

**EXPLORATION INCENTIVES PROGRAM**  
**SCOPE OF WORK**  
**FOR 87-007**  
**EXPLORATION DRILLING AND BULK SAMPLE**  
**EXCAVATION**  
**IN THE MAISY MAY CREEK PLACER DEPOSIT**

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## EXPLORATION INCENTIVES PROGRAM

### Application

Under the guidelines of the exploration incentives program that covers all mineral commodities circumscribed in the Yukon Placer Mining Act and Yukon Quartz Mining Act, Queenstake Resources Ltd. is applying for appropriate funds to execute the placer exploration program on Maisy May Creek, on the placer claims bearing Record No.'s P19945 to P19995 inclusive and P12350 to P12367 inclusive. Queenstake intends to carry out this exploration work in combination with trenching, drilling and bulk sampling. More specifically, the work will be carried out in the downstream section of the Maisy May Creek Valley where the potentially dredgeable auriferous gravels occur in mineable quantity. The exploration program as explained in the attached scope of work and application form will encompass a distance of 5.4 miles along the course of Maisy May Creek. The entire program is budgeted for \$211,975 and is planned for execution during the summer season of 1987.

## SCOPE OF WORK

### Summary

Maisy May Creek property is located 85 road miles south of Dawson City, Yukon or 15 road miles further west of Queenstake's Black Hills Creek camp (see Fig. 1).

The Maisy May Creek is approximately 12 miles long and has a large drainage basin. The water flow volume is estimated at 6,000 imperial gallons per minute, which is more than adequate for a sizeable placer mining operation. Because of this steady water flow and large drainage basin of the creek the area is amenable to dredging.

The Maisy May Creek in its upstream section is currently being mined by Queenstake. The mining is carried out by bulldozer, loader and sluice box operations in the upstream reserve blocks (see Fig. 2). Reserve Block 4 will be tested in 1987 for possible bulldozer mining in 1988/89. The area referred to as reserve Block 5 is 5.4 miles of a relatively unexplored section of the Maisy May valley which is held under lease by Queenstake. This portion of Maisy May Creek should be evaluated through an exploration and bulk sampling program (see Fig. 2) with an emphasis on the suitability of mining by low cost bucketline dredge mining methods.

### Purpose

The purpose of this exploration program is to define mineable placer reserves with economical grades for a continuous operation in the downstream section of the Maisy May Creek within the area of the claims P19945 to P19995 and P12350 to P12367 (see Fig. 3) and to evaluate the potential for dredge mining these reserves.

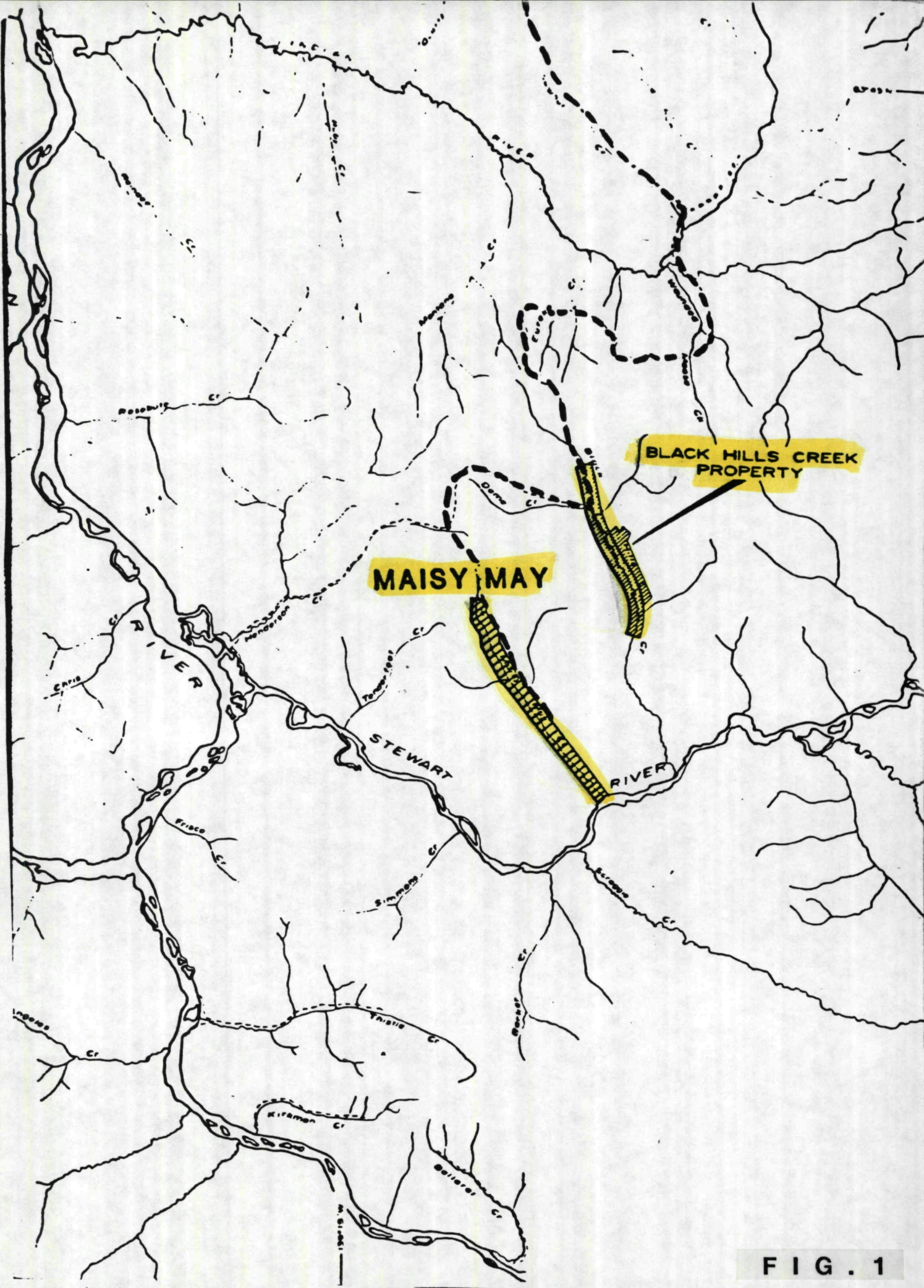


FIG. 1

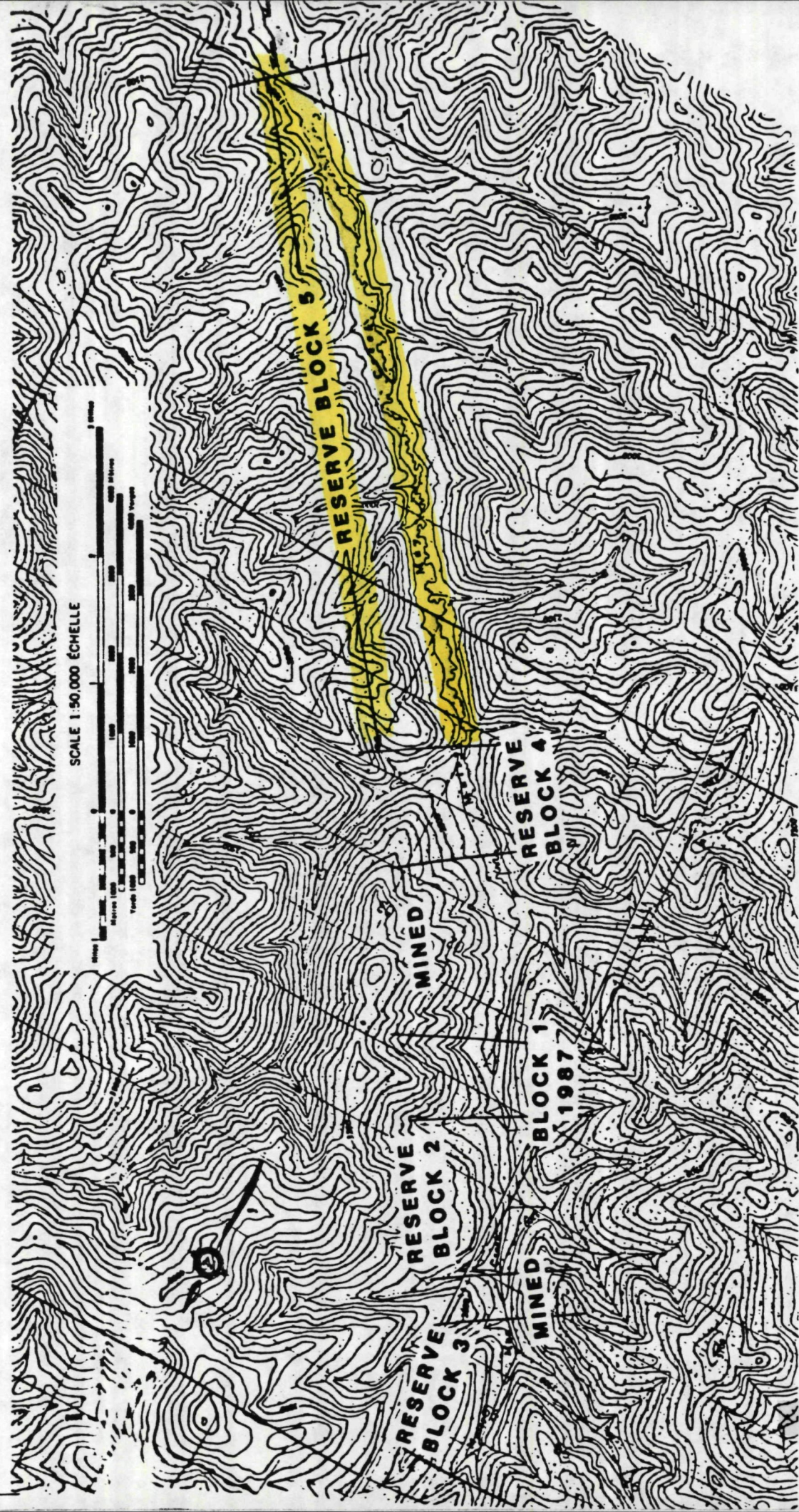


FIG. 2

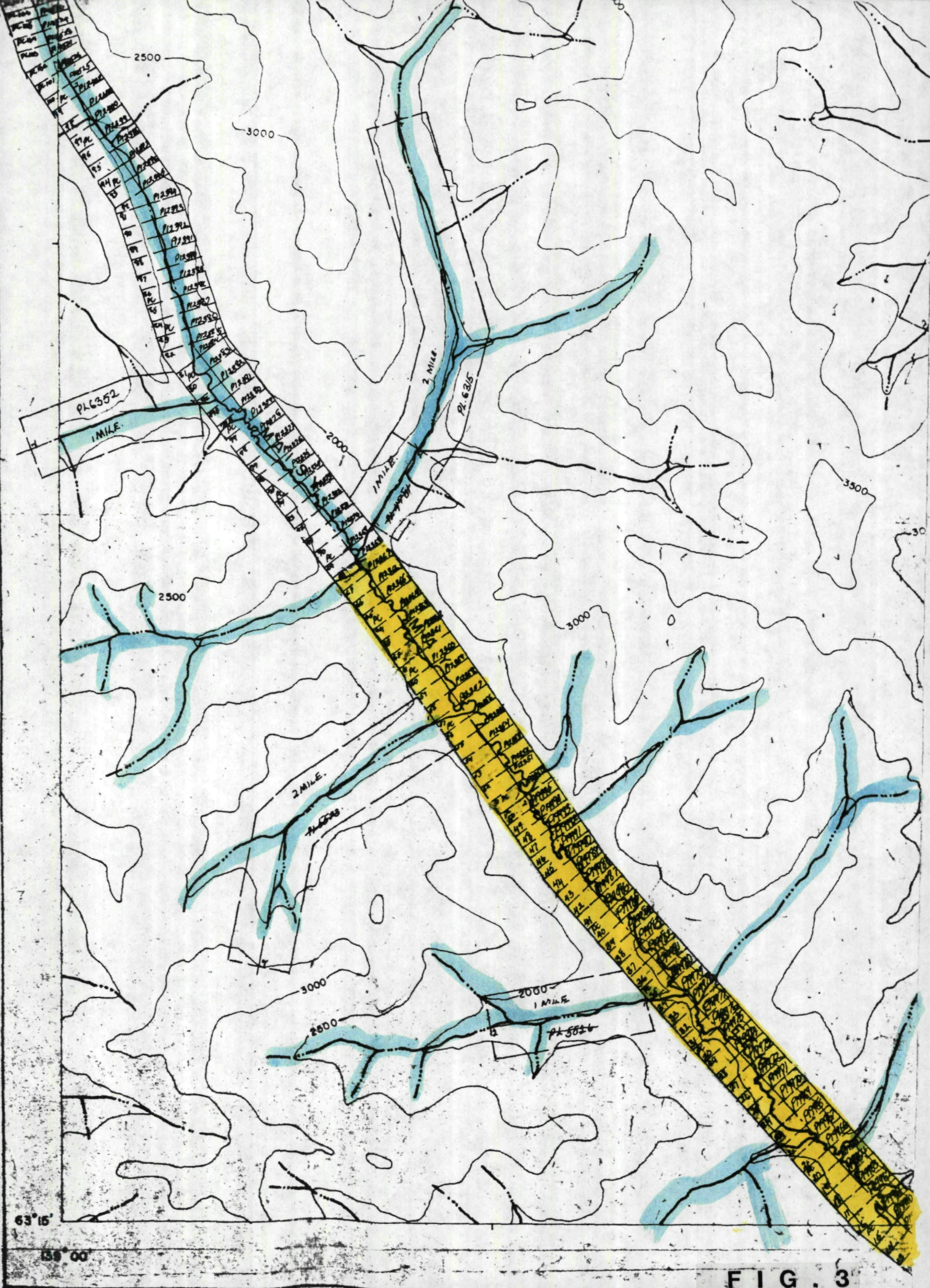


FIG. 3

## Objective

The objective of the program is to delineate a viable placer reserve for a dredging operation throughout the downstream course of Maisy May Creek to one mile above its confluence with the Stewart River. This one mile buffer area will provide undisturbed downstream fish habitat. The potential for mining by a dredge would improve the operating efficiency and mineral recovery in the prospective area known as Reserve Block 5.

## Discussion

Reserve Block 5 on Maisy May Creek, continuous for 5.4 miles downstream from placer lease P12367 to placer lease P19945, had little or no previous exploration work (see Fig. 3).

During the winter of 1979 - 1980 McDiarmid and his partners sank shafts at 1 mile spacing starting 1 mile upstream from the confluence of Maisy May Creek and the Stewart River. The shaft sinking was done professionally, but the sampling, actual gold weight, volumes and grades were never properly computed nor delineated.

It is estimated that the average depth of overburden is 7 feet and the average thickness of auriferous gravels is also 7 feet. According to McDiarmid the gold content from the shafts is uniform throughout the sampled area of the creek, except that in the section where Patton Pup tributary flows into Maisy May, the grades are higher. The inferred auriferous gravel volume in the reserve Block 5 is estimated at 1,900,000 cubic yards at an inferred grade of 0.01 ounces per cubic yard or 19,000 ounces.

Queenstake's 350 ton bucketline dredge which is in operation at Clear Creek will mine out the Clear Creek reserves in 1988. There are no other Yukon reserves presently available for this dredge. The dredge (with a replacement cost of \$3 million) could be dismantled and moved to Maisy May Creek at a cost of approximately \$300,000.



