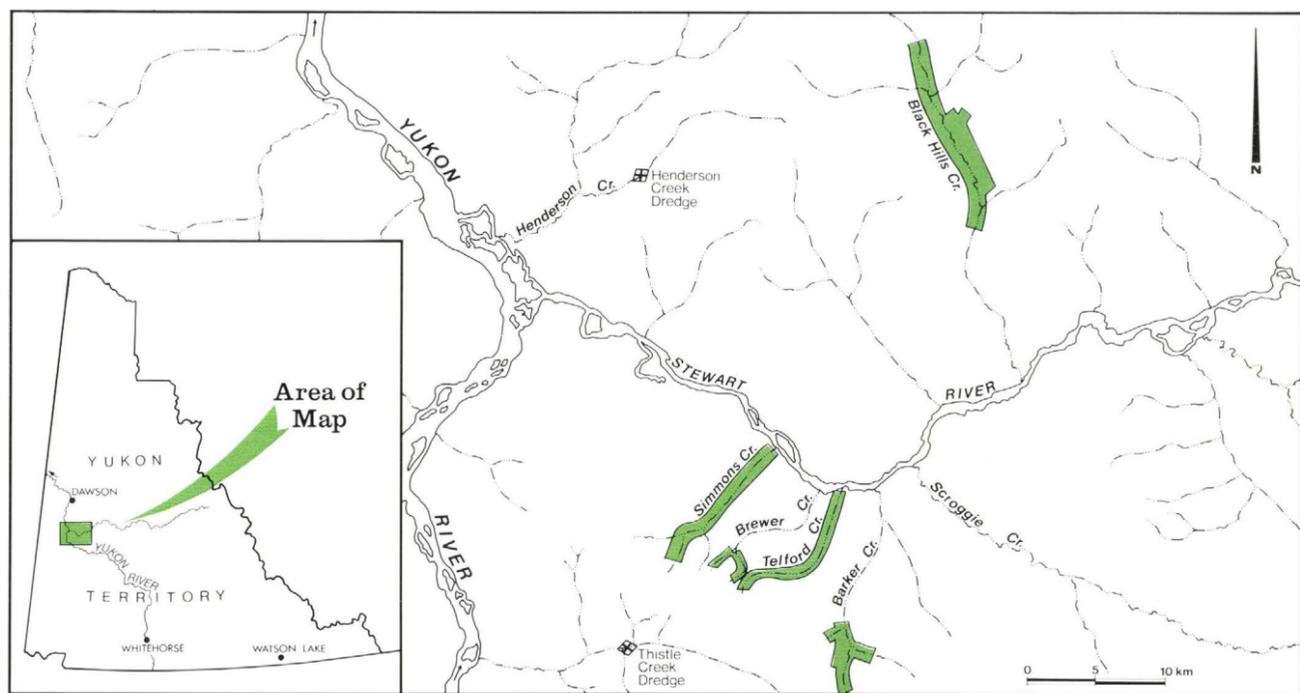
Big Creek, Yukon

The Big Creek property agreement was renegotiated during the year, reducing the royalty burden to 5% and the annual holding cost, including assessment work to less than \$5,000. This will allow Queenstake to retain this property in good standing for further exploration when the gold price increases.



Black Hills Creek, Yukon

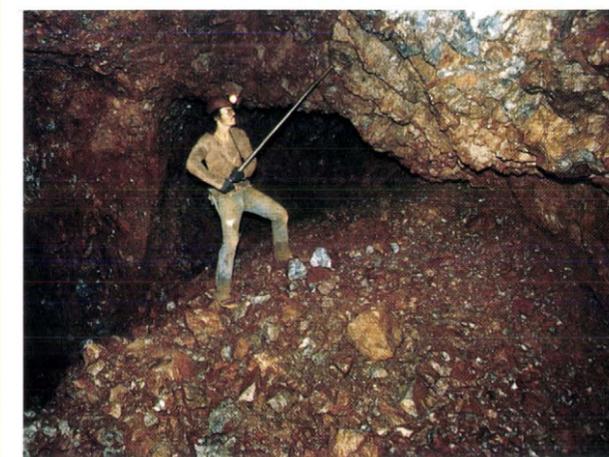
In September, 1982, Queenstake acquired a lease on a heavily drilled, well proven placer property located at Black Hills Creek, 60 miles south east of Dawson City, Yukon. During late 1982 the Company conducted a program of pit sampling which confirmed the extensive drilling data. Economic reserves for the property were calculated, indicating a base of one million cubic yards of gravels in



per day once a smelter flux contract has been obtained.

Recent geological analysis indicates that the Gold King-Imperial vein system is in the upper levels of an epithermal system and that the vein may produce higher grade and wider structures at depth. Sulphide nodules contained in the vein breccias are of very high grade (several hundred ounces of silver and several ounces of gold per ton). There is support for a theory that these nodules have been carried upward in the system by the boiling fluids and are indicative of the high grade bonanza zone lower down.

Queenstake is continuing to research the geology of this deposit preliminary to planning a program of deep drilling to locate possible high grade zones. Also, regional exploration and property examinations are continuing throughout the Steeple Rock district to locate further precious metals flux targets.



Don Todd, shift-boss, scaling down on the 200 foot level on the Imperial vein

Compensation Mine, Arizona

From 1980 through 1982, Queenstake invested over \$300,000 in the acquisition, exploration and development of the Compensation Mine property in Greenlee County, Arizona.

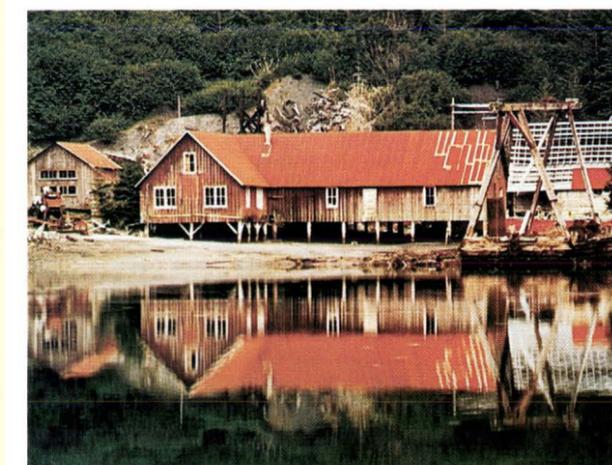
Recent improvements in smelter flux markets and the price of silver have made this property attractive as a source of silver bearing fluxing ore. Although the vein is well exposed on surface, drilling is planned in 1983 to define the extent and grade of mineable reserves in the unweathered zone at depth.

Chichagof Gold Mine, Alaska

Queenstake has reached agreement on a joint venture for the exploration and development of the Chichagof Mine in southeastern Alaska. During the early 1900's this mine produced approximately 600,000 tons of very high grade ore grading an average of 1 ounce of gold per ton.



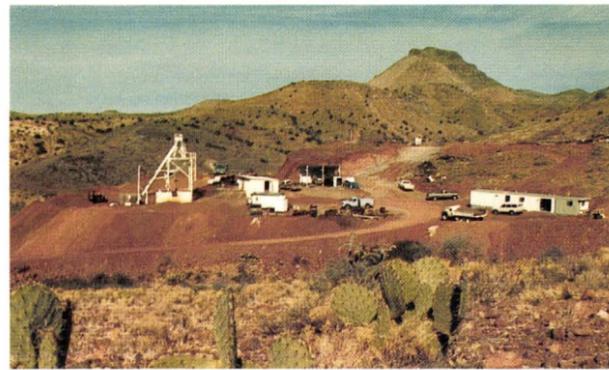
The 1983 exploration program will include a first phase of rehabilitation and sampling of underground workings, surface vein sampling, rock geochemical studies and analysis of waste dumps and stamp mill tailings. The budget for the Phase I program is \$200,000 (U.S.) and it must be completed in 1983. Contingent on Phase I, a program of drilling is planned, with earliest starting date for drilling projected for late summer, 1983.



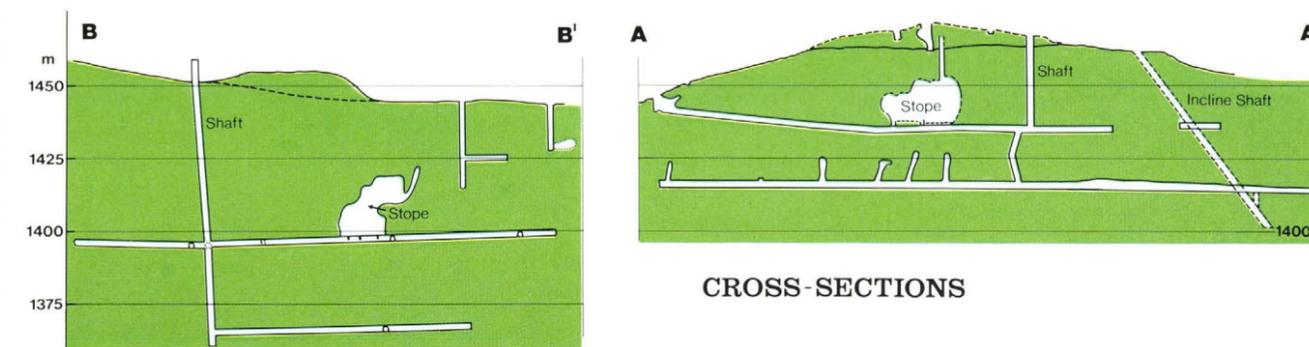
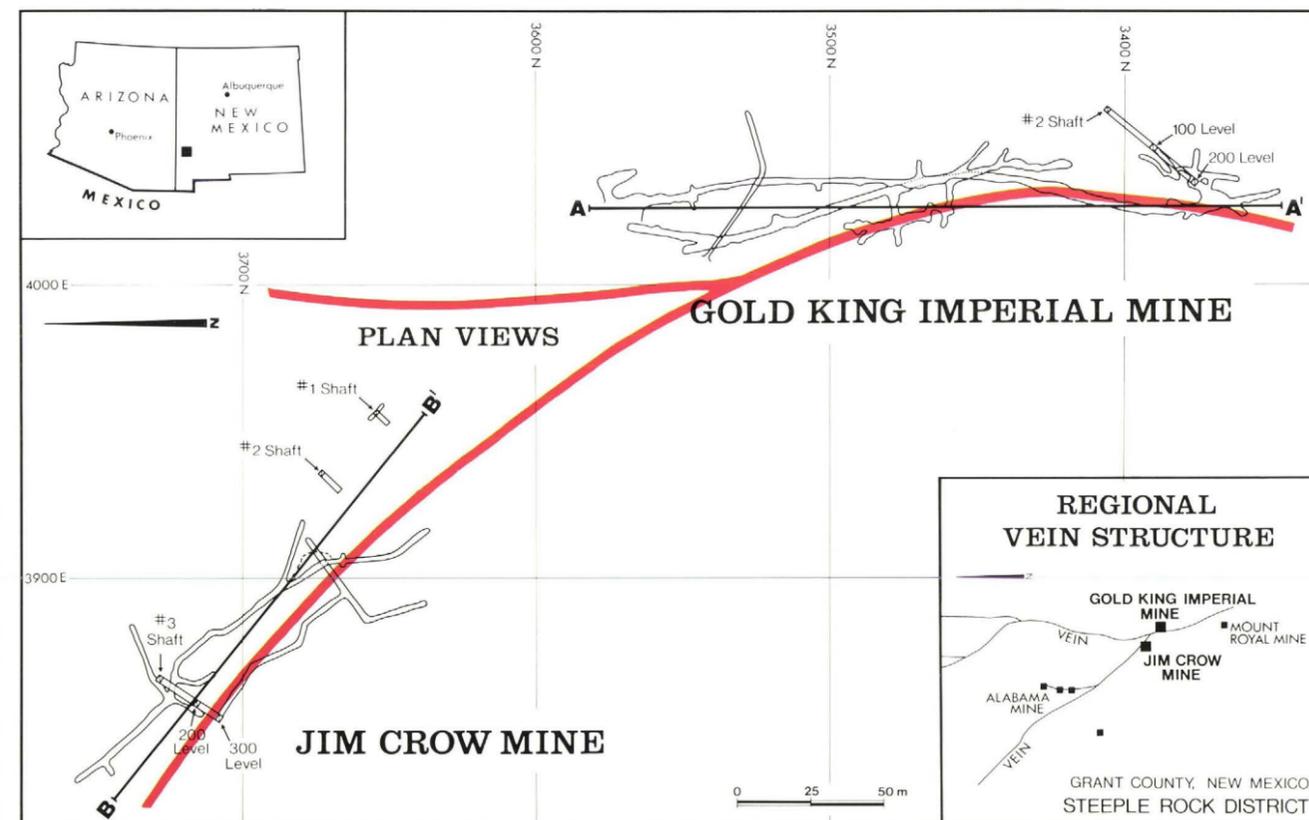
Part of Chichagof Mine camp — Klag Bay

Gold King-Imperial, New Mexico

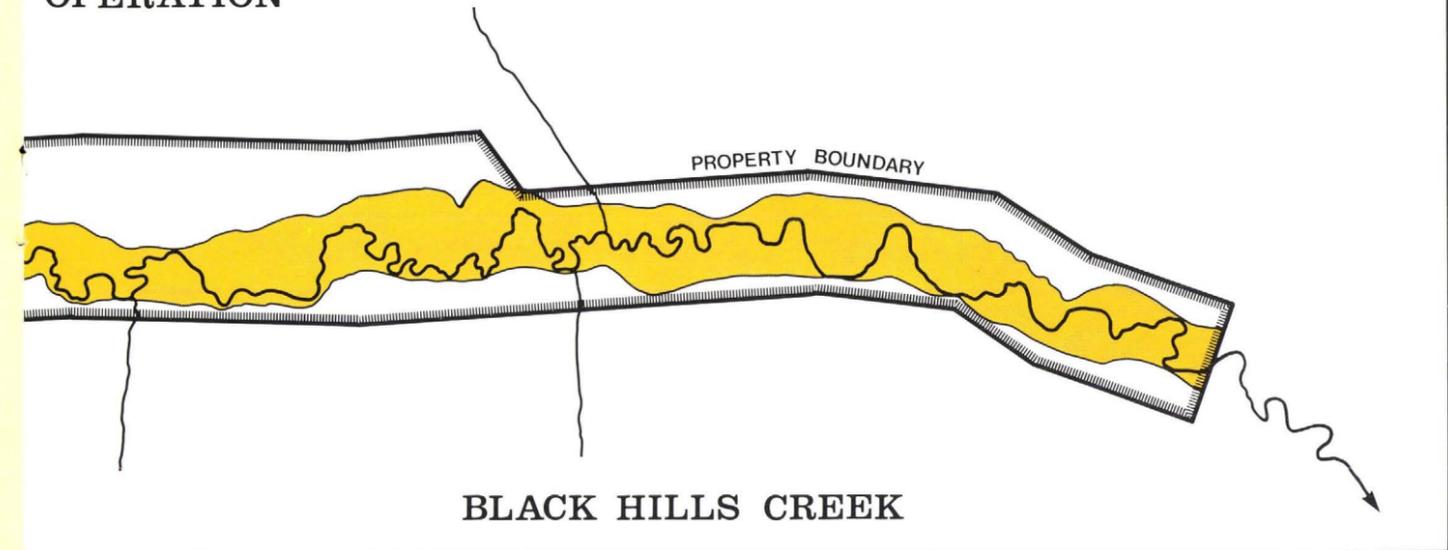
During 1982, the program of underground development was continued on the Jim Crow vein with the reclamation of all of the Jim Crow workings which had been filled with muck and water. After the waste rock and old timber had been removed from the shaft and the mine pumped dry, a program of extensive underground sampling and assaying was conducted. This sampling verified that the unmined rock surrounding the main ore shoot has an average grade of 7 oz. of silver and 0.2 oz. of gold per ton. Sufficient tonnage of economic grade has now been indicated above the developed levels to allow production at 100 tons



The head-frame, hoist house, generator shed, maintenance shop and trailer accommodation at the Gold-King/Imperial Mine



OPERATION



excess of .015 ounces of gold per cubic yard and potential for up to 3 million yards containing economic gold concentrations. Detailed mine plans have been completed and the necessary equipment has been acquired to place Black Hills Creek in full production in 1983.

To date the Company has purchased a 980 C Caterpillar front end loader and one D9H Caterpillar bulldozer and has transferred one D8 Caterpillar bulldozer from Barker Creek as the mobile equipment complement for this bulldozer-sluice operation. The Company has had a sluice box designed and fabricated and has purchased pumps, pipe, camp facilities and minor equipment



In late 1982 Queenstake crews completed a program of pit sampling to confirm the Black Hills Creek drill indicated reserves

to complete a capital equipment investment of approximately \$1 million. In addition, the Company has acquired additional placer leases and claims on adjacent bench and creek ground to expand the reserves for this operation.

Since the first year of production on Black Hills Creek will be on previously stripped, drained and thawed ground, and adequate areas of previously mined ground are available for settling ponds, this should reduce 1983 mining costs to a forecast of \$5.00 per cubic yard. With these costs and a gravel grade of .016 oz. per cubic yard, the operation should recover its operating costs at an average gold price of \$260 U.S./troy ounce.



This air photo of Queenstake's Black Hills Creek placer operation shows the camp in the foreground opposite prepared reserve blocks

Barker Creek, Yukon

In 1982, the Company conducted a bulk production sampling program at Barker Creek, in which a bulldozer-loader-sluice box system processed 20,000 cubic yards of gravels. The objective of this program was to prove the existence of a continuous gold pay-channel of economic mining grade.

Unfortunately, the bedrock channels in the area tested were erratic and did not provide sufficient reserves to meet Queenstake's criteria for installation of a large production unit on this creek. The Company has now sold its interest in this property and basic camp and equipment to recover approximately one half of the cost of this program.

B.C. Coast Project

As part of our ongoing program of precious metals exploration in British Columbia, the Company conducted archive research and property examination of some twenty targets on the B.C. coast in 1982. This program has resulted in the acquisition of several properties to be further examined in 1983.

Bullion Creek, Northern British Columbia

The 1982 drill and surface exploration program on this property has indicated a very large basin containing thick sections of stratiform low-grade lead-zinc-silver massive sulphide mineralization. The summary report on exploration recommends further work along strike, including airborne magnetometer and scintillometer surveys, geological mapping, section measuring and prospecting.



Exploration crew examines mineralized outcrop on Bullion Creek basin property

Depending on the results of this program, further grid and soil sampling should be carried out together with detailed mapping and prospecting of anomalous lead and zinc geochemical values.

The Bullion Creek property will be presented to major mining companies to obtain funding for the further evaluation of this very large exploration target.

Dublin Gulch — Placer, Yukon

The extensive drilling done on this project to date has indicated the presence of a high grade gold tungsten bearing reserve containing approximately 8,000 ounces of placer gold in 140,000 cubic yards of gravel.

In 1983 Canada Tungsten will commence a program to remove the overburden material in preparation for mining the gravels in 1984.



Makela painting of the screening and jig plant at Dublin Gulch

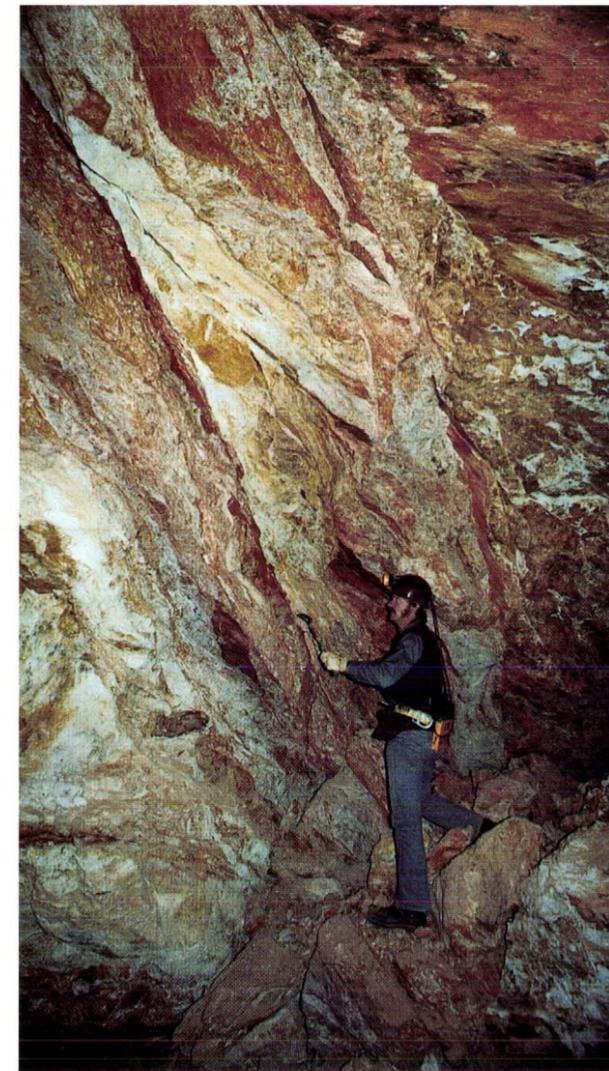
Dublin Gulch — Hardrock, Yukon

In 1982, Canada Tungsten's ongoing program of exploration on the Mar Tungsten deposit included the following:

- 2,400' of diamond drilling in 3 holes on the East side of Ray Gulch
- Cat trenching done on the plateau between the main tungsten mineralized structure and the base of the Potato Hills

research necessary to put this mine into production. Accordingly, throughout 1982, participation in the Argus property was discussed with major mining companies and, in February, 1983, an option agreement was finalized with Anaconda Minerals Company.

Under the terms of this agreement, after Anaconda, as operator of the project, has spent \$1.25 million on the property, paid Queenstake \$.35 million and funded the next \$10 million of exploration and development expenditures, Anaconda and Queenstake will share further costs and production proceeds in a 51:49 ratio. Further geological mapping and analysis are presently under way preliminary to initial drill exploration.



