

***Jerritt Canyon Mine
Elko County, Nevada
Technical Report***

***Prepared for
Queenstake Resources Ltd.***

***February 23, 2005
9234.07***



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Prepared by
Pincock, Allen & Holt

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1.0 EXECUTIVE SUMMARY

Queenstake Resources Ltd. (Queenstake) engaged Pincock, Allen & Holt (PAH) to prepare a Technical Report covering the Jerritt Canyon (JC) Mine near Elko, Nevada, to meet the requirements of Canadian National Instrument 43-101(NI 43-101).

The following PAH individuals contributed to the preparation of the report:

- Raul H. Borrastero, C.P.G., Senior Geologist, Resources, Reserves, Regional Geology, Drilling, Sampling
- Darrel Buffington, P.E., Principal Geotechnical Engineer, Geotechnical and Environmental Review
- Richard Addison, P.E., Principal Process Engineer, Metallurgy and Administration Costs
- Steve Milne, P.E., Principal Mine Engineer, Mine Planning and Mine Operating Costs
- Don Tschabrun, Principal Mine Engineer, Economics, Cash Flow and Sensitivity

1.1 *Project Description*

The Jerritt Canyon project is an operating gold property with four underground mines currently in production feeding ore to a process plant. It is located in Elko County, Nevada approximately 50 miles north of Elko, Nevada. The property is wholly owned by Queenstake since June 30, 2003, when it purchased the operation from the previous joint venture partners: Anglo Gold and Meridian.

Gold mineralization was originally discovered in 1972 by FMC. Mining at JC commenced in 1981 and has continued uninterrupted until the present. Open pit mining occurred from 1981 through 1999. Underground mining started in 1993 and is the current source of mill feed. The land position covers approximately 110 square miles.

The property has been subjected to numerous drill campaigns since the 1970s. Tens of thousands of drill holes exist on the property. Several resource areas both adjacent to the existing mines and elsewhere in the district show potential for resource expansion and reserve development.

1.2 *Regional Geology*

The JC district deposits are hosted by a Paleozoic sedimentary sequence that underlie the Independence Mountains Range and consists of four distinct assemblages: 1) the western facies

(upper plate of the Roberts Mountains thrust fault). 2) the eastern facies (lower plate of the Roberts Mountains thrust fault). 3) the Schoonover sequence and 4) the Antler overlap sequence.

The western facies consists of chert, argillite, siltstone, shale, quartzite, and limestone-greenstone complex and is considered to be a deep-water sequence. The eastern sequence is a Cambrian to Silurian continental shelf carbonate sequence that includes the Hanson Creek Formation, and the Roberts Mountains Formation, which are the main hosts to the gold mineralization in the district.

1.3 *Deposit Geology*

Within the Jerritt Canyon area, gold can locally occur within all sedimentary formations, but is preferentially hosted by the Roberts Mountains and Hanson Creek Formations of the eastern facies. The Roberts Mountains Formation consists of calcareous to dolomitic siltstones and silty limestones. The Hanson Creek Formation is divided into five members and consists of medium-grained limestone, dolomitic limestone, carbonaceous micrites, and chert beds.

1.4 *Mineralization*

Gold mineralization at Jerritt Canyon is preferentially found within the base of the Roberts Mountains Formation and the Upper Hanson Creek Formation. Gold mineralization is structurally controlled by high angle northwest and northeast trending structures that acted as conduits for mineralizing fluids. Much of the higher grade, more continuous gold mineralization occurs where two sets of high angle structures intersect and cut the favorable stratigraphic intervals that contain high proportions of clay-sized materials. The deposits are considered to be Carlin-type, sediment-hosted, replacement fine-grained gold in carbonaceous sediments. Gold occurs as very fine-grained micron size particles deposited in carbonates and fine-grained, calcareous, clastic sedimentary rocks. The average size of gold particles is in the order of two microns.

1.5 *Production History*

While open pit mining was conducted at the site from startup in 1981 until 1999, the Jerritt Canyon Mine currently consists of four underground mining operations (Murray, Smith, SSX, and Steer), feeding ore to a process plant that consists of a roaster followed by carbon-in-leach processing. The MCE mine was permanently shut down during the first half of 2004. The new Steer mine portal was collared in April 2004 and is currently under development.

The mines are mechanized operations using backfilling for ground control and to increase ore recovery. From the time of start-up, the less refractory ores mined at the operation were processed through a "wet" mill. This wet mill continued to operate until 1997 and is still located on site. With ores becoming more carbonaceous and refractory as well as with the introduction of higher-grade ore from underground operations, a dry mill with an ore roasting circuit was added in 1989 and is currently in operation.

Since its inception, the JC mine has produced over seven million ounces of gold. Annual production has historically averaged between 240,000 and 350,000 ounces of gold, at historical cash costs ranging from \$240 to \$340 per ounce. Queenstake reports the 2004 mill production from Jerritt Canyon at 1,305,833 tons with 243,333 recovered ounces of gold attributed to the operation.

1.6 Resource Estimation

Estimates of resources at JC have been developed from the extensive drilling data, using geology-constrained standard kriging, inverse distance, and polygonal methods using MineSight modeling and planning package. Mineral resources are contained in about twenty mineral deposits in the JC area. The operation employs block modeling techniques supported by relatively small block sizes. PAH has reviewed the estimation parameters and finds them to be in compliance with accepted engineering practices. PAH also notes that the current resource models have been supported by the production from the mines which show good reconciliations. Current measured and indicated resources as of December 2004 are presented in Table 1-1. An additional 4.1 million tons at a gold grade of 0.219 ounces per ton (opt) for about 0.9 million ounces of contained gold exist in the inferred resource category.

1.7 Mine Plans

The mine production schedule for the year 2005 essentially maintains the 2004 levels of mined ore production of slightly more than 1.140 million tons from all mines for the year, but increases the production from low-grade surface open pit stockpiles.

In 2005, 1.453 million tons (1.144 million tons from the mines and 0.312 tons of stockpiled material at 0.238 opt gold) are scheduled for milling.

During 2004 the plant processed an average of 3,730 tons per day or 1.3 million tons for the year. This shortfall was partly the result of severe weather conditions in the first quarter and greater-than-normal amounts of sulfide ore (arsenic and iron) derived from gold-ore-bearing dikes within the mine. Plant capacity is limited by the fuel content of the ore; accordingly, when the fuel content is high the ore throughput rate is reduced and vice versa. Throughput rate of the plant can be augmented by blending high-fuel value ore with low-grade surface stockpile ore but economics favor reducing the tonnage and maximizing the treatment of higher-grade ore. The net result of the severe weather and the processing of high-fuel-value ore in 2004 was a reduction of about 56,000 ounces in gold production versus that planned for the year.

PAH has reviewed the 2005 mine production schedule and believes it to be achievable based on the recent past performance of the operation. Historically, the actual mined grades are about 0.020 to 0.030 opt below the planned grade. This trend is likely to continue because of subgrade material sent to the mill.

TABLE 1-1
Queenstake Resources Ltd.
Jerritt Canyon Project
Mineral Resource Estimate - December 2004 (Including Mineral Reserves)

DEPOSIT / AREA	MEASURED			INDICATED			MEASURED + INDICATED		
	Tons	oz/st	Cont'd Oz	Tons	oz/st	Cont'd Oz	Tons	oz/st	Cont'd Oz
Murray	517,937	0.290	150,186	60,860	0.262	18,460	578,797	0.291	168,646
Murray - Zone 7	-	-	-	112,882	0.243	27,374	112,882	0.243	27,374
SSX	1,079,978	0.298	322,093	1,865,751	0.282	527,037	2,945,728	0.288	849,130
Steer	81,300	0.246	20,000	441,449	0.289	127,430	522,749	0.282	147,430
Smith	503,578	0.282	142,093	254,003	0.289	73,333	757,582	0.284	215,426
Mahala	-	-	-	485,506	0.305	148,031	485,506	0.305	148,031
Smith - Zone 5 (B-Pit)	10,982	0.261	2,861	169,764	0.255	43,341	180,747	0.256	46,202
Smith East	-	-	-	508,765	0.293	149,030	508,765	0.293	149,030
Saval	-	-	-	460,500	0.245	112,932	460,500	0.245	112,932
Wright Window (Open Pit)	-	-	-	114,175	0.147	16,784	114,175	0.147	16,784
Subtotal	2,193,775	0.290	637,233	4,473,654	0.278	1,243,751	6,667,429	0.282	1,880,984
Stockpiles	69,256	0.186	12,870	1,239,746	0.059	73,059	1,309,002	0.066	85,929
Other Pit Resources	-	-	-	502,531	0.127	63,993	502,531	0.127	63,993
Other U/G Resources	-	-	-	1,508,878	0.251	378,719	1,508,878	0.251	378,719
Total	2,263,031	0.287	650,103	7,724,809	0.228	1,759,522	9,987,840	0.241	2,409,624

Note: Cutoff Grade for Open Pit Material is 0.075 oz Au/ton
Cutoff Grade for Underground Material is 0.15 oz Au/ton

The current mine plan will allow only about one additional year of operation at the present mining rate of 1.14 million tons per year. This is because of the fact that the economic portion of the surface stockpiles will be nearly depleted by the end of 2005, thus requiring the mines to increase their production by about 30 percent to meet the mill capacity of 1.5 million tons per year for 2006 and beyond. PAH believes the 2006 and beyond schedules are optimistic based on the recent past performance of the operation, yet potentially achievable if some of the new areas considered in the mine plan (e.g. Steer, Saval, Smith East) prove to be highly productive.