Queenstake has recently tested placer reserves in the Quesnel area of B.C. as suitable for dredging and have evaluated overseas dredge properties all with a view to relocating the Clear Creek dredge. However, if the dredge were moved the 2,000 miles to Quesnel or overseas it is extremely unlikely that northern placer economics would justify a later return of the dredge to the north.

Accordingly, it is prudent to thoroughly test one of the few Yukon placer properties that we believe might meet all the criteria for dredge mining while yielding an environmentally sounder mining operation and thereby to avoid a marginal reduction of the industry investment in Yukon mining plant and equipment.

If the dredge was transferred from Clear Creek to Maisy May, a production rate of 1,500 cubic yards per day during a 5 month season for some eight years of steady operation might be sustainable in the lower reaches of Maisy May, producing 2,250 gold ounces per year.

#### Activity

The proposed exploration activity in the reserve Block 5 area consists of Phase I, Phase II and Phase III work programs. The work program consists of trenching, drilling and bulk sampling activities.

Phase I investigation is comprised of the four sets of five drill holes across the Maisy may Creek valley to a depth of 25 feet at a total cost of \$2,475. This Phase I will define the overburden depth, auriferous gravel thickness and inferred gold grade on one representative drill line. It is planned to be carried out from May 4 to May 7, 1987.

Phase II is comprised of fifty drill lines with 10 holes each to a depth of 25 feet across the valley at a cost of \$74,500. This Phase II will delineate mineable reserves, overburden cover, indicated grades and pay channel extent. This phase is planned to be carried out from May 8 to August 18, 1987.

The Phase III program will delineate mineable grades and gold recoveries through bulk sample excavation. It is planned to be carried out from June 1 to October 18, 1987. This bulk sample program in Phase III will overlap the Phase II program in order to remove the overburden above the auriferous gravel zone. It is estimated that 60,000 cubic yards of material will be moved. At the stripping ratio of 1:1 (yd<sup>3</sup>/yd<sup>3</sup>) some 30,000 cubic yards of gravel will be stripped and 30,000 cubic yards of gravel will be sluiced.

Operating costs plus wages, food and lodging total \$135,000.00. A detailed cost breakdown is submitted on the following pages and in the application form.

Budget

**Phase I:**

Duration	6 days
Schedule	May 4 - May 7, 1987
Drilling	500 feet
Depth	25 feet
1 Driller @ \$200/day x 3 days	\$ 600.00
1 Sampler @ \$150/day x 3 days	450.00
Bulldozer D6D @ \$75/hour x 3 hours	225.00
Drilling @ \$25/hour x 30 hours (3 days)	750.00
Fuel	300.00
Food & Lodging	<u>150.00</u>
Sub Total	<u>\$ 2,475.00</u>

**Phase II:**

Duration	70 days
Schedule	May 8 - August 18, 1987
Drilling	12,500 feet
Depth	25 feet
1 Driller @ \$200/day x 70 days	\$14,000.00
1 Sampler @ \$150/day x 70 days	10,500.00
Bulldozer D6D @ \$75/hour x 300 hours	22,500.00
Drilling @ \$25/hour x 700 hours (70 days)	17,500.00
Fuel	7,000.00
Food & Lodging	<u>3,000.00</u>
Sub Total	<u>\$74,500.00</u>

**Phase III:**

Duration	138 days
Stripping Schedule	June 1 - Sept. 1 1987
Bulk sample schedule	Sept. 1 - Oct. 18, 1987
Bulldozer stripping @ \$1.00/yd <sup>3</sup> x 30,000 yd <sup>3</sup>	\$ 30,000.00
Gravel sluicing @ \$3.50/yd <sup>3</sup> x 30,000 yd <sup>3</sup>	<u>\$105,000.00</u>
Sub Total	<u>\$135,000.00</u>
(owning and operating costs with operator's wages is included in cost per yard)	
TOTAL (Phase I, Phase II and Phase III)	<u>\$211,975.00</u>

## Rationale

The Maisy May Creek has an excellent potential for dredge mining further downstream in the entire area of reserve Block 5. The investigations of the potential reserves in this section and their classification to proven category may well expand the present Maisy May operation downstream. It is planned to design the mining operation in this section to be carried out by a bucket chain dredge, which is presently deployed on the Clear Creek placer. The dredge will be available within the next two years as the Clear Creek reserves will be mined out.

Upon completion of the Clear Creek mining the dredge with its crew will be transferred to Maisy May Creek. Maisy May Creek has a workable potential for dredging in its downstream section of the reserve Block 5 area, due to abundant water supply. A bucket chain dredge from the Clear Creek operation is capable of dredging in shallow waters and is suitable for the Maisy May Creek dredging since it requires only 3,000 gallons per minute, while the Maisy May Creek flow is estimated at 6,000 gallons per minute.

The proposed 1987 exploration and bulk sample excavation using available funds from the Exploration Incentive Program will delineate the operational plan for possible dredging application on Maisy May.

Dredging, when feasible, has an advantage over conventional sluicing not only in the economics of mining and gold recovery, but also in an environmental mitigative aspect. The ponds left by dredging can be quickly converted into an integrated series of settling ponds where all detrimental suspended solids are removed from dredging water. The coarse tailings which are stacked in low-profile arcs behind the dredge are readily amenable to reclamation by contouring and revegetation.

## Placer Claims

Queenstake has a lease on the ground covered by the reserve Block 5 area. This ground is comprised of the placer leases grouped in a consecutive order upstream from the confluence with the Stewart River (see Fig. 3). The leases record numbers are listed as follows:

P19945 to P19995

P12350 to P12367

## History

Maisy May was not discovered until the early 1900's. There is no recorded production history on Maisy May, but evidence of cabins and hand workings over the entire length indicate some mining activity. In the early 1920's Mr. Patton worked the right limit bench just upstream from Patton's Creek, a tributary to Maisy May. It is reported that Mr. Patton produced \$10,000 (500 oz) of gold from this bench.

In the early 1930's Mr. J. McDiarmid dug twelve shafts, one shaft per mile, starting approximately two miles from the confluence of the creek. Values were found in every shaft with the best values found in the area of Patton's workings. Over the length of Maisy May muck averages 7 feet deep while gravel averages 8 feet deep.

Not until 1980 was the creek mined with heavy equipment. Since 1980 the area around Patton's old workings has been mined with an average grade, over a 300 foot mining width, of 0.16 ounces per cubic yard. The left limit gravels are considerably higher grade than the right limit gravels (.025 oz/yd<sup>3</sup> vs. .008 oz/yd<sup>3</sup>). In four seasons 3900 fine ounces of gold has been extracted over a relatively small portion of the creek.

### Justification for Exploration

The proposed exploration will add to the placer gold reserves that can be mined in the Yukon. It will also delineate a dredging feasibility on Maisy May creek keeping the dredge and its crew employed after completion of the Clear Creek placer. It will enhance the Yukon gold production and will be the only dredge operating on placers in Canada.

Dredging, when feasible, is preferable to other methods due to its efficiency and better gold recovery, as well as less environmental disturbance and easy restoration of the creek valleys. It also needs skilled operators and increases the skilled workforce that can be recruited amongst the Yukon residents.

### Exploration Results

The results of the proposed exploration and bulk sample excavation will have an immediate effect on Queenstake Resources Ltd., since it wants to plan ahead and expand its precious metal production in the Yukon by dredging operations. In this particular case, based on reserve identification, it would be possible to keep the dredge operating in the Yukon Territory after the completion of dredge mining on the Clear Creek property in 1988.

## QUEENSTAKE RESOURCES LTD.

### Operations and Qualifications

Queenstake Resources Ltd., had its beginnings in 1976 as a joint venture of its founders, John A. McLallen, Patrick M. Reynolds, Lauch F. Farris and Gordon C. Gutrath.

The joint venture was incorporated as Queenstake in 1977 after the acquisition of the Mar Tungsten property in the Yukon Territory.

The Company subsequently acquired placer reserves in the Yukon and three long idle bucketline dredges, one of which was renovated and placed into production in 1980. Today, Queenstake is the largest placer operator in Canada with its placer operations in Yukon. Mining is carried out at Clear Creek, Black Hills and Maisy May Creek where production is presently averaging 70 ounces of gold per day.

In British Columbia, placer gold projects are currently being tested at Moyie River, near Cranbrook, at Spruce Creek and O'Donnel River, near Atlin and in the Cariboo area, near Quesnel.

Queenstake also owns a number of hard rock precious metal properties (gold and silver) throughout the western U.S.A., which are being explored and evaluated for immediate and future development.

### Ownership

Queenstake is a publicly owned company, incorporated in British Columbia and registered to conduct business in the Yukon. Its shares trade on the Toronto Stock Exchange.

The managing office for placer operations is located in Whitehorse, Yukon (Wayne Lerner, Manager) and the head office is located in Vancouver, B.C.

Canada Tungsten, a subsidiary of Amax Inc., has the single largest controlling interest in Queenstake (32%).



## Officers

The officers of Queenstake are all professionals having extensive backgrounds in the resource industry with management and technical expertise.

Mr. Gordon C. Gutrath, President and Chief Executive Officer, is a geologist and registered Professional Engineer with 25 years experience in the mining industry.

Mr. John A. McLallen, Chairman, with over 50 years experience in the resource industry is also a founding member of Bethlehem Copper, Westmin Resources and Queenstake Resources Ltd.

Mr. Patrick M. Reynolds, Vice Chairman, has over 50 years experience in the resource industry and is also a founding member of Bethlehem Copper, Westmin Resources and Queenstake Resources Ltd.

Mr. Wayne D. Lenton, Director, has over 20 years in the mining industry and is President and Chief Executive Officer of Canada Tungsten Mining Corporation Limited and President of Amax of Canada Ltd.

Mr. Lauch F. Farris, Director, has over 25 years in the resource industry and is President and Chief Executive Officer of Fargo Resources Limited and Caprock Energy Ltd.

Mr. Donald D. Sharp, Vice-President, Finance, is a chartered accountant and has 20 years experience in the mining industry. He held positions in finance and administration with Whitehorse Copper Mines, Alberta Energy and B.C. Resources.

Mr. John J. Crowhurst, Director, has over 40 years in the mining industry.

Mr. Richard C. Atkinson, Director, has over 20 years in the resource industry and is President and Chief Executive Officer of Getty Resources Ltd. and a Director of Energex Minerals Ltd.

Mr. Mervyn K. Coffin, Director, has over 30 years experience in the mining industry.

Mr. Rodney A. Snow, Director, is a Barrister and Solicitor with a corporate law practice specializing in natural resources and environment.

### Financial

In 1979-80, Canada Tungsten invested \$10.4 million in Queenstake Resources Ltd. It spent another \$8.0 million on tungsten and placer gold properties that it had optioned from Queenstake. Queenstake has since increased its equity base to \$15.0 million, adding cash flow from annual placer gold production of 6,000 to 8,000 ounces per annum.

Queenstake has entered into mineral joint ventures to develop its resource investments, sharing risk and preserving capital while avoiding undue equity dilution. From all sources, the Company has made capital investments of \$3.7 million per annum in resource projects for the past six years.

**REPORTS**

**REPORT ON MAISY-MAY CREEK  
PLACER OPERATION  
DAWSON MINING DISTRICT, YUKON TERRITORY**

**March 16, 1984**

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<b>Map #2</b>	<b>Claim Map</b>

## LOCATION (See Map #1 on Page 2)

Maisy May Creek property is located 85 road miles south of Dawson City, Yukon, or 15 road miles further west of Queenstake's Black Hills Creek camp.

## PHYSIOGRAPHY

Maisy May Creek is 12 miles long and has a large drainage basin similar to that of Black Hills Creek. Under normal summer conditions the creek runs approximately 6000 igpm which is more than adequate to supply a sluice box operation.

## PROPERTY (See Map #2 on Page 3)

The property consists of 130 placer claims commencing at the confluence of Maisy May Creek and the Stewart River, upstream to the upper reaches. A description of the placer claims is outlined below.

Claim Name	Number	Expiry Date
PC 1-50	P19945-P19995	January 30, 1985
PC 51-100	P12350-P12402	January 30, 1985
PC 101-130	P14525-P14554	September 14, 1984

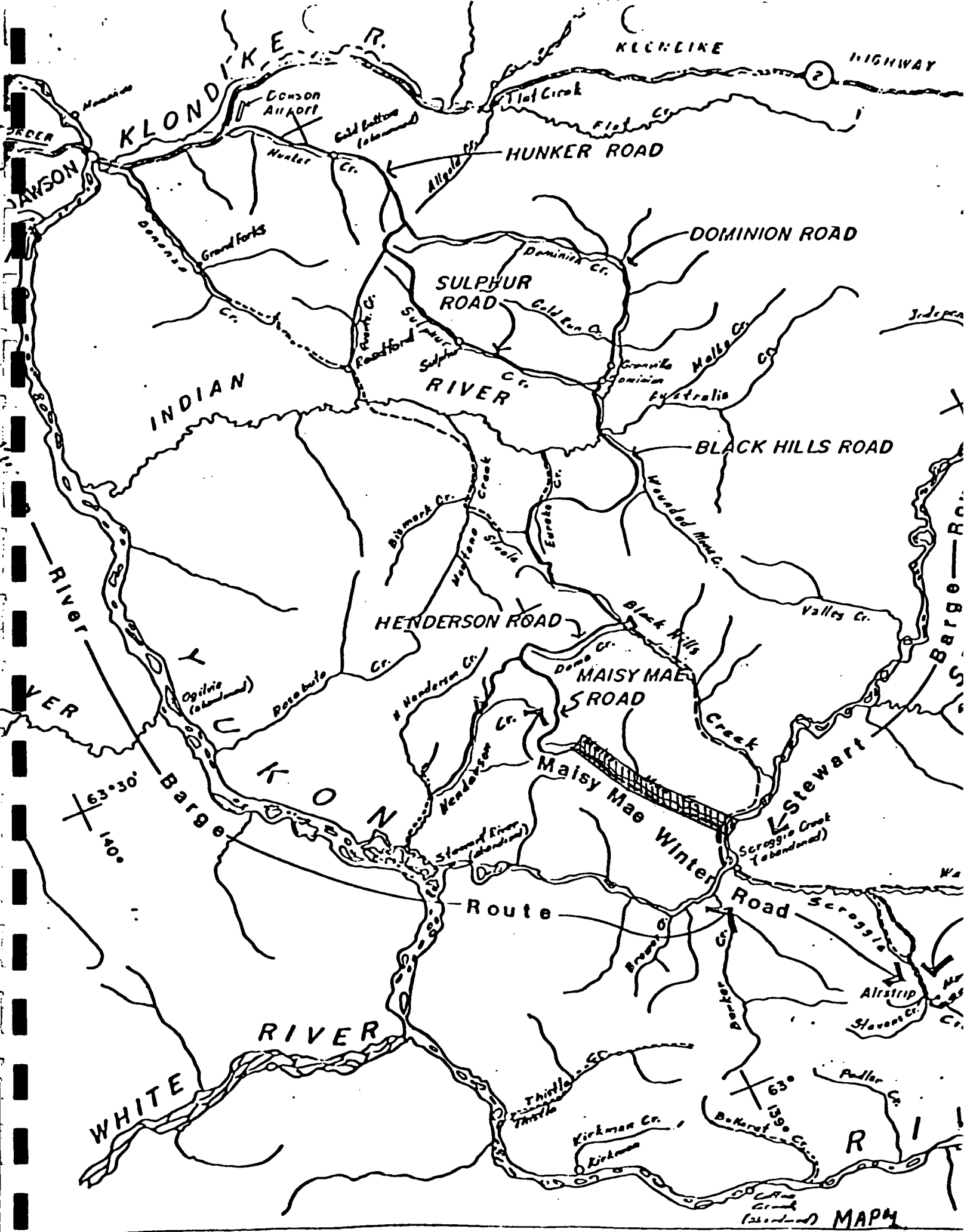
The property is owned by Maisy-May Mines Ltd. with the principals being Mr. G. Geddes and Mr. J. McDiarmid.