Mike Price, geologist, underground on a previously mined stope on the 100 foot level of the Arondo Mine

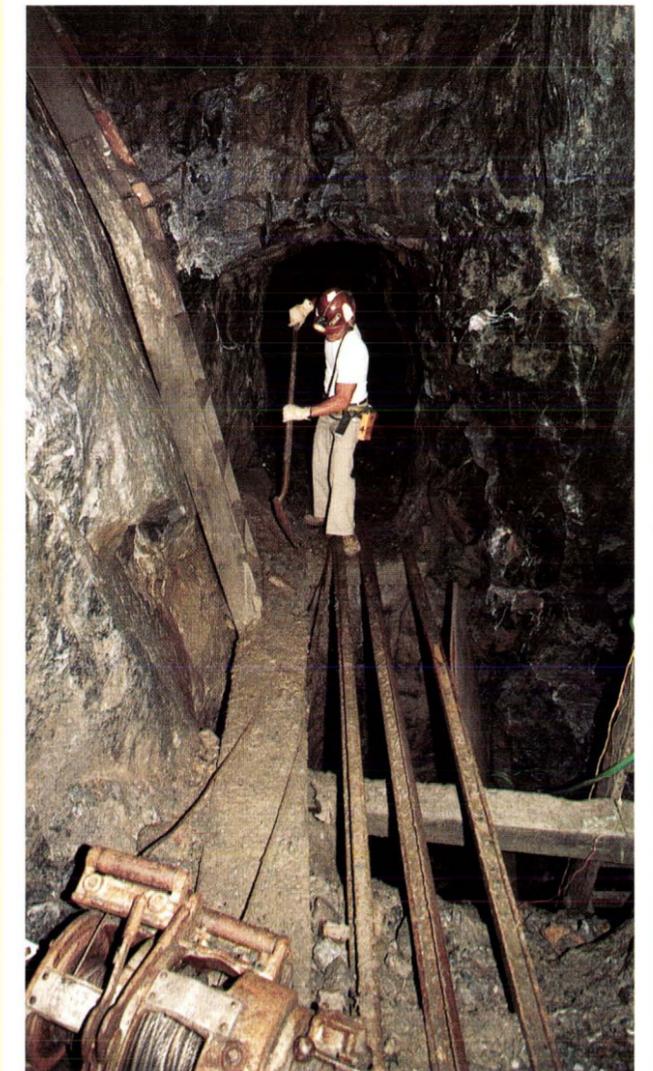
Cactus Gold Project, California

West of the Argus Mines, Queenstake has acquired another gold vein system property associated with the same regional structure as the Argus. Preliminary sampling has been completed with encouraging results and more extensive geological mapping and sampling is underway.

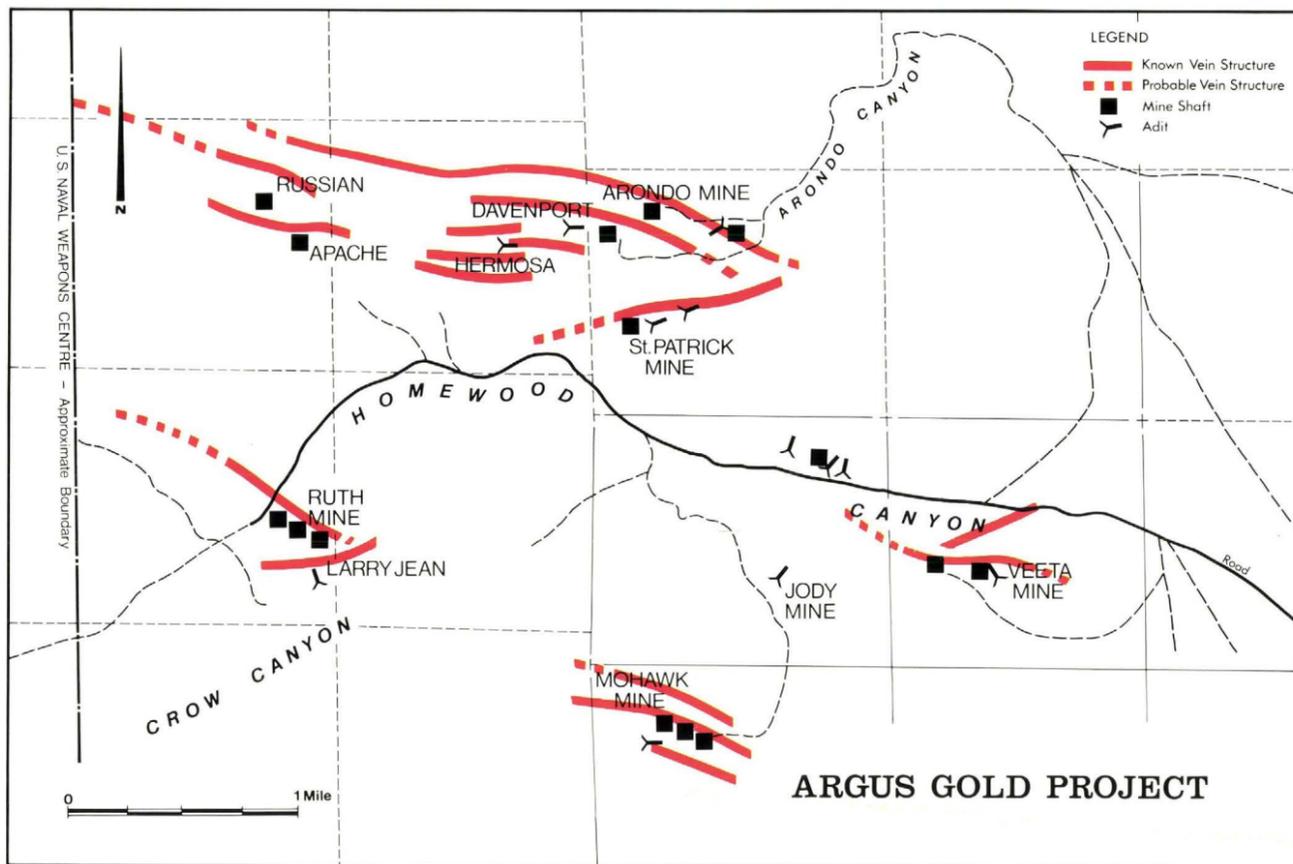
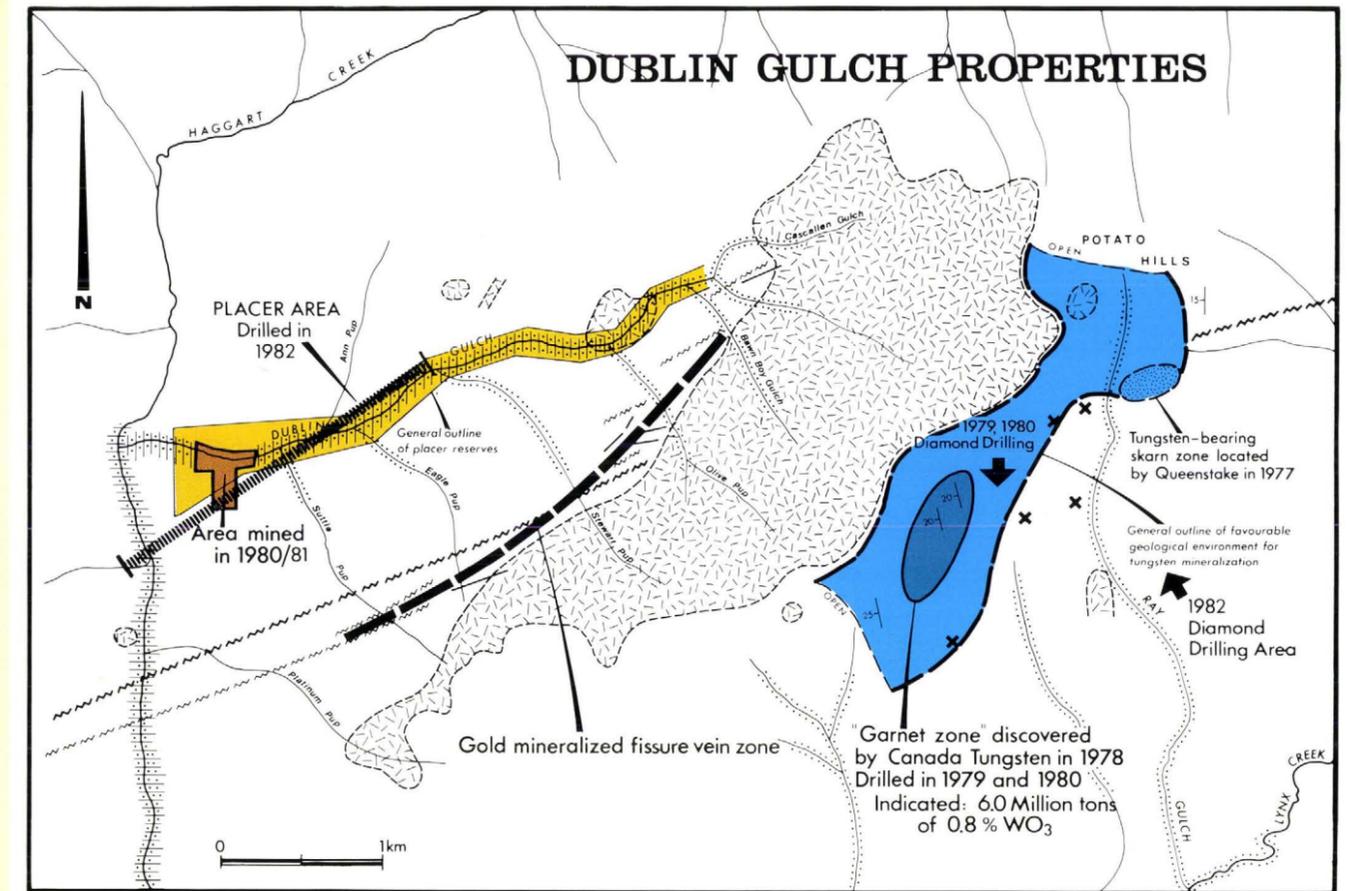
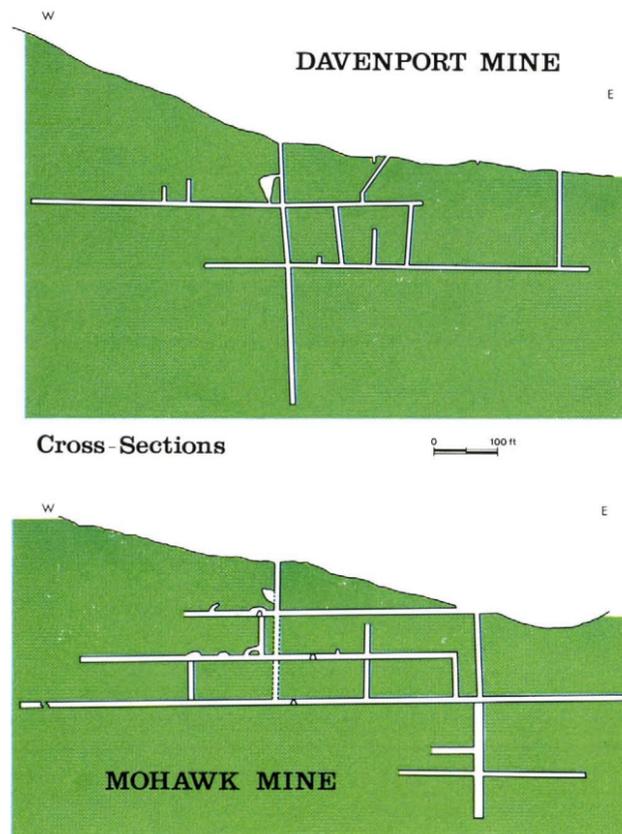
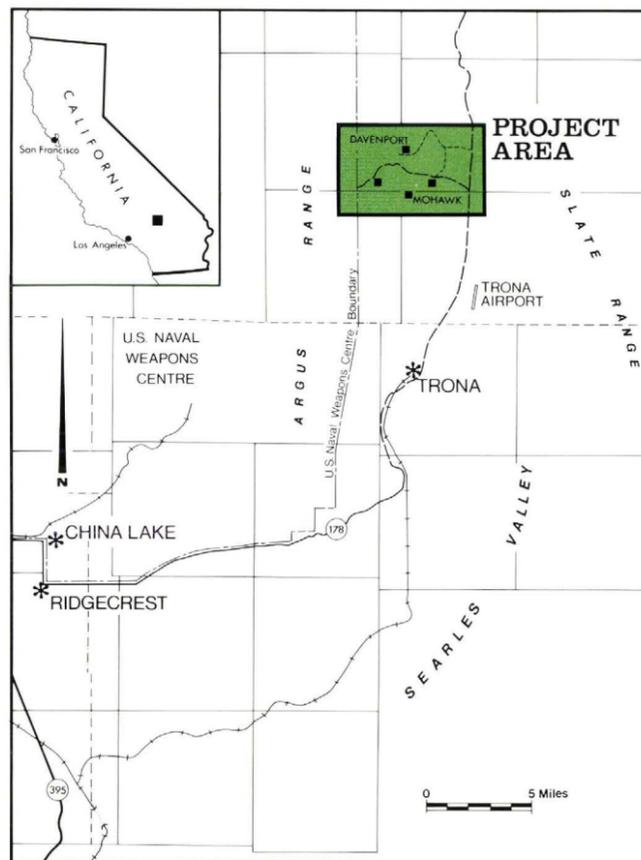
Jack Thorne Mine, California

This gold prospect, near Fresno, California has been mapped and sampled in detail and has excellent exploration potential, possibly using a shallow, closely spaced rotary drilling program.

We have now purchased the property outright, eliminating all royalties, and will commence a further exploration/drilling program in 1983.



Peter Baxter, geologist, muck sampling in the ore shoot area, below stopes, in the Jack Thorne mine



- LEGEND:**
- Granodiorite, granite, and allied rocks
 - Placer (gold)
 - Placer (tungsten)
 - Reported tungsten occurrence by G.S.C.
 - Sulfide-quartz-gold veins
 - Regional fault-vein system (G.S.C.)
 - Attitude of sedimentary beds

- Trenches were mapped and sampled in preparation for selecting future drill targets along the granite contact northeast of the present Mar deposit

- Geochem and rock chip sampling in fill-in lines

No reserve increases have been announced beyond the previously reported 6 million tons grading 0.8% WO₃.

In 1983, samples will be taken from the main mineralized horizons for metallurgical testing purposes.

Queenstake has a 20% carried interest in the Mar Agreement area. 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 inter-

est for \$2,000,000 on making a decision to place the property into production.

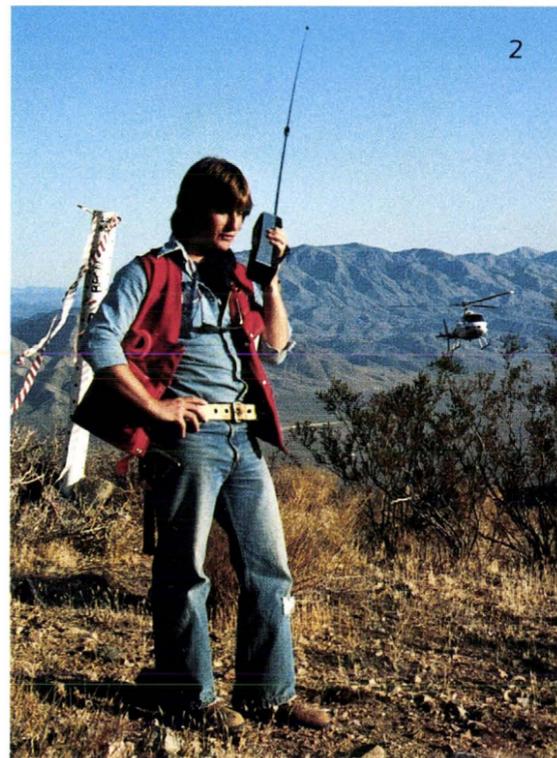


Makela painting of diamond drilling on the Mar deposit

Argus Gold, California

On January 1, 1981 Queenstake acquired an option agreement on three properties covering the Argus group of gold mines northeast of Bakersfield, California. Over the next two years, the Company conducted a program of archive research, underground mine sampling and surface geological mapping and sampling. A mini-feasibility study was conducted by Harrison Western Corporation, a major U.S. mine development contractor.

The exploration program outlined a series of sub-parallel epithermal vein systems with strong vertical and horizontal continuity. The underground and surface sampling combined with past production history indicates a grade of 0.25 ounces of gold per ton. The geological model which had been derived from the mapping, sampling and ore genesis modeling work done on the Argus structures indicates that the precious metal content of the ore shoots should increase at depth. The upper levels of oxide ore are amenable to low cost leaching while the expected higher grade sulphide ores could be treated in a flotation milling plant. The pre-war operations mined only oxide ore and were able to recover 93% of the gold by very low cost coarse grinding and cyanide vat leaching.



1. Tench Page, geologist, rappels down a shaft at the Argus Mine as part of the underground sampling-mapping program

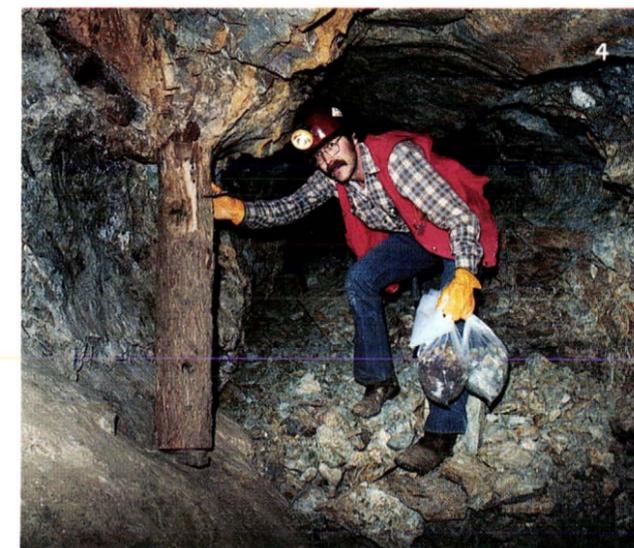
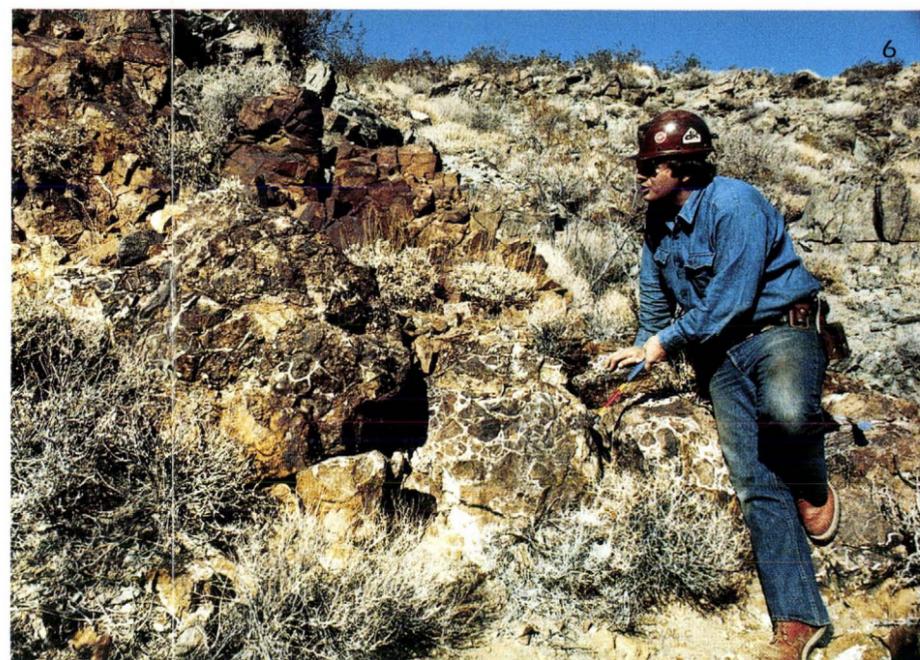
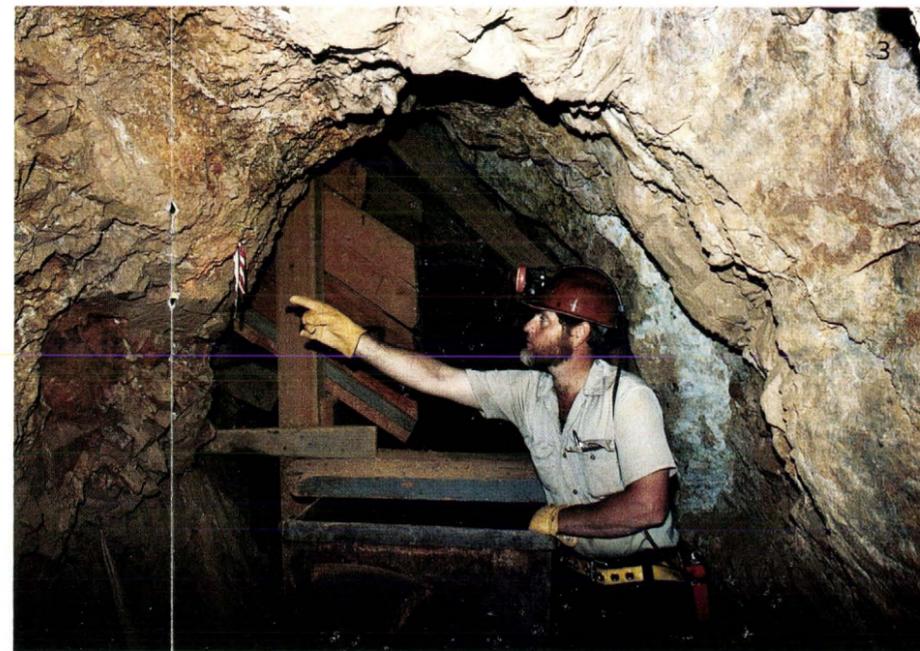
2. Don Farris calls in helicopter in staking project

3. Les Billingsley, Queenstake's manager of underground mining projects, in Davenport Mine at the 200' level. A bulk sample from here graded .33 oz. gold/ton

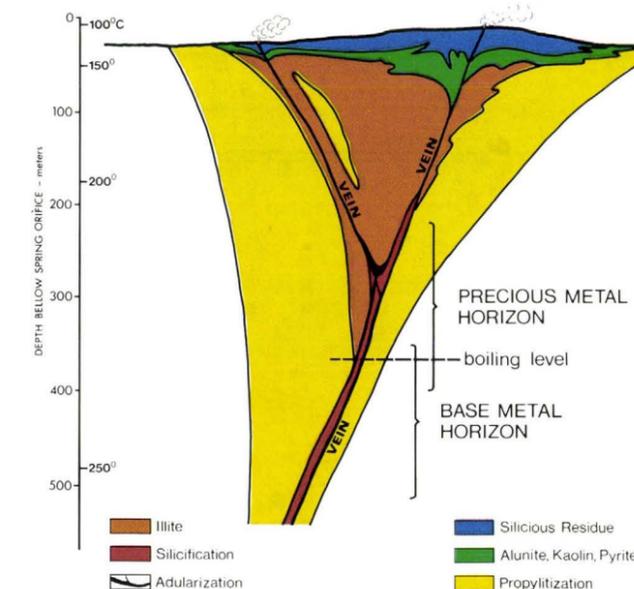
4. Tench Page taking chip samples from the 200 foot level of the Davenport Mine

5. Helicopter support was necessary for much of the staking and mapping work in the Argus Mountains

6. George Phelps, U.S. Exploration Manager, examines outcrop



Before a mining decision can be made it will be necessary to outline ore bodies and design a mine plan to produce the highest return on the cost of mine development and capital facilities. By the very size of the vein structures it was apparent that Queenstake could not fund the deep diamond drilling, underground development and feasibility



MODEL FOR AN EPITHERMAL PRECIOUS METAL DEPOSIT
Modified from Buchanan, L.J., 1981

This geological model has recently come into prominence in mineral exploration in the Southwest U.S. It appears to closely fit the Argus deposits as well as Queenstake's Gold-King Imperial and Compensation Mines

Queenstake Resources Ltd.
Consolidated Financial Statements
and Auditors' Report to the Shareholders
Year Ended December 31, 1982

	Industry Segments			Consolidated Total	Geographic Segments	
	Corporate Investments	Mining	Oil & Gas		Canada	United States
1982						
Total revenues	\$ 659,851	\$1,017,243	\$ 189,711	\$ 1,866,805	\$ 1,677,094	\$ 189,711
Segment operating earnings (loss)	659,851	(52,940)	(80,406)	526,505	606,911	(80,406)
General and administrative expenses				(305,429)		
Income taxes				(106,083)		
Net earnings				114,993		
Identifiable assets	3,618,522	9,021,045	1,473,284	14,112,851	10,507,307	3,605,544
Capital expenditures		2,451,654		2,451,654	1,871,610	580,044
Depreciation and depletion		210,325	116,209	326,534	210,325	116,209
1981						
Total revenues	\$1,137,962	\$ 683,385	\$ 148,215	\$ 1,969,562	\$1,821,347	\$ 148,215
Segment operating earnings	1,137,962	239,701	26,052	1,403,715	1,377,663	26,052
General and administrative expenses				(138,068)		
Income taxes				(561,500)		
Net earnings				704,147		
Identifiable assets	5,256,297	6,934,210	1,692,815	13,883,322	10,764,185	3,119,137
Capital expenditures		2,866,998	471,447	3,338,445	1,782,361	1,556,084
Depreciation and depletion		156,494	27,688	184,182	156,494	27,688

10. Segmented Information

The classes of business of the company have been determined on the basis of its principal areas of investment - Corporate investments, Mineral Properties and Oil and Gas Properties. Identifiable assets by class of business are those assets that are used in the company's operations in each class. Corporate investments are principally cash, temporary cash investments and share purchase loans receivable.