The present mineral reserve will only permit about one year of mining at a rate of 1.5 million tons per year beyond 2005. Beyond that time, possible extensions to the schedule would be based on the conversion of resources to reserves. Based on the exploration and development drilling data currently available, PAH finds that there is a reasonable expectation of converting some of Jerritt Canyon's currently-defined geologic resources to mineral reserves to extend the production forecast beyond the year 2006.

JC reports the mineral reserve for all areas, as of December 2004, at the following gold cutoff grades: SSX (including Steer) =0.190 opt, Murray=0.230 opt, Smith (including Mahala) =0.200 opt, Stockpiles=0.080 opt, (Table 1-2).

The gold price assumed by Queenstake in its reserve calculation was \$360/ounce. PAH believes the gold price employed by Queenstake is in line with recent and current price levels.

PAH has reviewed Jerritt Canyon's production records and operating costs for each of the four mines for the production year 2004, and has calculated the breakeven cutoff grades for the January 2004 mineral reserve statement shown above. The cutoff grades calculated by PAH agree very closely with those calculated by the Jerritt Canyon engineers. PAH also reviewed the application of mining shapes to the resource, and the unplanned mining dilution and recovery factors used by Jerritt Canyon's engineers to calculate mineral reserves at each of the four mines and found them to be in accordance with accepted engineering practice.

1.8 Metallurgy

The ore processing facility at Jerritt Canyon is unconventional in that it is among the few gold ore processing plants in Nevada that process refractory gold ore by roasting. However, as a producing mine, metallurgical risks at JC are considered low due to the project's history of successful operation. The JC Life Of Mine (LOM) plan for years 2005 through 2007 forecasts gold recoveries of 87.5%. This recovery value is slightly below historic averages and slightly above the 2004 values realized by JC (88% in 2000, 87.6% in 2001, 87.8% in 2002, 88.3% in 2003 and 87% in 2004). PAH believes the projected gold recoveries should be achievable.

TABLE 1-2
Queenstake Resources Ltd.
Jerritt Canyon Project
Mineral Reserve Estimate - December 2004

AREA	PROVEN			PROBABLE			TOTAL		
	Tons	oz/st	Cont'd Oz	Tons	oz/st	Cont'd Oz	Tons	oz/st	Cont'd Oz
Murray Zones 1-6	90,573	0.315	28,502	14,173	0.309	4,381	104,746	0.314	32,883
Murray Zone 7	-	-	-	43,437	0.266	11,545	43,437	0.266	11,545
SSX	470,738	0.268	126,335	1,090,662	0.253	275,886	1,561,400	0.258	402,221
Steer	31,251	0.250	7,797	310,816	0.282	87,499	342,067	0.279	95,296
Smith Zones 2 and 3	88,059	0.321	28,289	55,633	0.344	19,148	143,692	0.330	47,436
Smith Zone 4 (Mahala)	-	-	-	217,348	0.381	80,688	217,348	0.371	80,688
Smith - Zone 5 (B-Pit)	10,611	0.235	2,496	152,451	0.231	35,190	163,062	0.231	37,686
East Dash Smith	-	-	-	316,803	0.276	87,426	316,803	0.276	87,426
Saval 4	-	-	-	82,347	0.268	22,056	82,347	0.268	22,056
Wright Window Open Pit	-	-	-	32,605	0.226	7,369	32,605	0.226	7,369
Subtotal	691,232	0.280	193,419	2,316,275	0.273	631,187	3,007,507	0.274	824,607
Stockpiles	69,256	0.186	12,871	433,820	0.087	37,869	503,076	0.101	50,740
TOTAL	760,488	0.271	206,291	2,750,095	0.243	669,056	3,510,584	0.249	875,347

Note: Cutoff grades based on \$360/oz gold price

Murray=0.230 oz Au/ton

SSX=0.190 oz Au/ton

Smith/Mahala=0.200 oz Au/ton

Steer/Saval=0.190 oz Au/ton

Wright Window=0.10 oz Au/ton

Stockpiles=0.080 oz Au/ton

1.9 Operating Costs

Average unit mine operating costs for the year 2005 (assuming the same production rate from the mines and processing plant configuration), are estimated at about \$40 per ton of ore (\$45 million per year). In 2004, the average unit operating cost was approximately \$37 per ton of ore (\$42 million for the year). This represents about a five percent increase over 2004. Considering recent price increases in fuel and electricity costs, this 2005 estimate appears reasonable.

In general, mine operating costs are somewhat high when compared to other western hemisphere mines producing at the same production rate and using the same mining method(s). This is primarily due to the expensive backfill that is required at the JC mines and the large amount of definition drilling required to define mineral zones within a mineralized area. Typically, the backfill costs are about \$14 per ton placed; but the excellent quality of the backfill allows a high percentage extraction of the ore. The ores at JC are very erratically emplaced; and higher-than-normal amounts of definition drilling are required to accurately determine the economically mineable shapes. The mine management and underground crews do an excellent job of locating and defining these shapes.

Ore processing costs have risen steadily over the years and are projected to total about \$27 million in 2005 or about \$18.70 per ton. Of this amount about \$20 million is for operation and about \$7 million for maintenance. Unit costs were significantly higher than normal in 2004, due primarily to low throughput, a consequence of poor weather conditions in the first quarter and higher-than-normal fuel-value ore delivered to the plant; extensive plant modifications made in 2004 are expected to ameliorate weather-related difficulties in the future. PAH considers the 2005 projected costs acceptable so long as the quantity of high-fuel-value ore delivered to the plant does not become excessive.

Costs for surface services were about \$4.7 million per year for the last two years and are projected to be the same in 2005. The unit costs amount to about \$3.25 per ton milled. Most of these costs are for heavy mobile equipment operation and maintenance, since the principal service is transportation of mined and stockpiled ore to the ore processing plant. Costs for operation of the aggregate plant are also included. PAH considers the projected 2005 costs acceptable.

The G&A costs are essentially independent of the production rate. Costs were relatively constant at about \$9 million per year under the previous AngloGold management. G&A costs are currently averaging about \$8 million per year, or about \$5.70 per ton milled. Queenstake's 2005 Budget projects a G&A cost of \$8.2 million. PAH considers this figure acceptable.

1.10 Capital Costs

In general, the Jerritt Canyon planned mine capital expenditures of about \$22 million for 2004 and 2005 show a significant increase over the last few years of operations when the previous owners were planning to shutdown by the end of 2004. Queenstake's budget for capital expenditures in

mine development and mine exploration are in line with the company's aggressive plans to continue to convert resources to reserves and at least maintain the current reserve base.

Sustaining capital costs for ore processing was \$1.3 million in 2004. Queenstake has included \$2 million in the 2005 budget, mostly for upgrades to existing facilities.

The surface services sustaining capital costs have varied significantly but generally have not exceeded \$0.4 million per year. Budgeted expenditure for 2005 is \$1.2 million. Capital costs in this account are primarily for heavy mobile equipment rebuilds, though that for 2005 also includes the leasing of one haul truck.

G&A capital costs were about \$0.4 million in 2004; \$0.3 million is budgeted in 2005, mostly for light vehicle replacements.

1.11 Environmental Issues

Major operating permits for the project are in place. Environmental management systems are in place and there is a qualified environmental staff onsite. Various mitigation programs are in place as required under the various plans of operations that have been filed and approved for the project. No unusual costs associated with any of these programs have been identified so far. Approved reclamation and closure plans are in place and JC is progressing with concurrent reclamation in an orderly manner.

Queenstake has already funded the estimated reclamation and closure costs by placing \$25.8 million in a commutation account with American Insurance Group (AIG). In addition, AIG has provided insurance that will pay for reclamation and closure costs, if any, exceeding \$25.8 million. There have been some minor drawdowns of the account in 2004 to fund concurrent reclamation.

1.12 Cash Flow

Queenstake uses a gold price of \$365 per ounce in the cash flow projection. In PAH's opinion this metal price is in line with gold price projections currently being used by the industry. Jerritt Canyon revenue is based on gold recovered from projected mined and stockpiled ore. The net present value (at 10 percent discount rate) is estimated to be \$36.5 million.

The underlying production, operating costs and capital costs included in the cash flow model for JC appear reasonable based on future plans evaluated by PAH. However, PAH did not perform a detailed independent economic analysis of the Queenstake plan and is unable to opine upon their accuracy or completeness.

1.13 Sensitivities

Jerritt Canyon economics are most sensitive to gold price assumptions and projected ore grade as shown in the following graphs (Figure 1-1). The Net Present Value (NPV) is based on only 30 months cash flow as indicated by the proven and probable reserves. Queenstake intends to increase reserves, mine life, and cash flow years.

1.14 Conclusions and Recommendations

PAH considers the JC mine to be a relatively low-risk project at least for the short term within the next two and a half years during which the current reserves will be exhausted. For the second half of 2007 and beyond, the operation will largely depend, like many underground mines with short mine life, on its ability to replace mined-out reserves by timely conversion of resources to reserves. The success of the reserve development program that Queenstake has implemented will be the critical item in continuing to prolong the mine life of JC.