## HISTORY

Similar to Black Hills Creek, Maisy May was not discovered until the early 1900's. There is no recorded history on Maisy May, but evidence of cabins and hand workings over the entire length indicate some form of activity. In the early 1920's Mr. Patton worked the right limit bench just upstream from Patton's Creek, a tributary to Maisy May. It is reported that Mr. Patton produced \$10,000 (500 oz) of gold from this bench.

In the early 1930's Mr. J. McDiarmid dug twelve shafts, one shaft per mile, starting approximately two miles from the confluence of the creek. Values were found in every shaft with the best values found in the area of Patton's workings. Over the length of Maisy May muck averages 7 feet deep while gravel averages 8 feet deep.

Not until 1980 was the creek mined with heavy equipment. Since 1980 the area around Patton's old workings has been mined with an average grade, over a 300 foot mining width, of 0.16 ounces per cubic yard. The left limit gravels are considerably higher grade than the right limit gravels (.025 oz/yd<sup>3</sup> vs. .008 oz/yd<sup>3</sup>). In four seasons 3900 fine ounces of gold has been extracted over a relatively small portion of the creek.



MAP

## WATER USE STATUS

Maisy May is currently classified as a "C" designated creek, though the lower mile is classified as a "B" designated creek. This is the same situation as Black Hills where the stream must be diverted and settling facilities utilized. An advantage of owning the entire creek provides the operator with some leverage as to the amount of settleable solids that go in the creek.

## MAISY MAY RECENT PRODUCTION HISTORY

1980 (See map #5)

first year of production  
operated from late July through to September  
equipment used consisted of 1 D9G, 1 D8K, 1 980 loader, 3408 pump, old sluice box  
produced 1180 ounces (crude) or 920 oz (fine; based on 780 fine) from 3 cuts  
estimated production from individual cuts are:

Cut 1: Claim PC 76/77, Right limit  
400' x 150' x 7' = 15,555 yd<sup>3</sup>  
150 oz (crude), 117 oz (fine)  
Grade: .008 oz fine/yd<sup>3</sup>

Cut 2: Claims PC 77/78, Right limit  
400' x 150' x 7' = 15,555 yd<sup>3</sup>  
200 oz (crude), 156 oz (fine)  
Grade: .010 oz fine/yd<sup>3</sup>

Cut 3: Claims PC 76/77, Left limit  
550' x 150' x 7' = 21,388 yd<sup>3</sup>  
830 oz (crude), 647 oz (fine)  
Grade: .030 oz fine/yd<sup>3</sup>

Overall (1980): 52,498 yd<sup>3</sup> @ .017 oz/yd<sup>3</sup> = 920 oz (fine)

1981 (See Map on Page 6)

double shift crew (night crew stripping ground)  
produced 2160 oz (crude) or 1685 oz (fine) from 5 or 6 cuts  
estimated production left limit and right limit cuts:

Cuts 1 & 2: Claims PC 78/79, Right limit  
800' x 150' x 7' = 31,111 yd<sup>3</sup>  
approximately 600 oz (crude), 468 oz (fine)  
Grade: .015 oz fine/yd<sup>3</sup>



Cuts 3, 4, 5 & 6: Claims PC 77/78/79, Left limit  
1550' x 150' x 7' = 60,277 yd<sup>3</sup>  
1560 oz (crude), 1217 oz (fine)  
Grade: .020 oz fine/yd<sup>3</sup>  
Overall (1981) 91,388 yd<sup>3</sup> @ .018 oz/yd<sup>3</sup> = 1684 oz fine

1982 addition of 1 D8K & 3406 pump to operation  
numerous mechanical breakdowns to machinery  
company experienced financial problems  
moved operation to headwater of Maisey May (Map #6) then back to Patton  
Pup area (Map #5)  
prepared large blocks of gravel both upstream and downstream from Patton's  
Pup  
produced 850 oz (crude) or 663 oz (fine) from 4 small cuts  
estimated volume of cuts is 46,666 yd<sup>3</sup>  
grade: .014 oz/yd<sup>3</sup>

1983 financial problems hindering organization  
approximately 50% availability of machinery  
produced 800 oz (crude) or 624 oz (fine) from 3 cuts

Cut 1: headwaters of Maisey May, middle of creek (Map #6)  
300' x 150' x 7' = 11,666 yd<sup>3</sup>  
290 oz (crude), 226 oz (fine)  
Grade: .019 oz fine/yd<sup>3</sup>

Cut 2: mouth of Patton Pup, right limit (Map #5)  
400' x 150' x 7' = 15,555 yd<sup>3</sup>  
150 oz (crude), 117 oz (fine)  
Grade: .008 oz (fine)/yd<sup>3</sup>

Cut 3: below previous workings, left limit bench (Map #5)  
400' x 200' x 7' = 20,740 yd<sup>3</sup>  
360 oz (crude), 281 oz (fine)  
Grade: .014 oz (fine)/yd<sup>3</sup>

Overall (1983) 47,961 yd<sup>3</sup> @ .013 oz/yd<sup>3</sup> = 624 oz fine

Total reported production from 1980 - 1983:

238,513 yd<sup>3</sup> @ .016 oz/yd<sup>3</sup> = 3,892 oz (fine)

## RELIABILITY OF INFORMATION

Perhaps the most critical decision to be made is how reliable is the information Queenstake has received. Over a period of years Queenstake has kept a file on Maisy May. Discussions with various individuals including owners, operators and third parties indicate that the grade and amount of gold recovered is consistent with what has been reported to Queenstake.

Though no actual production records were kept a rough map outlining the various cuts mined over the years was provided to Queenstake for inspection. By measuring the size of the individual cuts and knowing the amount of gold recovered, reserves were estimated to total 238,513 cubic yards grading .016 oz (fine)/yd<sup>3</sup>. As a quick crosscheck, the mined area, taken from photographs, was measured as a whole and the reserves were again estimated. Using this different method 252,127 yd<sup>3</sup> grading .015 oz (fine) per cubic yard were outlined; which is consistent with the previous calculation.

Overall, Queenstake attributes an above average degree of certainty to the information it has reviewed.

## MAISY MAY - RESERVE CALCULATION (Map #3)

Reserves that can be measured with some degree of certainty would include areas that have had some production history. Maisy-May Mines Ltd. have worked in the vicinity of claims PC 76-79 and claims PC 110 - 112. Extrapolating these areas 15 claims upstream and 15 claims downstream would include an area that Queenstake feels confident to estimate reserves.

Queenstake is assuming a recoverable, fine grade of .016 oz per cubic yard. This is consistent with grades on both Henderson and Black Hills Creeks. A mineable width of 300 feet will be used for areas between claims PC 60 to PC 90, while a mineable width of 175 feet for the remainder of claims upstream.

Reserves between PC 60 and PC 90:

$$\begin{aligned} 13,500' \times 300' \times 7' &= 1,050,000 \text{ yd}^3 \\ 1,050,000 @ .016 \text{ oz/yd}^3 &= 16,800 \text{ oz (fine)} \end{aligned}$$

Reserves between PC 91 and PC 125

$$\begin{aligned} 16,000' \times 150' \times 7' &= 725,925 \text{ yd}^3 \\ 725,925 @ .016 \text{ oz/yd}^3 &= 11,615 \text{ oz (fine)} \end{aligned}$$

Since there is no reported production history on the lower portion of Maisy May, Queenstake has not attempted to estimate reserves. This is not to say there are no reserves, because old hand workings and test shafts likely indicate with a good degree of probability, that reasonable grade exists. Both Black Hills and Henderson Creeks have mineable reserves on the lower half of the creeks, though the grade is lower than that recovered on the upper streams.

### PROPOSED MINING PROGRAM

Should Queenstake be able to negotiate a reasonable deal with the Maisy-May Mines Ltd., Queenstake will have one year to work under an overriding agreement. This agreement states that a 15% royalty must be paid to Mr. J. McDiarmid, from production proceeds during 1984. After the 1984 season this agreement will have been fulfilled and a more reasonable royalty (6,8,10,12%), based on the gold price, will have been negotiated with Maisy-May.

1984            2 D8K tractor crawlers, 1 980 C front end loader  
                  4 man crew  
                  strip & prepare ground for 3 months  
                  mine already prepared ground - 4 cuts (See Map #5, claims 73-75)  
                  production approximately 55,000 yd<sup>3</sup> @ .016 oz/yd<sup>3</sup>  
                  gold yielded = 880 fine oz

1985-1992    1 D9H & 1 D8K tractor crawlers, 1 980 C loader  
                  7-8 man crew  
                  production approximately 200,000 yd<sup>3</sup> @ .016 oz/yd<sup>3</sup>  
                  gold yielded per season = 3200 fine oz.

## MAISY-MAY ASSETS

	<u>QTR Est. Value</u>
2 pumps: 1980 3408; 1982 3406	\$ 17,000
2000' 10" aluminum pipe	23,000
Ross 500 sluice box	5,500
One cook house & quarters (skid mounted)	35,000
One wash house (skid mounted)	
One 8 man bunk house (skid mounted)	
One 2 bedroom log house (permanent structure)	
One gold room and furnace	30,000
40' shop trailer with hydraulic bench press	25,000
Welder on 3/4 ton Ford truck (transmission gone)	2,000
One 12,000 gallon fuel tank	10,000
One 2,000 gallon fuel tank	1,800
3000 gallon diesel fuel	<u>6,000</u>
	155,300

## MAISY-MAY LIABILITIES

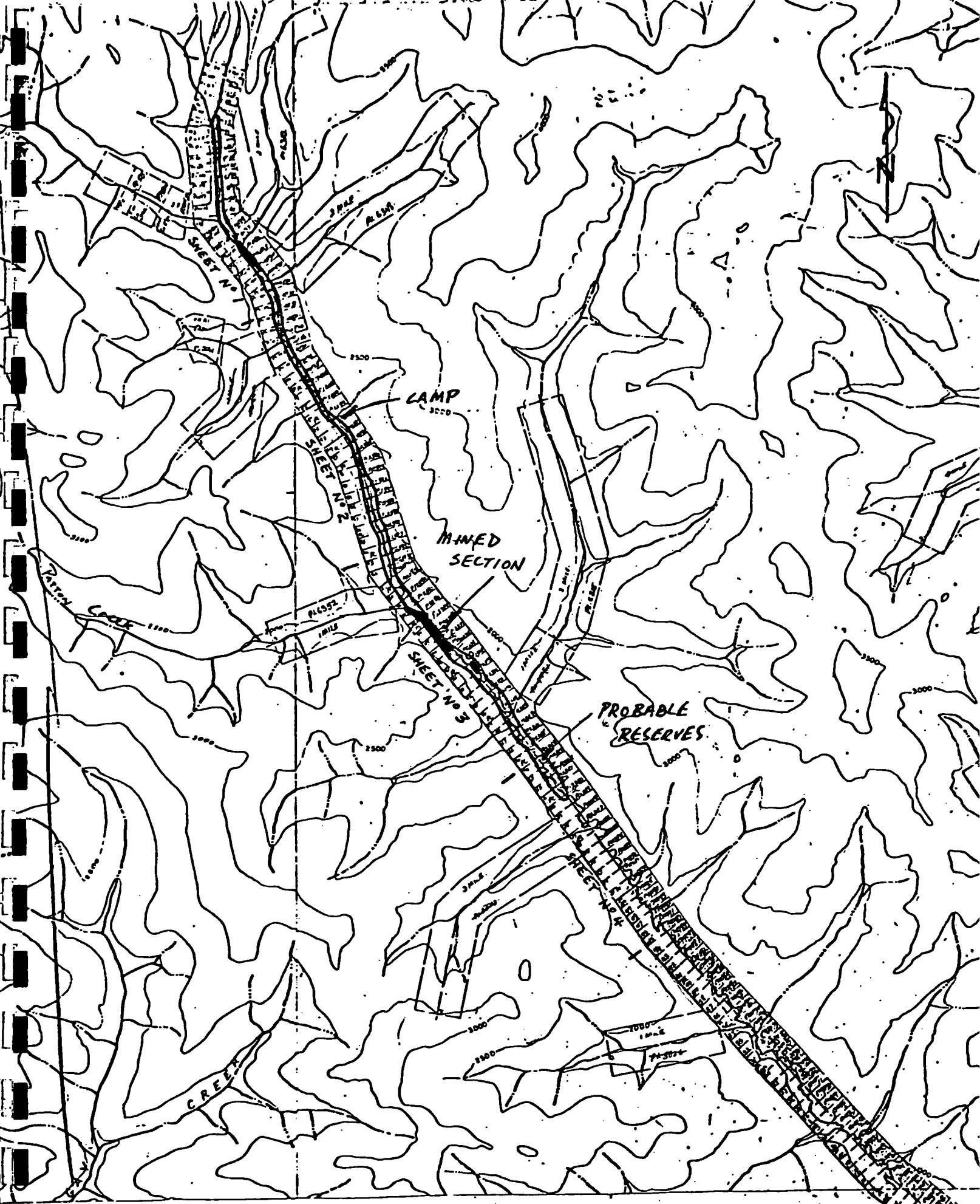
Finning Tractor & Equipment Co. Ltd.*	\$290,000
Whitepass Petroleum*	107,000
Yukon Explosive	9,000
TNTA	4,500
WCB	14,000
North West Tel	3,000
Alan McDiard	<u>6,000</u>
	433,500

\* Registered liens with Dawson Mining Recorder

## **ANALYSIS OF LIABILITIES**

Maisy-May Mines Ltd. has both liens registered against the property and outstanding accounts payable. Under the terms of the agreement with Maisy-May Mines Ltd., Queenstake would be responsible to pay lienholders and outstanding balances to creditors.

Mr. G. Geddes has negotiated with Finning Tractor to reduce the lien from \$290,000 to \$237,000, which would be payable by \$100,000 up front and the balance over terms to be negotiated. Whitepass Petroleum has a registered lien in the amount of \$54,000 and has accounts receivable from Maisy-May in the amount of \$53,000. Again Mr. Geddes has negotiated to have this amount reduced to \$70,000. The remaining debts will be negotiated and paid by Queenstake. An overview of the liabilities would see the current amount of \$433,500 reduced to approximately \$350,000.