Information by class of business and geographic area as of December 31, 1982 and 1981 and for the years then ended are as follows:

**Deloitte
Haskins + Sells**

Chartered Accountants

Suite 2000
1055 Dunsmuir Street
P.O. Box 49279
Four Bentall Centre
Vancouver, B.C. V7X 1P4
(604) 669-4466
Telex 04-54414

Auditors' Report

To the Shareholders of
Queenstake Resources Ltd.:

We have examined the consolidated balance sheet of Queenstake Resources Ltd. as at December 31, 1982 and the consolidated statements of earnings and retained earnings and of changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1982 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Deloitte Haskins & Sells

Chartered Accountants
February 22, 1983

**Queenstake Resources Ltd.
Consolidated Balance Sheet
December 31, 1982**

ASSETS	1982	1981
Current assets		
Cash and bank term deposits	\$ 3,470,822	\$ 5,141,097
Accounts receivable	212,672	259,463
Inventories	100,000	174,200
	<u>3,783,494</u>	<u>5,574,760</u>
Employee share purchase loans (Note 5)	130,200	115,200
Investment in Canyon Resources, Inc. (Note 2)	304,925	362,235
Resource properties and equipment (Note 3)	9,894,232	7,831,127
	<u>\$14,112,851</u>	<u>\$13,883,322</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 80,406	\$ 98,653
Agreements payable (Note 4)	294,000	294,000
Deferred income taxes (Note 6)	698,000	591,917
	<u>1,072,406</u>	<u>984,570</u>
SHAREHOLDERS' EQUITY		
Share capital (Note 5)	12,337,822	12,311,122
Retained earnings	702,623	587,630
	<u>13,040,445</u>	<u>12,898,752</u>
	<u>\$14,112,851</u>	<u>\$13,883,322</u>

Approved by the board of directors



Director



Director

During the year the company issued 6,000 shares with an assigned value of \$11,700 for acquisition of an interest in a mineral property, and 25,000 shares on exercise of options discussed below.

Stock options were outstanding as at December 31, 1982 as follows:

<u>Exercise Date</u>	<u>Number of Shares</u>	<u>Average Exercise Price</u>
1983	35,000	\$1.59
1984	31,000	1.59
1985	31,000	1.59
1986	17,000	1.62
1987	5,000	1.80
	<u>119,000</u>	

Options on 25,000 shares were exercised during the year and were financed through interest free loans. Those options not exercised in a year may be carried forward for exercise in a subsequent year with a maximum option term of five years.

Employee share purchase loans are interest free and repayable by March 1, 1987 and the shares are held in trust as security.

6. Income Taxes

The company's effective tax rate differs from its statutory tax rate because of the effects of earned depletion, resource allowance and investment tax credits.

7. Earnings Per Share

The earnings per share during the current year amounted to \$0.03 (1981 - \$0.16) based on the average number of shares outstanding during the respective years. The potential dilutive effect on earnings per share of the options outlined in Note 5 is not significant.

8. Related Party Transactions

Canada Tungsten Mining Corporation owns approximately 45% of the outstanding shares of the company and participates in several agreements and operations with the company including an option to acquire interests in certain mining claims and leases (\$125,000 option payment received during the year; \$75,000 in 1981).

9. Comparative Figures

Certain of the 1981 comparative figures have been reclassified to conform with the classifications used in the current year.

2. Investment in Canyon Resources, Inc.

The company acquired, in January 1981, for \$312,500 U.S., 125,000 common shares representing 12 1/2% of the issued share capital of Canyon Resources, Inc. (Canyon), a private Texas corporation in the oil and gas industry.

Pursuant to this acquisition the company also acquired:

- (a) the right to participate, up to 25%, in exploration and development prospects developed by Canyon, and
- (b) the right to periodic distributions of 12 1/2% of Canyon's carried interests in oil and gas projects organized by Canyon.

The investment in Canyon Resources, Inc. is in excess of the company's share of the net assets of that company at December 31, 1982 by approximately \$160,000, which represents technical expertise being amortized on a straight-line basis over ten years. The amortization for the current year of \$17,800 is included in the company's share of loss of Canyon Resources, Inc. in the Consolidated Statements of Earnings and Retained Earnings.

3. Resource Properties and Equipment

	1982		1981	
	Cost	Accumulated depletion and depreciation	Net Book Value	Net Book Value
Mineral properties				
— operating	\$ 2,178,351	\$ 209,491	\$1,968,860	\$2,073,755
— development	4,244,552		4,244,552	2,658,886
Oil and gas properties	1,301,799	194,453	1,107,346	1,225,033
Mining equipment				
— operating	1,470,770	153,364	1,317,406	1,256,874
— exploration and development	1,172,868		1,172,868	566,208
Office equipment	92,052	8,852	83,200	50,371
	<u>\$10,460,392</u>	<u>\$ 566,160</u>	<u>\$9,894,232</u>	<u>\$7,831,127</u>

4. Agreements Payable

Dredge purchase agreements of \$294,000 (1981 - \$294,000) are payable at a rate of 5% of the company's net profits (as defined) from mineral properties on which the company may operate the dredges, with any unpaid amount due by December 10, 1990.

5. Share Capital

Authorized — 10,000,000 common shares without par value

	1982		1981	
	Shares	Amount	Shares	Amount
Issued and fully paid	<u>4,451,200</u>	<u>\$12,337,822</u>	<u>4,420,200</u>	<u>\$12,311,122</u>

Queenstake Resources Ltd. Consolidated Statements of Earnings and Retained Earnings Year Ended December 31, 1982

	1982	1981
Revenues		
Gold sales	\$ 892,243	\$ 616,672
Oil sales	189,711	148,215
Interest	659,851	1,137,962
Mineral property options	125,000	66,713
	<u>1,866,805</u>	<u>1,969,562</u>
Costs and expenses		
Direct operating and production	956,456	330,620
Depreciation and depletion	326,534	184,182
General and administrative	305,429	138,068
Mineral properties abandoned		40,545
	<u>1,588,419</u>	<u>693,415</u>
Operating earnings before income taxes	278,386	1,276,147
Provision for income taxes — deferred (note 6)	106,083	561,500
Operating earnings	172,303	714,647
Share of loss of Canyon Resources, Inc.	57,310	10,500
Net earnings (Note 7)	114,993	704,147
Retained earnings (deficit), beginning of year	587,630	(116,517)
Retained earnings, end of year	<u>\$ 702,623</u>	<u>\$ 587,630</u>

Queenstake Resources Ltd.
Consolidated Statement of Changes in Financial Position
Year Ended December 31, 1982

	1982	1981
Funds Provided		
From operations:		
Net earnings	\$ 114,993	\$ 704,147
Items not affecting working capital:		
Depreciation and depletion	326,534	184,182
Deferred income taxes	106,083	561,500
Share of loss of Canyon Resources, Inc.	<u>57,310</u>	<u>10,500</u>
	604,920	1,460,329
Proceeds from issue of shares	26,700	115,200
Mineral property costs recovered	62,015	8,287
Reclassification of income taxes payable	<u> </u>	<u>30,400</u>
	<u>693,635</u>	<u>1,614,216</u>
Funds Applied		
Expenditures on resource properties and equipment	2,451,654	2,965,710
Employee share purchase loans	15,000	115,200
Investment in Canyon Resources, Inc.	<u> </u>	<u>372,735</u>
Reduction in agreements payable	<u> </u>	<u>5,000</u>
	<u>2,466,654</u>	<u>3,458,645</u>
Decrease in working capital	(1,773,019)	(1,844,429)
Working capital, beginning of year	<u>5,476,107</u>	<u>7,320,536</u>
Working capital, end of year	<u>\$3,703,088</u>	<u>\$5,476,107</u>

Queenstake Resources Ltd.
Notes to the Consolidated Financial Statements
Year Ended December 31, 1982

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements include the accounts of the company's wholly-owned subsidiary, Queenstake Resources (U.S.A.) Inc.

Investment in Canyon Resources, Inc.

The investment in Canyon Resources, Inc. is accounted for using the equity method.

Foreign currencies

Accounts maintained in U.S. dollars have been translated into Canadian dollars as follows:

- (a) Current assets and current liabilities - at the rate of exchange prevailing at the balance sheet dates.
- (b) Non-current assets including depreciation and depletion - at exchange rates prevailing at the time of acquisition.
- (c) Income and expenses - at exchange rates prevailing on the dates of the transactions.

Mineral Properties and Other Related Assets

During the year, the company changed its method of accounting for each of its placer gold properties in the Yukon River Basin area from a property-by-property basis to the "area of interest method". The effect of this change on net earnings for the current year is not material. Had this change been applied retroactively, its effect on net earnings of prior years would not have been material.

The company follows a modified "full cost method" of accounting for its mineral properties whereby all costs relative to the acquisition of, exploration for and development of these properties are capitalized by property. For this purpose, the placer gold properties in the Yukon River Basin area are treated as one property. All sales and option proceeds received are credited against the costs of the related properties. No gains or losses are recognized on the sale or disposition of properties except in circumstances which result in significant dispositions of reserves. Once commercial production has commenced, these net costs are charged to future operations on a unit-of-production method based on estimated recoverable reserves, by property. The aggregate costs related to abandoned properties are charged to operations.

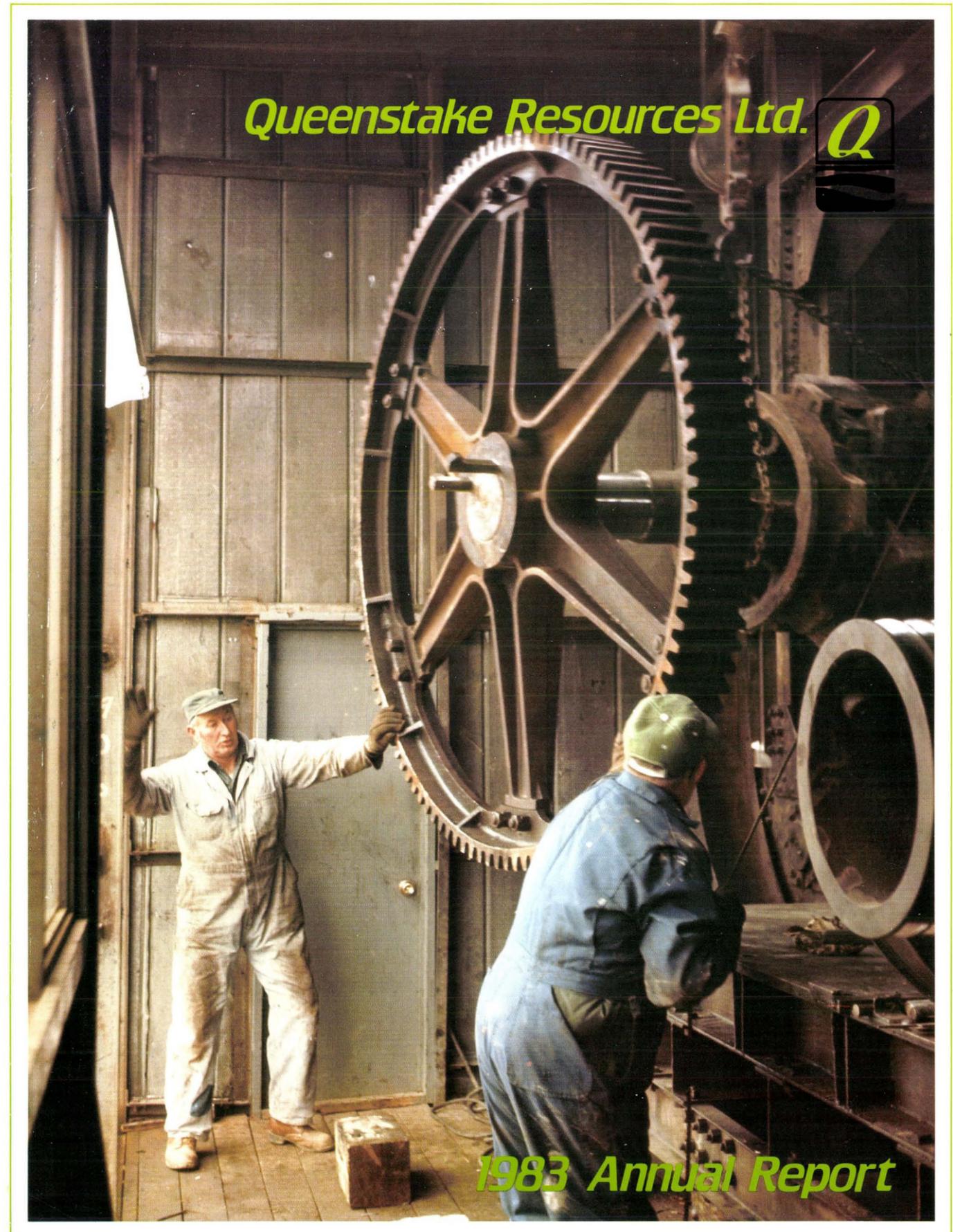
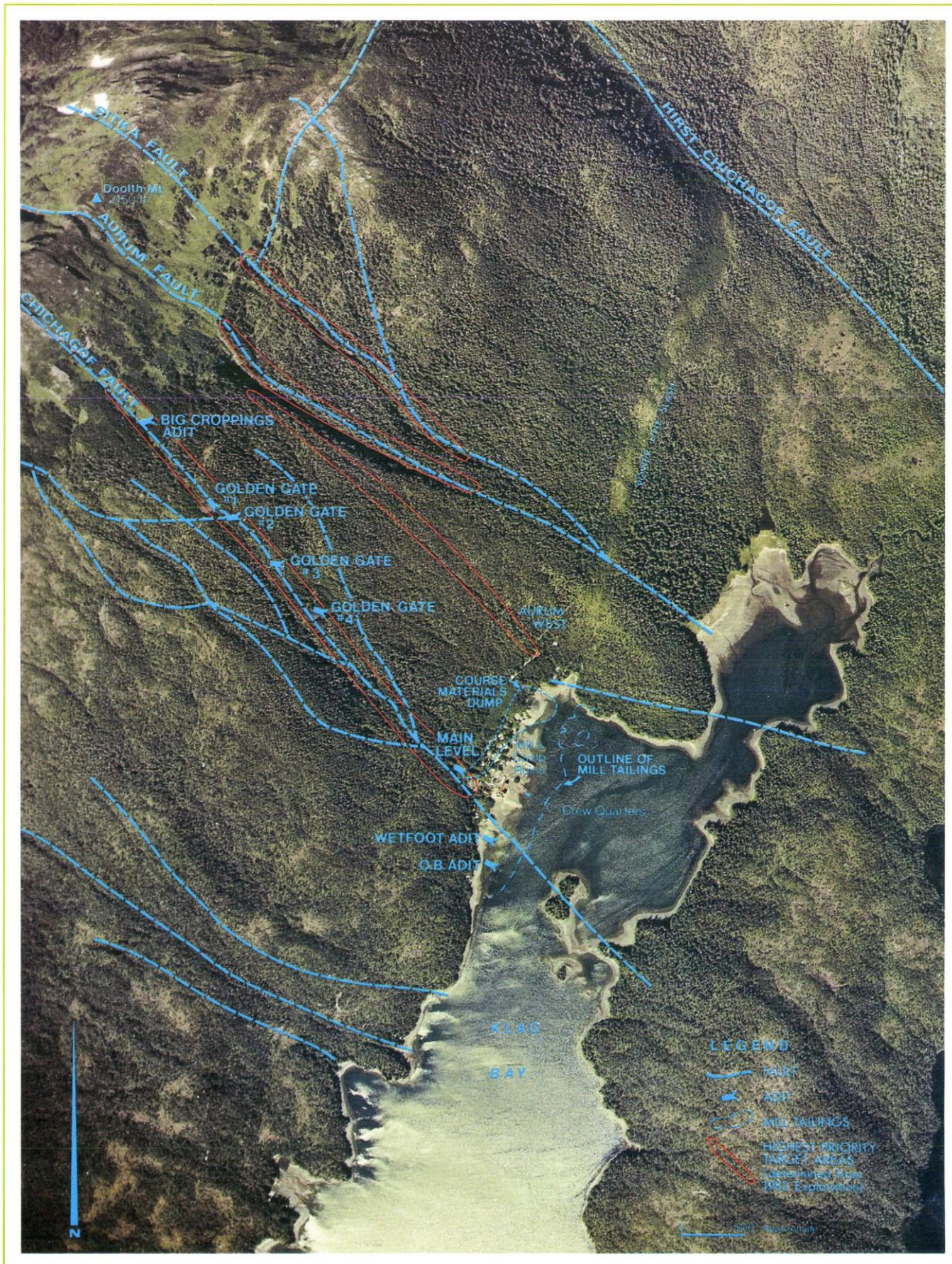
Mining equipment is carried at cost. Depreciation is provided once commercial production commences using the straight-line method at rates ranging from 4% to 10% per annum.

Oil and Gas Properties

The company follows the "successful efforts" method of accounting for its oil and gas properties whereby all costs relative to the acquisition of, exploration for and development of these properties are capitalized by field. Such costs include lease acquisition costs, geological and geophysical expenses, lease rentals on undeveloped properties, costs of drilling productive wells, and all technical expenses directly related to exploration and development activities. No gains or losses are recognized on the sale or disposition of properties except in circumstances which result in significant dispositions of reserves. Depletion of net capitalized costs is charged to operations on a unit-of-production method based on estimated recoverable reserves, by field. Costs associated with dry holes and abandonments are charged to operations.

Revenue recognition

Revenues from the sale of refined metals are recognized when legal title passes to the buyer.

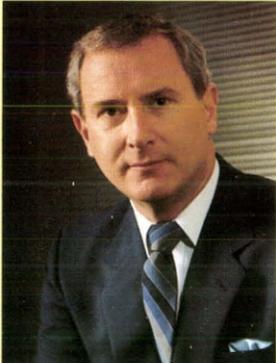




GORDON C. GUTRATH



JAMES H. FOREMAN



LAUCH F. FARRIS



JOHN A. McLALLEN



PATRICK M. REYNOLDS



JAMES B. REDPATH



DONALD D. SHARP



RICHARD C. ATKINSON



MERVYN K. COFFIN



Head frame at the Gold King-Imperial Mine (Don Makela painting).

ANNUAL MEETING
 To be held on Thursday, May 24, 1984, 2:30 p.m. in the Vancouver Island Room, Hotel Vancouver, 900 West Georgia Street, Vancouver, B.C. An audio/visual presentation will be made and a Reception with Directors and Officers will follow the Meeting.

Back Cover:
 Air photo of Chichagof Mine showing mill site, main adits and vein structures.

Corporate Profile

Directors

RICHARD C. ATKINSON
Chairman of the Board
Energex Minerals Ltd.

MERVYN K. COFFIN
Secretary and Treasurer, Canada
Tungsten Mining Corporation Limited

LAUCH F. FARRIS
President, Fargo Oil Corporation

JAMES H. FOREMAN
President, Canada Tungsten Mining
Corporation Limited

GORDON C. GUTRATH
President and Chief Executive Officer,
Queenstake Resources Ltd.

JOHN A. McLALLEN
Chairman of the Board, Queenstake
Resources Ltd.

JAMES B. REDPATH
Chairman of the Board, Canada Tungsten
Mining Corporation Limited

PATRICK M. REYNOLDS
Vice Chairman, Queenstake Resources Ltd.

DONALD D. SHARP
Vice President, Finance and Secretary
Queenstake Resources Ltd.

Officers and Senior Employees

JOHN A. McLALLEN
Chairman of the Board

GORDON C. GUTRATH
President and Chief Executive Officer

DONALD D. SHARP
Vice President, Finance and Secretary

BEVERLY D. DOWNING
Assistant Corporate Secretary

GEORGE B. PHELPS
Exploration Manager, U.S.,
Tucson, Arizona

WAYNE LERNER
Manager, Yukon Placer Operations,
Whitehorse, Yukon

CLARENCE WENDT
Project Development Manager,
Denver, Colorado

JOHN HINER
Project Manager,
Reno, Nevada

Committees of Directors:

1. Executive Committee
2. Audit Committee
3. Compensation Committee

Capitalization

10,000,000 shares authorized
—no par value
4,490,200 issued

Solicitors

DuMoulin, Black
1004, 595 Howe Street
Vancouver, B.C. V6C 2T5

Auditors

Deloitte Haskins & Sells
2000 - 1055 Dunsmuir Street
Vancouver, B.C. V7X 1P4

Bank

Toronto Dominion Bank
839 West Hastings Street
Vancouver, B.C. V6C 1C5

Registrar & Transfer Agent

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

Subsidiary

Queenstake Resources (U.S.A.) Inc.