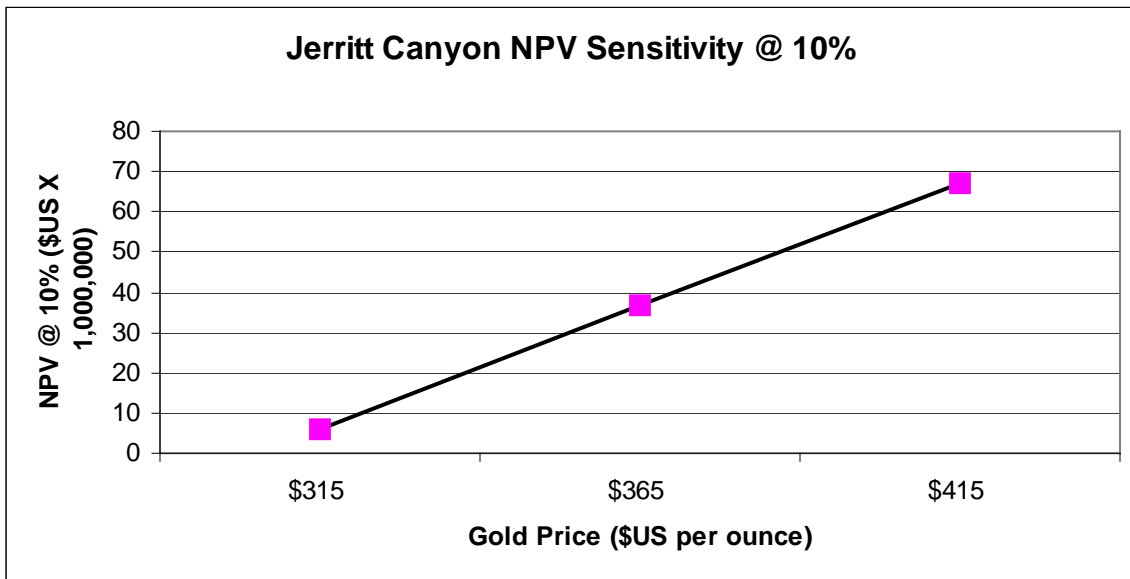
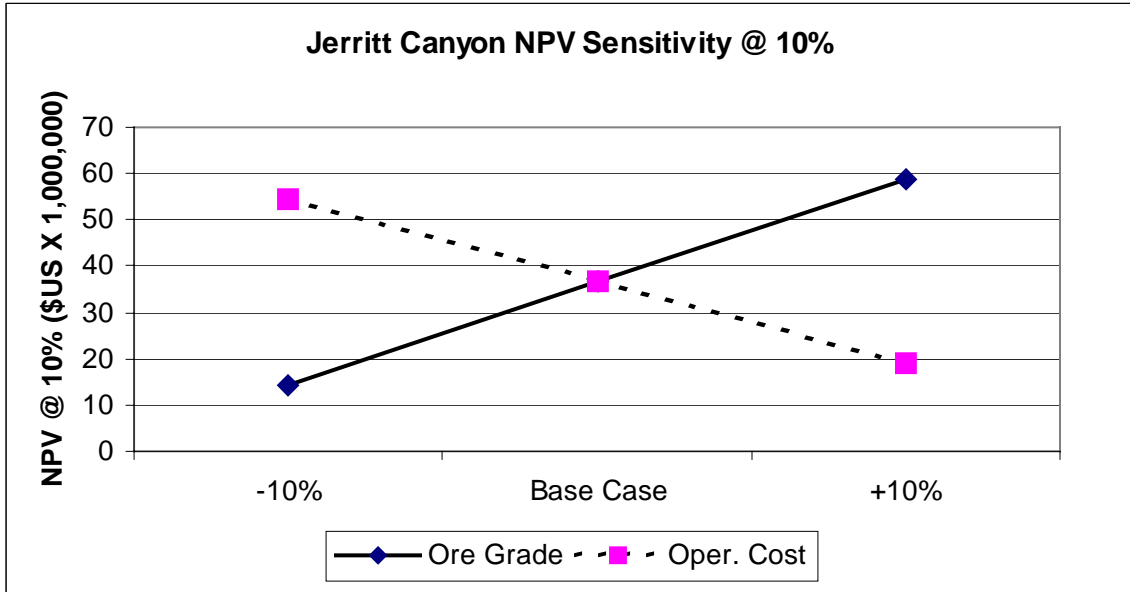
During the year 2004, JC was able to replace the tons and ounces mined through an aggressive program of resource conversion to proven and probable reserves. At the end of 2004, the reserve tonnage had grown by about 450,000 tons and contained ounces increased by about 55,000 over the tons and ounces included in reserves at the end of 2003. The contained ounce increase was accomplished with more tons, at a slightly lower grade (0.25 vs 0.27 opt) in the new reserve estimate.

It appears that this trend will continue into 2005 and beyond. The mine has typically had trouble matching the reserve grades from a particular area mined. Typically, about 0.02 to 0.03 opt less gold grade is delivered to the plant than indicated in the reserve. This undoubtedly reflects additional dilution in the mining process that also includes incremental ore encountered while mining. The individual mines actually do a good job in trying to control dilution, but the size and erratic nature of the ore pods lends itself to external dilution along the mineralized pod margins that is quite often unavoidable.

PAH has the following recommendations:

- Maximize the mill tonnage capacity by using screened, low-grade stockpiles available to complement the mines' production especially during times of high gold prices.
- Considering that winter normally proves to be a difficult season for ore haulage, the operation should try to maximize stockpile haulage to or near the mill during the summer time.
- Continue, and expand studies on the source areas of arsenic and iron sulfide dike ores ("high fuel" ores) to control the quantities mined and regulate the amount that is blended into non-dike ("friendly" ore) so as to minimize the impact of high fuel ore on the plant throughput.

FIGURE 1-1
Queenstake Resources Ltd.
Jerritt Canyon Project
Sensitivity to Gold Price, Ore Grade and Operating Cost (\$US X 1,000,000)
Net Present Value as of January 1, 2005



- Continue working toward a better reconciliation of mined ore grades versus the calculated mine grade entering the plant.
- Develop a program to minimize the amount of moisture in the ore that enters the plant. This typically comes from internal mine water, and water that enters the underground mined ore surface stockpiles located at the mine, and at the mill. This problem is largely a seasonal (winter) problem, but lowers the mill throughput, and requires higher energy costs to dry the ore.
- Expand studies on the technical and economic viability of reducing the processing plant throughput to a single roaster fed exclusively from the higher-grade underground mines.

2.0 INTRODUCTION AND TERMS OF REFERENCE

Queenstake Resources Ltd. (Queenstake) has engaged Pincock, Allen & Holt (PAH) to prepare a Technical Report covering the Jerritt Canyon (JC) Mine near Elko, Nevada, to meet the requirements of Canadian National Instrument 43-101. This report reflects the most recent resources and reserves, which are based on models developed in December 2004.

The objective of this report is to provide Queenstake an independent reserve review and technical report that follows existing regulations in Canada. The present report meets the requirements for Canadian National Instrument 43-101 and conforms to Form 43-101F1 for technical reports.

2.1 *Qualified Person and Participating Personnel*

The JC operation has been previously reviewed by PAH on behalf of Standard Bank London (SBL) as part of a due-diligence review for debt and equity issues in January-February 2003. PAH has also previously prepared Technical Reports on the property on behalf of Queenstake in June 2003 and February 2004.

Raul Borrastero, a Certified Professional Geologist, was project manager for this report. Mr. Borrastero has been involved with the project since December 2002 and visited the Jerritt Canyon site in January 2003, December 2003, January 2004, December 2004 and January 2005. The bulk of the analysis of geology, drilling, assaying, and resource and reserve estimates of the project have been reviewed directly by Mr. Borrastero. He has also assembled the location, tenure, access, infrastructure, and history of the property.

The following individuals participated in this study and have conducted a site visit recently or within the last few years:

- Raul H. Borrastero, C.P.G., Senior Geologist, Resources, Reserves, Regional Geology, Sampling; January 2003, December 2003, January 2004, December 2004, and January 2005.
- Darrel Buffington, P.E., Principal Geotechnical Engineer, Environmental and Geotechnical Review; January 2003.
- Steve Milne, P.E., Principal Mine Engineer, Mine Planning and Mine Operating and Capital Costs; January 2003, December 2003, January 2004, December 2004, and January 2005.
- Richard Addison, P.E., Principal Process Engineer, Metallurgy, Processing and Administration Costs; January 2003, and January 2005.

During the site visits, PAH reviewed existing mine and processing facilities, infrastructure, resource estimates, mine plans, budgets, operating costs, and other salient areas for a mine in operation.

Mr. Raul Borrastero was mainly responsible for the preparation and compilation of this report. Mr. Don Tschabrun, Principal Mine Engineer, who did not visit the property, reviewed the Markets, Cash Flow, and Sensitivity for the project.

2.2 Terms and Definitions

Queenstake refers to Queenstake Resources Ltd. PAH refers to Pincock Allen and Holt and its representatives. The Jerritt Canyon project is abbreviated to JC, and refers to the existing mine and mill as well as exploration and other activities conducted in the vicinity of the mine and mill.

Resource and Reserve definitions are as set forth in the Appendix to Companion Policy 43-101CP, "Canadian Institute of Mining, Metallurgy and Petroleum – Definitions Adopted by CIM Council, August 20, 2000."

2.3 Units

PAH has reviewed all operating costs and commodity prices in terms of 4th quarter 2004 United States of America dollars (\$), unless otherwise noted. All units are carried in imperial units, unless otherwise noted. Grades are described in terms of troy ounces per short ton, with tonnages stated in short tons (2,000 pounds).

Salable precious metals are described in terms of troy ounces, with base metals described in terms of pounds.

2.4 Source Documents

The source documents for this report are summarized in Section 21.

3.0 DISCLAIMER

This report was prepared for Queenstake Resources Ltd. ("Company") by the independent consulting firm of Pincock, Allen & Holt ("Consultant") and is based in part on information not within the control of either the Company or Consultant. While it is believed that the information contained herein will be reliable under the conditions and subject to the limitations set forth herein, neither Company nor Consultant guarantees the accuracy thereof.

PAH has not conducted a legal review of ownership, property boundaries, lease agreements, or claim notices, and presents this information for general reference only.

4.0 PROPERTY DESCRIPTION AND LOCATION

The Jerritt Canyon Mine property, located in Elko County, Nevada, currently comprises four underground mining operations feeding ore to a process plant consisting of a roaster followed by carbon-in-leach processing. These mines are mechanized operations using backfilling for ground control and to increase ore recovery.