MAISEY MAY  
PROBABLE RESERVES

1" = 1 MILE

MAP '2

**REVIEW OF MAISY MAY CREEK  
PLACER PROJECT**

**DAWSON MINING DISTRICT**

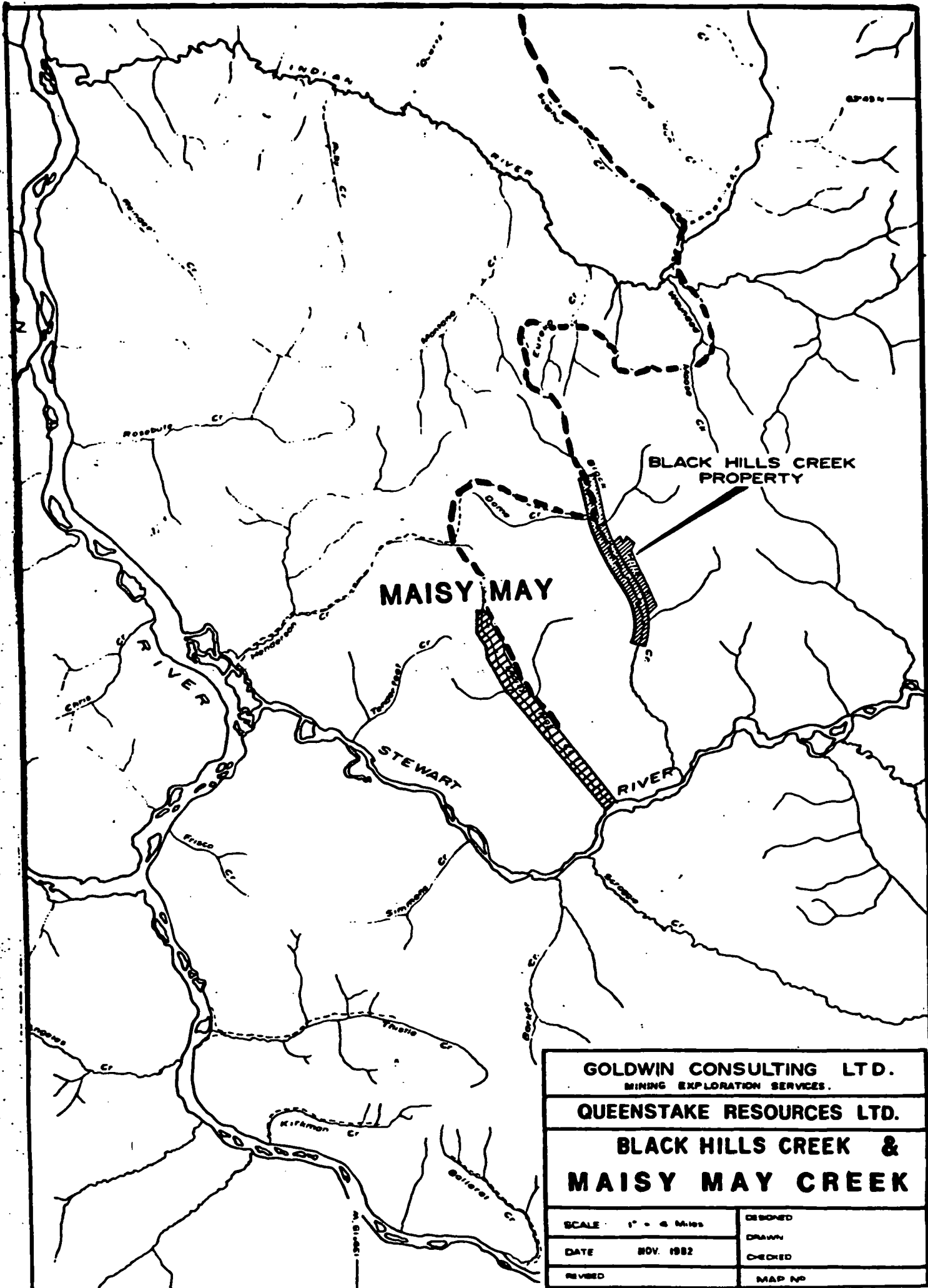
**Prepared by  
Gordon C. Gutrath**

**January, 1986**

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**GOLDWIN CONSULTING LTD.**  
MINING EXPLORATION SERVICES.

**QUEENSTAKE RESOURCES LTD.**

**BLACK HILLS CREEK &  
MAISY MAY CREEK**

SCALE 1" = 4 Miles

DESIGNED

DATE NOV. 1982

DRAWN

REVISED

CHECKED

MAP NO

## INTRODUCTION

In 1984 Queenstake acquired 12 miles of contiguous placer claims on Maisy May from Maisy May Mines Ltd., who had operated the property since 1980. In 1984 Queenstake rebuilt the original trailer camp, bulk sampled one 38,000 yd<sup>3</sup> mine cut, stripped 150,000 yd<sup>3</sup> for the 1985 season and carried out a reconnaissance survey of the upstream 5 miles of the property.

In 1985 Queenstake mined 126,000 yd<sup>3</sup> producing 1,726 ounces of gold. A drill program was completed in April and a stripping program was ongoing throughout the operating season employing both bulldozers and a hydraulic monitor. A backhoe pit sampling program was carried out at the end of the mining season.

## 1985 MINING SEASON

The Maisy May camp was opened on May 2nd and the drill program was underway on May 4th. Brush clearing and stripping was started at the same time. Mining was carried on throughout the summer and stripping continued until October 2, 1985.

### Exploration:

#### Drilling Program:

The drilling was carried out by a self-propelled, wheel-mounted 6 inch rotary drill. A 500 cfm compressor was mounted on skids and it was moved by a D6 bulldozer. The drill and its carrier operated very efficiently during the Maisy May program. The complete drill system could move between 100 foot spaced drill holes and be operational in less than 20 minutes. 35 holes were drilled totalling 1,218 feet.

The purpose of the drill program was to determine the limits of the "pay channel" in the Maisy May valley. It was of particular importance to determine if a "pay channel" could be found underlying the deep overburden fan that covered most of the 1986 reserves if these reserves were to be mined progressively going

upstream. If there was very little or no gold found in the holes drilled to evaluate the fan, the 1100 feet or 86,000 yd<sup>3</sup> of gravel reserves covered by the fan could be left and the mining moved upstream above the fan.

Results:

The drilling program was successful although grade can only be categorized with any confidence as being low, medium or high grade. The type of open hole drilling in frozen material gives fairly accurate results as to muck-overburden, gravel and bedrock depth, but gold can be lost at many points in the system. Gold can be lost by sticking to the muddy walls of the hole, washed down the hole by large amounts of water from the thawing muck walls or lost around the casing diverter and in the cyclone. Increasing the value of the sample by an increase in the volume of material was seldom encountered.

The drilling confirmed medium to higher grades for the balance of the reserves to be stripped for the 1985 mining season. It also indicated that the "pay channel" was favouring the east wall (also the deepest overburden) of the valley. The drilling also indicated that the gold bearing gravels continued under the large overburden fan.

The two highest grade holes were Hole 32 line 2 and Hole 10 line 3. These are both short holes in areas of shallow overburden resulting in better gold recovery. (the deeper the hole the more opportunity there is for gold to be lost). Both of these holes, over a 6 foot gravel section, have a grade of 0.03 oz/yd<sup>3</sup>.

Line 1 was drilled across the end of Cut 85-1 and Cut 85-2 to be able to compare drill results with bulk mining results. The gold colour count from holes 34 to 37 were all relatively low compared with the results from holes on Line 2 to Line 5. However, the bulk mining demonstrated a recovered grade of between 0.011 oz/yd<sup>3</sup> and 0.015 oz/yd<sup>3</sup> for the two cuts. This line of holes did indicate that the highest grade was on the east side of the valley.

Line 2, Holes 1 to 4 had a relatively low colour count compared with holes on Line 2 to 4. Line 2 is a series of 4 holes drilled across the start of Cut 85-5 that had a recovered grade of 0.014 oz/yd<sup>3</sup>. The recovered grade from this cut

compared to drill hole results indicates that the grade of the reserves between Line 2 and Line 4 should be considerably higher than Cut 85-5. The drill results also indicate that the grade of reserves between Line 4 and Line 7 is similar to that found in Cut 85-1 and Cut 85-2, or in a range of .01 to .015 oz/yd<sup>3</sup>.

#### Backhoe Pit Sampling

22 backhoe pits were dug from Moosetooth Creek upstream to Cut 83-3. The purpose of the program was to determine if the gravels were continuously gold bearing between the lowest downstream mine cut and Cut 83-3. The pits could only be sunk in areas of completely thawed gravels so the holes are on a random pattern. Gold was found in all the holes but this method of sampling is not reliable to determine the actual grade of the reserves. The gravel bedrock interface where the gold is concentrated is always dug under water and the bedrock is often frozen or partially frozen making effective sampling of the bedrock impossible. Gravel depths are consistently in the order of 6 feet.

#### **Stripping:**

##### Brush Stripping

The brush was cleared from the end of the 1984 clearing (approximate start of Cut 85-4) upstream 3,400 feet. The clearing program was carried out between April 4th and April 16th using a D8K bulldozer.

##### Overburden Stripping

Between April 4th and the startup of the mining season on June 3rd an estimated 50,000 yd<sup>3</sup> was bulldozer stripped from Cut 85-4 and 85-5. An additional 73,000 yd<sup>3</sup> was stripped from the east side of Cut 85-1 through 85-3. A minimum of 123,000 yd<sup>3</sup> of overburden was stripped prior to the startup of the mining season.

During the mining season an additional 46,000 yd<sup>3</sup> was stripped from Cut 85-6 and 64,000 yd<sup>3</sup> from the fan area between Drill Line 3 and Drill Line 5. (Cuts 86-2, 86-3 and 86-4).

After the end of the mining season an additional 50,000 yd<sup>3</sup> was stripped from Cut 86-2 and 13,000 yd<sup>3</sup> from Cut 86-5 and 86-6. In the area of Moosetooth Creek another 17,000 yd<sup>3</sup> was stripped from the lowest downstream cut to be bulk sampled in 1986.

From 1 to 3 feet of gravels totalling an estimated 35,000 yd<sup>3</sup> was stripped from Cuts 85-1 through to 85-5. Total overburden stripped in 1985 is in the order of 350,000 yd<sup>3</sup>.

In August, 1,100 feet of 10 inch aluminum pipeline was connected to 2 monitors on the east side of Cuts 86-2 and 86-3. A Cat 3208 pump located on the upstream end of the pipeline on Cut 86-5 pumped approximately 3,000 gpm to the monitors.

Prior to monitoring, the moss and surface thaw is stripped by bulldozer. The primary purpose of the monitor is to strip the daily thaw from the surface of the exposed black frozen muck. The thaw varies from 4 to 6 inches per day as long as the surface thaw is removed. A single monitor supplied by the 3208 pump covers a radius of 145 feet. This is approximately one-half the width of the fan. However, the fan has a slope of 3° to 6° down to the creek on the opposite side of the valley so the water draining from the monitored area still has enough effective carrying power to remove the thawed silt. The monitors operating from 3 to 6 hours per day and combined with 1 to 2 hours of bulldozer time, was found to be very effective in stripping the deepest part of the overburden fan.

The silt laden water from the monitored area is carried in a diversion channel along the west side of the mine cuts to a settling pond system separate and downstream from the settling-recirculating pond system used for the sluice water.

#### **Mine Production:**

The 1985 production was estimated to be 2,161 ounces compared with actual production of 1,727 ounces. The estimated production was 181,000 yd<sup>3</sup> grading 0.012 oz/yd<sup>3</sup>. Actual production was 126,000 yd<sup>3</sup> grading 0.014 oz/yd<sup>3</sup>. The grade improved but

the volume was reduced. The volume reduction was in part from the overall gravel depth averaging closer to 6 feet than the original 7 feet used in the 1984 calculations. In addition, 1 to 2 feet of gravel was stripped from the top of the gravel section to reduce the amount of material that would have to be sluiced. The average section mined was in the order of 4 to 5 feet of gravel and 1 to 2 feet of bedrock.

Cut 85-6 could not be completed in September, 1985 because of frozen ground conditions.

<u>Cut</u>	<u>Period</u>	<u>Sluicing Hours</u>	<u>Volume</u>	<u>Fine Ounces</u>	<u>Grade oz/yd<sup>3</sup></u>
85-1	June 3 - June 21	161	24,000	275	0.011
85-2	June 23 - July 17	148	24,000	361	0.015
85-3	July 23 - August 2	84	21,000	303	0.014
85-4	August 9 - August 17	83	21,000	281	0.013
85-5	August 21 - September 16	124.5	31,000	441	0.014
85-6	September 21 - September 25	21	5,000	65	0.013
	<b>TOTAL</b>	<b>621</b>	<b>126,000</b>	<b>1,726</b>	<b>0.014</b>

#### Equipment:

The two main pieces of equipment used at Maisy May were the D9L #1 (#521) and the 980C (#515) wheel loader. The D8K (#512) was used to feed the sluice box until August, when it was exchanged for the Black Hills' D9H (#516). The D8K was sent to Preido Hill in exchange for the D9H (#517).

<u>Machine Number</u>	<u>Availability 1984</u>	<u>Availability 1985</u>	<u>Variance Percentage</u>
D9L #1 (#521)	98%	86%	-12%
980C (#515)	95%	88%	-7%

The D8K had a major overhaul during the winter of 1984-85 and had 99% availability during the 1985 mining season.

The D9H (#516) that came from Black Hills had only 80% availability during the 1985 season compared with 85% in 1984. However, by the time the machine went to Maysy May most of the problems had been repaired and the cat had 99% availability.

Pump availability was 99% for the season. Both the 3208 and the 3406 pumps can be used on the new sluice box.

#### **Sluice Box:**

The Ross Box that was modified at Black Hills for the 1983 season was used for the first two cuts at Maysy May in 1985. This box was not efficient for fine, flat gold recovery and was labour intensive and very difficult to disassemble for the gold cleanup. A new box was built in Whitehorse in the Spring of 1985 and was first used for Cuts 85-3. The box was very similar in design to the box built in 1984 for Black Hills Creek that was found to have good production capacity and a very high gold recovery. At Maysy May the new box, even with an undercurrent sluice run, was still losing an unacceptable amount of fine gold when first put into production. However, modifications to spray bar-wash water distribution and changes in riffle size and spacing improved recovery as the season progressed.

**AGREEMENTS**



**MAISY MAY PROPERTY AGREEMENT**

**THIS AGREEMENT is dated for reference March 29, 1984.**

**BETWEEN: Maisy-May Mines Ltd.  
and  
Geddes Contracting Co. Ltd.  
123 Penno Road  
Highway 97 N  
Kelowna, B.C. V1A 7R1**

**AND: Queenstake Resources Ltd.  
900 - 850 West Hastings Street  
Vancouver, B.C. V6C 1E1**

**WHEREAS the parties hereto agree with each other as follows:**

- 1. Maisy-May Mines Ltd. is the Lessee of 130 placer mining claims, located in the Dawson Mining District, of the Yukon Territory and situated on Maisy May Creek. The 130 placer mining claims (hereinafter referred to as the "Claims") are more specifically described as follows and by this reference form part of this Agreement:**

<b>Claim Name</b>	<b>Number</b>	<b>Expiry Date</b>
PC 1-50	P19945-P19995	January 30, 1985
PC 51-100	P12350-P12402	January 30, 1985
PC 101-130	P14525-P14554	September 14, 1984

- 2. Maisy-May Mines Ltd. is the Lessee of the Claims under the terms and conditions of a Lease-Purchase Agreement dated February 6, 1980 (hereinafter referred to as the "Agreement") between Jack McDiarmid and J.D. Randolph as Lessors (hereinafter referred to as "McDiarmid and Randolph") and by this reference incorporated as part of this Agreement as Schedule A.**
- 3. Maisy-May Mines Ltd. and Queenstake are desirous of entering into an agreement whereby Queenstake will be contracted by Maisy-May Mines to operate the Claims during the 1984 operating season on behalf of Maisy-May Mines Ltd.**
- 4. Upon the expiration of the Agreement on February 28th 1985, Maisy-May Mines Ltd. will have the right to exercise its purchase option on the Claims for the good and valuable consideration of \$1.00.**

5. Geddes Contracting Co. Ltd. is the owner of certain equipment, supplies, buildings and fixtures (hereinafter referred to as "Equipment") situated on the Claims which are more specifically described in Schedule B and by this reference incorporated in this Letter of Intent.
6. Queenstake is willing to purchase said Equipment under the terms and conditions as herein provided.
7. Maisy-May Mines Ltd. has incurred certain liens and encumbrances (hereinafter referred to as "Liens") on the Claims which are more specifically described in Schedule C attached to and forming part of this Letter of Intent.
8. In consideration of Queenstake settling and disposing of the Liens on the Claims, Maisy-May Mines Ltd. agrees to grant to Queenstake an exclusive option to lease the Claims effective March 1, 1985 under those terms and conditions embodied in the Lease Agreement (hereinafter referred to as the "Lease") attached to and forming part hereof as Schedule D.