Listings

Vancouver Stock Exchange
Toronto Stock Exchange
Ticker Symbol for both exchanges is QTR

Corporate Offices

Registered, Records and Head Office:
900 - 850 West Hastings Street
Vancouver, B.C. V6C 1E1

Yukon Placer Office:
#5 Juniper
Whitehorse, Yukon Y1A 4W8

U.S. Exploration Offices:
P.O. Box 13658
Tucson, Arizona 85732-3658

11628 Quivas Circle
Denver, Colorado 80234

3435 Indian Lane
Reno, Nevada 89506



Queenstake's Executive Committee (left to right):
Jim Foreman, Lauch Farris, Gordon Gutrath.

Queenstake Resources Ltd. Report to the Shareholders

The directors are pleased to present the sixth Annual Report of your Company together with the audited financial statements for the year ended December 31, 1983.

In 1983, Queenstake made significant improvements in its gold dredging operation at Clear Creek, Yukon, resulting in a 150% increase in gold production over 1982, while decreasing total operating costs. This operation is now one of the lowest cost per ounce gold producers in North America. The acquisition and exploration of the Black Hills placer gold project in late 1982 allowed for early equipment acquisition and a full production season in 1983 resulting in recovery of 60% of preproduction capital in the first year of operation. The Sixty Mile placer gold project was acquired in early 1983. Camp and support facilities were constructed, an extensive drilling program completed and a bulk sampling unit installed. Gold recovery from the successful bulk test covered operating costs and full scale production is planned for 1984. Queenstake's Yukon gold production is projected to increase by approximately 20% in 1984.

In 1983, Queenstake's hardrock base greatly expanded with acquisitions such as the Quartz Hill, Montana silver property, the Mt. Hamilton, Nevada gold-silver property and the Mt. Tobin, Nevada silver-gold property. Each of these projects has been advanced by the 1983 programs with encouraging exploration results. One of the most significant acquisitions of 1983 was the Chichagof, Alaska gold mine project where an extensive surface and underground exploration program combined with diamond drilling has determined tailings reserves and a potential ore shoot zone plus numerous gold targets for additional exploration in 1984.

Our technical group has expanded with exploration staff now based in Vancouver, B.C.; Whitehorse, Yukon; Reno, Nevada; Denver, Colorado; and Tucson, Arizona. Our operating and exploration staff at Duncan, Arizona are continuing to develop the Gold King-Imperial Mine and explore for additional gold-silver prospects in New Mexico and Arizona. Queenstake's team of highly skilled explorationists is continuing to evaluate promising mineral properties in Western Canada and the United States with the expectation of more successful project acquisitions in 1984.

In 1983, Queenstake expended approximately \$4 million to increase its resource property and equipment investment to a total of \$14 million. As of December 31, 1983 working capital was \$2.5 million. The Company's 1984 capital expenditures on existing projects have been budgeted at \$3 million which can be provided from existing working capital and operating cash flow. However, since Queenstake is planning a very active program of mineral project acquisition in 1984, additional private or public equity financing may be sought, depending on market strength.

For the next several years, growth in the exploration and development of the Company's mineral properties will be financed by steadily growing operating cash flows, joint participation with other companies and new equity financings. With new exploration targets, additional funding and a growing team of mine finders, Queenstake anticipates rapid growth for its mining operations.

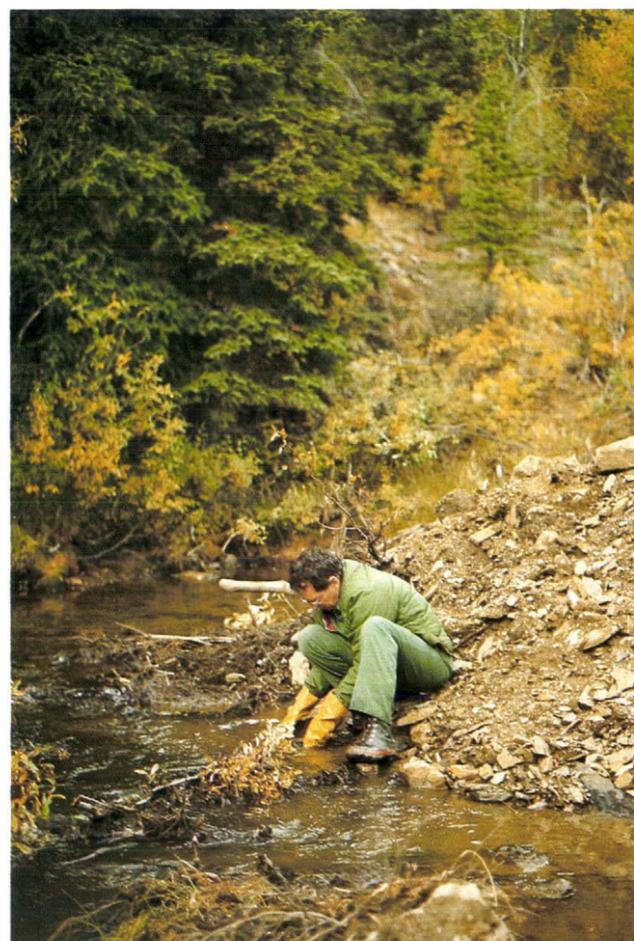
The Company is now entering a phase of its development where it can commence the payment

of a sustainable dividend. The Board of Directors has resolved that, depending on the success of current operations, payment of an initial dividend will be considered at the conclusion of the 1984 gold production season.

On behalf of the Board of Directors I thank Queenstake's employees, shareholders and industry associates for the efforts and support that have provided these opportunities for growth.



Gordon C. Gutrath
President & Chief Executive Officer
April, 1984



Gordon Gutrath pan sampling at the Sixty Mile site.

Exploration, Property Acquisition and Production — Strategy for Growth

Queenstake's growth strategy has been to fund a significant proportion of the capital cost of acquiring ore reserves and production equipment through cash flow from relatively small placer mines and silica flux operations.



Exploration drilling in the Sixty Mile River area during 1983.

The steady growth in placer production to 8,075 fine ounces in 1983 has admirably met this funding requirement. The Company is now expanding this placer base to 10,000 ounces in 1984 with a further increase projected in 1985 (based on present property holdings). Several additional Yukon and Alaska properties are now being reviewed for near term production and the Paradise project in Northern California has excellent potential as a year-round producer.

Queenstake's target is to bring further properties into production in 1985 to add to its scheduled gold production. This could be met by the addition of two northern projects or alternatively by a successful start-up of a year-round project such as the Paradise Placer.

The growing cash flow from the placer expansion is projected to fund a major portion of the capital for hardrock projects such as Chichagof or Argus which have near or mid-term production potential.

1983

	Industry Segments			Consolidated Total
	Corporate Investments	Mining	Oil & Gas	
Total revenues	\$ 250,902	\$ 4,177,504	\$ 155,883	\$ 4,584,289
Segment operating earnings (loss)	250,902	1,719,209	(135,318)	1,834,793
General and administrative expenses				(367,783)
Income taxes				(455,000)
Net earnings				1,012,010
Identifiable assets	2,288,430	12,178,006	1,241,530	15,707,966
Capital expenditures		3,742,431	35,182	3,777,613
Depreciation and depletion		630,494	187,558	818,052

1982

Total revenues	\$ 659,851	\$ 1,017,243	\$ 189,711	\$ 1,866,805
Segment operating earnings (loss)	659,851	(52,940)	(80,406)	526,505
General and administrative expenses				(305,429)
Income taxes				(106,083)
Net earnings				114,993
Identifiable assets	3,601,022	9,038,545	1,473,284	14,112,851
Capital expenditures		2,451,654		2,451,654
Depreciation and depletion		210,325	116,209	326,534

Geographic Segments

1983

	Geographic Segments		Consolidated Total
	Canada	United States	
Total revenues	\$ 4,408,397	\$ 175,892	\$ 4,584,289
Segment operating earnings (loss)	1,971,355	(136,562)	1,834,793
General and administrative expenses			(367,783)
Income taxes			(455,000)
Net earnings			1,012,010
Identifiable assets	10,329,221	5,378,745	15,707,966

1982

Total revenues	\$ 1,677,094	\$ 189,711	\$ 1,866,805
Segment operating earnings (loss)	606,911	(80,406)	526,505
General and administrative expenses			(305,429)
Income taxes			(106,083)
Net earnings			114,993
Identifiable assets	10,507,307	3,605,544	14,112,851

6. SHARE CAPITAL

Authorized - 10,000,000 common shares without par value
Issued and outstanding:

	Number of Shares	Amount
Balance at December 31, 1981	4,420,200	\$12,311,122
Issued in 1982		
In exchange for a mineral property	6,000	11,700
For stock options exercised	25,000	15,000
Balance at December 31, 1982	4,451,200	12,337,822
Issued in 1983		
In exchange for mineral properties	25,000	100,875
For stock options exercised	14,000	23,250
Balance at December 31, 1983	4,490,200	\$12,461,947

The company has an employee incentive stock option plan. Options outstanding under this plan are as follows:

December 31, 1983		
Year Exercisable	Number of Shares	Average Exercise Price
1984	107,000	\$2.06
1985	34,000	\$2.36
1986	32,000	\$2.41
1987	17,000	\$3.10
	<u>190,000</u>	

Options not exercised in a year may be carried forward for exercise in a subsequent year with a maximum option term of five years from the year of grant.

Employee share purchase loans arise from options exercised. They are interest free and repayable by various dates to 1989. The shares are held in trust as security.

7. INCOME TAXES

The company's effective tax rate differs from its statutory tax rate primarily because of the effects of earned depletion and resource allowances.

8. EARNINGS AND CASH FLOW PER SHARE

Earnings and cash flow per share are based on the average number of shares outstanding during the respective years. The potential dilutive effect of the options outlined in Note 6 is not significant.

9. RELATED PARTY TRANSACTIONS

Canada Tungsten Mining Corporation Limited which owned approximately 44% of the outstanding shares of the company at December 31, 1983 (45% at December 31, 1982) participated in several agreements and operations with the company including an option to acquire interests in certain mining claims and leases under which option payments of \$100,000 (1982 — \$125,000) were made to the company.

10. SEGMENTED INFORMATION

The classes of business of the company have been determined on the basis of its principal areas of investment — Corporate Investments, Mineral Properties and Oil and Gas Properties. Identifiable assets by class of business are those assets that are used in the company's operations in each class. Corporate investments are principally cash, temporary cash investments, employee share purchase loans receivable and other assets.

Information by class of business and geographic area as at December 31, 1983 and 1982 and for the years then ended are as follows:

For the next two years, Queenstake management believes there is an excellent opportunity to acquire advanced precious metal exploration properties at relatively low cost. As the market for these properties becomes tighter it may be possible to obtain exploration/development funding through farm-outs on highly leveraged terms.

If this strategy is successful, Queenstake will achieve increased cash flow from a higher precious metals production rate sustained by an extensive exploration property and metal reserve base. The Company's objective is to achieve this growth with minimum equity dilution while commencing to pay a percentage of cash flow as a sustainable dividend.

produced making Clear Creek one of the lowest cost Canadian gold producers.

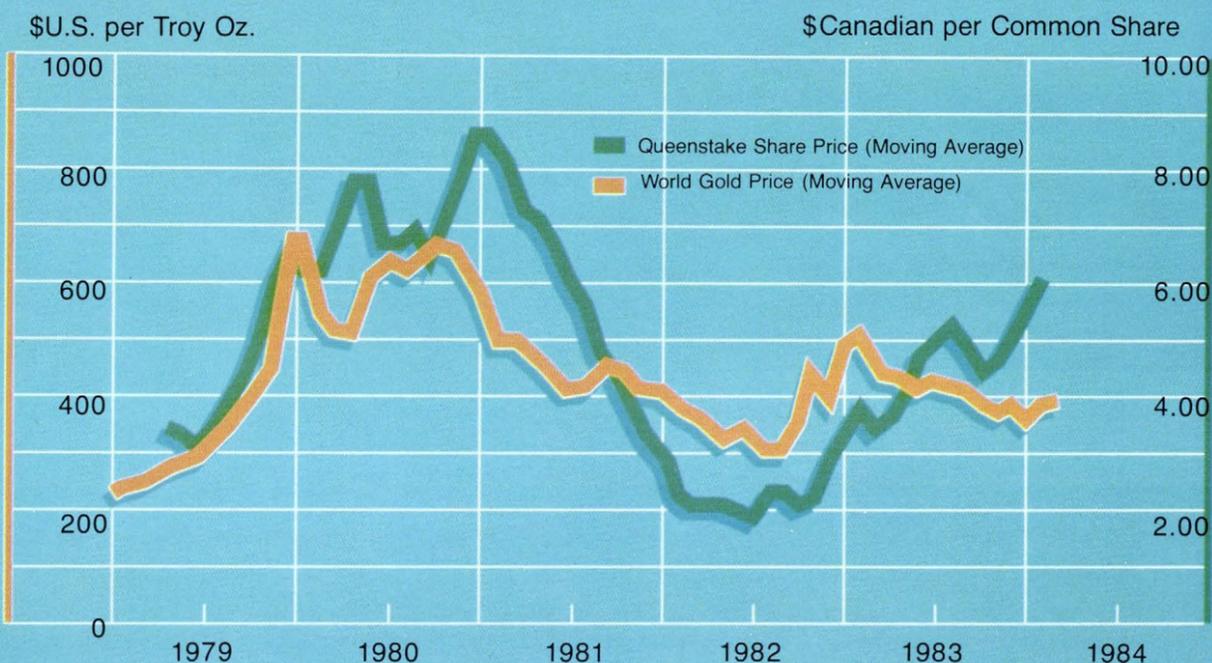


Operating dredge at Clear Creek in 1983.

1983 Highlights

- Production of gold from the Clear Creek dredge operation more than doubled from 1,650 fine ounces in 1982 to 4,232 ounces in 1983 while operating costs decreased from \$863,803 to \$697,000. This resulted in 1983 cash production costs of \$165 (\$130 U.S.) per ounce of gold
- Production for the first year of operation from the Black Hills placer mine was 2,886 ounces of fine gold. Capital costs to place the mine into production were \$1.1 million and 1983 operating cash flow was \$580,000. Additional mining equipment has been acquired to increase 1984

QUEENSTAKE SHAREPRICE AND WORLD GOLD PRICE



production capacity by 20% over the 1983 mining rate.

- The Sixty Mile placer operation was a combined drill exploration and bulk sampling program. The bulk sampling bulldozer sluice box operation produced 957 fine ounces of gold. The exploration results indicate that the reserves are adequate to support a full scale mining operation commencing in 1984.
- The acquisition of the Paradise Placer gold property in northern California gives the company a unique opportunity to develop a year round placer mining operation. The land position is very large, covering portions of a number of well known and previously mined Tertiary gold bearing gravel channels with potential grades from 0.10 to 0.25 ounces of gold per cubic yard. These channels are mined by underground methods resulting in minimal land disturbance and associated environmental problems.
- Completion of a contract with Phelps Dodge's Morenci Smelter for supply of precious metals bearing silica flux from the Gold King-Imperial

mine in New Mexico resulted in a period of mine production in late 1983. Production started in relatively higher grade material than is typical for the mine and ongoing production will be dependent on improved precious metal prices. Anaconda Minerals Company is now proceeding to evaluate the possibility of high grade bonanza ore at depths in accordance with a Queenstake-Anaconda option agreement reached in March, 1984. Under this agreement, Anaconda must spend \$3 million to acquire a 51% interest in the property.

- The 1983 exploration program completed on the Chichagof property outlined 430,000 tons of tailings grading 0.10 ounces of gold per ton. Two diamond drill holes intersected a potential ore shoot at the Big Croppings quartz vein zone. This and 13 other gold targets are outlined for continued exploration in 1984.
- Quartz Hill, Montana, silver property: Option to acquire 60% of project from Homestake Mining Company. Three Queenstake drill holes intersected a blind mineralized shoot that has a weigh-

Revenues

Revenues from metals and hydrocarbon production are net of royalties and treatment charges.

Revenues from the sale of metals are recognized when legal title passes to the buyer. Settlement adjustments arising from final determination of metal weights and assays are reflected in sales when received. Sales include gains and losses arising from forward sales contracts.

Placer preparation costs

Production preparation costs of operating placer properties and related overhead charges (including depreciation) are charged to earnings over the year in which they are incurred.

2. INVENTORIES

	December 31, 1983	December 31, 1982
Gold	\$ 17,978	\$ —
Supplies and materials	200,000	100,000
	<u>\$ 217,978</u>	<u>\$ 100,000</u>

3. INVESTMENT IN CANYON RESOURCES, INC.

The investment in Canyon Resources, Inc. is in excess of the company's share of the net assets of that company by an amount (December 31, 1983 — \$142,200; December 31, 1982 — \$160,000) which represents technical expertise being amortized on a straight-line basis over ten years. The amortization is included in the company's share of loss of Canyon Resources, Inc. in the Consolidated Statement of Earnings and Retained Earnings.

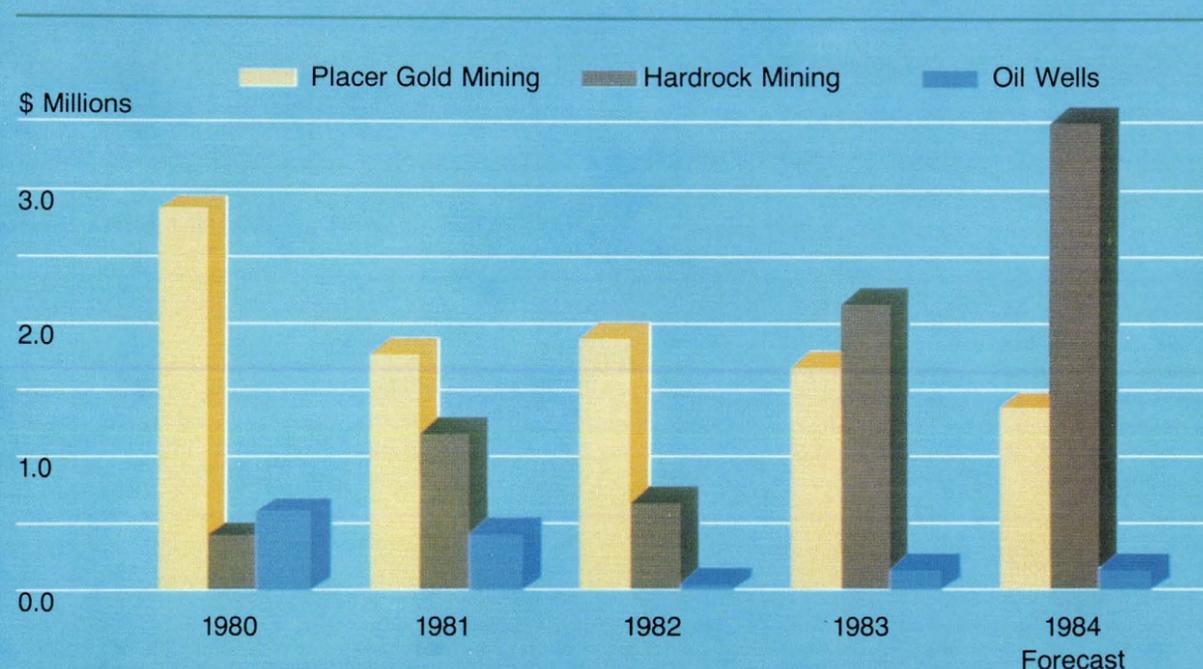
4. RESOURCE PROPERTIES AND EQUIPMENT

	December 31, 1983	December 31, 1982
Mineral properties		
— operating	\$ 4,781,766	\$ 3,861,019
— exploration and development	4,537,259	2,561,884
Mining equipment		
— operating	2,637,805	1,470,770
— exploration and development	632,086	1,172,868
Oil and gas (operating) properties	1,336,981	1,301,799
Office equipment	126,476	92,052
	<u>14,052,373</u>	<u>10,460,392</u>
Accumulated depletion and depreciation	1,404,797	566,160
	<u>\$12,647,576</u>	<u>\$ 9,894,232</u>

5. AGREEMENTS PAYABLE

Dredge purchase agreements (\$294,000 at December 31, 1983 and December 31, 1982) are payable at a rate of 5% of the company's net profits (after recovery of all capital and operating costs) from mineral properties on which the company may operate the dredges, with any unpaid amount due by December 10, 1990. No amounts are expected to be payable within the next twelve months.

RESOURCE INDUSTRY INVESTMENTS



Queenstake Resources Ltd.
Notes to the Consolidated Financial Statements
Year Ended December 31, 1983

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements include the accounts of the company's wholly-owned subsidiary, Queenstake Resources (U.S.A.) Inc.

Joint Venture Accounting

Some of the company's mining exploration and development activities and its oil and gas activities are conducted jointly with others. These financial statements reflect only the company's proportionate interests in such activities.

Foreign currencies

Accounts maintained in U.S. dollars have been translated into Canadian dollars as follows:

- (a) Current assets and current liabilities — at the rate of exchange prevailing at the balance sheet dates.
- (b) Non-current assets including depreciation and depletion — at exchange rates prevailing at the time of acquisition.
- (c) Revenues and other expenses — at exchange rates prevailing on the dates of the transactions.

Gains and losses on translation are included in the cost of resource properties, as these amounts are not significant.

Inventories

Inventories of gold are valued at the lower of the average cost of production and net realizable value. Inventories of supplies and materials are valued at approximate average cost.

Investment in Canyon Resources, Inc.

The investment in Canyon Resources, Inc. is accounted for using the equity method.

Mineral properties and other related assets.

The company accounts for its mineral properties whereby all costs (including overhead charges) relative to the acquisition of, exploration for and development of these properties are capitalized by property. For this purpose, the placer gold properties in the Yukon River Basin area are treated as one property. All sales and option proceeds received are first credited against the costs of the related properties, with any excess credited to earnings. No gains or losses are recognized on the partial sale or disposition of properties except in circumstances which result in significant dispositions of reserves. Once commercial production has commenced, these net costs are charged to future operations on a unit-of-production method based on estimated recoverable reserves, by property. The net costs related to abandoned properties are charged to earnings.

Mining equipment is carried at cost. Depreciation is provided using the straight-line method at annual rates ranging from 4% to 20%. No depreciation is provided on mining equipment until put into use for either exploration, development or production purposes.

Oil and gas properties

The company follows the "successful efforts" method of accounting for its oil and gas properties whereby all costs relative to the acquisition of, exploration for and development of these properties are capitalized by field. Such costs include lease acquisition costs, geological and geophysical expenses, lease rentals on undeveloped properties, costs of drilling productive wells, and all technical expenses directly related to exploration and development activities. No gains or losses are recognized on the sale or disposition of properties except in circumstances which result in significant dispositions of reserves. Depletion of net capitalized costs is charged to future operations on a unit-of-production method based on estimated recoverable reserves, by field. Costs associated with dry holes and abandonments are charged to earnings.

ted average silver content of approximately 15 ounces per ton over a true width of eight feet. The structure is open on both ends and at depth, and there are a number of other drill targets on the property with similar potential.