4.1 Location

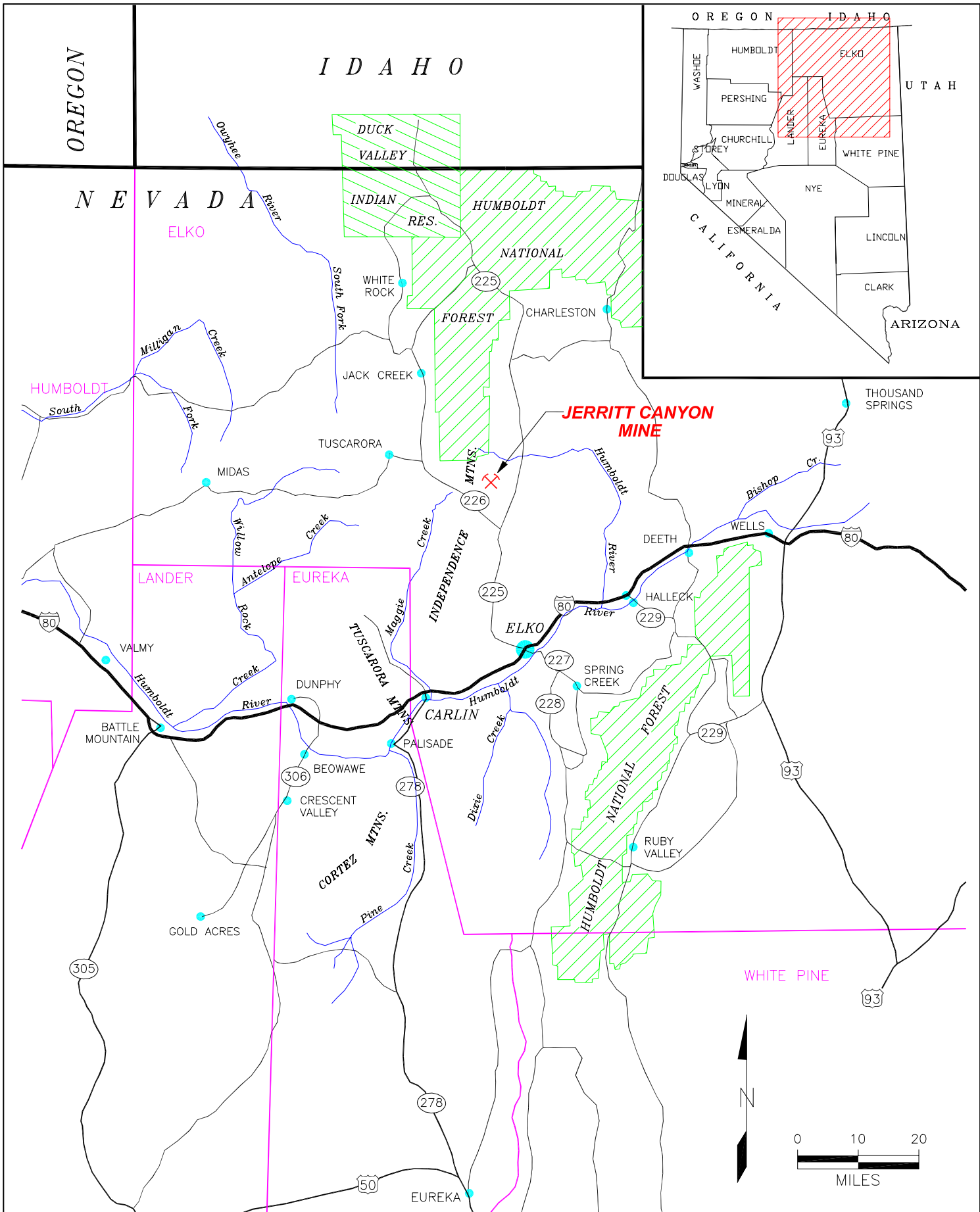
The Jerritt Canyon Mine is located in Elko County, Nevada approximately 50 miles north of Elko, Nevada, at Latitude 41°23' North, Longitude 116° West. The property encompasses ten (10) townships bounded by T39N to T41N and R52E to R54E relative to the Mount Diablo Base Line and Meridian (MDB&M), covering approximately 110 square miles. Operations are located in approximately the geographic center of the Independence Range within the Humboldt-Toiyabe National Forest. Access to the property is by means of State Road 225 to the main entrance road to the mine. A general location map is presented in Figure 4-1.


4.2 Tenure

Currently the property is 100 percent owned and operated by Queenstake Resources. Queenstake acquired the mine from the previous joint venture partners: Anglo Gold (70%) and Meridian Gold (30%), in June of 2003.

The operations are conducted on a combination of public and private lands, with the mines and mining related surface facilities being primarily located on public lands and the process plant administrative facilities and tailings impoundment located on private lands obtained in part through a land swap with the Bureau of Land Management.

At the present time, JC has 2,975 owned and leased claims, 12,433 acres of fee land, 1,011 acres of patented claims, and 10,671 acres of leased fee land with mineral rights (Table 4-1). The entire land package is approximately 110 square miles. The titles to these properties, lease agreements, claim notices, and affidavits were not reviewed by PAH, but are presented here for general reference. A map depicting the 2004 general land package status of the JC property is shown in Figure 4-2.



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Project No.
 9234.07

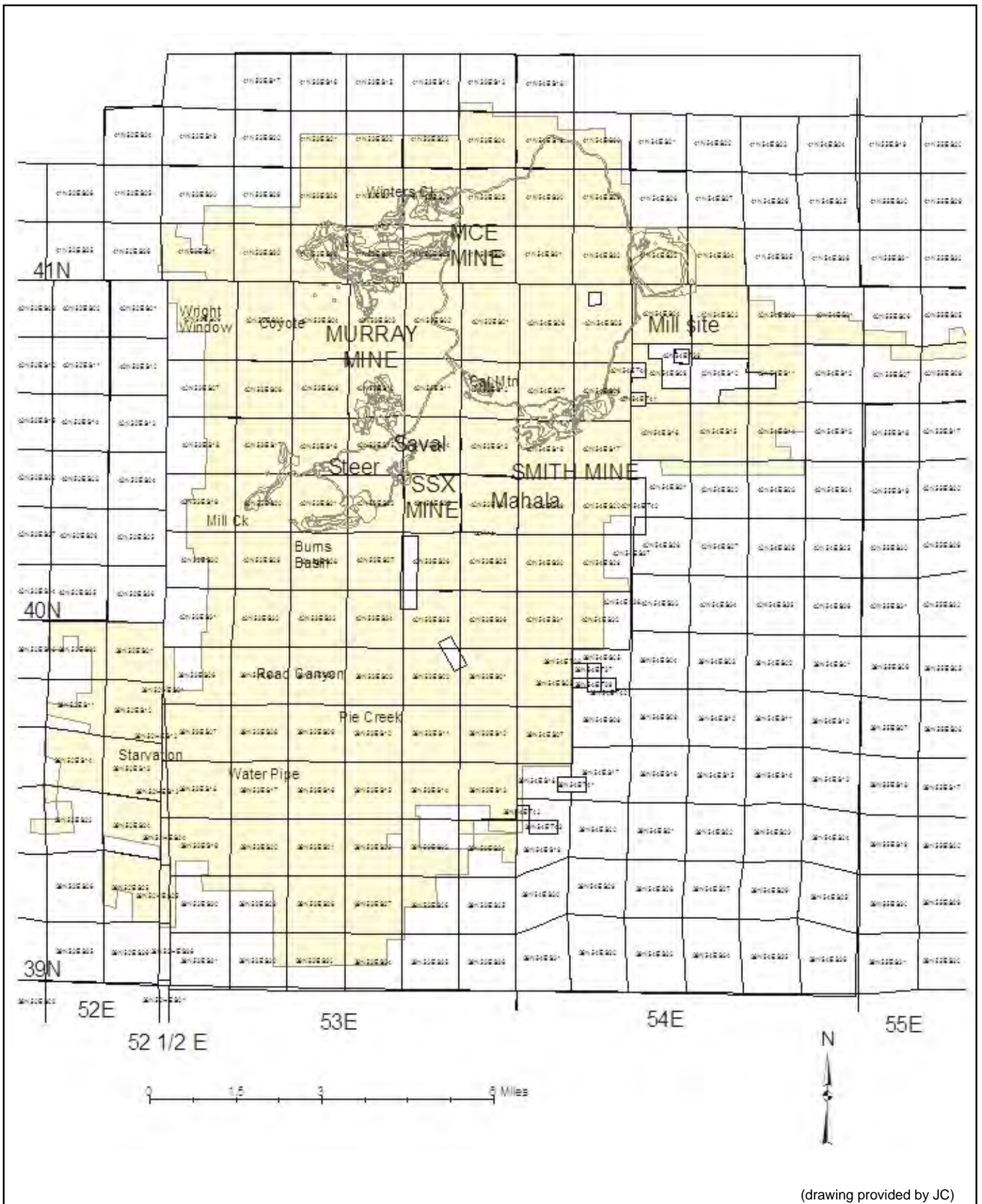
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FIGURE 4-1
GENERAL LOCATION MAP
JERRITT CANYON MINE

Date of Issue
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Drawing Name
 Fig4-1.dwg



(drawing provided by JC)

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**FIGURE 4-2
 GENERAL LAND PACKAGE STATUS**

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TABLE 4-1
Queenstake Resources Ltd.
Jerritt Canyon Project
Total Land Available for Exploration and
Exploitation in the Jerritt Canyon Area

Land Status	No. Claims	Acres
Owned Claims	2,697	
Leased Claims	278	
Total Claims	2,975	
Fee Land Owned		12,433
Patented Claims Owned		1,011
Fee land Leased		10,671
	Total Acres	24,115

4.3 Environmental Liabilities

As is common for a mining operation like Jerritt Canyon, there are several environmental liabilities associated with the project that are primarily related to closure and reclamation. Final reclamation issues for the project include closure of the tailings impoundment and waste rock dumps, reclamation of pits by partially backfilling the pits with mine waste from underground operations, sealing of underground portals and dismantling of buildings and structures. It should be noted that current geochemical characterization of the waste rock produced from mining operations has been demonstrated to be generally non-acid generating.