NOW THEREFORE in consideration of the mutual covenants and agreements contained herein the parties hereto agree as follows:

- A. Maisy-May Mines Ltd. represents and warrants to Queenstake that the Agreement is a valid agreement and is in good standing and further that McDiarmid and Randolph have waived any defaults that Maisy-May Mines Ltd. may have committed during its tenancy. Maisy-May Mines Ltd. will provide Queenstake with written documentation confirming on the part of McDiarmid and Randolph that Maisy-May Mines Ltd. is not in default under the terms of the Agreement and that McDiarmid and Randolph agree the Agreement is valid and in good standing and further they agree that Maisy-May has the right to subcontract the 1984 operations to Queenstake Resources Ltd. The form and content of such documentation is attached hereto as Schedule E.
- B. Maisy-May Mines Ltd. represents and warrants to Queenstake that it will promptly exercise its option to purchase of the Claims under the terms and conditions of the valid Agreement on February 28, 1985 by the payment of \$1.00 to McDiarmid and Randolph under that Agreement. Maisy-May Mines Ltd. further represents and warrants to Queenstake that it will provide Queenstake with a copy of the Bill of Sale duly executed and notarized by all parties concerned by March 15, 1985.
- C. Queenstake agrees to negotiate and settle the Liens on behalf of Maisy-May Mines Ltd. under terms and conditions which Queenstake in its sole discretion deems advisable.
- D. Geddes Contracting Co. Ltd. wishes to sell the Equipment and Queenstake agrees to purchase the Equipment from Geddes Contracting Co. Ltd.
- E. Queenstake agrees to provide a maximum of \$500,000 to settle and dispose of the Liens and purchase the Equipment.

- F. It is agreed between the parties that the first call on the \$500,000 will be the settlement and disposition of the Liens. The balance of cash remaining after the liens have been settled and disposed will be paid to Geddes Contracting Co. Ltd. as the purchase price of the Equipment.
- G. Queenstake agrees to mine one or more of the Claims during the 1984 mining season in consideration of 85% of the value of all precious metals recovered from the Claims in 1984. Queenstake further agrees to conduct its 1984 operations in a workmanlike and efficient manner and shall utilize a least three machines equivalent to one D-8 Caterpillar Tractor, one D-9 Caterpillar Tractor and one 980 Loader or another equipment combination that meets the approval of Messrs. McDiarmid and Randolph. In addition Queenstake agrees to pay or cause to be paid to McDiarmid and Randolph, 15% in specie of all gold or precious metals extracted from the said Claims, which required percentage shall be of each grade of each metal recovered including any jewellery nuggets, in terms of both their extrinsic and intrinsic value, to McDiarmid and Randolph or to either one of the their Bank Accounts in the Canadian Imperial Bank of Commerce, in the City of Dawson, in the Yukon Territory. Queenstake also agrees to give McDiarmid and Randolph, or one of them, 6 days notice before each cleanup and allow McDiarmid and/or Randolph to attend each cleanup at their own risk and expense.
- H. Queenstake agrees to perform and record with the Dawson Mining Recorder sufficient assessment work to maintain those specific placer mining claims P14525 - P14554 (PC 101 - 130) in good standing until September 14, 1985.
- I. Maisy-May Mines Ltd. agrees to cooperate with Queenstake in all matters concerning the application for and the acquisition of any and all necessary permits and authorizations in connection with Queenstake's 1984 operations on the Claims.
- J. It is agreed that this written instrument embodies the entire Agreement of the parties hereto with regard to the matters dealt with herein, and that no understandings, verbal or otherwise, exist between the parties except as herein expressly set out.
- K. This Agreement shall enure to the benefit of and be binding upon the parties hereto, their respective heirs, executors, administrators, successors and assigns.
- L. Unless clearly stated otherwise, all sums mentioned in this Agreement shall be deemed to have been expressed in lawful money of Canada.

M. Time shall be of the essence of this Agreement.

IN WITNESS WHEREOF THIS AGREEMENT has been executed by the parties on the date first above written.

THE CORPORATE SEAL OF )  
MAISY-MAY MINES LTD. )  
was hereunto affixed )  
in the presence of: )

\_\_\_\_\_ )

c/s

\_\_\_\_\_ )

THE CORPORATE SEAL OF )  
GEDDES CONTRACTING CO. LTD. )  
was hereunto affixed )  
in the presence of: )

\_\_\_\_\_ )

c/s

\_\_\_\_\_ )

THE CORPORATE SEAL OF )  
QUEENSTAKE RESOURCES LTD. )  
was hereunto affixed )  
in the presence of: )

\_\_\_\_\_ )

c/s

\_\_\_\_\_ )

**SCHEDULE A**

**LEASE-PURCHASE AGREEMENT dated February 6, 1980**

**between Jack McDiarmid and J.D. Randolph (Lessors)  
and Maisy-May Mines Ltd. (Lessee)**

THIS LEASE-PURCHASE AGREEMENT was made at the City of Dawson,  
in the Yukon Territory, as of the 6th day of February, 1980.

BETWEEN:

JACK McDIARMID and J. D. RANDOLPH, Prospectors,  
of the City of Dawson, in the Yukon Territory,  
(hereinafter referred to as the "Lessors")

PARTY OF THE FIRST PART

AND:

MAISY-MAY MINES LTD., a body corporate having  
registered offices at #203 - 107 Main Street, in  
the City of Whitehorse, in the Yukon Territory,  
(hereinafter referred to as the "Lessee")

PARTY OF THE SECOND PART

WHEREAS the Lessors are the recorded and beneficial  
owners of those certain Placer Mining Claims more particularly  
described in Schedule "A" attached hereto and forming part of this  
Agreement (hereinafter called "the said claims");

AND WHEREAS the Parties desire to enter into a  
Lease-Purchase Agreement covering the said claims;

NOW THIS AGREEMENT WITNESSETH that in consideration of  
the mutual covenants, agreements and provisos hereinafter contained,  
the parties hereto agree with each other as follows:

1. The Lessors agree to lease to the Lessee and the Lessee  
agrees to lease from the Lessors the said claims for a term of five  
(5) years commencing the 1st day of March, 1980, and ending on the  
28th of February, 1985, on the following terms and conditions.

2. The Lessee shall actively mine one or more of the claims during the mining season of each year of the term herein in a workmanlike and efficient manner and shall utilize at least three machines equivalent to one D-8 Caterpillar Tractor, one D-9 Caterpillar Tractor and one 980 Loader. In the event that the Lessee fails to actively mine one or more of the said claims as aforesaid during a mining season then this Agreement shall terminate at the end of that year.

3. In consideration for the Lease, the Lessee shall pay, or cause to be paid to the Lessor, fifteen (15%) percent in specie of all gold or precious metals extracted from the said claims, which required percentage shall be of each grade of each metal recovered including any jewellery nuggets, in terms of both their extrinsic and intrinsic value, to the Lessors after each cleanup. Each payment shall be made to either one of the Lessors or to either one of the Lessor's Bank Accounts in the Canadian Imperial Bank of Commerce, in the City of Dawson, in the Yukon Territory.

4. The Lessee shall give the Lessors, or one of them, six (6) days notice before each cleanup and allow the Lessors to attend each cleanup.

5. The Lessors covenant and agree with the Lessee as follows:

- a) they have good title to the claims and that the said claims are free and clear of encumbrances;

- b) they have done nothing whereby the said claims may become encumbered.

6. The Lessee covenants and agrees with the Lessors that during the term of this Agreement:

- a) it shall duly record and pay such assessment work as may be required to keep the claims in good standing;
- b) it shall keep the said claims clear of Liens and any other charges arising from its operation;
- c) it shall allow the Lessors or any duly authorized agent of the Lessors to inspect the claims at reasonable times and intervals;
- d) it shall carry out all operations on the claims in a good and minerlike fashion.

7. The Lessee shall be at liberty, upon giving notice to the Lessor, to surrender all its rights hereunder, whereupon this Agreement shall terminate.

8. Upon termination of this Agreement, the Lessee shall deliver to the Lessors, copies of all data obtained by it, including plans, assay reports and drill results.

9. If this Agreement is terminated, the Lessee shall have the right to remove from the claims within ten (10) months thereafter, all machinery, buildings, equipment and supplies placed by it thereon.



10. The parties agree that if that if this Agreement is terminated for any reason, the Lessee shall record and pay enough assessment work to keep the placer ground in good standing for at least two (2) years from the date of termination.

11. If the Lessee shall be prevented or delayed from performing any of its obligations performed hereunder by reason of act of nature, God, or the Queen's enemies, strike, fire, flood, insurrection or mob violence; or any disabling cause beyond the control of the Lessee, then any such failure to perform shall not be deemed a breach of this Agreement, and the performance of any of the aforesaid obligations shall be suspended during the period of disability.

12. The Lessors shall have the right to sink holes for prospecting purposes on the claims during the off-season months provided that all information obtained by such prospecting shall be made available to the Lessee free of charge.

13. During the term of this Lease, the Lessee, as agent of the Lessors, may enter into an Agreement to sell one or more of the claims to a third party provided that the proceeds of such sale or sales shall be divided equally between the two parties herein. The Lessors agree to execute any documents necessary to facilitate such sale.

14. In the event that this Lease does not terminate during the term hereof, then upon the expiry of the term the Lessee shall have the option to purchase the remaining claims for the sum of ONE (\$1.00) DOLLAR which option must be exercised within six (6) months after the expiry of the term.

15. Any notice required to be given to either party by the other hereunder shall be well and sufficiently given if sent by registered mail, postage prepaid, if to the Lessors addressed as follows: Jack McDiarmid, General Delivery, Mayo, Yukon Territory, YOB 1MO

and to the Lessee addressed as follows:

Maisy May Mines Ltd., P. O. Box 188, Dawson City,  
Yukon Territory, YOB 1GO

Either party may change its address for notice by advising the other party in writing.

16. The parties hereto and each of them covenant and agree that each of them shall and will upon reasonable request of the other party, make, do, execute, or cause to be made, done, or executed, all such further and other lawful acts, deeds, things, devices and assurances whatsoever for the better and more perfect and absolute performance of the terms and conditions of this Agreement.

17. This Agreement shall enure to the benefit of and be binding upon the parties hereto, their respective heirs, executors, administrators, successors and assigns as the case may be.

IN WITNESS WHEREOF THIS AGREEMENT has been executed by

the parties hereto the 30<sup>th</sup> day of September, 1980.

SIGNED, SEALED AND DELIVERED by )  
JACK McDIARMID in the presence )  
of: )

J. A. McDiarmid  
Jack McDiarmid

F.W. J. E. Mager  
Witness

SIGNED, SEALED AND DELIVERED by )  
J. D. RANDOLPH in the presence )  
of: )

J. A. McDiarmid  
J. D. Randolph

F.W. J. E. Mager  
Witness

THE CORPORATE SEAL OF MAISY-MAY )  
MINES LIMITED was hereunto )  
affixed in the presence of: )

R. C. McDiarmid  
W. D. Mager

APPENDIX "A"

CLAIM NAMES

*J. M. S. D.*  
*V. J. M. S. D.*

1 - 130

GRANT NUMBERS

8316 - 8445

Located on Maisy-May Creek in the Dawson City Area, in the Yukon Territory.

**SCHEDULE B**

**GEDDES CONTRACTING CO. LTD. "EQUIPMENT"**

2 pumps: 1980 3408; 1982 3406  
2000' 10" aluminum pipe  
Ross 500 sluice box  
One cook house & quarters (skid mounted)  
One wash house (skid mounted)  
One 8 man bunk house (skid mounted)  
One 2 bedroom log house (permanent structure)  
One gold room and furnace  
40' shop trailer with hydraulic bench press  
Welder on 3/4 ton Ford truck (transmission gone)  
One 12,000 gallon fuel tank  
One 2,000 gallon fuel tank  
3000 gallon diesel fuel

SCHEDULE C

MAISY-MAY MINES LTD. "LIENS"/LIABILITIES

Finning Tractor & Equipment Co. Ltd.\*  
 Whitepass Petroleum\*  
 Yukon Explosive  
 TNTA  
 WCB  
 North West Tel  
 Alan McDiard ~~id~~ mil

237
<u>70</u>
307
2.5
<u>1.5</u>
310-15

A/P  
 of  
 Maisy-May

\$290,000
<u>107,000</u>
9,000
<u>4,500</u>
14,000
<u>3,000</u>
<u>6,000</u>
433,500

\* Registered liens with Dawson Mining Recorder

Dawson general store

<u>350</u>
------------

**SCHEDULE D**

**"LEASE" between Maisy-May Mines Ltd.  
and Queenstake Resources Ltd.**

**March 1, 1985**

## PLACER LEASE AGREEMENT - MAISY MAY CREEK PROPERTY

THIS AGREEMENT made this 1st day of March, 1985.

**BETWEEN:**                   Maisy-May Mines Ltd.  
                          203-107 Main Street  
                          Whitehorse, Yukon  
                          (hereinafter "Lessor" or "Maisy-May")

OF THE FIRST PART

**AND:**                         Queenstake Resources Ltd.  
                          900-850 West Hastings Street  
                          Vancouver, British Columbia  
                          V6C 1E1  
                          (hereinafter "Lessee" or "Queenstake")

OF THE SECOND PART

**WHEREAS:**

- A. Lessor is the registered owner of those Placer Claims set forth in Schedule "A" to this Agreement (hereinafter the "Property").
- B. Lessor warrants that it has the right to deal with the Property which is in good standing with the Mining Recorder in the Dawson Mining District, Yukon.
- C. For and in consideration of the gross royalty interest (as hereinafter defined) retained by Lessor, Lessor hereby lets, leases and demises unto Lessee all its right, title and interest in the Property for a 10 year term, unless said term (the "Primary Term") is renewed or extended as provided for herein or sooner terminated by Lessor or Lessee as hereinafter provided and subject to the terms and conditions hereinafter set forth.

NOW THEREFORE THIS AGREEMENT WITNESSETH that in consideration of the mutual covenants and agreements herein contained and subject to the terms and conditions hereafter set out the parties hereto agree as follows:

- 1. The following definitions shall apply in construing this Agreement:
  - a) "Gross Royalty" shall mean the gross value of all metals, (precious or otherwise) and minerals produced from the Property and the royalty shall be paid according to the value of the metals or mineral products.
  - b) "value" shall mean the fair market value of the metal or mineral produced and shall without limiting the generality of the foregoing include any premium paid for nuggets of metal or mineral produced from the Property.