- Mt. Hamilton, Nevada, gold-silver property: An exploration program outlined several Carlin type gold-silver mineralized targets. An initial 10 hole drill program is planned in 1984 to test the geologic model for these targets.
- Mt. Tobin, Nevada, silver-gold property: An exploration program completed on this property in late 1983 resulted in three silver-gold exploration targets. In February, 1984 the property was optioned to First Mississippi Corporation who must spend \$310,000 (U.S.) to acquire a 51% working interest in the project.
- Argus Gold, California, gold property: In March, 1984 Anaconda terminated their option of this property. Queenstake is evaluating the Anaconda data and in particular the Ruth Mine that was acquired by Anaconda as part of the Argus property group. The Ruth Mine was the largest gold producer in the district and Queenstake is now exploring this mine. Through the Anaconda option period Queenstake continued to carry out a detailed geological analysis of this project and combined with the Anaconda work has a much better understanding of the Argus Gold deposit. This work has outlined five major drill targets and a number of lesser targets.

• Dublin Gulch-Mar Agreement property: In 1983 Canada Tungsten carried out an extensive stripping program on the placer gold reserve block at Dublin Gulch. They continued to evaluate the Mar hardrock tungsten deposit with emphasis on maximization of tungsten recovery.

• A low cost program of oil well development on existing properties has been successful in 1983. Canyon Resources Inc., in which Queenstake has 12-1/2% equity interest, has had steady progress in continuing to develop its waterflood projects and to obtain project funding to carry out its programs.

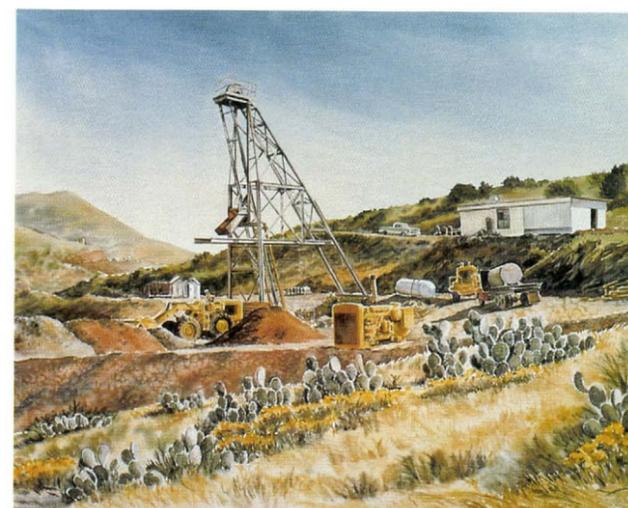
Financial Review and Outlook

In 1983, Queenstake invested \$3.8 million in resource properties and equipment, funded by \$2.4 million of cash flow from operations, \$0.3 million of net option payments and share issues and a working capital drawdown of \$1.1 million. Resource investments now aggregate \$12.6 million (net book value) comprised of \$11.5 million mining and \$1.1 million oil and gas.

At December 31, 1983, the Company's cash reserves were \$2.1 million. 1984 cash requirements for the seasonal startup of the Clear Creek, Black Hills Creek and Sixty Mile River placer operations are estimated at \$1.0 million. Apart from new project acquisitions, it is anticipated that cash flow from operations will fund all mine exploration and development costs for the coming year.

Placer gold revenues are projected to increase again in 1984, with the first year of full production from the Sixty Mile River operation and with production improvements at Black Hills Creek from acquisition of new, larger production equipment. If gold prices hold steady at present levels it is expected that cash flow and operating earnings will increase in 1984.

The Company is presently negotiating joint venture financing for a number of mining projects in the acquisition or exploration phases. Depending on the success of these negotiations and of acquisition efforts currently underway, Queenstake may also issue further share capital in 1984 to fund asset growth. Whatever the financing method, 1984 will see increased investment in the mining development sector of the Company.

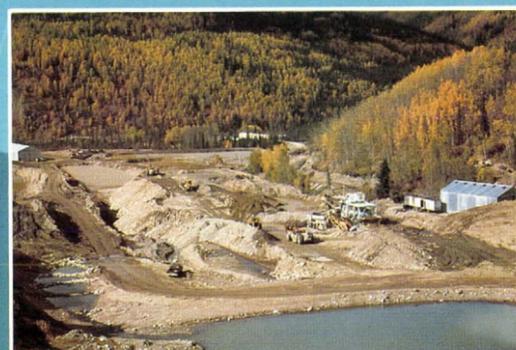


Painting of the head frame installed in 1983 at the Jim Crow Mine, by B.C. artist, Don Makela.

YUKON PLACER GOLD PROPERTIES



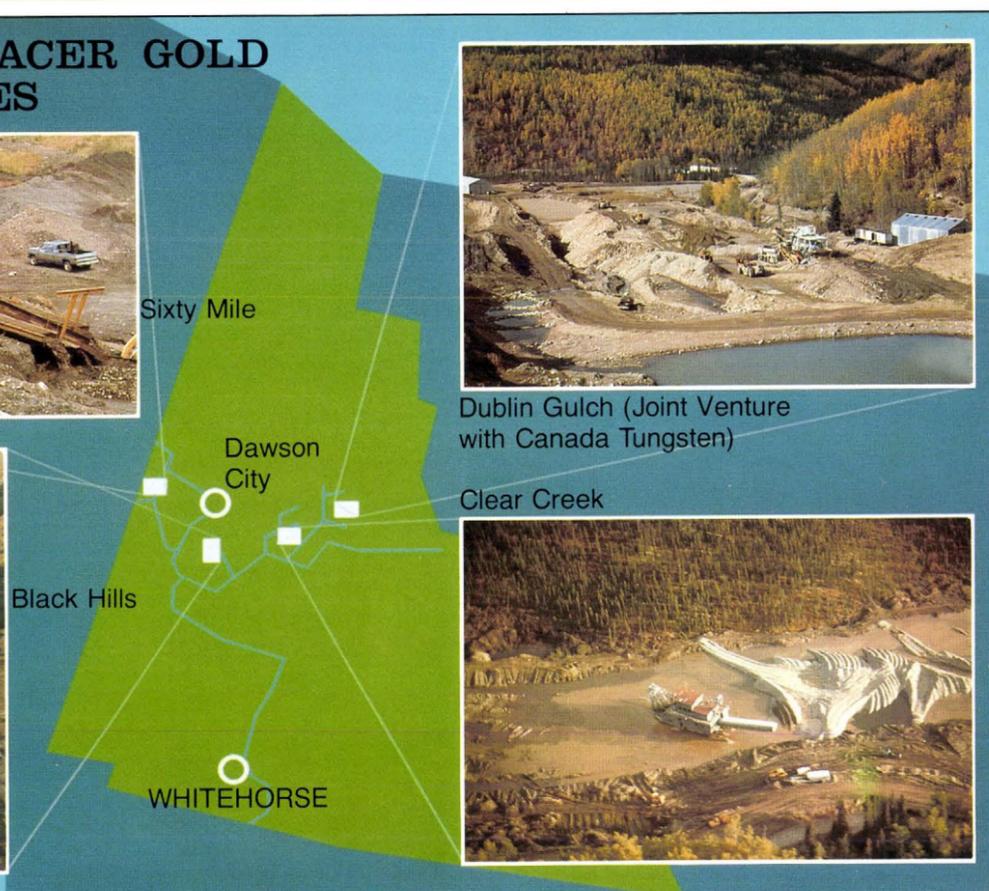
Sixty Mile



Dublin Gulch (Joint Venture with Canada Tungsten)



Black Hills



Dawson City

Clear Creek

WHITEHORSE



Clear Creek, Yukon

In 1983, Queenstake mined 5,250 oz. of raw placer gold with its bucketline dredge at Clear Creek, yielding 4,232 ounces of fine gold for production revenues of \$2.13 million.

An ongoing series of improvements in the mechanical and recovery system of the dredge, combined with systematic grade control resulted in a dramatic increase in gold recovery in 1983 while increasing the reserve life of the Clear Creek project. A very successful program of reserve development ahead of the dredge, including the removal of 300,000 cubic yards of overburden, resulted in three years of reserves now stripped and prepared for production. There are now an estimated 7 years of dredging reserves remaining at Clear Creek.

Cost controls have been a priority of Mr. Wayne Lerner, Manager of the dredge operation. In 1983, the direct operating costs at Clear Creek



Alex Band welding protective plate onto the spud. Two hours of maintenance a day keeps the dredge running in top condition.

Queenstake Resources Ltd. Consolidated Statement of Changes in Financial Position

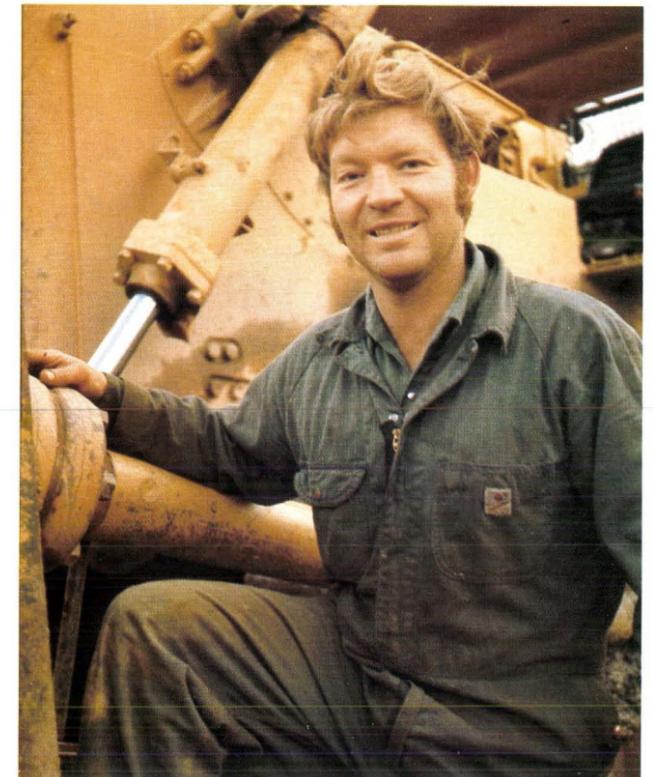
	Year Ended December 31,	
	1983	1982
Funds provided		
From operations		
Net earnings	\$ 1,012,010	\$ 114,993
Items not affecting working capital		
Depreciation and depletion	818,052	326,534
Deferred income taxes	455,000	106,083
Share of loss of Canyon Resources, Inc.	34,460	57,310
Resource properties abandoned	43,052	—
Funds provided from operations	2,362,574	604,920
Issue of shares	124,125	26,700
Employee share purchase loans	36,050	—
Resource property costs recovered	163,165	62,015
	<u>2,685,914</u>	<u>693,635</u>
Funds applied		
Expenditures on resource properties and equipment	3,777,613	2,451,654
Employee share purchase loans	—	15,000
Other assets	63,673	—
	<u>3,841,286</u>	<u>2,466,654</u>
Decrease in working capital	(1,155,372)	(1,773,019)
Working capital, beginning of year	3,703,088	5,476,107
Working capital, end of year	\$ 2,547,716	\$ 3,703,088

Queenstake Resources Ltd.
Consolidated Statement of Earnings and Retained Earnings

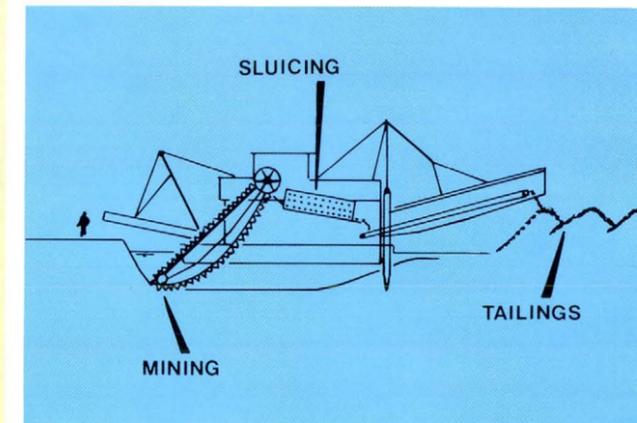
	Year Ended December 31,	
	1983	1982
Revenues		
Gold sales	\$ 4,034,180	\$ 892,243
Oil sales	155,883	189,711
Interest	250,902	659,851
Mineral property options	100,000	125,000
Management fees	43,324	—
	<u>4,584,289</u>	<u>1,866,805</u>
Costs and expenses		
Direct operating	1,853,932	956,456
Depreciation and depletion	818,052	326,534
General and administrative	367,783	305,429
Resource properties abandoned	43,052	—
	<u>3,082,819</u>	<u>1,588,419</u>
Operating earnings before income taxes	1,501,470	278,386
Provision for income taxes (Note 7)	455,000	106,083
Operating earnings	1,046,470	172,303
Share of loss of Canyon Resources, Inc.	34,460	57,310
Net earnings	\$ 1,012,010	\$ 114,993
Per share (Note 8)		
Net earnings	\$ 0.23	\$ 0.03
Cash flow (funds provided from operations)	\$ 0.53	\$ 0.14
Retained earnings, beginning of year	\$ 702,623	\$ 587,630
Net earnings	1,012,010	114,993
Retained earnings, end of year	\$ 1,714,633	\$ 702,623

were \$697,000. Operating costs per fine ounce of gold produced were \$165 (\$130 U.S.).

Mr. Lerner has also continued a policy of intensive on-going equipment maintenance. This program produced an average dredging time of 22 hours per day including all stops for maintenance, gold clean-ups and refueling. Replacement of the main gear and tumbler plus new bucket lips and trommel screens has ensured that the dredge will be in excellent operating condition for the 1984 mining season.



Wayne Lerner is Queenstake's Manager of Yukon Placer Operations and Dredgemaster at Clear Creek.



PLAN VIEW OF RESERVES AND OPERATION

Clear Creek



Ground Mined in 1983 by Queenstake Resources Ltd.
 Ground Mined in 1981 and 1982
 1984 Reserves
 Future Reserves

Black Hills Creek, Yukon

In September, 1982, Queenstake acquired a lease on a heavily drilled, well proven placer property located at Black Hills Creek, 60 miles south east of Dawson City, Yukon. During late 1982 the Company conducted a program of pit sampling which confirmed the extensive drilling data. Detailed mine plans were completed and the necessary equipment acquired to place Black Hills Creek in full production in 1983.

In 1983, 183,000 cubic yards were mined grading 0.016 ounces per cubic yard. Direct operating costs were \$820,000 resulting in a cost of \$4.48 (\$3.58 U.S.) per cubic yard mined and a cost of \$284 (\$227 U.S.) per fine ounce recovered.

In 1984, improvements are being made to the production and recovery equipment to increase productivity and reduce the cost per ounce of gold recovered. Equipment upgrading includes the acquisition of a new D9L Caterpillar bulldozer with much greater earth moving and ripping



Mike Hughes, Mine Manager at Black Hills, melts and pours raw placer gold into bars for shipment to the refinery.

PLAN VIEW OF RESERVES AND OPERATION

Black Hills Creek



Queenstake Resources Ltd. Consolidated Balance Sheet

	December 31, 1983	December 31, 1982
ASSETS		
Current assets		
Cash and term deposits	\$ 2,130,607	\$ 3,470,822
Accounts receivable	283,517	212,672
Inventories (Note 2)	217,978	100,000
	<u>2,632,102</u>	3,783,494
Employee share purchase loans (Note 6)	94,150	130,200
Investment in Canyon Resources, Inc. (Note 3)	270,465	304,925
Resource properties and equipment (Note 4)	12,647,576	9,894,232
Other assets	63,673	—
	<u>\$15,707,966</u>	<u>\$14,112,851</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 84,386	\$ 80,406
Agreements payable (Note 5)	294,000	294,000
Deferred income taxes	1,153,000	698,000
	<u>1,531,386</u>	<u>1,072,406</u>
SHAREHOLDERS' EQUITY		
Share capital (Note 6)	12,461,947	12,337,822
Retained earnings	1,714,633	702,623
	<u>14,176,580</u>	<u>13,040,445</u>
	<u>\$15,707,966</u>	<u>\$14,112,851</u>

Approved by the board of directors

Director

Director

Sixty Mile River, Yukon

In March, 1983, Queenstake acquired and optioned a total of seven miles of placer claims located on Little Gold and Big Gold Creeks in the Sixty Mile River area, 65 miles west of Dawson City, Yukon. During 1983 the company conducted an exploration drilling program on both creeks with the purpose of defining grade and future mining parameters. The estimated reserves based on the 1983 drilling program are 1.7 million cubic yards at an economic mining grade.

The Company also conducted a bulk testing program on Little Gold Creek which had been previously mined in the late 1940's. This program, which produced 957 fine ounces of gold, was conducted to determine the grade of various reserve blocks, to confirm drill results and to develop drainage and settling ponds for the 1984 season.

In 1984, improvements in the production machinery, a longer working season and better grade should enable the company to produce in excess of 2,500 ounces of gold from the Sixty Mile River project.

Bullion Creek, Northern British Columbia

The drill and surface exploration program on this property has indicated a very large basin structure containing thick sections of strataform low-grade lead-zinc-silver massive sulphide mineralization.

Queenstake has optioned this property to two mining companies who must conduct a \$275,000 exploration program on the property in 1984 to retain their interest. The Bullion creek property is being presented to major mining companies to obtain funding for the further evaluation of this very large exploration target.



Mining at Little Gold Creek.

Queenstake Resources Ltd. Consolidated Financial Statements and Auditors' Report to the Shareholders Year Ended December 31, 1983

**Deloitte
Haskins + Sells**

Chartered Accountants

Suite 2000
1055 Dunsmuir Street
P.O. Box 49279
Four Bentall Centre
Vancouver, B.C. V7X 1P4
(604) 669-4466
Telex 04-54414

Auditors' Report

To the Shareholders of
Queenstake Resources Ltd.:

We have examined the consolidated balance sheet of Queenstake Resources Ltd. as at December 31, 1983 and the consolidated statements of earnings and retained earnings and of changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1983 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Deloitte Haskins & Sells

Chartered Accountants
February 13, 1984

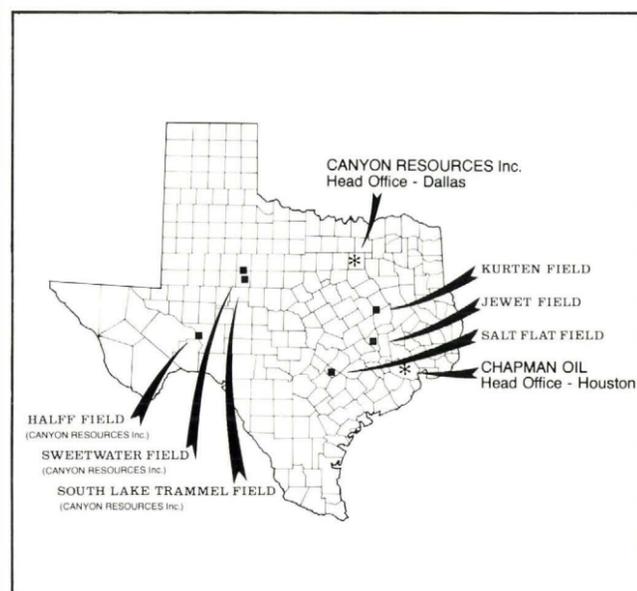
Canyon Resources, Inc.

The Company's primary petroleum asset is its 12.5% equity ownership in Canyon Resources, Inc. Since its inception in January of 1981 Canyon has conceived and financed three major secondary oil recovery projects. To date, the aggregate redevelopment funding that has been arranged is \$US 21.5 million and the gross target recoverable reserves are 6 million barrels of oil, which represents a redevelopment cost of \$US 3.58 per barrel of oil.

The most significant Canyon waterflood is the Halff Field in Crockett County, Texas. In 1983 Canyon completed the acquisition of 83% of the 3,000 acre Halff Field. Secondary oil reserves to be developed were initially estimated at 3,000,000 barrels.

Canyon's interest in the project is being funded through a 12% non-recourse loan which is provided by the AT & T Pension Fund. The funds approved are as follows:

— Field acquisition (83% W.I.)	\$US	4.35	MM
— Secondary recovery program		6.75	MM
— Contingency		1.00	MM
Total	\$US	12.10	MM



Canyon will operate the project and will earn a 3.75% net revenue interest upon completion of the waterflood, increasing to 31.875% upon repayment of the loan plus interest to the pension fund.

Queenstake is on the division order as a participant in this project and will directly receive production proceeds. Significant cash flow from this project is forecast to commence in 1986.

The next important Canyon waterflood is the South Lake Trammel reservoir, Nolan County, Texas, estimated to contain 2.5 million barrels of oil recoverable by infill drilling and waterflooding.

The two phase program is well advanced. An internal evaluation in January, 1984 has reestimated recoverable Phase I reserves to 750,000 barrels (up from 600,000 barrels previously calculated).

In addition to the development of the Halff Field and South Lake Trammel Field waterflood projects, Canyon is constantly reviewing secondary recovery opportunities with the intent of initiating one new program in each year. Canyon generally attempts to acquire depleted or partially depleted fields up to 5,000 acres in size. This size of reservoir is considered by Canyon to be optimum for their operations because the acquisition and redevelopment cost can usually be kept under \$10 million and these smaller reservoirs do not attract competition from the major oil companies.

Also in 1983, Canyon commenced a program of investment in primary oil and gas projects in Texas, Illinois and New Mexico to augment its ongoing secondary oil project cash flows.

Primary Investment in Oil and Gas Production

Queenstake continued to improve its small but steady cash flow producing wells. Successful reworking of a well in the Salt Flat Field near Luling, Texas and completion of six wells in the South Mula Pasture Prospect, in which Queenstake has a fractional participating interest, combined to offset declines in production from existing wells.

Dublin Gulch — Hardrock, Yukon

In 1983, Canada Tungsten's ongoing program of exploration on the Mar Tungsten deposit consisted of a small bulk sampling program for metallurgical testing purposes.

No reserve increases have been announced beyond the previously reported six million tons grading 0.8% WO₃.

Queenstake has a 20% carried interest in the Mar Agreement Area. Option payments are \$100,000 per year until a total of \$1,000,000 has been paid or a commitment 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.