Queenstake has funded the estimated reclamation and closure costs by placing \$25.8 million in a commutation account with American Insurance Group (AIG). In addition, AIG has provided insurance that will pay for reclamation and closure costs, if any, which exceed \$25.8 million. There have been some minor drawdowns of the account in 2004 to fund concurrent reclamation.

4.4 Status of Required Permits

The primary regulatory oversight of the Jerritt Canyon Mine is by the U.S. Forest Service (USFS), due to the mining activity being located on a combination of public and private lands, and by the Nevada Division of Environmental Protection (NDEP).

Since the initial Plan of Operations was approved in 1980, there have been at least 45 submittals to the USFS, including three Plans of Operation and Amendments or Modifications to approved Plans of Operation. From our review of the provided information and discussions with site personnel, PAH believes the operation is currently in compliance with the requirements of the USFS. We would note that development of identified ore bodies from the existing underground mine surface facilities will likely require only administrative approval. However, opening an open-pit mine at the

Wright Window deposit will require permitting through the USFS. The Jerritt Canyon staff has had initial discussions with the USFS and initial indications are that the project can be permitted under an Environmental Analysis and would not need a more time-consuming Environmental Impact Statement.

The NDEP regulates the approval of the Water Pollution Control Permit, Air Quality Permit, Stormwater Discharge Permit, Underground Injection Control Permit, Dams Safety Permit and Reclamation Permit. All permits are current with the Air Permit for the Process Plant, the Water Pollution Control Permit and the reclamation permit having been renewed in 2004.

5.0 ACCESSIBILITY, CLIMATE, LOCAL RESOURCES, AND INFRASTRUCTURE

5.1 Access

The Jerritt Canyon Mine operation is located in Elko County, Nevada within the Independence Mountain Range, approximately 50 miles northwest of the City of Elko, Nevada. Access to the property is by means of State Road 225 to the main entrance road to the mine. The roads are in excellent condition and are paved all the way to the mine gate where the administrative offices are located. The active mining areas are located at elevations that range from approximately 6,400 feet at the administration offices, process plant, and tailings impoundment site to 8,000 feet at the mine sites. Sagebrush vegetation dominates the lower elevations in the southern part of the range. The northern part of the range is mostly dominated by scrublands. Small forest stands of sub alpine fir grow in canyons and north slopes.

5.2 Climate

The climate is characterized by winters with temperatures between 0 and 40 degrees Fahrenheit and summer temperatures between 35 and 85 degrees Fahrenheit. Average annual precipitation at the tailings impoundment area is estimated at 14 inches per year with an estimated annual average evaporation of 43 inches. A significant amount of the total precipitation falls as snow and increases with elevation to the mining areas. Only rarely are conditions severe enough to halt mine operations although sporadic severe winter conditions typically tend to slow down ore haulage from the mines and affect mill throughput. Mill operations are located at lower elevations and are less exposed to the weather.

5.3 Local Resources and Infrastructure

The nearest city, Elko, has a population of 34,000 and is serviced by regular scheduled air service from Reno, Nevada and Salt Lake City, Utah. All services required by the operation are readily available.

6.0 HISTORY

Prospectors explored for antimony in the 1910s. Reportedly, 30 to 40 tons of stibnite as antimony ore were mined and shipped from the Burns Basin mine in the Independence Mountain range between 1918 and 1945. In the early 1970s there was a short burst in antimony exploration when its price reached historic highs of \$40 a pound. Around 1971, FMC began exploring for antimony in the range. In 1972, FMC, later known as Meridian, discovered a disseminated gold deposit in the Jerritt Canyon (JC) area. In 1976, a joint venture was formed with Freeport Minerals Company, subsequently Freeport McMoran Inc., to explore and develop the area, and mining at JC commenced in 1981. In 1990, Freeport sold its interest in JC to Minorco and their wholly owned subsidiary, Independence Mining Company, became the new joint venture partner and operator of the mine. In 1998, Minorco's North America gold assets, including their 70 percent in JC, were sold to AngloGold. On June 30, 2003, Queenstake became the sole owner and operator of the project. Queenstake acquired JC from AngloGold and Meridian.

While open pit mining was done at the site from startup in 1981 until 1999, the Jerritt Canyon Mine currently consists of four underground mining operations feeding ore to a process plant consisting of a roaster followed by carbon-in-leach processing. The mines are mechanized operations using backfilling for ground control and to increase ore recovery. From the time of start-up, the less refractory ores mined at the operation were processed through a "wet" mill. This wet mill continued to operate until 1997 and is still located on site. With ores becoming more carbonaceous and refractory as well as with the introduction of higher-grade ore from underground operations, a dry mill with ore roasting circuit was added in 1989 and is currently in operation.

Since its inception, the JC mine has produced over seven million ounces of gold. Annual production has historically averaged between 250,000 and 350,000 ounces of gold, at historical cash costs ranging from \$240 to \$340 per ounce. Queenstake reports mill production from Jerritt Canyon at 1,305,833 tons in 2004 with 243,333 ounces of gold attributed to the operation.

In the year 2000, about 445,000 feet of exploration and development drilling were completed. About 165,000 feet consisted of surface Reverse Circulation (RC) drilling, 76,000 feet were underground (UG) diamond drilling, and 204,000 were UG production drilling both RC and rotary percussion drill. In 2001, 65,450 feet of surface RC drilling, 86,000 feet UG core, 112,000 feet UG RC, and 237,000 feet of production drilling were performed. In 2002, a total of 454,000 feet were drilled. Most of the drilling was performed from UG stations: 54,000 feet UG core, 245,000 feet UG RC and 136,000 feet UG production drilling. A noticeable reduction on RC surface and underground core drilling as well as an increase in RC underground drilling occurred in 2002 relative to 2001 as apparently the operation, then operated by AngloGold, shifted focus from exploration to reserve development. However during the second half of 2003, after the acquisition of the project by Queenstake, an increased interest in mine exploration and development resurged and has continued throughout 2004.

In December 2003, the measured and indicated resources (including reserves) at JC totaled about 9.5 million tons at 0.242 opt gold at a cutoff grade of 0.150 opt and 0.075 opt for underground and open pit areas respectively. The proven and probable reserves totaled about 3.1 million tons at 0.268 opt gold at a cutoff grade of 0.260 opt for the Murray mine, 0.300 opt for the MCE mine, 0.200 opt for the SSX mine, 0.190 opt for the Smith mine, 0.100 opt for the Wright Window pit area, and 0.090 opt for upgraded stockpiles.

The current measured and indicated resources (including reserves) as of December 2004 are about 10.0 million tons at 0.241 opt gold at a cutoff grade of 0.150 opt and 0.075 opt for underground and open pit areas respectively. The proven and probable reserves as of December 2004 totaled 3.5 million tons at 0.249 opt gold at a cutoff grade of 0.230 opt for the Murray mine, 0.190 opt for the SSX and Steer mines, 0.200 opt for the Smith mine, 0.100 opt for the Wright Window pit area, and 0.080 opt for upgraded stockpiles. These represent an increase of 5 percent and 13 percent in resource and reserve tons, and a net increase of 5 and 7 percent in resource and reserve ounces relative to the previous year, respectively.

7.0 GEOLOGICAL SETTING

7.1 *Regional Geological Setting*

The Jerritt Canyon mining district is located in the Independence Mountain range. This range is primarily underlain by a Paleozoic sedimentary sequence that consists of four distinct assemblages:

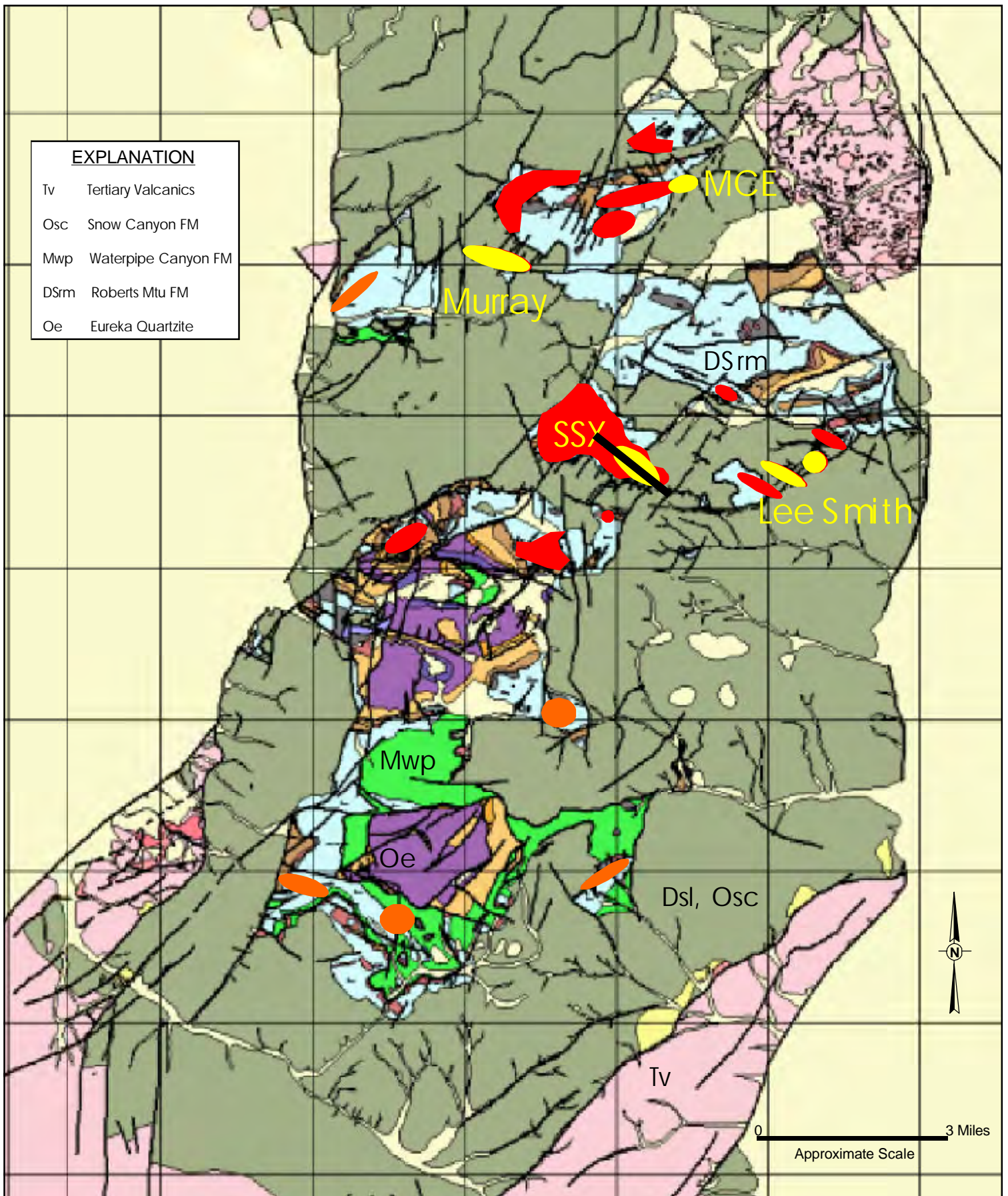
- 1) the western facies (upper plate of the Roberts Mountains thrust fault)
- 2) the eastern facies (lower plate of the Roberts Mountains thrust fault)
- 3) the Schoonover sequence, and
- 4) the Antler overlap sequence

The western facies consists of the Ordovician Valmy Group, locally known as the Snow Canyon Formation, which is comprised of chert, argillite, siltstone, shale, quartzite and limestone-greenstone complex. The majority of this assemblage is considered to be a deep-water sequence. The eastern sequence is a Cambrian to Silurian continental shelf carbonate sequence. This assemblage comprises the Ordovician Pogonic Group, the Ordovician Eureka Quartzite, the Ordovician-Silurian Hanson Creek Formation, and the Silurian Roberts Mountains Formation. The Schoonover sequence occurs north of the mining district and consists of basaltic and andesitic greenstone, chert, tuff, volcanoclastic rocks and siliciclastic and limestone turbidities of Devonian to Permian age. The Antler overlap sequence is restricted to the north end of the range and consists of conglomerates, argillite, siltstone and limestone. A district geologic map is shown in Figure 7-1.


7.2 *Property Geology*

Within the Jerritt Canyon area, gold can locally occur within all sedimentary formations, but is preferentially hosted by the Roberts Mountains and Hanson Creek Formations of the eastern facies (lower plate of the Roberts Mountains thrust; Stratigraphic Section Figure 7-2). The Roberts Mountains Formation consists of calcareous to dolomitic siltstones and silty limestones. The Hanson Creek Formation is divided into five members, numbered I through V from the top of the formation. Hanson Creek I is a thinly bedded sequence of gray, medium-grained limestones and continuous block chert beds. It is typically brecciated. Hanson Creek II is a dark to light gray, irregularly bedded to massive, vuggy, dolomitic limestone. Hanson Creek III is a section of intercalated carbonaceous micrites and laminated argillaceous limestones. Hanson Creek IV is a thickly bedded, medium to coarse-grained, carbonaceous limestone with discontinuous black chert nodules. Hanson Creek V consists of laminated, carbonaceous siltstone with chert lenses.

The contact between the Snow Canyon Formation and the underling Roberts Mountains Formation is a regional thrust fault that transported the Snow Canyon eastward over the Roberts Mountains. The contact between the Roberts Mountains Formation and the underlying Hanson Creek Formation is a discontinuity locally known as the Saval discontinuity. The discontinuity may be an



(drawing provided by JC)

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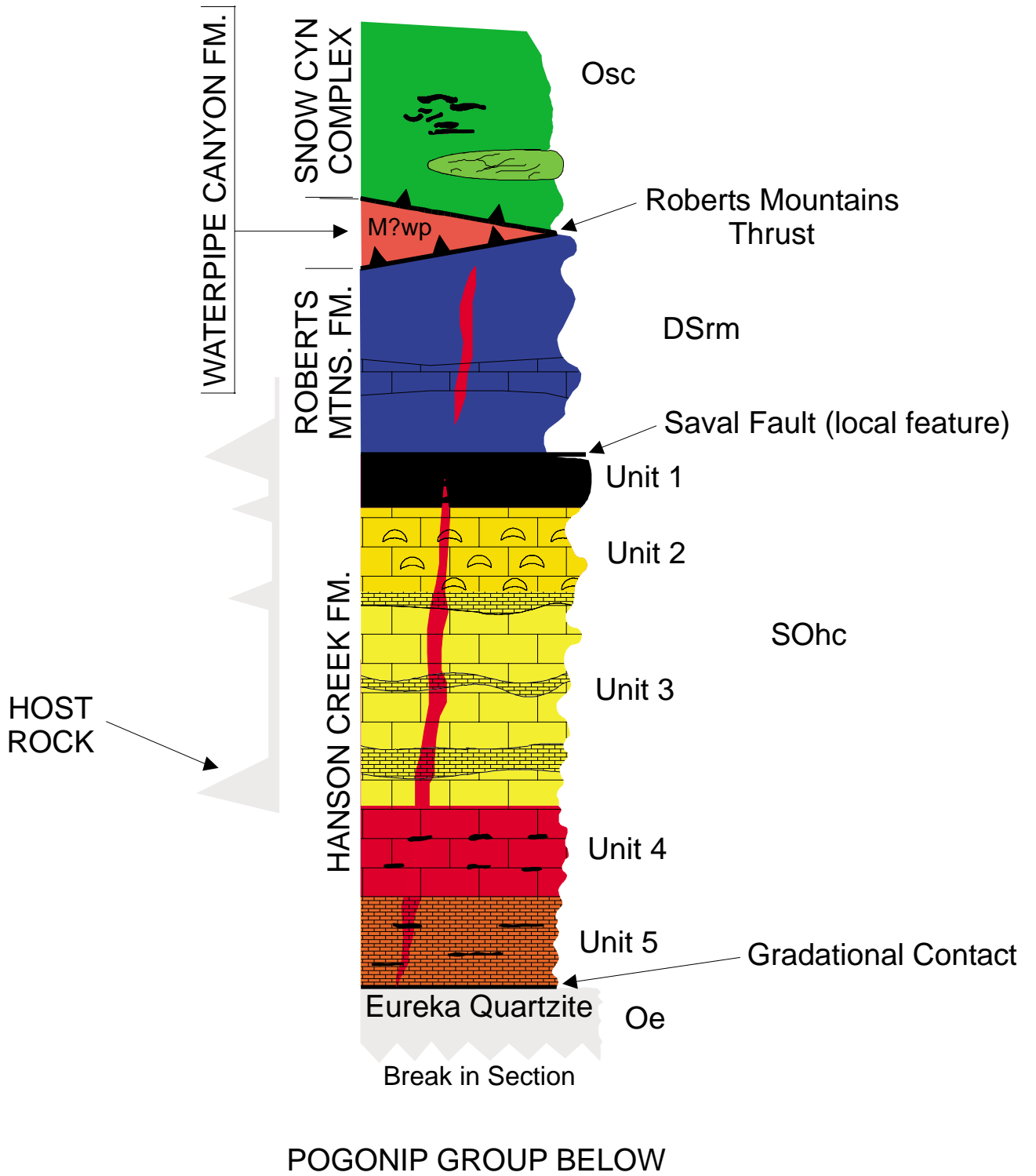
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**FIGURE 7-1
 GEOLOGIC MAP OF THE
 JERRITT CANYON MINING DISTRICT**

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**FIGURE 7-2
 GENERALIZED STRATIGRAPHIC SECTION
 JERRITT CANYON DISTRICT**