- c) "governmental regulation" shall include any regulation or order affecting the property whether Federal, Provincial or Municipal in nature.
  - d) "Property" shall mean the Placer Claims referred to in Schedule "A" of this Agreement.
  - e) "precious metals" shall mean gold, silver, platinum and any other metals commonly referred to as precious metals.
2. Except as herein specifically provided, Lessor hereby grants all its right, title or interest in and to the Property to Lessee pursuant to the provisions herein set forth, including all precious metals and minerals and mineral rights that are contained in the Property set forth in Schedule "A" hereto.
3. Lessee agrees that during the currency of this Agreement it shall:
- a) keep the Property free and clear of all liens, encumbrances and other charges arising from Lessee's labour done or work performed thereon or for materials and supplies furnished to Lessee for the development or operating thereof during the period Lessee is in possession thereof. A lien upon the Property shall not constitute a default if Lessee in good faith disputes the validity of the lien;
  - b) pay such taxes and assessments as may be required to keep the Property in good standing for the currency of this Agreement;
  - c) perform and record such work as may be required to keep the Property in good standing for the currency of this Agreement;
  - d) carry out its work, development and mining on the Property in accordance with recognized good and minerlike exploration and engineering practices and in conformity in all respects with all applicable governmental mining laws and regulations;
  - e) keep and maintain, subject to the inspection by Lessor at all reasonable times, books of account in respect of all expenditures made by Lessee in connection with the exploration, development, equipment and operation of the Property;
  - f) save and defend Lessor harmless from all costs, loss or damage which may arise by reason of injury (including injury resulting in death) to any persons employed by Lessee in or upon the Property or any part thereof, or which may arise by reason of injury (including injury resulting in death) to any persons or damage done to any other property as a result of any work or operations of Lessee or of its possession or occupancy of the Property. Lessee shall pay all Workers Compensation assessments and shall procure and pay for all such insurance including public liability insurance on the Property and any and all buildings, improvements, equipment and supplies brought thereon by Lessee as in the opinion of Lessee, Lessee deems adequate;

5. Lessee shall deliver to Lessor, each year during the currency of this Agreement hereof, copies of his audited financial statements pertaining to the operations carried out by Lessee on the Property but shall not be required to produce any financial statements pertaining to any other operations or business carried on by him. Lessor shall have access to the books and records of Lessee pertaining to its operations on the Property for the purpose of verifying such audited financial statements and may at its expense have such books and records audited by an independent firm of chartered accountants. All information supplied by Lessee pursuant to the provisions of this Agreement shall be confidential and shall not be disclosed to any other person, firm or corporation without the prior written consent of Lessee.
6. Upon the execution of this Agreement, Maisy-May covenants and agrees to execute in registerable form the necessary documents transferring title to the Property from Maisy-May to Queenstake. Queenstake shall have the right to register and record the transfer documents with the Dawson Mining Recorder, Yukon.

Upon the execution of this Agreement, Queenstake shall execute the necessary documents to transfer the title (hereinafter referred to as "Escrow Document") to the Property from Queenstake to Maisy-May. The Escrow Document shall be delivered by Queenstake to the designated legal representative of Maisy-May Mines Ltd. (hereinafter referred to as the "Escrow Holder") a sealed envelope containing the Escrow Document. The Escrow Document shall be held in escrow subject to the terms and conditions of this Agreement.

7. The Escrow Holder shall hold the Escrow Document in escrow and undelivered and:
  - a) shall deliver the Escrow Document to Maisy-May thirty (30) days after receipt by the Escrow Holder of a Statutory Declaration sworn by an officer of Queenstake stating that Queenstake has no further interest in the Property and that this Agreement has been terminated and all obligations of Queenstake to Maisy-May pursuant to this Agreement have been met in full; or
  - b) shall deliver the Escrow Document to Maisy-May thirty (30) days after receipt by the Escrow Holder of a Statutory Declaration sworn by Maisy-May Mines Ltd. stating that Queenstake is in default of Clause 4 of this Agreement in respect of the payment of the gross royalty to be made thereby and specifying the amount in default. Upon receipt of the Statutory Declaration referred to, the Escrow Holder shall forthwith give notice in writing to Queenstake of such receipt and shall send with such notice a copy of the Statutory Declaration. If the Escrow Holder receives delivery of the gross royalty from Queenstake prior to his delivery of the Escrow Document to Maisy-May the Escrow Holder shall continue to hold the Escrow Document in escrow and shall forthwith deliver the gross royalty to Maisy-May.

8. No information furnished by Lessee to Lessor in respect of the activities carried out on the Property by Lessee, or related to the sale of precious metals derived from the Property, shall be published or disclosed by Lessor without the prior written consent in respect, but such consent in respect of reporting of factual data shall not be unreasonably withheld and shall not be withheld in respect of information required to be publically disclosed pursuant to applicable securities or corporation laws.
9. Lessee may terminate this Agreement at any time upon written notice to Lessor. Upon termination by Lessee the Property shall be duly transferred to Lessor. Lessee shall not be held responsible for any obligations or payments from the date of such notice of termination except for such obligations and payments accrued to the date of termination.
10. It is understood and agreed between the parties that the Primary Term of this Agreement is 10 years from the effective date of this Agreement. It is further understood and agreed that upon the expiration of the Primary Term this Agreement may be renewed at the election of Lessee for such periods as Lessee in its sole discretion deems advisable. Such renewal shall be on the same terms and conditions as the Primary Term.
11. Lessee may at any time elect to abandon any one or more of the placer mining claims comprising the Property by giving notice to Lessor of such intention. Lessee shall execute and deliver to Lessor with the notice such documents as may be necessary to transfer the title of the claim or claims being abandoned to Lessor. Any claim or claims being abandoned shall be in good standing for at least 90 days from the date of notice to abandon. Upon such transfer or abandonment the claim or claims so transferred or abandoned shall for all purposes of this Agreement cease to form a part of the Property.
12. Lessor covenants and agrees with Lessee that during the currency of this Agreement Lessee, its servants, agents and independent contractors shall have the sole and exclusive right in respect of the Property to:
  - a) enter thereon;
  - b) have exclusive and quiet possession thereof;
  - c) conduct such operations thereon and thereunder as Lessee in its sole discretion may determine advisable;
  - d) bring upon and erect upon the Property, buildings, plant and machinery and equipment as Lessee may deem advisable.
13. The parties hereto agree that in the event Lessee fails to pay any of the gross royalty payments required to be paid by Lessee hereunder, or in the event Lessee shall fail to observe, perform and keep any one or more of the covenants, provisions and stipulations to be observed, performed or kept by Lessee hereunder, and if any such failure shall continue for a period of thirty (30) days after notice to Lessee in writing of such failure all Lessee's interest in and to the Property shall revert to

Lessor herein and Lessee shall have no further interest in the Property. PROVIDED FURTHER that if Lessee shall be in default as aforesaid, that upon termination of Lessee's interest in the Property, the Property shall be kept in good standing by Lessee for a period of at least ninety (90) days beyond the date of such termination and PROVIDED FURTHER that Lessee shall, upon such termination, provide Lessor copies of all maps, plans, reports, and documents in Lessee's possession with respect to the Property.

14. It is understood and agreed that if economic factors dictate, and in Queenstake's sole discretion, Queenstake may elect to suspend its operations under the terms of this Agreement for a maximum of three consecutive operating seasons. Without limiting the generality of the foregoing, Queenstake shall not be required to operate the Property under the terms of this Agreement in the event that the average March gold price in any year is less than \$400 U.S. per ounce.
15. Lessee shall perform the annual labour on the Property and record within the time prescribed by law, certificates of such annual labour. If Lessee's interest in the Property shall terminate, Lessee shall be responsible for fulfilling the annual labour requirements and certifications with reference to the Property for the annual labour year during which the termination of its interest occurs. Provided that upon such termination the Property shall be kept in good standing by Lessee for a period of at least ninety (90) days beyond the date of such termination.
16. In the event of termination of this Agreement it is agreed between the parties hereto that any sums paid by Lessee to Lessor shall be retained by Lessor as liquidated damages without prejudice to Lessor to pursue Lessee for any other monies due or alleged to be due hereunder by Lessee to the Lessor.
17. Lessor hereby grants to Lessee a period of three hundred and sixty-five (365) days following any such termination of this Agreement to remove any and all equipment placed on the Property by Lessee. The failure of Lessee to remove the said property within the time indicated shall result in forfeiture of the equipment to Lessor.
18. Lessee shall be responsible for the compliance with all governmental rules and regulations as may from time to time be in effect including without limiting the generality of the foregoing rules and regulations made pursuant to the Yukon Placer Mining Act and further that Lessee shall be responsible for the reclamation of the Property as required by an governmental agency, and further Lessee agrees to obtain the consent of all governmental agencies and to obtain the permits necessary for the carrying out of its operations and Lessor hereby agrees to cooperate with Lessee in obtaining of such permits or licenses as may be required.

19. The parties hereto, and each of them, covenant and agree that each of them shall and will, upon reasonable request to the other party, make, do, execute or cause to be made, done or executed, all such further and other lawful acts, deeds, things, devices and assurances whatsoever for the better or more perfect and absolute performance of the terms and conditions of this Agreement and further that if at any time during the continuance of this Agreement the parties hereto shall deem it necessary or expedient to make any alteration or addition to this Agreement they may do so by means of a written agreement between them which shall be supplemental hereto and form a part hereof.
20. The time for performance of any act required under this Agreement (save for the making of payments as are required) shall be extended by the period of any delay or inability to perform to the extent that such delay or inability to perform is due to riots, civil commotions, war (whether de facto or formally declared), acts of God or any present or future law or governmental regulation beyond the control of the party in default. This paragraph shall be operative only if the party desiring an extension of time notifies the other in writing within 30 days after obtaining knowledge of the delay or inability to perform.
21. The failure of Lessor at any time to require performance by Lessee of any provision hereof shall in no way affect its right thereafter to enforce such provisions. Nor shall the waiver by Lessor of any breach of any covenant, condition or proviso hereof be taken or held to be a waiver of any further breach of the same covenant, condition or proviso.
22. The parties hereby agree that either party may dispose of or assign in any way its interest herein without the written consent of parties hereto.
23. All matters and differences between the parties hereto in relation of this Agreement shall be referred to the arbitration of a single arbitrator, if the parties hereto agree upon one, otherwise to three arbitrators, one to be appointed by each party and the third to be chosen by the first two named before they enter upon the business of arbitration. The award and determination of such arbitrator or arbitrators or any two of such three arbitrators shall be binding upon the parties hereto and their respective heirs, successors, executors, administrators and assigns. The parties further agree that the provisions of the Arbitration Act of British Columbia shall apply to any such arbitration.
24. All sums mentioned in this Agreement shall be deemed to have been expressed in lawful money of Canada, and shall be paid to Lessor at such place as Lessor shall designate from time to time in writing.
25. The validity and interpretation of this contract, and of each clause and part thereof, shall be governed by the laws of the Province of British Columbia.

**SCHEDULE E**

We, Jack McDiarmid and J.D. Randolph, hereby acknowledge that we have been informed of the terms and conditions of the letter of intent dated March 29, 1984 between Maisy-May Mines Ltd. and Queenstake Resources Ltd.

In order to facilitate the terms and conditions of the above referenced letter of intent we hereby represent and warrant to Maisy-May Mines Ltd. and Queenstake Resources Ltd. the following:

1. We, Jack McDiarmid and J.D. Randolph, agree with each other and the parties to the letter of intent that the Lease-Purchase Agreement dated February 6, 1980 between ourselves and Maisy-May Mines Ltd. is a good and valid agreement and is in full force and effect as of this date.
2. We, Jack McDiarmid and J.D. Randolph, agree with each other and Maisy-May Mines Ltd. that we have waived any default and/or breach of contract under said February 6, 1980 agreement. And further, without limiting the generality of the foregoing we specifically waive any breach or default on the part of Maisy-May Mines Ltd. with respect to clause 6 b) of said agreement wherein Maisy-May Mines Ltd. as lessee covenanted and agreed that during the term of the agreement it would keep the said claims clear of Liens and any other charges arising from its operation.
3. We, Jack McDiarmid and J.D. Randolph, hereby agree that Maisy-May Mines Ltd. may subcontract its 1984 mining obligations under said agreement to Queenstake Resources Ltd. and that the proposed operation by Queenstake employing two D8 Caterpillar bulldozers and a Caterpillar 980 front end loader will satisfy 1984 equipment requirements pursuant to paragraph 2 of the February 6, 1980 agreement.
4. We, Jack McDiarmid and J.D. Randolph, further agree to promptly execute all necessary documents in favour of Maisy-May Mines Ltd. upon the expiration of the February 6, 1980 agreement on February 28, 1985 to effect the sale of the claims to Maisy-May Mines Ltd.

Signed by Jack McDiarmid  
in the presence of:

\_\_\_\_\_

\_\_\_\_\_  
Jack McDiarmid

This \_\_\_\_ day of \_\_\_\_\_, 1984.

Signed by J.D. Randolph  
in the presence of:

\_\_\_\_\_

\_\_\_\_\_  
J.D. Randolph

This \_\_\_\_ day of \_\_\_\_\_, 1984.

YEIP  
87-007  
Vol. 2

2400-3  
FILE COPY

EIP 87-007

MAISY MAY CREEK

YUKON TERRITORY

Lat. 063<sup>o</sup> 15' N.  
Long. 139<sup>o</sup> 00' W.  
NTS 115-O-7

REPORT ON  
1987 DRILL PROGRAM

PREPARED FOR  
QUEENSTAKE RESOURCES LTD.

A. WOODSEND  
October 1987

## SUMMARY

40 holes totalling 1050 feet were drilled. 37 of these were to test the gold content of the lower Maisy May gravels, and the remaining three were drilled just above the producing mine area to allow a correlation between drill-indicated grades and mine recoveries.

On lower Maisy May the drilling was able to define overburden and gravel depths, and several of the holes were gold-bearing. Two in particular, 87-11 (0.039 oz/cu yd) and 87-21 (0.031 oz/cu yd) indicate a Left Limit channel with encouraging gold values, and a third hole, 87-07 (0.023 oz/cu yd) suggests that there may be a Right Limit channel as well.

However, the three correlation holes drilled upstream in ground containing 0.015 oz/cu yd returned no gold at all, which highlights the shortcomings of this drill system as a tool for grade determination. Further exploration work is necessary before mineable reserves can be delineated.



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## INTRODUCTION

At the request of Gordon Gutrath, President of Queenstake Resources Ltd., the author supervised a drilling program for placer gold on Maisy May creek, Yukon.

Queenstake has been mining the upper parts of Maisy May for the past four years, and this drill program was designed to give a preliminary indication of downstream reserves.