Dublin Gulch — Placer, Yukon

The extensive drilling done on this project to date has indicated the presence of high grade gold and

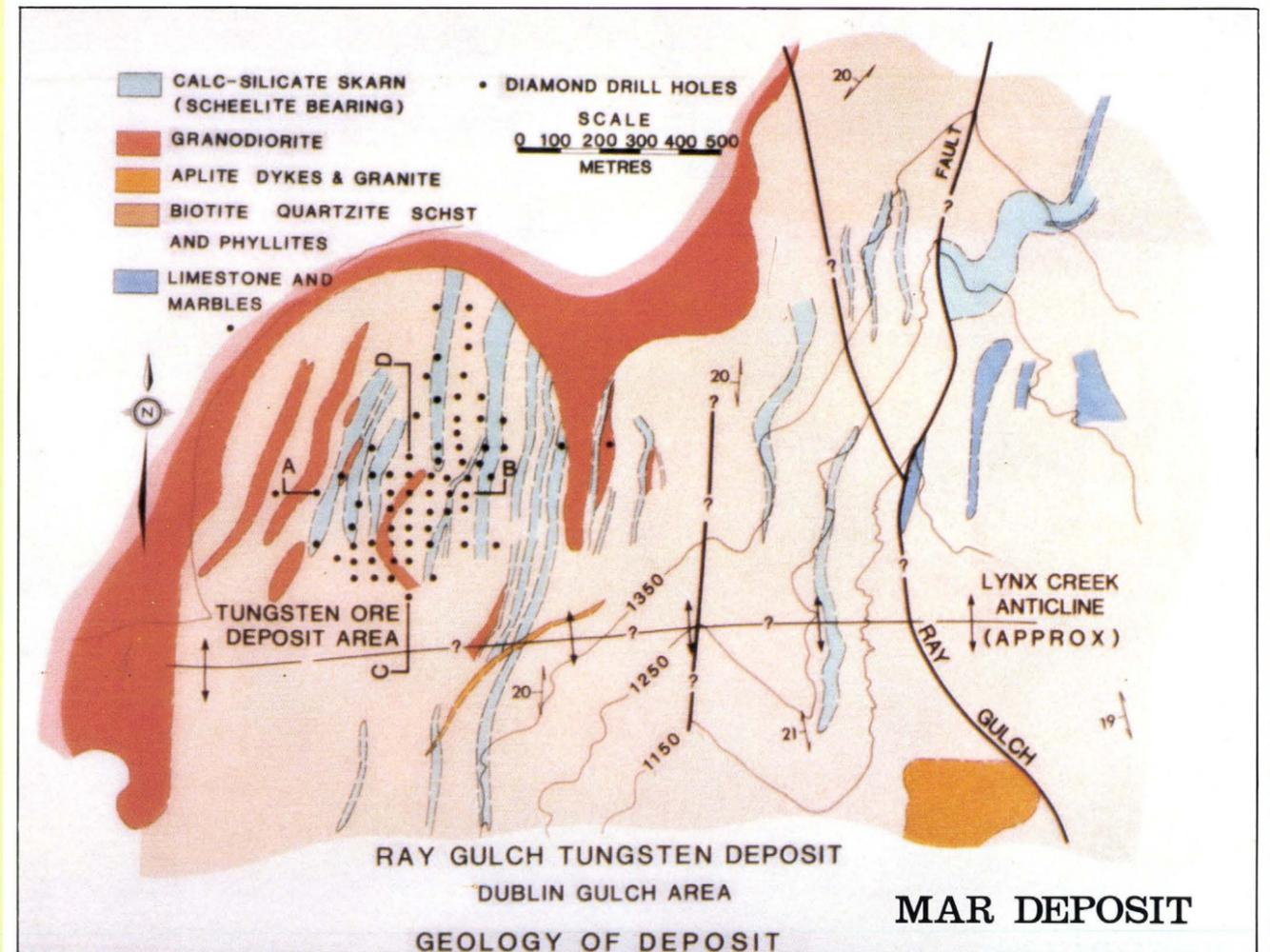
tungsten bearing reserves containing approximately 8,000 fine ounces of placer gold in 140,000 cubic yards of gravel.

In 1983 Canada Tungsten commenced a program to remove the overburden material in preparation for mining the gravels in 1984.

Queenstake has a 10% prepayment and 30% post payout net profit interest in this project.



In 1983, Canada Tungsten employed water monitors to remove overburden at Dublin Gulch.

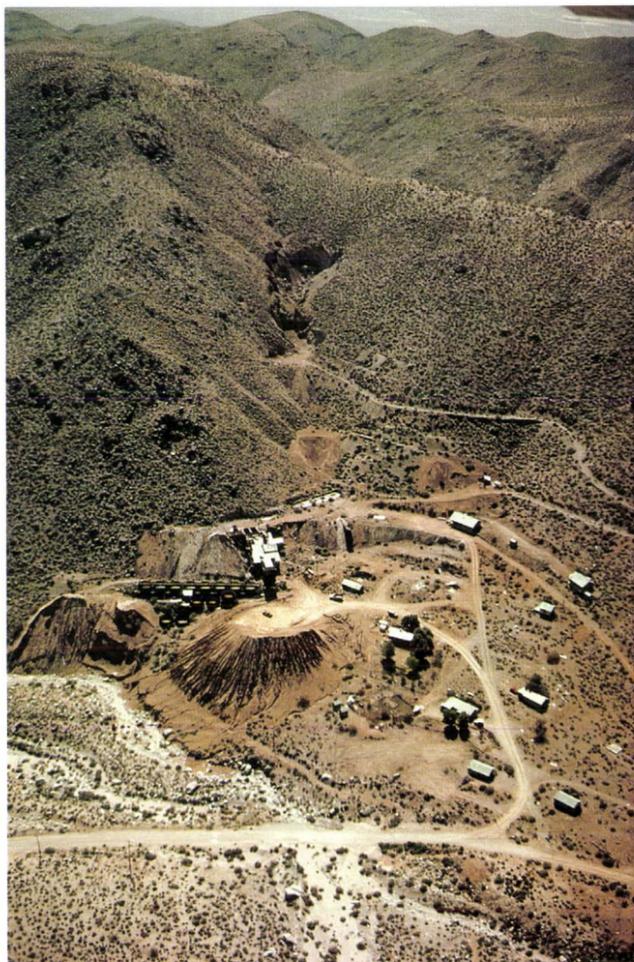


Argus Gold, California

On January 1, 1981 Queenstake acquired an option agreement on three properties covering the Argus group of gold mines northeast of Bakersfield, California. Over the next two years, the Company conducted a program of archive research, underground mine sampling and surface geological mapping and sampling. A mini-feasibility study was conducted by Harrison Western Corporation, a major U.S. mine development contractor.

The Argus Project lies in the Mohave desert precious metal belt. The major districts include Cerro, Darwin, Ballarat, Panamint, Kelly-Yellow Aster, Calico, Mohave and others. The Argus area lies near the middle of this belt. The known mineralized zones at the Argus cover an area several times larger than in most of the other districts.

Queenstake's properties in the Argus district include six mines with previous production, five of which had operating mills. There are numerous mine workings and prospects with established gold values and several small "test" mills. There are seven major gold bearing structures on the Argus properties and others are believed to be present. The Argus district was in production, mine development was being expanded, and the



Aerial view of the Ruth Mine. The underground workings have now been rehabilitated and sampled.



Makela painting of the Ruth Mill site.



Gheorghe Badaluta placing ore car on temporary rails for Paradise Placer testing program.

nel that will be exposed in these workings will be sampled in detail over the next two months. Additional work is being carried out on adjacent channels, and exploration is underway on the balance of the 12 sections presently under option by Queenstake.

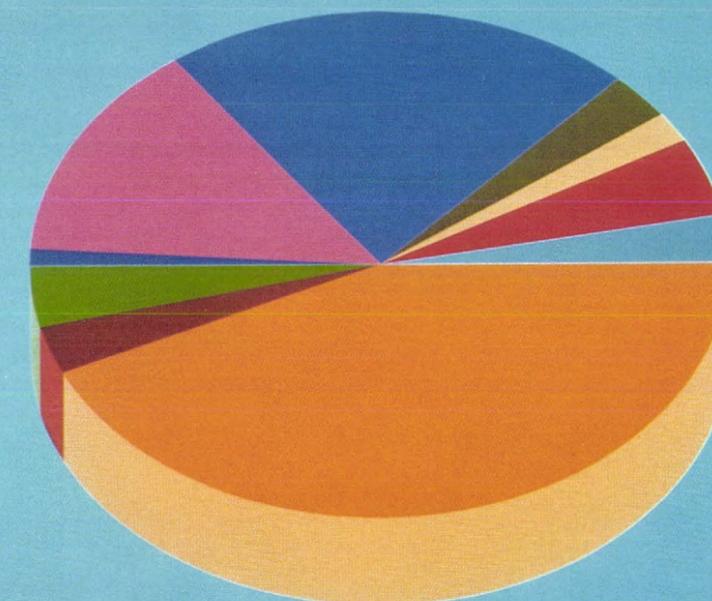
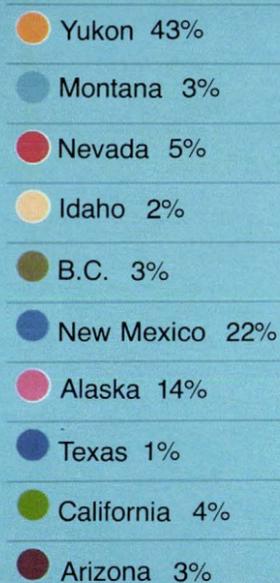
Compensation Mine, Arizona

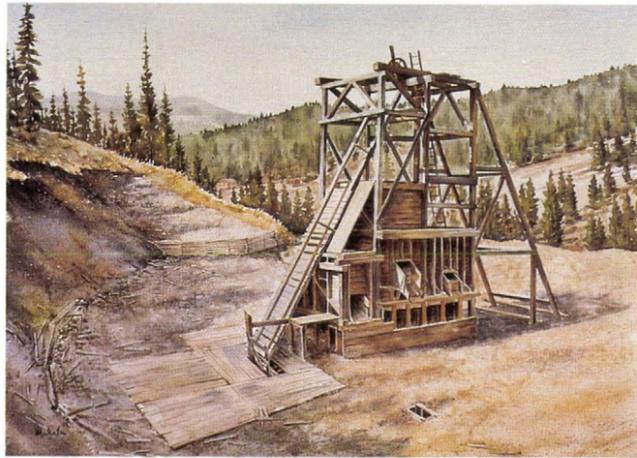
In 1980 through 1982, Queenstake explored the Compensation Mine property near Duncan, Arizona. A number of silica flux shipments were made to the Phelps Dodge, Douglas Smelter, during the period of high silver prices. In February, 1984, Fischer Watt entered into an agreement to acquire a 51% interest in the project. Fischer Watt drilled 7 reverse circulation holes and have reported that economic mineralization was not encountered. Queenstake is now evaluating all the exploration data to determine what additional work may be warranted.

Jack Thorne Mine, California

This gold prospect, near Fresno, California has been mapped and sampled in detail and has excellent exploration potential. We have now purchased the property outright, eliminating all royalties, and will commence a further exploration program in 1984.

GEOGRAPHIC DISTRIBUTION OF 1983 RESOURCE EXPENDITURES



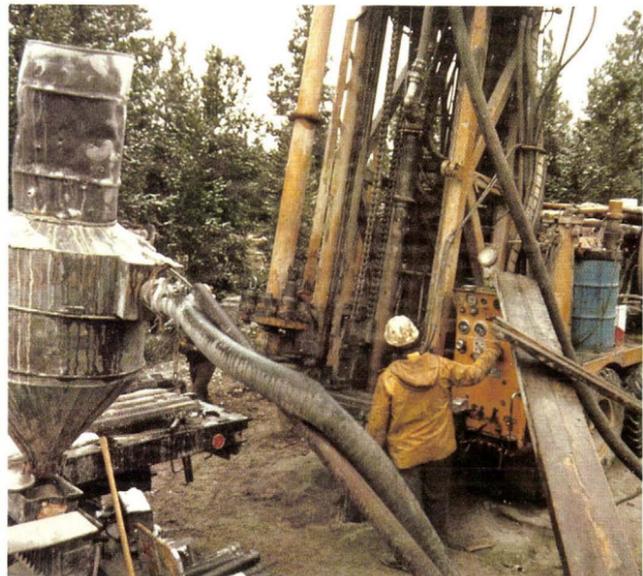


Head frame and ore bins at the Quartz Hill property, painting by Don Makela.

replacement bodies and fissure veins occurring in Paleozoic carbonates.

Queenstake's 1983 program was designed to test selected structures where significant silver mineralization had been encountered by Homestake. Queenstake's exploration program found similar mineralization between a 175 and 250 foot depth in a nearly vertical east-west trending quartz fissure vein.

Drilling by Homestake in 1982 intersected a blind structure in the northeastern portion of the claim block. Assays showed 12 to 20 feet of 15 to 20 oz/ton silver.



Drilling on silver veins at Quartz Hill.

The three Queenstake drill holes in this structure along a 225 foot strike length averaged 14.38 oz. silver per ton over a true width of 8.8 feet.

A 1984 drilling program is planned to test the limits of this well mineralized structure and to explore the numerous similar fissure veins within the property, many containing former mine workings.

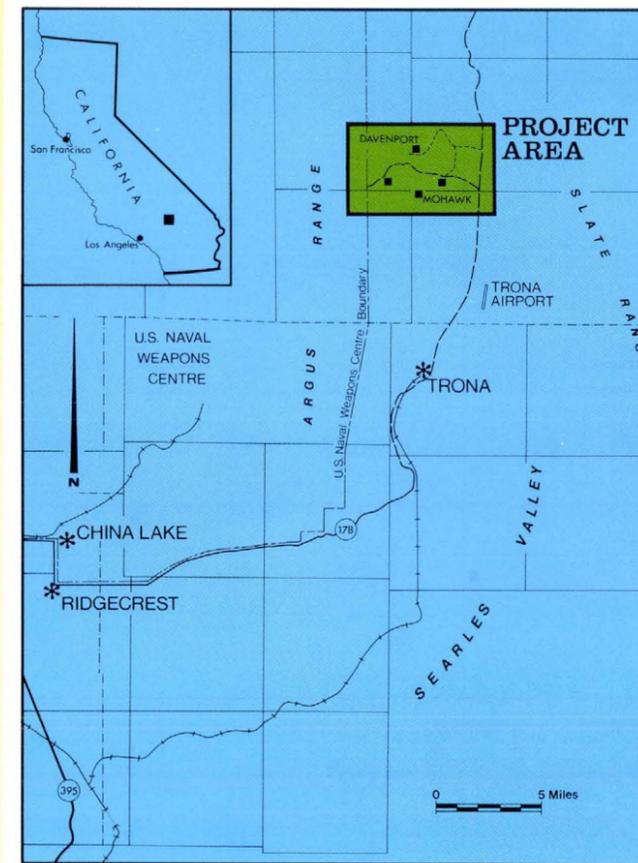
Paradise Placer, California

In early 1984, Queenstake entered into a lease option agreement for the mineral rights covering 12 square miles in Butte and Tehama Counties, California.

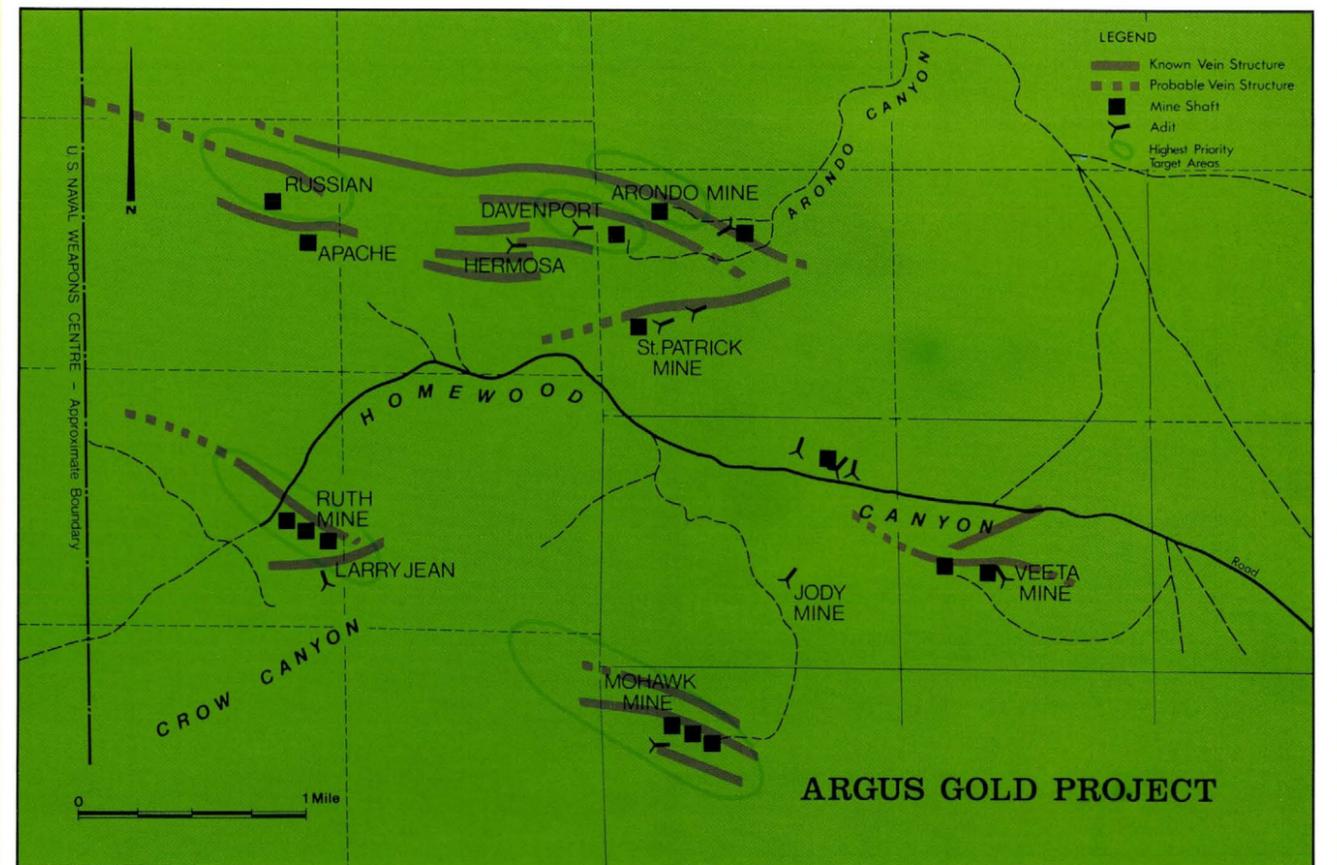


A number of the sections are underlain by placer and hardrock gold deposits that have been mined in the past. The Company's main efforts are being concentrated on a buried gravel channel of Tertiary age. This channel forms part of a much larger network of channels that have been extensively mined. Past production is reported to have averaged from 0.10 oz. to 0.25 oz. gold per cubic yard.

The rehabilitation of the John Dix tunnel and the Willis tunnel are on schedule. The Ohio Dix chan-



Drilling at the Arondo mine in 1983.



central Ruth mill was rebuilt and expanded in 1941 just before the War Production Board Order L 208 stopped all mining in the district. There has been no significant production in the district since the closure order.

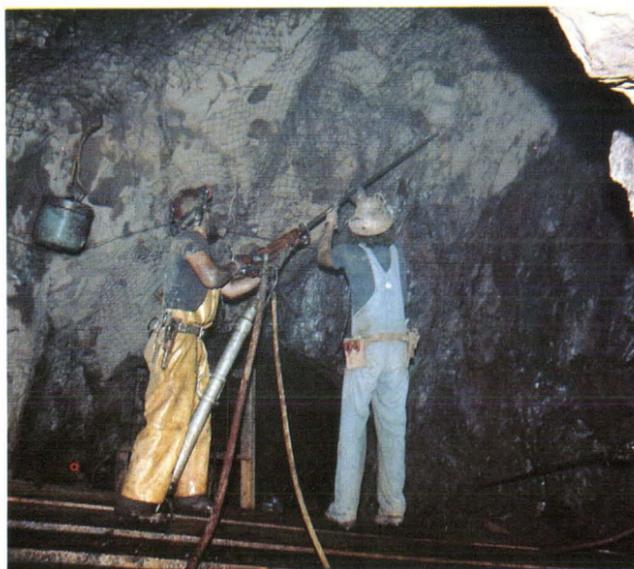
The Argus Project evaluation has included work programs by Queenstake and Anaconda Minerals Company and an intensive study by T.C. Page for a Masters Thesis program at the University of Nevada, Reno. The results of these programs and recent data acquisitions have been very favourable and have significantly increased the economic potential for the properties. In addition to increasing the probability for locating ore zones the recent work has defined the apparent ore controls for this area, and the same controls appear to be common to the other mining districts in the Mohave area. This recognition of ore controls will have a major effect in determining future drill targets at the Argus project.

This recent work which included test drilling by Anaconda resulted in the delineation of five major drill targets and several lesser targets. Mine rehabilitation has opened up the Ruth Mine lower levels for a mapping and sampling program. Anaconda declined to make the March, 1984 option payment and accordingly returned the Argus property to Queenstake, including all property acquired during the term of Anaconda's option.

Queenstake is presently conducting the mapping and sampling program on the Ruth Mine to define drill targets in the mine area. Depending on exploration results Queenstake may continue this program itself or seek joint venture participation.

Gold King-Imperial, New Mexico

During 1982, a program of underground development was continued on the Jim Crow vein with the reclamation of all of the Jim Crow workings. After the waste rock and old timber had been removed from the shaft and the mine pumped dry, a program of extensive underground sampling and assaying was conducted. This sampling verified that the remaining, unmined rock surrounding the main ore shoot grades an average of 7 oz. of silver and 0.2 oz. of gold per ton. Sufficient reserves were indicated above the developed levels to start silica flux pro-

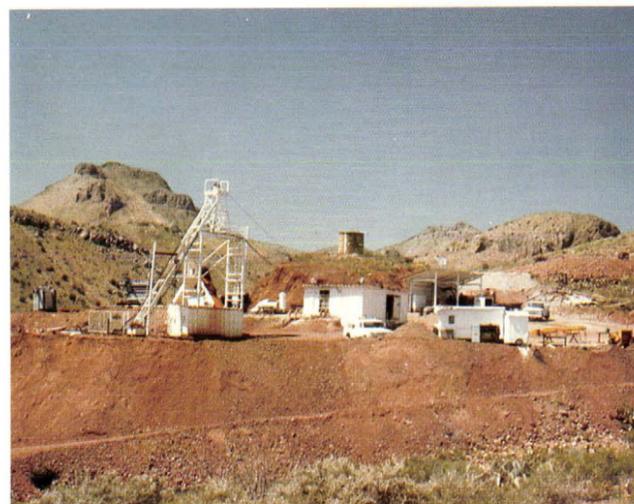


Setting rock bolts underground at the Gold King-Imperial Mine.

duction and a silica flux contract was signed in late 1983 with Phelps Dodge Corporation, Morenci Smelter Division.