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Fig7-2.cdr

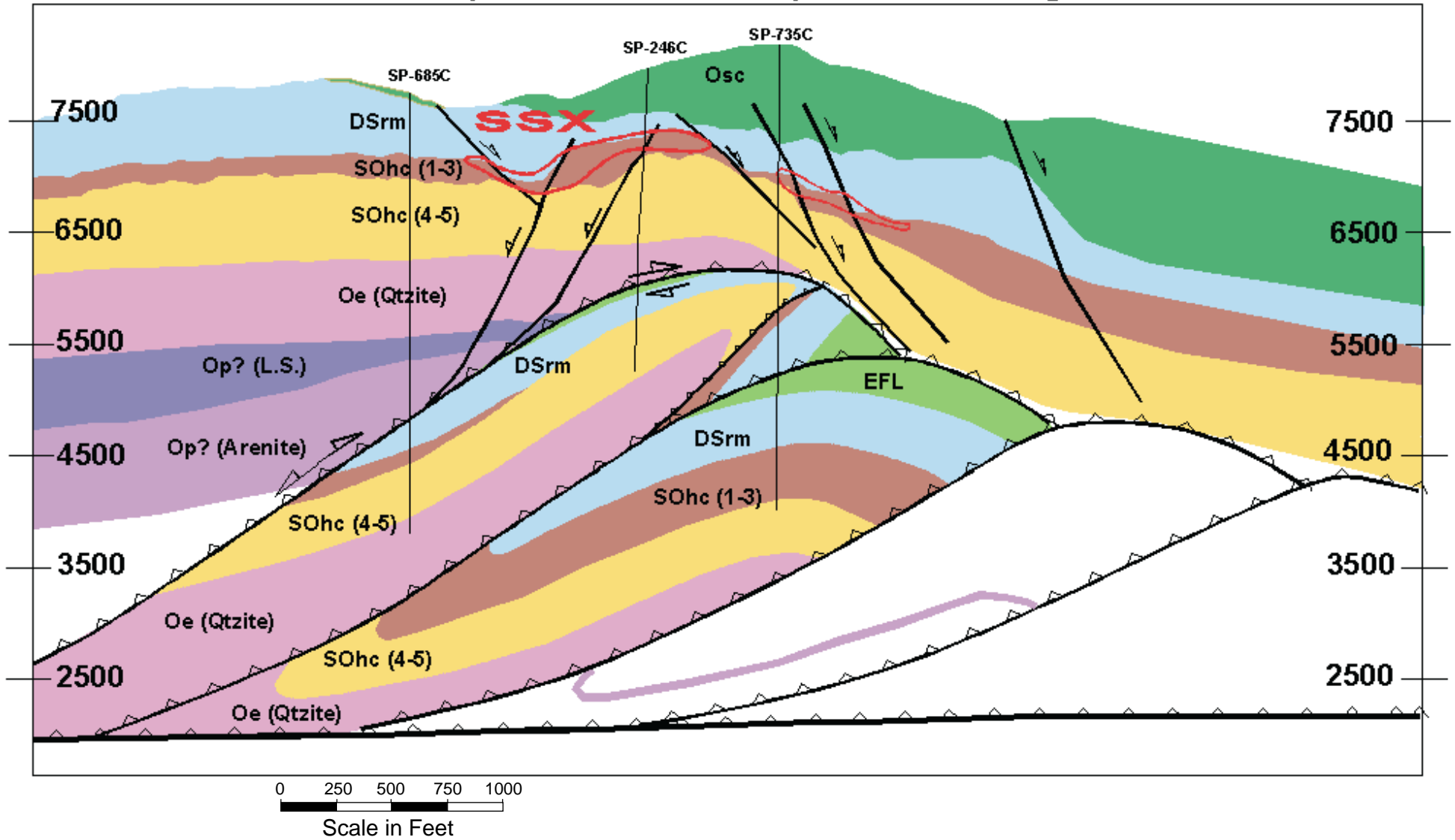
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angular unconformity of local extent or a thrust fault. The base of the Hanson Creek is gradational into the Eureka Quartzite. Locally, the stratigraphic section has been repeated by thrust faulting as seen in the cross-section shown in Figure 7-3.


Alteration within the Jerritt Canyon area includes silicification, dolomitization, remobilization, and reconstitution of organic carbon, decalcification, intermediate to advanced argillization, hypogene and supergene oxidation and bleaching. The most important alteration effects relative to gold deposition are silicification, remobilization and reconstitution of organic carbon and decalcification.

N70W

S70E



(drawing provided by JC)

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FIGURE 7-3
IMBRICATED EASTERN FACIES
SSX AREA LOOKING NORTHEAST

Date of Issue
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Drawing Name
Fig7-3.cdr

8.0 DEPOSIT TYPES

Mineralization at Jerritt Canyon is preferentially found within the base of the Roberts Mountains Formation and the Upper Hanson Creek Formation. Major initial discoveries were made by following structures within the erosional windows through the upper plate created in the mountain range by the regional uplifting along the Roberts Mountains Thrusting event that placed siliceous rocks over the favorable eastern facies sequence.

Gold mineralization is structurally controlled by high angle northwest and northeast trending structures that acted as conduits for mineralizing fluids. The mineralizing fluids appear to have deposited gold as stratiform bodies where conduits intersected favorable stratigraphic intervals, particularly where the northeast and northwest structures intersect (e.g. SSX; refer to Figure 7-3), and/or where anticlinal flexures occur (e.g. SSX, Murray). The favorable host rocks in the district, Roberts Mountains and Hanson Creek Formations, typically contain large proportions of argillaceous material. Much of the higher grade, more continuous gold mineralization occurs where two sets of high angle structures intersect and cut the appropriate stratigraphy. The deposits are considered to be Carlin-type, sediment-hosted, replacement fine-grained gold deposits in carbonaceous sediments. Locally, intrusive dikes that follow the northwest structures (Pennsylvanian dikes), or the northeast structures (Eocene dikes), may be important gold host rocks (e.g. Smith mine).

Gold occurs as very fine-grained micron size particles deposited in carbonates and fine-grained, calcareous, clastic sedimentary rocks. The average size of gold particles is in the order of two microns.

9.0 MINERALIZATION

For a general location map of resource areas and deposits, please refer to Figure 9-1.

9.1 *Murray Mine*

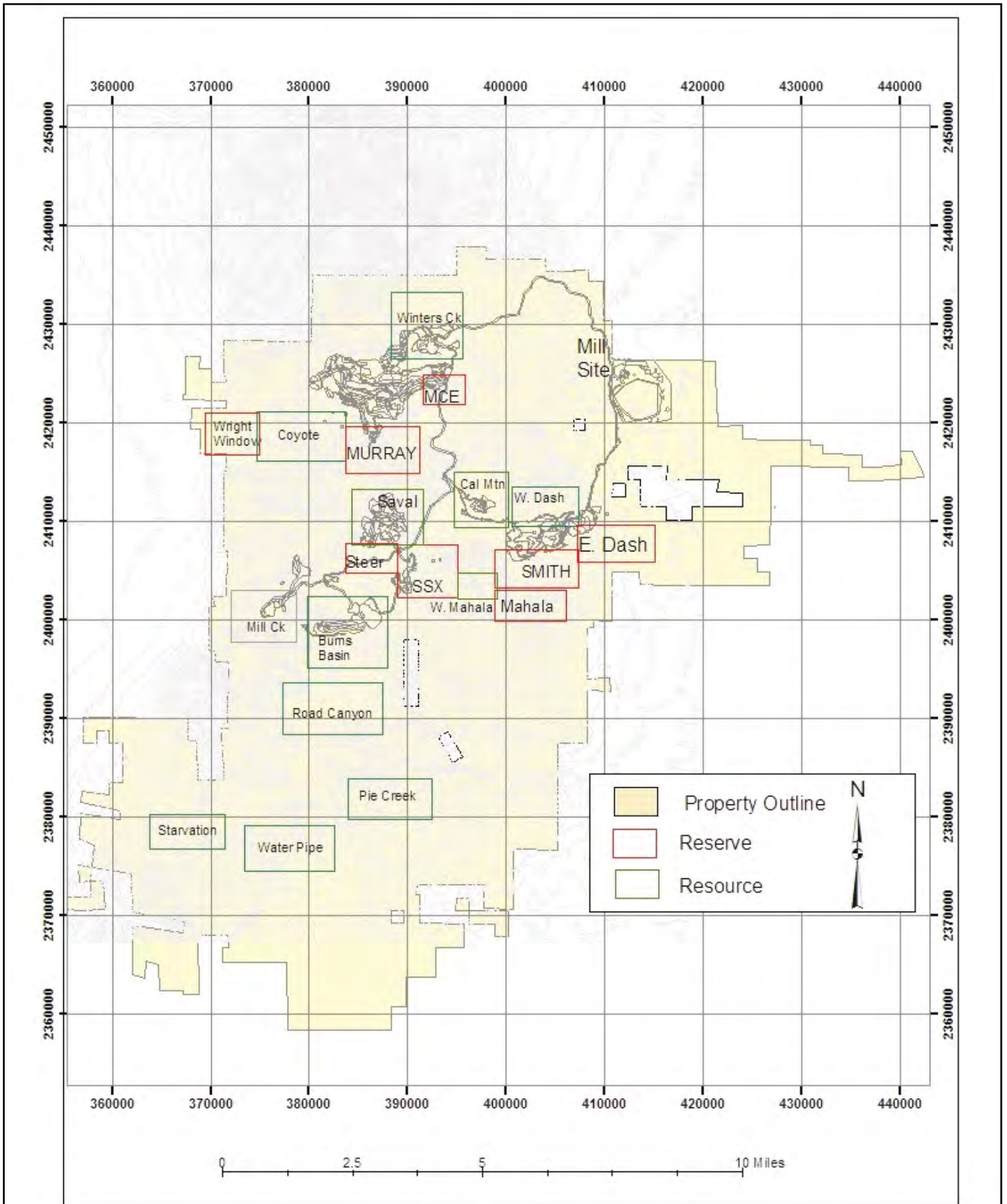
The Murray mine is located in an area overlain by the Snow Canyon Formation with no surface outcrop of the favorable geologic units. It was originally discovered by condemnation drilling for a waste dump. It is primarily controlled by the N70W trending, north dipping New Deep fault (Figure 9-2). Mineralization occurs predominantly within the Roberts Mountains Formation and Hanson Creek III unit. Most of the mineralization is localized in the footwall of the New Deep fault except for Zones 1 and 2 where a significant portion of the ore occurs in the hanging wall of the fault and Zone 7, which is located completely in the hanging wall. A new orientation of Pennsylvanian dikes (330-350 degrees) has recently been recognized. The correlation of these dikes with gold mineralization is still unclear. Rock conditions at Murray are difficult and, as a result, most of the mining is carried out using underhand cut and fill and drift and fill methods.