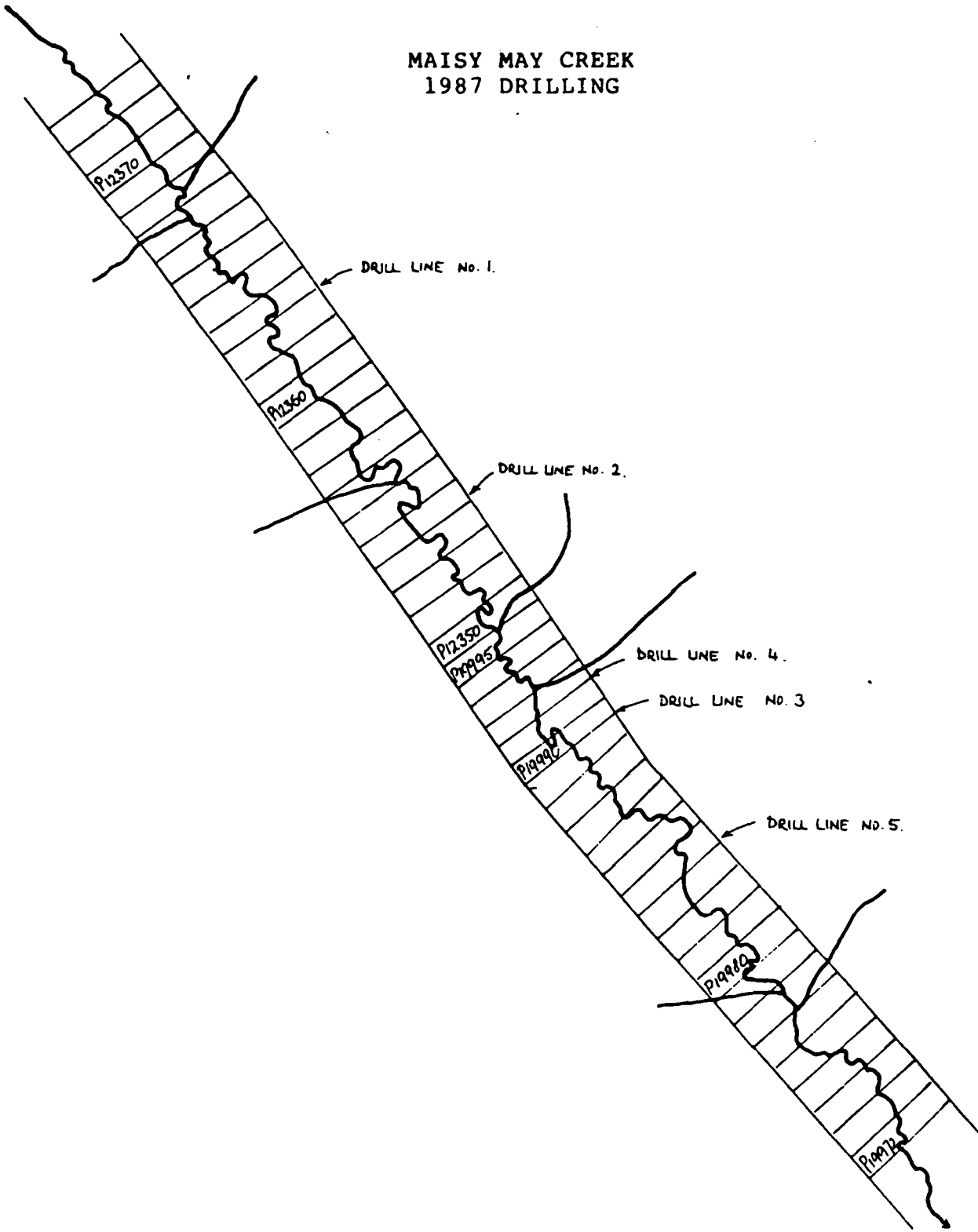
40 holes were drilled totalling 1050 feet. Drilling was started on 25 September and completed on 1 October 1987.

## METHODS

Access to lower Maisy May below Moosetooth Creek is by an existing 'cat' trail which keeps to dry ground on the eastern side of the valley. The trail, which ended at line 5, was extended to line 6 for this program.

6 drill lines were selected by G.Gutrath in those places where the creek runs on the west side of the valley floor. Line spacings were between half a mile and one mile, except for lines 3 and 4 which were closer together in an area where the creek flows through a constriction in its valley. Line locations are shown on Figure 1.

MAISY MAY CREEK  
1987 DRILLING



Scale 1" = 1/2 mile

FIGURE 1 - Location Map

A seventh drill line was selected immediately upstream from the active mine area, on claim 12399. This line of three holes was drilled so that a comparison could be made between known production grades and drill indicated grades.

Hole spacings, measured by hip chain, were 20m on line 3, 25m on lines 1, 2, 4, 5 and 7, and 40m on line 6.

The drill itself was a Nodwell-mounted Schramm TH66, contracted from Midnight Sun Drilling of Whitehorse.

5.125 inch diameter holes were drilled using a Tricone rotary bit with a reverse-circulation compressed air system. Since the ground on Maisy May is permanently frozen, the holes were not cased.

A cyclone was used to collect the cuttings from the gravel and upper two feet of bedrock, and the cuttings were bagged at three-foot intervals.

The lower five to six feet of gravel and the top two feet of bedrock were processed on site by sluicing over a small long-tom. The long-tom concentrates were panned down and the recovered gold hand-picked and weighed with a portable bar balance.

Grades were calculated by relating the weight of the recovered raw gold to a theoretical mining section using the formula  $\pi r^2 h$  to calculate the sample volume, where  $r = 2.56$  inches and  $h = 5$  feet.

COMMENTS ON METHODS

The dangers inherent in drilling a placer deposit to establish grades are well documented, and relate to the statistical shortcomings of small sample volumes and the mathematical extremes produced by the proportionately high value of individual gold particles. On properties such as Maisy May where most of the gold is coarse (greater than 40 mesh), these dangers are particularly acute. In addition to these purely theoretical considerations, other more practical problems may have led to erroneous or misleading results. Briefly, these are as follows:

1) Incomplete sample recovery.

With the reverse-circulation system air is forced down the outer chamber of the drill stem to the bit, and returned through an inner pipe to surface. If there are no leaks all drill cuttings will be flushed to surface. However there is air loss from the bit face around the outside of the drill stem, and in open gravels and fractured bedrock, sample losses are considerable. Casing the hole ahead of the bit would reduce this problem, but at considerable expense.

2) Sample hangups.

Ideally, all the material flushed from the hole is cycloned and bagged. In practice moisture in the cuttings causes hang-ups in the system, particularly in the cyclone itself. A small amount of lubricating oil is present in all samples, but the real moisture problem is caused by the upper few feet of black muck which, in summer and fall is either thawed out or so close to thawing that it melts in the drill stem. This produces a muddy coating within the drill line and a particularly heavy covering around the inside of the cyclone drum. Gravel cuttings are impacted into this coating so that not all cuttings flushed to surface are bagged. In addition, when a particular hole has been completed it is the driller's practice to beat on the cyclone with a sledge hammer to dislodge loose material. Nonetheless in some cases material from one hole will contaminate another.

RESULTS

Sample results are summarised in Table 1 and shown on the accompanying drill sections. The recovered gold particles are also attached.

**TABLE 1 DRILLING RESULTS MAISY MAY 1987**

HOLE	GVL (ft)	BDRK (ft)	COLS m/f/vf	WGT (gns)	GRADE oz/yd	COMMENTS
-01	6-19	19-22	1/1/3	0.1	0.008	contamination?
-02	12-24	24-26	-/-/2		Tr	
-03	11-23	23-25	-/-/1		Tr	
-04	11-23	23-25				
-05	14-25	25-27				
-06	12-23	23-25				
-07	11-22	22-24	1/-/-	0.3	0.023	
-08	9-22	22-24				py + galena
-09	7-18	18-20				py + galena
-10	14-19	19-23				py, qtz bdrk
-11	18-26	26-28	1/-/-	0.5	0.039	pyrite
-12	21-31	31-33				
-13	6-19	19-21	1/2/-	0.1	0.008	
-14	8-17	17-19				heavy pyrite
-15	5-18	18-20				pyrite
-16	7-19	19-21				pyrite
-17	10-20	20-22	1/1/-	L0.05	L0.004	
-18	11-21	21-23				
-19	5-18	18-20	-/1/-		Tr	
-20	10-23	23-25	-/-/1		Tr	
-21	7-21	21-23	4/4/1	0.4	0.031	
-22	4-19	19-21	-/-/1		Tr	
-23	6-17	17-19	-/1/-		Tr	
-24	8-17	17-19	1/-/-	L0.05	L0.004	
-25	13-19	19-21				pyrite
-26	8-16	16-18				
-27	14-26	26-28				heavy pyrite
-28	20-27	27-29				pyrite
-29	27-31	31-33				
-30	12-28	28-30				heavy yellow
-31	11-29	29-31				clay on bdrk
-32	11-33	33-35				-ditto-
-33	13-30	30-32	1/-/-		Tr	brn clay
-34	22-38	38-40				
-35	25-33	33-35				
-36	26-38	38-40				brn clay
-37	26-38	38-40	1/1/-	L0.05	L0.004	
-38	8-15	15-17				
-39	18-26	26-28				
-40	33-37	37-39				

m = medium, f = fine, vf = very fine.  
 weight of gold expressed in grains, (480 gns/oz).  
 grade as raw oz/cu yd over a 5ft mine section.

COMMENTS ON SAMPLE RESULTS

In the main, the reported depths to gravel and bedrock are accurate to within a foot. There may be exceptions on line 6 where a heavy yellow clay either rests on bedrock or is itself altered bedrock, in which case the depths to bedrock are overstated by three or four feet.

The purely theoretical shortcomings of drilling for grade are well illustrated by line 7, holes 87-38, 39 and 40, which were drilled across the channel immediately upstream from the active mine area. None of these holes recovered so much as a speck of gold, even though production grades are reported to be 0.015 oz/cu yd.

Contamination from one hole to another would be more likely where a substantial move has knocked hung-up material loose. This could be the case in hole 87-01 (the drill was previously drilling the Klondike valley at "Lousetown"), and similarly gold recovered in the first hole of a line could also be from contamination, viz 87-07, 13 and 17.

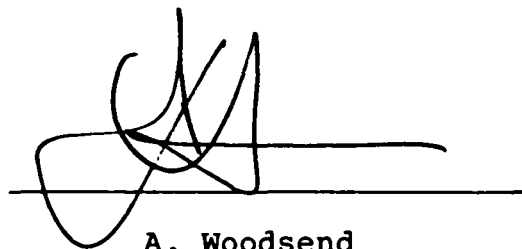
The two most interesting holes are 87-11 (0.039) and 87-21 (0.031). These values suggest that there is a high-grade Left Limit 'pay' channel extending from the narrows on claim 19990 upstream for more than a mile.



Queenstake's mining on Maisy May has proven that the gold-bearing channel strongly favours the Left Limit. Conversely, hole 87-07 (0.023) indicates that there are gold-bearing gravels on the right limit too, though this hole should be viewed with suspicion since it is the first one after a long move onto line 2. It is interesting to note, though, that the drill sections, particularly line 4, portray two separate bedrock channels.










RECOMMENDATIONS

As a first stage exploration method this drill program has succeeded in defining the thickness of the overburden and gravel. It has also returned some encouragingly high-grade holes. However the inadvisability of using this particular type of drill system to determine grades is clearly shown by the barren holes 87-38 to 40, which were drilled in ground proven to carry 0.015 oz/cu yd. More exploration will be necessary before the lower Maisy May ground can be prepared for mining.



A. Woodsend

GOLD RECOVERED FROM MAISY MAY CREEK  
1987 DRILL PROGRAM

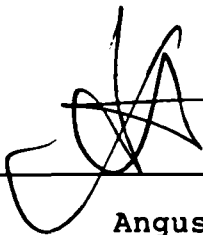
Hole #		Grade oz/cu yd over 5 ft
-01		0.008
-07		0.023
-11		0.039
-13		0.008
-17		L0.004
-19		Tr
-21		0.031
-24		L0.004
-37		L0.004

STATEMENT OF QUALIFICATIONS

I, Angus Woodsend, a consulting geologist resident on Salt Spring Island, British Columbia, with a business address of RR4, North End Road, Ganges, B.C., hereby certify that:

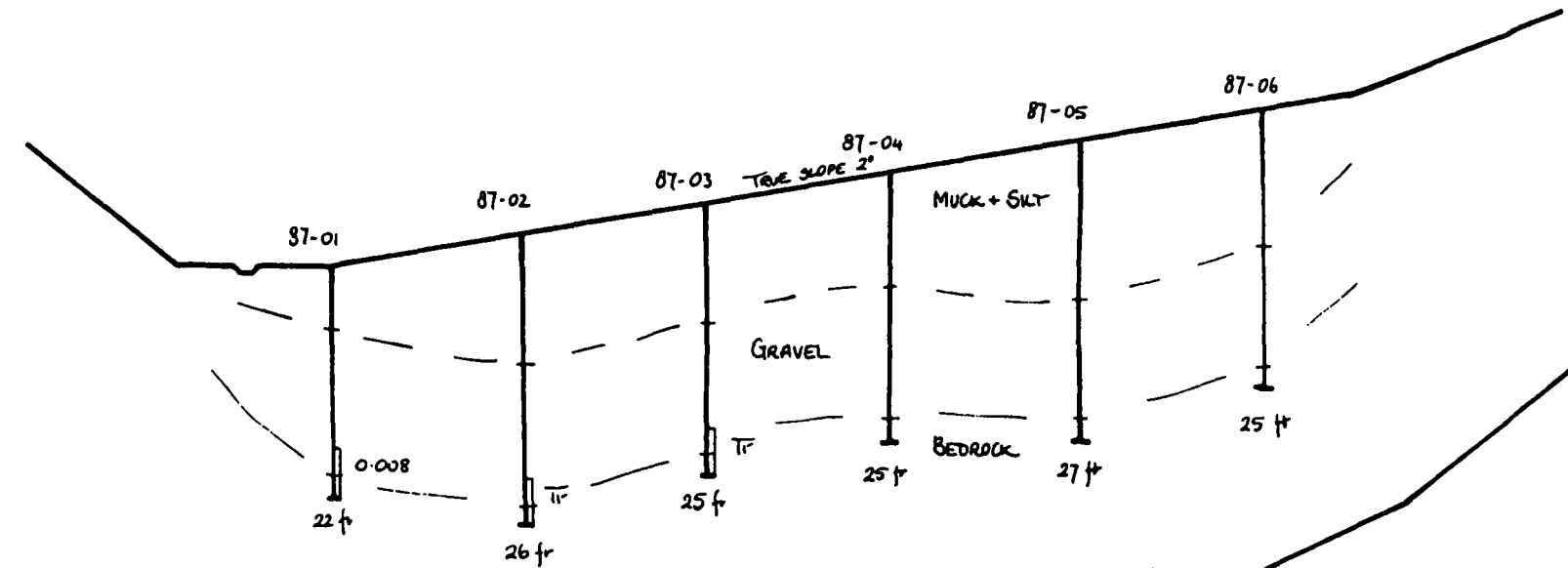
1. I am a graduate of the University of Southampton, England, with a B.Sc. (Hons.) Degree in Geology.
2. I have practiced my profession continuously for fifteen years in a variety of countries, and have resided in Canada for the last ten years.
3. I personally supervised the Maisy May drilling program in the fall of 1987.
4. I have no interest in the property, nor in Queenstake Resources Ltd., and I do not expect to receive any.

Dated in Ganges, British Columbia, this 10th day of October, 1987.