Recent geological analysis indicates that the Gold King-Imperial vein system is in the upper levels of an epithermal system and that the vein may produce higher grade and wider structures at depth. Sulphide nodules contained in the vein breccias are of very high grade (several hundred ounces of silver and several ounces of gold per ton). There is support for a theory that these nodules have been carried upward in the system by the boiling fluids and are indicative of a possible high grade bonanza zone at greater depth.

In March, 1984, Queenstake entered into an ag-



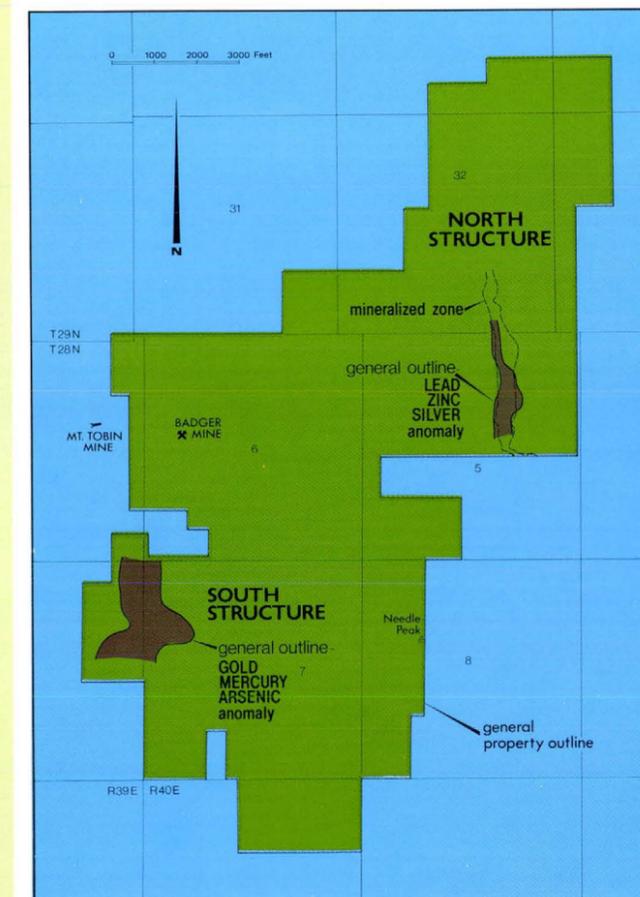
Hoist and surface facilities for the Imperial incline shaft.

Mt. Tobin, Nevada

In August, 1983, Queenstake acquired an option to earn a 100% interest in the Mt. Tobin property located near Winnemucca, Nevada (158 unpatented claims) by funding a phased exploration program.

Queenstake's late 1983 exploration work has delineated four areas of distinctly anomalous precious metal and trace element concentrations. Results of work done on two of the four anomalous areas are particularly encouraging:

1) South Structure — a north-trending hydrothermally altered zone with coincident anomalous values of mercury, arsenic, antimony and gold and the existence of old workings in which stoping occurred suggests that this structure is a high-level indication of precious metal mineralization.



2) North Structure — geochemical sampling across a mineralized zone has outlined a coincident lead-zinc-silver anomaly ranging in width from 100 to 450 feet over a possible strike

length of as much as 3000 feet. The mode of occurrence and the type of alteration and mineralization suggest a volcanogenic origin.

Recommendations include more detailed surface and underground work on the South Structure, fill-in sampling plus detailed mapping on the North Structure and evaluation of the other two anomalous areas as well as ongoing exploration of the balance of the property.



John Hiner, Project Manager, staking claims at Mt. Tobin.

On February 24, 1984, Queenstake entered into an option agreement with FRM Minerals (First Mississippi Corporation) under which FRM Minerals can earn 51% of Queenstake's interest in the Mt. Tobin property by spending \$310,000 U.S. in a phased program of property exploration.

Quartz Hill, Montana

In June 1983, Queenstake acquired an option to earn a 60% interest in the 278 patented and unpatented Quartz Hill Claims (approximately 4500 acres) from the Homestake Mining Company ("Homestake") by spending \$75,000 for exploration during 1983, continuing the exploration program at an annual rate of \$100,000 and delivering a production feasibility report to Homestake on or before June, 1990. The Quartz Hill property is 23 miles southwest of Butte, Montana.

The Quartz Hill district was discovered in the late 1800's and has produced over 1 million ounces of silver and 1,000 ounces of gold from high-grade

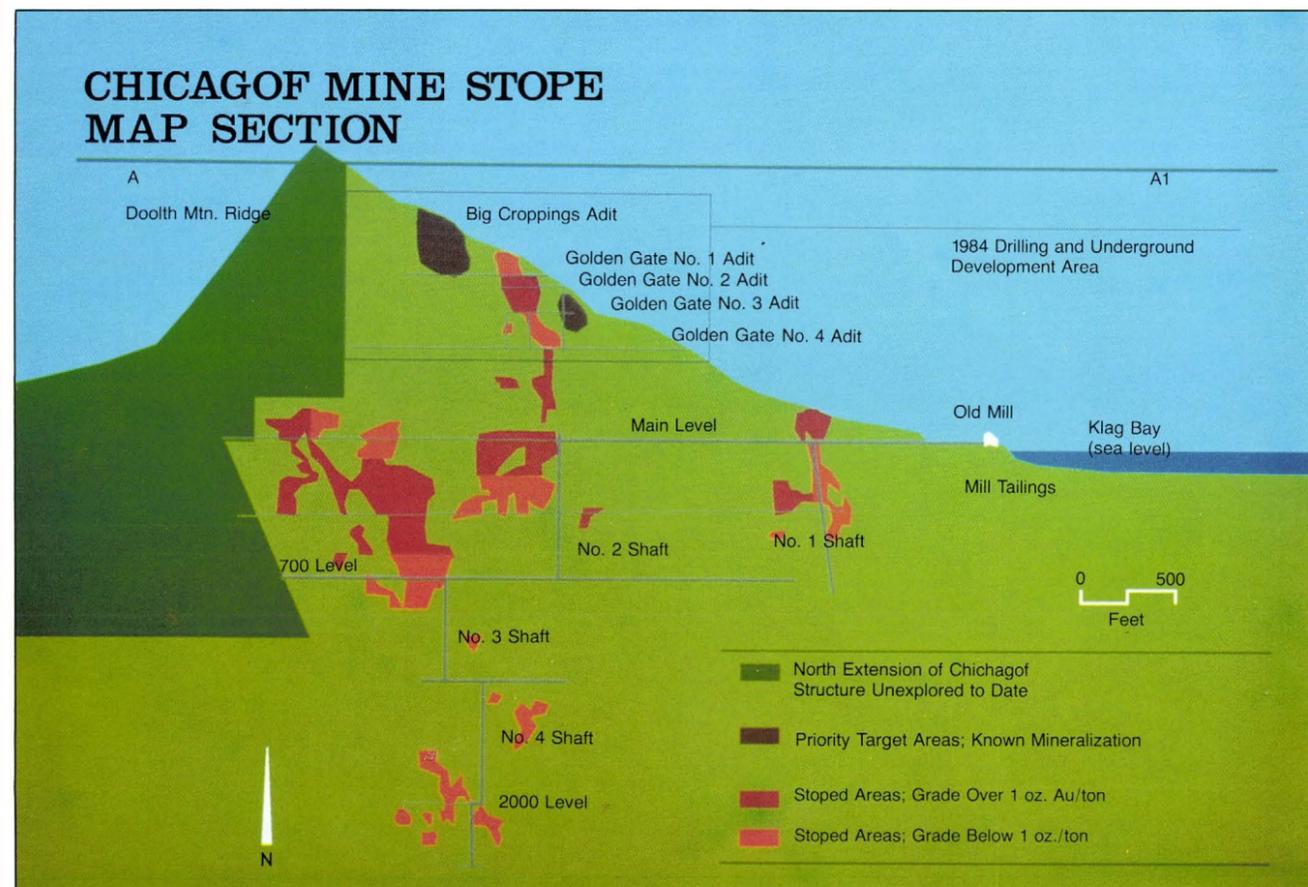
The 1983 surface geological mapping, trenching and geochemical program has outlined 14 gold exploration targets. Four of these are high priority targets.

One of these exploration targets, the Big Croppings vein zone has been intersected in two drill holes across the normal Chichagof mining width of 4 feet and grading 0.40 oz. gold per ton. On surface this zone has been traced for 500 feet, averages 8 feet thick and grades 0.21 oz. gold per ton. These grades and widths suggest these vein segments indicate the lower grade margins of a typical high grade Chichagof ore shoot. Additional surface and underground drilling is planned in mid 1984 to continue the exploration of this shoot.

A two phase exploration program including 20,000 feet of diamond drilling, underground development and metallurgical testing is proposed with the objective of establishing sufficient reserves to warrant a production feasibility study.



John Ruckmick and John B. Hite manage the Chichagof exploration program.



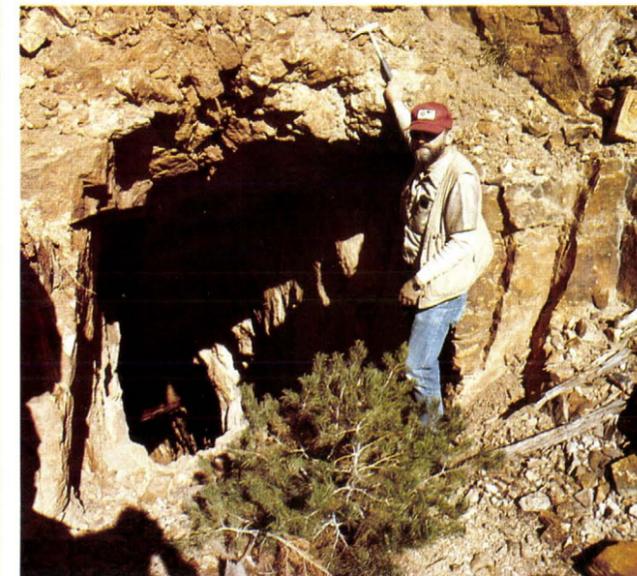
reement with Anaconda Minerals Company whereby Anaconda can acquire a 51% interest in the property by making \$3 million of exploration and development expenditures on the property over the next three years. Queenstake retains advance recovery of its present investment from future production proceeds plus a 49% participating interest in the property after Anaconda has fulfilled its option requirements.

Idaho Gold Prospect, Idaho

Queenstake and Western Resources, Inc. (an Idaho company) have acquired 5000 acres of mineral claims in the Neal Mine District east of Boise, Idaho. This is a relatively small precious metal district that saw very high grade gold production from the Neal Mine at the turn of the century. Numerous gold prospects are located along a 10 mile structurally controlled belt. The Queenstake Western Joint Venture has now acquired various located claim blocks and fee land. Land acquisition and geological investigation will be continued in the most favourable gold mineralized target areas in 1984.

Mt. Hamilton, Nevada

By an agreement dated July 5, 1983, Queenstake has acquired an option to earn a 50% working interest in a Nevada gold and silver prospect owned by Phillips Petroleum Company (Minerals Group) of Denver, Colorado.

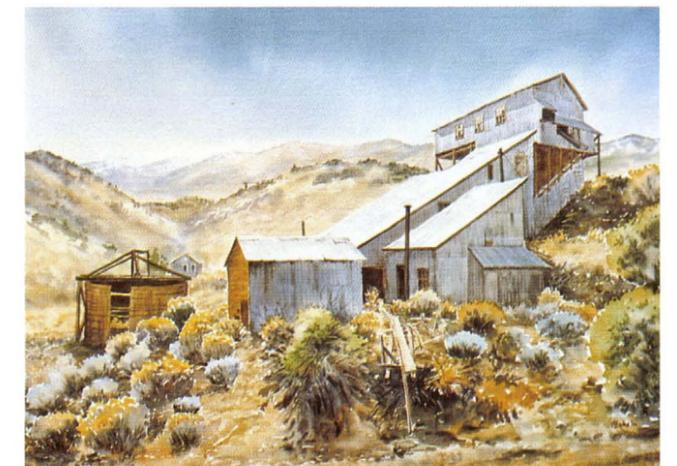


Clancy Wendt, Project Development Manager, inspecting an old adit on Mt. Hamilton.

Queenstake must file assessment work, undertake certain work commitments and complete \$200,000 (U.S.) of mineral exploration work by June, 1986 to exercise this option.

The Mt. Hamilton project occurs within the White Pine Mining district that was discovered in the 1860's. Over 20 to 25 years of production the district produced in excess of 20 million ounces of silver. By 1888 work had all but ceased with only sporadic exploration and production. As the price of silver began to increase, interest in the district was renewed.

In the immediate Mt. Hamilton prospect area, only shallow workings are present which produced minor quantities of silver, tungsten and copper as the principle metals. The areas around the Seligman and Monte Cristo stocks had been originally examined for their porphyry copper potential. Drilling has indicated three separate zones of molybdenum, gold and copper mineralization associated with the Monte Cristo stock. Between 1970 and 1982 Phillips Petroleum drilled 63 holes with a total footage of 127,000 feet exploring skarn-hosted tungsten-molybdenum mineralization.



Makela painting of old mill at Mt. Hamilton.

During 1983 Queenstake drilled 2 exploratory holes and carried out a surface program of geological mapping and geochemical sampling. This recent work has indicated that the area has good potential for sediment hosted, epithermal disseminated gold deposits, similar to the Carlin-Alligator Ridge type deposit. A ten hole drill program has been recommended to evaluate these targets in 1984.

Chichagof Gold Mine, Alaska

Queenstake has a joint venture for the exploration and development of the Chichagof Mine in southeastern Alaska. During the early 1900's this mine produced approximately 600,000 tons of very high grade ore grading an average of 1.2 ounces of gold per ton.

The 1983 exploration program included a first phase of rehabilitation and sampling of underground workings, surface vein sampling, rock geochemical studies and analysis of waste dumps and vibra-drilling of the stamp mill tailings. A diamond drilling program was carried out on the property in late 1983.

The drill results of the tailings indicate reserves of 430,000 tons. Limited sampling in 1983 indicated a grade of 0.085 oz. of gold per ton while previous, more extensive sampling done in 1980 and 1981 by the U.S. Bureau of Mines and independent consulting geologists indicates a minimum grade of 0.10 oz. gold per ton.



1. Looking southwest along Klag Bay with the Chichagof mill site in the foreground.

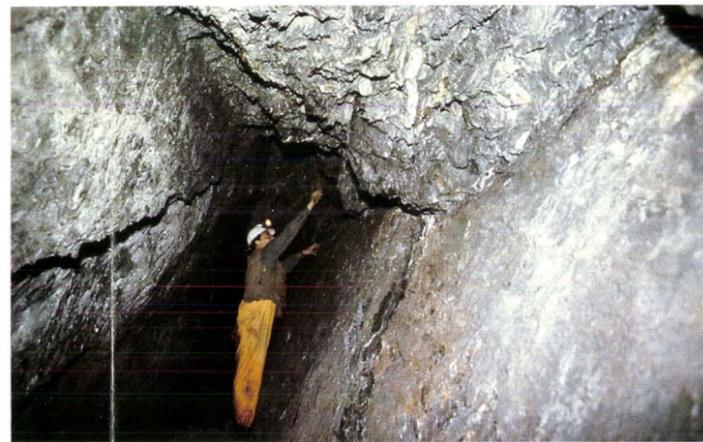
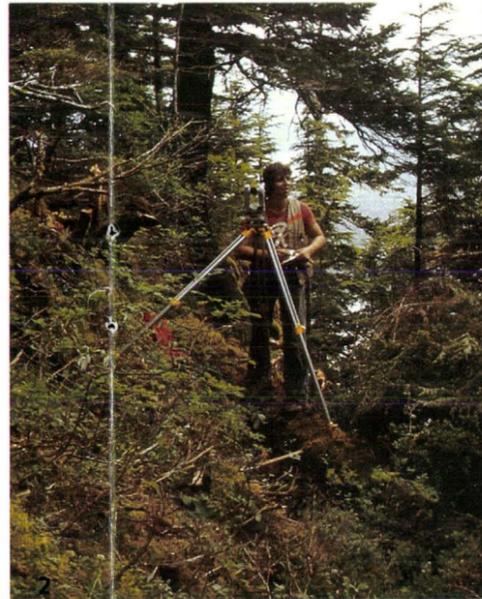
2. Bruce Rittel, Mine Technologist, surveying Chichagof baseline.

3. John C. Hite and Bruce Rittel sampling the stamp mill tailings with a raft mounted vibrasonic drill.

4. Gordon Gutrath sampling underground in the Chichagof workings.

5. Sampling the Sitka structure.

6. The Chichagof mine and mill in 1938, then a town of 300 miners and families.



PLAN VIEW SHOWING PROPERTY AND THE EXTENSIVE VEIN STRUCTURES





MAYFLOWER HOTEL

OVERLOOKING BEAUTIFUL LIBRARY PARK

535 SOUTH GRAND AVENUE
LOS ANGELES · CALIFORNIA

3/15

March 23rd.

Dear Ned

Have just returned from
Dr. Rickelto's office and have
heard all about his prospect
near Yuma. You are probably
familiar with the arrangements
for an examination of the
property by yourself sometime
within the next ten days.
While you are on the
property Dr. Rickelto wants me
to go over there for a day
or two and size up in
a general way the geologic relations
and the possibilities for ore.



MAYFLOWER HOTEL

OVERLOOKING BEAUTIFUL LIBRARY PARK

535 SOUTH GRAND AVENUE
LOS ANGELES · CALIFORNIA

Therefore, after you reach the property and have a chance to size up the nature of the examination job advise my wife by wire to my Berkeley address when I should come down. I will probably be on the water here but will keep in touch with Margaret and she can relay your message to me. If possible arrange to have your truck at Yuma to meet me. As soon as I receive your wire I will wire to Western Union, Yuma

"SEE AMERICA FIRST"



MAYFLOWER HOTEL

OVERLOOKING BEAUTIFUL LIBRARY PARK

535 SOUTH GRAND AVENUE
LOS ANGELES · CALIFORNIA

the date of my arrival.
Have had a great trip
during the past ten days
visiting Burbank, Goldfields,
Silver Peak, and Kernville.
Spent an interesting evening
with Dick Hunt at Triunfo
and heard much dope on
the silver situation from
the U.S. Smelting angle.
Have a great deal to
talk over with you and
am looking forward to
this unexpected chance
to get together. No use

"SEE AMERICA FIRST"



MAYFLOWER HOTEL

OVERLOOKING BEAUTIFUL LIBRARY PARK

535 SOUTH GRAND AVENUE
LOS ANGELES • CALIFORNIA

writing in all down since
I will see you soon,
give my best to
Alice and remember
to throw in an extra
blanket or two for your
old Smas capsule.

Sincerely

Vin.

COPY

2669 Le Conte Avenue
Berkeley, California
April 9, 1936

Dr. L. D. Ricketts
Pacific Southwest Bldg.
Pasadena, California

Dear Dr. Ricketts:

I visited the North Star Mine seventy miles north-east of Yuma, April 4th-7th, and examined the various surfaces and underground workings with Mr. Mulchay, who is engaged in detailed geologic mapping and sampling of the mine. Providing Mulchay's samples of accessible exposures generally check the values reported on the old mine maps and records, the property should supply ore for a profitable small (50-100 ton per day) milling operation.

The mineralized zone is localized along a steep dipping contact between fine grained rocks, probably part of the Precambrian schist series, on the footwall, and Tertiary volcanic rocks, chiefly andesite porphyry and agglomerates, on the hanging wall. These rocks are steeply tilted so that the contact and the bedded volcanics at the surface strike approximately east-west and dip 60-70° north. A band of fine grained rhyolite, probably intrusive, is parallel and in part coincident with the contact zone. Other irregular rhyolite areas were observed at the surface immediately north of the mine workings. The contact between schists and the volcanic rocks is characterized by intense brecciation with fragments of andesite, agglomerates, rhyolite and schist. Mineralization, comprising silicification and several stages of quartz with minor amounts of calcite and fluorite, is definitely confined to short irregular shoots within the breccia zone. These shoots vary from a few feet to twenty five feet wide and one hundred to two hundred feet long. Strong parallel clay gouges often define the limit of the mineralization and indicate later recurrent movement and strike faulting along the mineralized zone.

The Main North Star ore body is reported to have produced over one million dollars in gold. Judging from the size of the tailing pile and the underground stopes, it is evident that this important production must have come from a very

limited tonnage, probably between 30000 and 40000 tons. These figures indicate a recoverable grade of \$30.00 to \$35.00 per ton. A. B. Rogers, manager during the operation, states that with costs of \$11.00 per ton no low grade ore was run through the mill. The stoped area is not continuous but is separated by short irregular pillars that were evidently lower grade. Moreover, extending west of No. 1 Stope, there is a strong unstoped lateral extension of the vein, partly developed by crosscuts and drifts on the 200 level. No. 1 Stope is 80 feet long at the 200 level, and below this section there is no stoping, thus indicating a possible block of ore below the level. The main stope, called No. 3 Stope on the mine maps, has been carried to the 500 level. Below No. 3 Stope there is a small amount of development to the 800 level, but since the present water level is a few feet below the 300 level, there is no information on what happens to the ore shoot with depth. The presumption is that it bottoms, although obvious lack of development on the deep levels, which, judging from material on the dumps, was done in the schist rocks of the footwall, may not be entirely conclusive. At any rate, assuming the ore shoot does bottom at 500 feet, there still remain pillars and unstoped extensions beyond the old stopes. Obviously the high grade core of the ore body has been mined out, but sampling may show sufficient values in the pillars and unstoped extensions to provide a tonnage equal to that already mined, say 30000 to 40000 tons.

The other two possibilities of tonnage are in the Jail Tunnel ore shoot several hundred feet west of the main ore body and the No. 6 shaft shoot east of the main ore body.

The Jail ore shoot shows mineralization for a length of 100 feet over a maximum width of 26 feet at surface. The downward extension has been partly developed at the 200 level where the average width is not over six feet. No ore has been stoped from this shoot, although company records show values from 0.25 to 0.60 ounces per ton with occasional very high grade assays at surface and in the Jail Tunnel.

No. 6 shaft ore shoot is 200 feet long as developed on the 200 level. Here the present owners claim assays from 0.25 to 0.50 ounces per ton. This shoot has been drifted on the 300 level. In the bottom workings, the mineralization is entirely in the schist, and does not appear to be as strong or continuous as on the level above. The fact that the fracturing and mineralization is entirely in the schist at the 300 level may be the reason for the unfavorable change.

Assuming an extension to 250 feet below surface for No. 6 shoot and to 500 feet below surface for the Jail shoot a possible 60,000 tons may be developed in these two sections.

All the indicated ore shoots are short and this limited lateral extent together with the present very incomplete evidence that the ore deposits may bottom at shallow depths are indications that no very large tonnage will be developed in the North Star mine. However, the high grade character of the mined ore body, its substantial width, the possibility of extensions, together with the showings in the Jail Tunnel and No. 6 shaft areas justify the hope that the mine could develop 50,000 to 150,000 tons of fair grade gold ore. Besides these underground possibilities several mine dumps and a large pile of mill tailings said to average \$4.00 per ton at \$35.00 gold price, may furnish additional reserves. No valuation can be placed on these possibilities until the mine is properly sampled. The old assay records are numerous but are poorly compiled, sample widths are usually omitted, there is the suspicion that many samples may have been picked and their assaying may have been poor. We do know the mine produced only very high grade ore and it is generally stated that material below 0.6 ounces per ton was considered waste. Fortunately the upper workings are all accessible, and thorough sampling of the likely looking faces will provide a basis for deciding whether or not the grade of the indicated tonnage is high enough to justify further development and installation of a mill.

Yours very truly,

(Sd) V. D. Perry,

V. D. Perry

Copies to
C. E. Weed
R. B. Mulchay

Cananea, Sonora,
June 11, 1936.

Mr. Edwin M. Rogers,
Engineers Club,
West 40th Street,
New York, N. Y.

Dear Mr. Rogers:

Enclosed is a list of assay results of
samples taken at the North Star Mine, Yuma County,
Arizona, from April 1 to 10, 1936.

These results are forwarded to you at
the request of Dr. L. D. Ricketts of Pasadena, California.

Yours very truly,

Roland B. Mulchay,
Cananea Cons. Copper Co.,
Cananea, Sonora, Mexico.

Fidelity Union Skin
ESTABLISHED 1888
MADE IN U.S.A.

NORTH STAR MINE
YUMA COUNTY, ARIZONA

ASSAYS OF SAMPLES TAKEN APRIL 1 - 10, 1936

Sample No.	Location	Width In Feet	Ounces per Ton	
			Silver	Gold
1.	Surface	3.0	0.2	0.37
2.		3.5	0.2	0.16
3.		2.0	Tr.	0.10
4.		3.0	0.1	0.03
5.		2.0	0.1	0.20
6.		1.7	0.5	1.41
7.		1.5	1.5	3.80
8.		2.0	Tr.	0.05
9.	#4 Shaft	3.5	Tr.	0.06
10.		3.5	0.1	0.10
11.		3.0	Tr.	0.06
12.		3.8	0.1	0.01
13.	#6 Shaft 2nd Level	4.0	0.1	0.05
14.		5.0	0.2	0.04
15.		5.0	0.3	0.02
16.		5.0	0.3	0.02
17.		6.0	0.2	0.05
19.		2.5	0.1	0.01
20.		1.5	0.1	0.02
21.		4.0	0.4	0.01
22.		2.5	0.5	1.14
23.		5.0	0.2	0.11
24.		4.0	0.3	0.07
25.		1.5	0.2	0.02
26.		5.0	0.7	0.07
27.		3.5	0.1	0.07
28.		2.5	0.1	0.07
29.		Jail Tunnel	3.5	0.2
30.	4.0		0.1	0.03
31.	3.5		0.2	0.05
32.	4.0		0.1	0.07
33.	2.0		0.1	0.09
34.	4.0		0.3	0.02
35.	5.0		0.1	0.03
36.	4.0		Tr.	0.03
37.	4.0		0.2	0.04
38.	1.6		0.2	0.07
39.	1.2		0.1	0.02
40.	0.7		0.1	0.03
41.	1.5		0.2	0.50
42.	3.3		0.1	0.06
43.	1.3		0.1	0.02
44.	2.0		Tr.	0.04

<u>Sample No.</u>	<u>Location</u>	<u>Width In Feet</u>	<u>Ounces per Ton Silver</u>	<u>Gold</u>
45.	Surface	0.9	0.8	1.58
49.		0.9	0.7	1.64
46.		0.3	0.1	0.20
47.		0.3	3.0	6.21
48.		0.3	0.3	0.46
50.		4.0	0.1	0.01
51.		0.7	0.1	0.08
52.		1.8	2.2	4.27
53.		1.6	0.1	0.24
54.		3.8	0.1	0.24
55.		5.5	0.1	0.05
56.		7.0	0.2	0.02
57.		1.7	0.1	0.13
58.		1.3	0.1	0.08
59.		0.4	0.1	0.01
60.		1.0	0.1	0.08
61.		0.8	0.1	0.14
62.	Shaft 2 in old stope			
	Small pillar	3.0	6.4	6.60
63.		2.5	0.1	0.15
64.		3.0	0.1	0.42
65.	65 Tunnel	0.9	0.5	1.27
66.		5.0	0.1	0.39
67.		0.9	0.1	0.02
68.		1.1	0.1	0.01
69.		3.5	0.1	0.06
70.		3.5	0.3	0.58
71.		4.0	0.2	0.17
72.	Dump samples		0.1	0.09
114.			0.3	0.13
115.			0.6	0.81
116.			0.2	0.22
117.			0.1	0.11
73.	2nd Level Main Drift	3.5	0.2	0.45
74.		1.1	0.2	Tr.
75.		3.5	0.3	0.32
76.		3.0	0.1	0.03
77.		3.8	0.1	0.07
78.		3.8	0.2	0.26
79.		5.0	0.1	0.05
80.		5.2	0.3	0.34
81.		3.7	Tr.	0.04
83.		4.5	0.2	0.36
101.		4.6	0.2	0.11
82.		2.0	0.1	0.09
84.		6.0	0.1	0.04

<u>Sample No.</u>	<u>Location</u>	<u>Width In Feet</u>	<u>Ounces per Ton</u>	
			<u>Silver</u>	<u>Gold</u>
102.	2nd Level Main Drift	2.5	0.1	0.02
103.		5.6	0.2	0.04
104.		5.5	0.2	0.01
105.		4.0	0.2	0.03
106.		3.0	Tr.	0.04
107.		5.0	0.3	0.03
108.		3.4	0.2	0.02
109.		7.5	0.4	0.02
110		3.0	0.1	0.02
111.	90 Level	4.0	0.1	0.02
112.		4.0	0.1	0.01
113.		5.0	0.1	0.03
114.	50 Level	3.5	0.1	0.01
119.		Grab	Tr.	0.02
123.	In Raise below 2nd Level	1.5	0.8	2.09
124.	3rd Level	4.0	0.5	0.82

REPORT ON
PRELIMINARY EXAMINATION
OF
NORTH STAR MINE
YUMA COUNTY, ARIZONA.

FOR
WEST COAST SYNDICATE

BY
ROLAND B. MULCHAY
APRIL 1936

REPORT ON
PRELIMINARY EXAMINATION
NORTH STAR MINE
YUMA COUNTY, ARIZONA.

INTRODUCTION.

Reports of high grade gold ores at the old North Star Mine were made to Dr. L. D. Ricketts by the owners of the property, and at his request a preliminary examination was completed from April 1 to 10, 1936, inclusive. This preliminary examination had for its purpose the determination of the advisability of obtaining a formal option upon the property by the West Coast Syndicate.

Sampling and geologic mapping done during the examination was planned to check high grade samples reported by the owners from specific areas, and to endeavor to determine the geologic conditions under which the old known high grade ore shoot occurred. Mr. V. D. Perry, Chief Geologist of the Cananea Consolidated Copper Company, visited the property April 4 to 7, and summarized his views of the general geology in a letter addressed to Dr. Ricketts.

Mr. A. B. Rogers, manager of the property in 1908 was present on various days during the examination.

LOCATION AND PHYSICAL FEATURES.

The North Star Mine is located in the Kofa Mining District, Yuma County, Arizona, in the southern part of the Kofa Mountains. The property is about 25 miles by

fair road from the Yuma-Quartzite state highway which is graveled and well maintained. Yuma to the south is 80 miles distant from the mine, and Quartzite is 53 miles to the north. The nearest accessible rail connection is at Blaisdell, a station on the main line of the Southern Pacific Railroad, about 63 miles from the mine.

There is no timber available in the vicinity. Water for the old operation was obtained from a well drilled to a depth of 1000 feet, and located about three miles southwest of the mine and 500 feet lower in elevation. No information about the present condition of this well could be obtained; a two inch pipe-line from the well to the mine is still in place, and appears to be in fair condition.

HISTORY AND PRODUCTION.

The North Star vein was discovered in 1906 by Mr. Felix Mayhew of Yuma, Arizona, and was sold in 1907 to the Golden Star Mines Company for a reported price of \$350,000. A mill was constructed in 1908 in which the ore was treated by the cyanide process. After three years operation the mine and mill were shut down in August, 1911. Since that time the owners have kept a watchman at the property and no equipment has been removed. Considerable drifting and shaft sinking has been done on the property from year to year as assessment work on unpatented claims.

During the operation from 25,000 to 35,000 tons were milled. The recovered value of gold and silver is estimated as more than \$1,100,000 by the Arizona Bureau of Mines,

and as approximately \$2,000,000 by the owners. Either figure indicates that the ore milled was very high grade.

Mr. A. B. Rogers estimated that costs during his period at the property were about \$11.00 per ton, and that no ore under 0.60 ounces gold per ton was mined.

The Kefa District includes one other notable producer of gold ores known as the King of Arizona mine. This property is located two miles south of the North Star, and is reported to have produced \$3,500,000 between 1897 and 1910. Approximately one million tons is said to have been mined from the surface to the eighth level.

GENERAL GEOLOGY.

Ore deposits at the North Star Mine have been found along a steep dipping contact of volcanic rocks with a metamorphosed sedimentary series of probable pre-Cambrian age. This contact zone strikes approximately east and west, and dips 60 - 70° to the north. It is characterized by intense brecciation of the metamorphosed sediments which form the footwall rocks and the volcanics found in the hanging wall.

The metamorphic rocks locally exhibit schistose structure, and underground often contain considerable disseminated pyrite. The volcanic rocks are composed of andesites, fine agglomerates ^{and} of rhyolites which are tilted steeply and are about parallel to the contact at the surface. A buff colored dense rhyolite found along the contact zone on the surface and the 2 level may be intrusive rather than a part of the volcanic series.

Quartz mineralization of several ages has formed short thick mineralized shoots within the breccia zones. These shoots die out rapidly on strike, and are characteristically weaker where they are completely within the footwall rocks. The mineralization within the shoots is composed of quartz cementing silicified brecciated volcanics and footwall series rocks, calcite, little fluorite, manganese oxide and iron oxide and little pyrite. The precious metal content is largely gold with little silver, and the high grade ore generally occurs erratically through the quartz mineralization without evident structural control. In a footwall stringer east of 2 Shaft, however, gold is definitely associated with a one inch seam of iron oxide.

Strong clay gouges parallel the mineralization and indicate post mineral movement along the contact zone. These clays form the hanging wall side of the mineralized shoots in the western part of the mine, but are well in the footwall of the mineralization in the 6 Shaft area to the east.

Three main areas of mineralization have been developed. Mineralization in the Main oreshoots around 1 and 2 Shafts, and in the Jail Tunnel shoot to the west, contains more quartz and iron oxide than the mineralized area around 6 Shaft where calcite and manganese oxide are associated with the quartz.

Dumps around 2 Shaft indicate that the last development work done from that shaft, presumably on the lower levels, was done in footwall series rocks. Water at present stands at about 15 feet below the 3 level, and there

is no information available as to the geologic conditions encountered in the lower level development.

DEVELOPMENT AND SAMPLING.

Development work at the North Star above the present water level is shown on the maps and sections which accompany this report. Description of work done below the water level is taken from maps supplied by the owners.

As shown on the long section of the main ore-shoots stoping operations around 1 and 2 Shafts were carried on in four stopes. #1 Stope immediately east of 1 Shaft has not been worked below the 2 level. Sampling on this level indicates that for a length of 70 feet, and a width of 5.0 feet, the vein will average 0.34 ounces gold per ton. The projection of this shoot below the 2 level has been poorly prospected on the 3, 4 and 6 levels. No information relative to this development is available, but from samples taken on the 2 level and the statements as to operating costs made by Mr. Rogers, this material would not have been ore under former conditions. If it is assumed that this ore will continue from the 2 to the 5 level, approximately 6000 tons could be expected. From the back of #1 Stope to the surface a small block of good grade ore is indicated by surface sampling; about 300 tons could be mined from this block. A small pillar at the east end of #1 Stope should produce about 200 tons of 0.34 oz. gold ore between the 2 level and the 90 foot level.

#2 and #3 Stopes are immediately west and east of 2 Shaft respectively. Ore has been mined from these stopes to the 5 level, and a small stope 50 feet long and 20 feet high was opened on the projection of this ore on the 7 level. A winze to the 8 level was driven on the further downward projection of this ore, and about 60 feet of drifting was done on the 8 level from the bottom of the winze. Scattered unlocated assays of samples from the 8 level shown by the owners indicate that some 0.50 oz. gold ore was found on that level. A verbal communication to Mr. Perry by Mr. G. B. Phillips who worked on the 8 level stated that such ore was found but that it was too low grade at the time it was developed. Projection of this creshoot from the 5 level to the 8 level would indicate some 10,000 tons in the present development assuming a width of 5.0 feet.

Sampling along the back of #2 and #3 Stopes showed that about 300 tons of plus 0.40 oz. gold ore could be mined above these stopes to the surface. Sampling on the 65 tunnel level at the west end of #2 Stope indicated that about 300 tons could be mined in that location. Irregular hanging wall parts of the vein unstoped from the surface to above the 2 level in #2 and #3 Stopes should produce several hundred tons of fair grade ore.

A large block of unstoped ground has been left between # 1 and # 2 Stopes. A small stope, known as "A" Stope, was started in this block from the 2 level on footwall

mineralization. This stope was carried irregularly to 50 feet above the level, and approximately 1000 tons were extracted. While no definite tonnage can be calculated in this block of ground above "A" Stope, a considerable tonnage might be developed. Below the "A" Stope some high grade ore is exposed in an incline raise from the 3 level. About 20 feet below the 2 level in this raise bunchy quartz mineralization showed 3.09 ozs. gold per ton across a width of 1.5 feet.

The results of the preliminary sampling done during the examination indicate from the above calculations that from 2500 to 3000 tons of 0.30 - 0.40 oz. gold ore could be mined from small blocks now developed in the main ore shoots above the water level.

The Jail tunnel mineralized zone outcrops for a length of 190 feet at the surface, and reaches a width of 25 feet. This zone is partly prospected on the Jail tunnel level, and upon the 2 level at 90 feet below the tunnel level. Mineralization on the 2 level is from 6 to 10 feet in width; samples did not show higher values than 0.04 ozs. gold per ton on this level in this area.

On the surface at the west end of the outcrop a cut across the full width of the vein showed high grade ore near the center of the mineralized width. 1.8 feet assayed 4.27 ozs. gold, and 5.4 feet next to this high grade assayed 0.24 ozs. gold per ton. Fifty feet east of this cut a small trench showed high grade values as posted upon the surface map.

Assuming that this high grade ore will be continuous between these cuts and extend for ten feet on either end beyond the cuts about 11 tons per vertical foot would be produced from this shoot. The width of this ore would be 2.0 feet and the grade should average about 3.00 ozs. gold.

Samples from the Jail tunnel did not show high grade values; the best sample located directly below the most westerly high grade exposure showed 0.73 oz. gold per ton. The Jail tunnel is about 30 feet below the surface at this point, and the surface high grade may be projected downward to this area to form a triangular oreblock with the base at the surface and the apex at the tunnel level. About 175 tons of high grade ore would be produced from such a block.

A footwall stringer vein east of 2 Shaft showed scattered visible free gold associated with iron oxide. This stringer can be traced on the surface for 65 feet east of 2 Shaft and though the assay returns did not show high grade values it can be assumed from visual inspection that some high grade ore could be gouged from this stringer vein. On the 65 level a short crosscut into the footwall at 35 feet east of 2 Shaft exposed a narrow stringer which assayed 1.27 ozs. gold per ton over a width of 0.9 feet. It is probable that this stringer is the downward projection of the narrow vein exposed at the surface 55 feet above.

Mineralization in the 6 Shaft area is very strong on the surface and at the 2 level. 75 feet below the 2 level at the 3 level the mineralization is nearly entirely within the footwall rocks, and is much weaker than on the level above. The owners reported that considerable tonnages would contain from 0.25 - 0.50 ozs. gold per ton at the 2 level, and that the gold occurred as coarse particles associated with quartz. Though all of the samples taken on the 2 level in this area contained some gold, only two of them contained appreciable amounts, namely 1.14 and 0.79 Ozs. gold per ton. Of the seventeen other samples taken the highest assay was 0.11 ozs. These apparently erratic results appear to substantiate the contention the gold in this area is coarse and erratically distributed. To determine whether or not there is enough contained value in this material to form low grade gold ore it might be necessary to sample the mineralization in lots of several tons to accurately determine its gold content.

TAILINGS AND DUMPS.

The tailing pile from the old milling operation was locally reported to contain 35,000 tons, and to average about 0.12 ozs. gold per ton. About half of this contained gold was said to be in soluble form because there was not thorough washing of the tailings in the filter presses.

The surface of the tailing pile is extremely irregular, and no accurate estimate of the tonnage

could be made without sampling by means of bore holes. Sixteen scattered samples were taken from the tailings at points where appreciable thicknesses were exposed by erosion. A list of these samples is attached to this report. The samples indicate a gold content of plus 0.12 ounces gold per ton. There is probably not less than 25,000 tons of this material available, and there is possibly more than 30,000 tons.

Dumps from 1 and 2 Shafts are to a large extent covered with waste rock, but samples from quartz mineralization near these shafts showed 0.22 and 0.61 ozs gold per ton respectively. The tonnage of this material which might be present in these dumps is unknown, but it is likely that there are at least several hundred tons.

From the 6 Shaft and Jail tunnel dumps about 3000 tons could be obtained. Surface sampling of these dumps indicates a grade of about 0.12 ounces gold.

SUMMARY AND CONCLUSION.

Preliminary investigation of the North Star Mine has shown small tonnages of fair grade gold ore to exist around the old stopes above the water level. Sampling below the #1 Stope indicated that this oresheet may extend below the 2 level to an unknown depth. There is some reported ore below the water level on the projection of the #3 Stope from the 5 to the 8 level.

A small high grade ore lense of gold ore is present at the surface above the Jail Tunnel, but

development on the Jail tunnel level and on the 2 level appears to definitely limit this ore with depth. A small tonnage of high grade ore may be gouged from narrow footwall vein east of 2 Shaft.

The sampling done on the surface and around the old creshoots, and the geologic features observed in the mineralized areas demonstrate that the high grade gold creshoots are localized within the mineralized zones without particular structural control.

If a suitable treatment process for the tailings and dumps can be worked out, a considerable profit should be made from treatment of this material. This profit could be applied toward the reopening of the lower levels of the mine and further prospecting of the strongly mineralized areas.

Speculative possibilities at the North Star rest upon the further discovery of high grade ore within the strongly mineralized zones; upon the downward projection of #3 Stope creshoot below the 5 level; and upon the downward continuance of ore below the 2 level from #1 Stope creshoot.

The presence of an available reserve of tailings and dumps which may show a considerable profit after treatment makes an operation to test these speculative possibilities at the North Star attractive.

Should scattered reports of ore below the 5 level in the #3 Stope area be confirmed when the mine is unwatered a successful operation would be assured.

It is therefore recommended that a formal option upon the North Star Mine be secured, and the mine unwatered for complete examination.

Respectfully submitted,

Poland B. Mulebay

Inspiration, Arizona,
April 25, 1936.

TAILINGS

No.	width	Ozs./Ton Ag	Ozs./Ton Au
10085	1.5'	0.1	0.08
86	5.5'	0.1	0.14
87	7.5'	0.2	0.12
88	6.0'	0.5	0.26
89	7.0'	0.2	0.24
90	7.0'	0.2	0.15
91	5.5'	0.2	0.15
92	6.0'	0.2	0.17
93	3.0'	0.1	0.12
94		0.1	0.11
95	2.5'	0.1	0.10
96	1.5'	0.5	0.12
97	3.4'	0.2	0.01
98	3.8'	0.1	0.02
99	4.5'	0.1	Tr.
10100	3.0'	0.1	0.06

MISSING
10/20/94 HMC

COPIA

120-B

North Star Mine,
Yuma County, Ariz.,
April 6, 1936.

Mr. P. D. I. Honeyman,
International Smelting Co.,
Miami, Arizona.

Dear Mr. Honeyman:

We are sending several hundred pounds of samples from Yuma to you tomorrow. One set of six samples will be sent by express, and the remainder by freight.

The samples sent by express are numbered from 10095 to 10100 inclusive, and are tailings samples from an old cyanide mill; and a portion of the contained value is supposed to be soluble. These tailings are locally reported to contain about \$4.00 in gold at the current price.

Several of the samples which will arrive by freight are contained in two sacks; therefore, samples carrying the same numbers should be combined for assay.

I hope you will have Hawley get at these as soon as possible. We will have a number of additional samples for assay when we return, and are anxious that we may have the assay results without losing too much time. I hope we will be able to be back at Inspiration by Saturday or Sunday.

With best personal regards,

Yours sincerely,

COPIA

120-B

North Star Mine,
Yuma County, Arizona.
April 1, 1936.

Mr. C. E. Weed,
Cananea, Sonora, Mexico.

Dear Mr. Weed:

After your phone call to me from Cananea last week, Mr. O'Brien received a wire from Dr. Ricketts last Saturday requesting me to meet him and Mr. A. B. Rogers in Yuma last night. I have Velasco and a miner named Dan Mayne from Globe with me, and after some delay this morning we drove out here arriving late this afternoon. Mr. Rogers is anything but definite in his plans so with Dr. Ricketts' approval we came out alone and Mr. Rogers will follow tomorrow. There are a number of people living at the old camp mainly from a prospect called the Quartette about two miles to the south.

Dr. Ricketts plans to be Phoenix on April 3, and I believe will go to Kingman to visit the Tyro Mine and thence to Boulder Dam. He plans to reach Kingman April 8, and if I am finished here Mr. O'Brien has asked me to plan to meet Dr. Ricketts and himself there on that date.

I have wired Perry to plan to be in Yuma on Friday evening, April 3. Velasco will meet him there and bring him to the mine on Saturday. If we are finished by the following Tuesday and Perry has an extra day he can spare I will ask him to go to Kingman with me.

I have not had time to look around a great deal but I believe we can be ready to leave by Tuesday and meet them in Kingman as planned. However, should a lot of samples be necessary we may be here for a longer time. After Mr. Rogers has outlined his idea of the oreshoots which he says he has located we will have a better idea of the size of the sampling job.

We were very glad to know that you had been able to start operations again in Cananea, and hope to see you soon. With best regards to you and Mrs. Weed,

Yours sincerely,