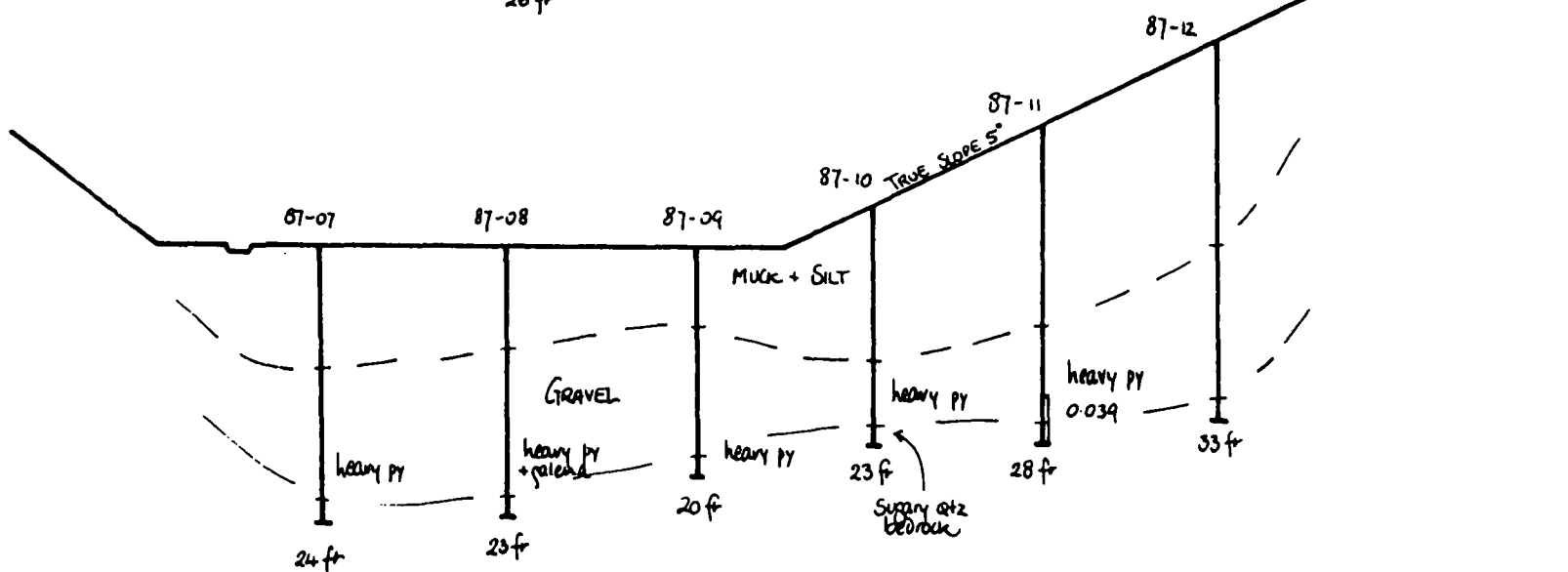
  
\_\_\_\_\_  
Angus Woodsend

MAISY MAY 1987 DRILLING  
 SECTIONS LOOKING NORTH  
 LINES No 1 & 2.

Line No 1.  
 3m upstream from  
 post #1, P12363.



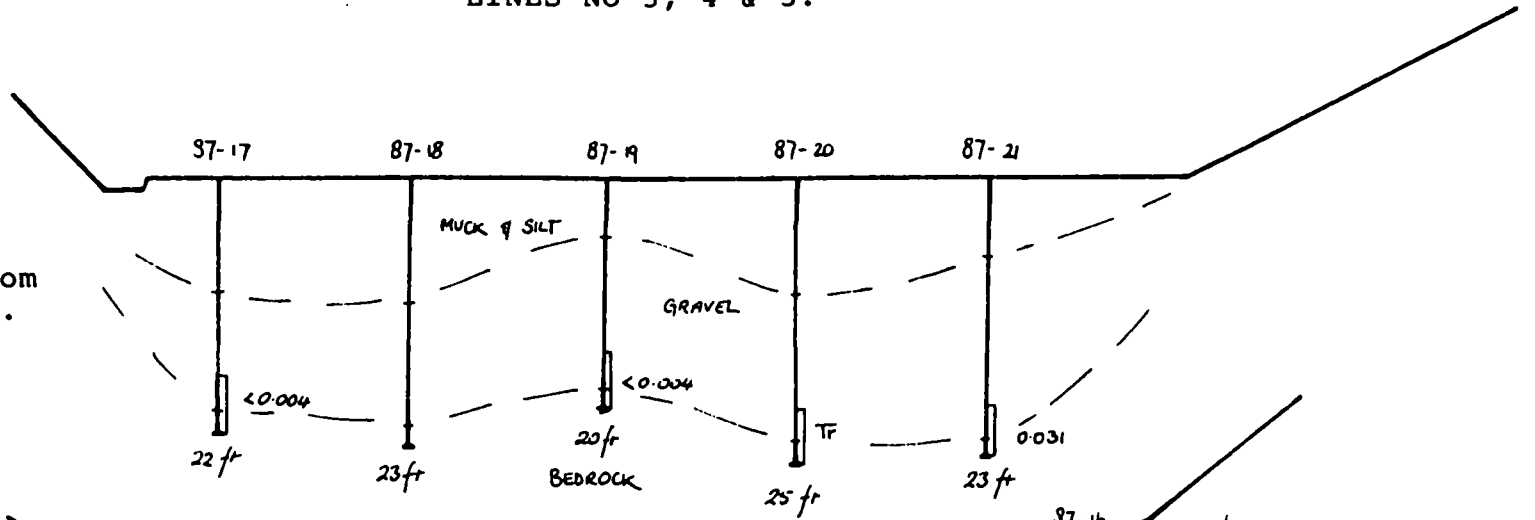
Line No 2.  
 3m upstream from  
 post #1, P12354.



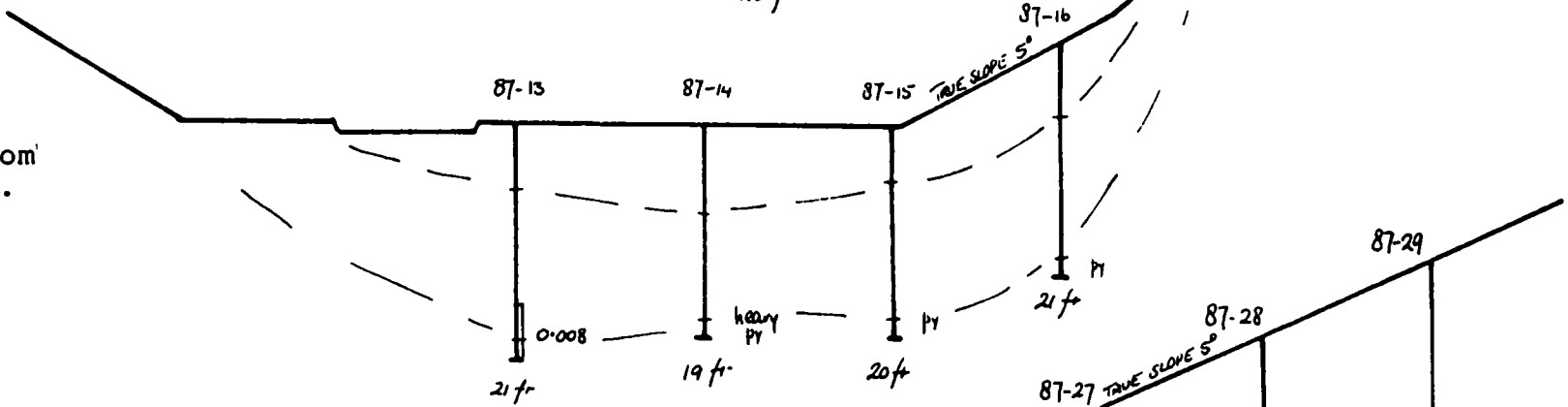
Grades as raw oz/cu yd over 5 f  
 Horizontal Scale 1 : 1000  
 Vertical Scale 1 : 200

MAISY MAY 1987 DRILLING  
 SECTIONS LOOKING NORTH  
 LINES No 3, 4 & 5.

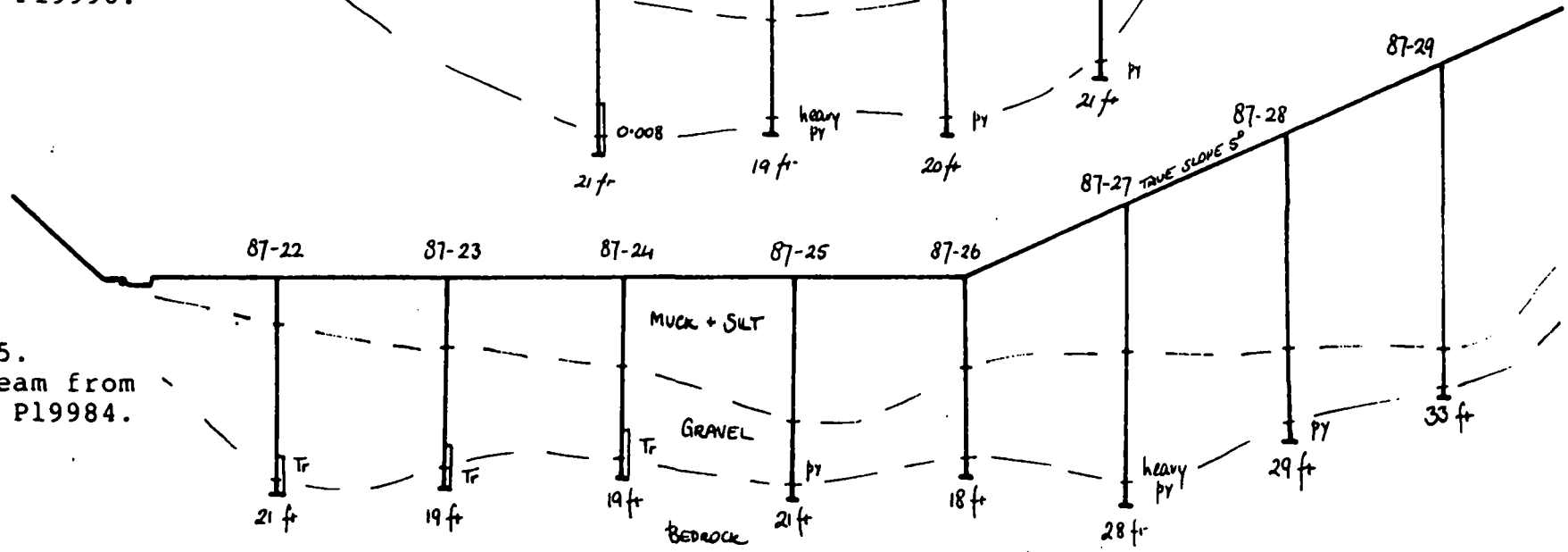
Line No 4.  
 30m upstream from  
 post #1, P19992.



Line No 3.  
 18m upstream from  
 post #1, P19990.

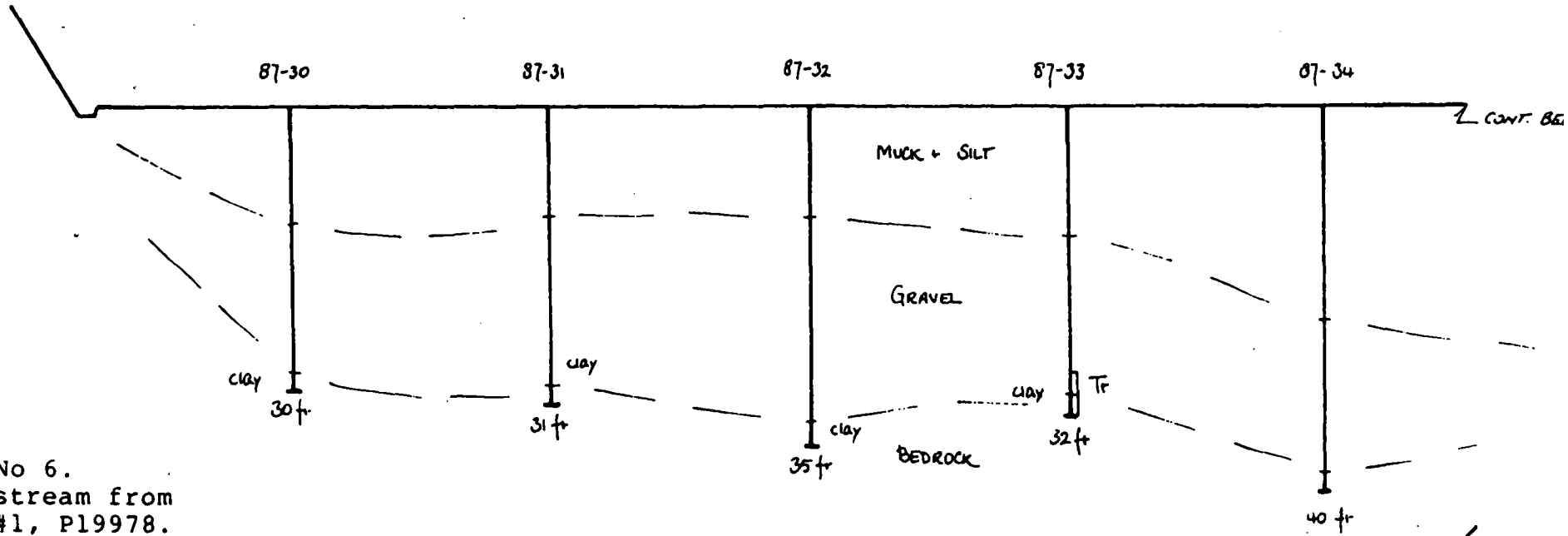


Line No 5.  
 5m upstream from  
 post #1, P19984.

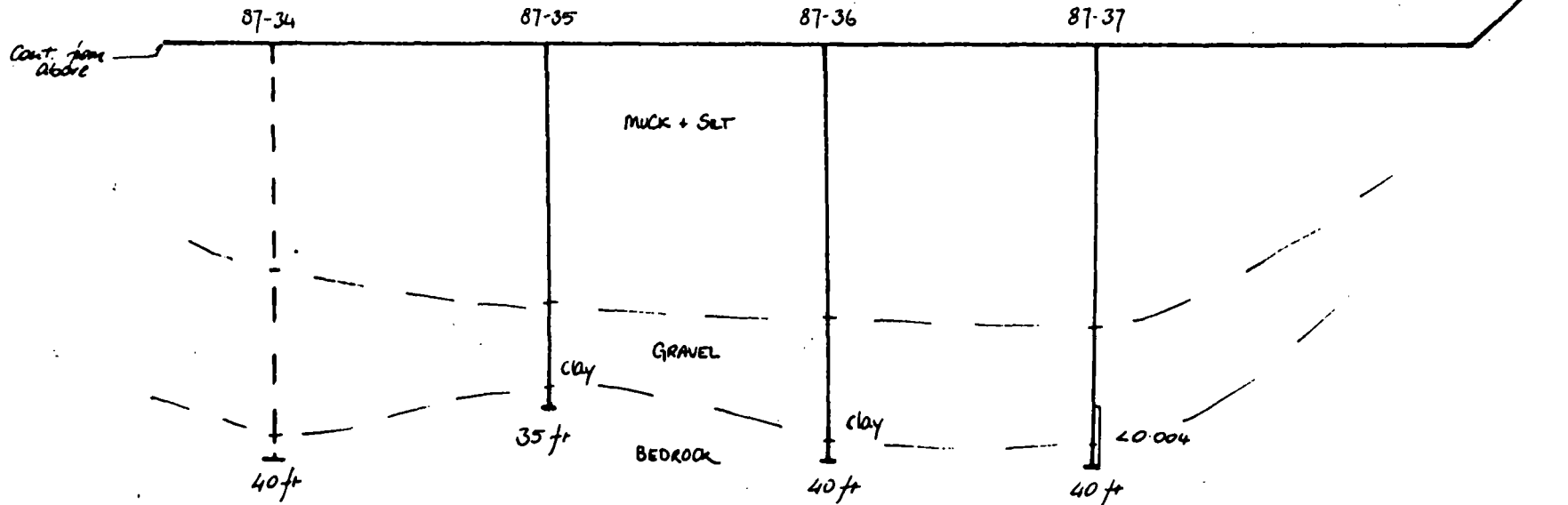


Grades as raw oz/cu yd over 5 ft  
 Horizontal Scale 1 : 1000

MAISY MAY 1987 DRILLING  
 SECTIONS LOOKING NORTH  
 LINE No 6.



Line No 6.  
 5m upstream from  
 post #1, P19978.



Grades as raw oz/cu yd over 5  
 Horizontal Scale: 1" = 200'  
 Vertical Scale: 1" = 200'

Yukon Energy, Mines & Resources Library



1000757788

**DATE DUE**