9.2 *SSX Mine*

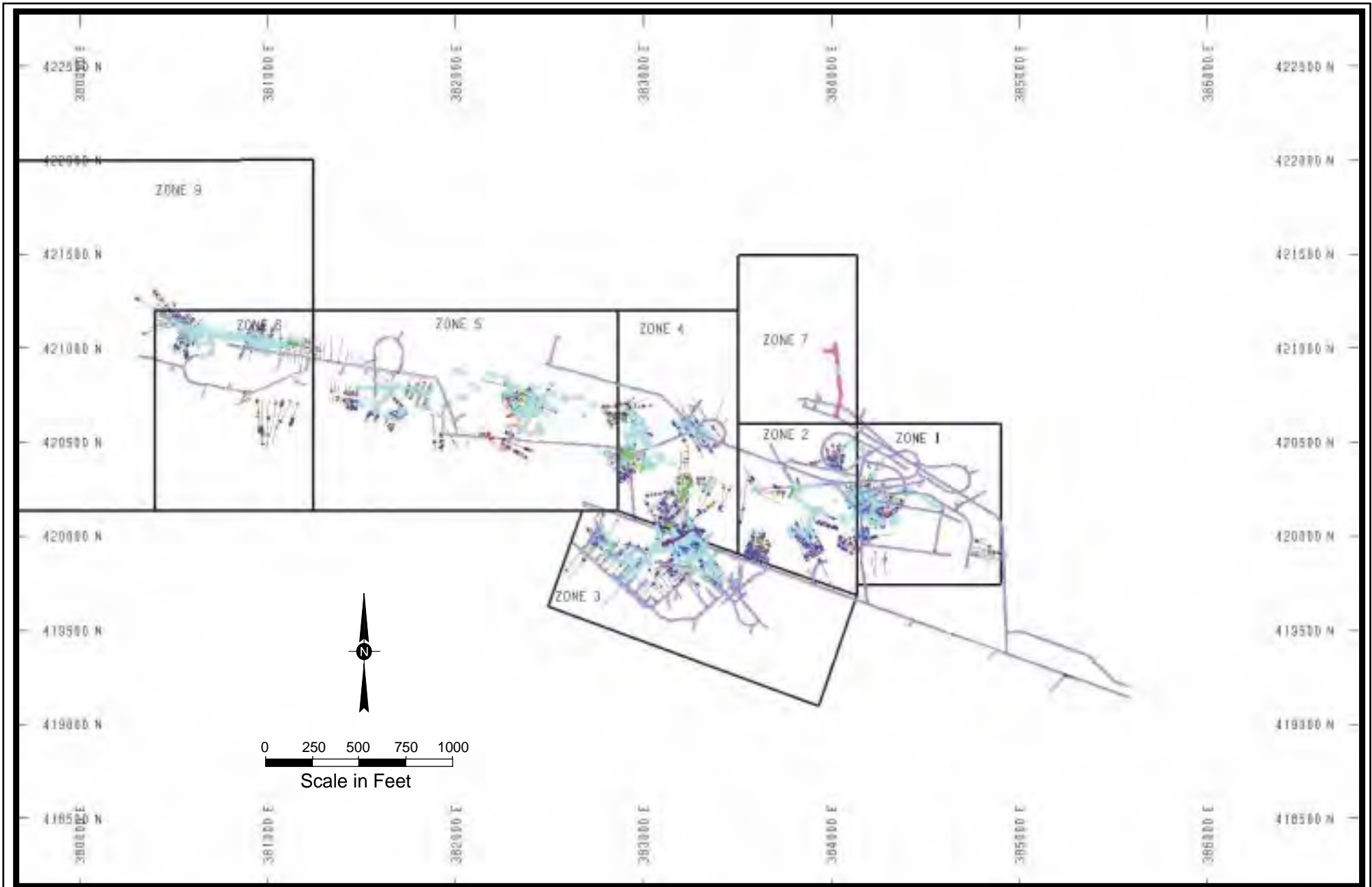
The deposit was discovered in the early 1990s following the structural trends between the Burns Basin and California Mountain deposits. The mine was open in 1997. The deposit occurs 450 to 1,000 feet below the surface. No geochemical signature on gold or pathfinders are present in the area. It is currently, and has been in the last few years, the main producer in the district. The SSX deposit is primarily structurally controlled by a network of northwest (e.g. South Boundary Fault, South Saval Trend), and northeast (e.g. Purple Fault, Saval Fault) structures. Most of the ore mineralization is hosted by the Hanson Creek III unit with lesser amounts in the Roberts Mountains Formation. Intrusive dikes are also mineralized but generally of lower grade than the surrounding mineralized rocks. The deposit is at least 4,000 feet in strike length and as much as 1,500 feet wide (Figures 9-3 and 9-4). Thickness varies from 10 feet to as much as 200 feet. Surface drilling indicates strong geologic and grade continuity to the northwest into the Steer and Saval areas and to the southeast into the West Mahala area. Rock conditions at SSX are generally good and bulk-mining methods such as sublevel and back stoping are successfully employed.

9.3 *Smith Mine*


The mine started in 1999 as the Dash pit was being mined out. The mineralization is associated with the northeast-southwest trending and west dipping Coulee fault, a normal fault that downthrows the west flank of the mine (Zone 2). Gold mineralization is mainly controlled by northwest trending structures (Figure 9-5) and occurs in all units of the Hanson Creek Formation and at the base of the Roberts Mountains Formation. The dominant hosts are the Hanson Creek Units II and III, which strike N50E and dip gently (20 -30 degrees) to the southeast. Gold mineralization is also



(drawing provided by JC)



(drawing provided by JC)

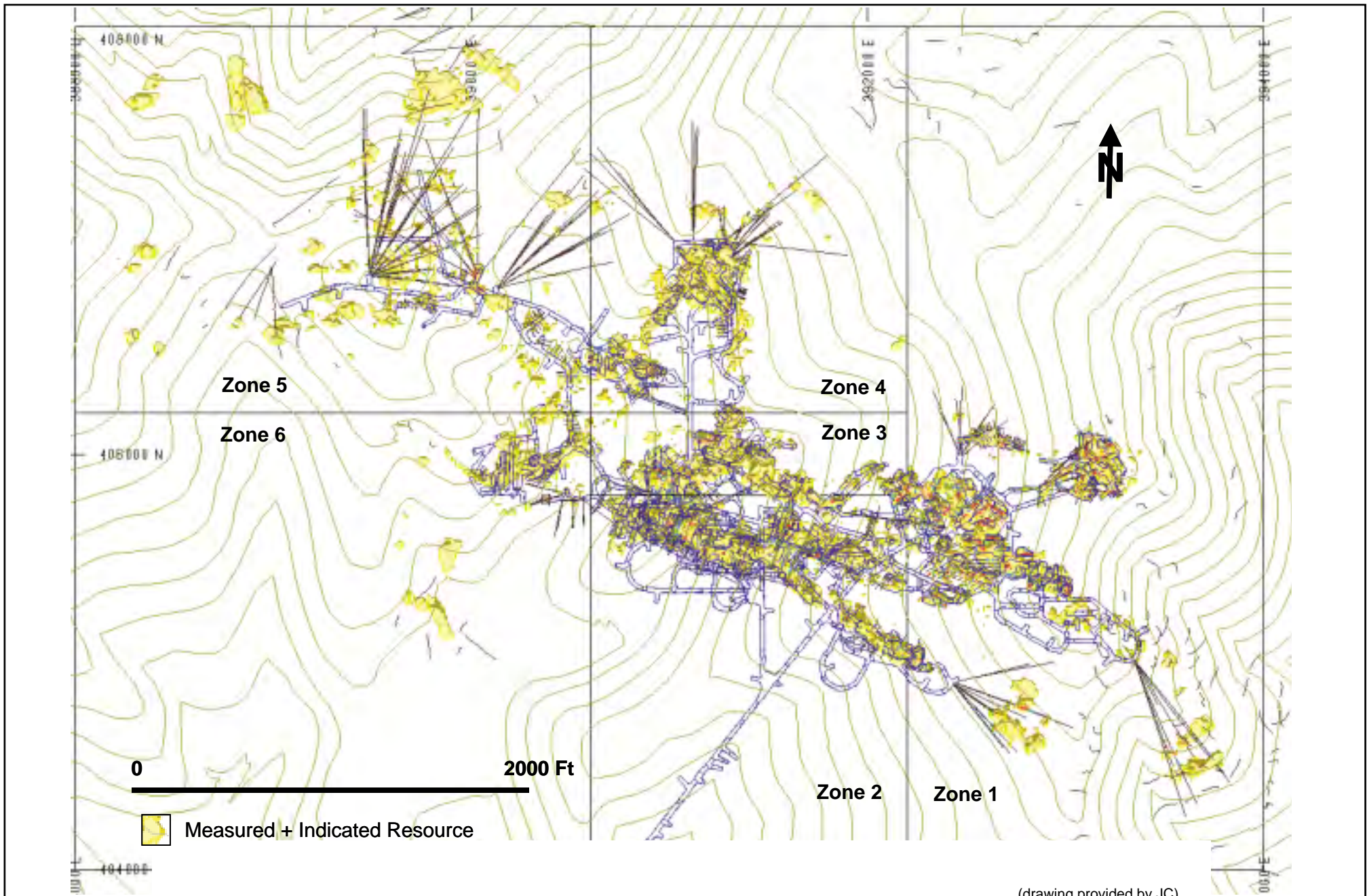
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FIGURE 9-2
MURRAY MINE - DECEMBER 2004 MODEL

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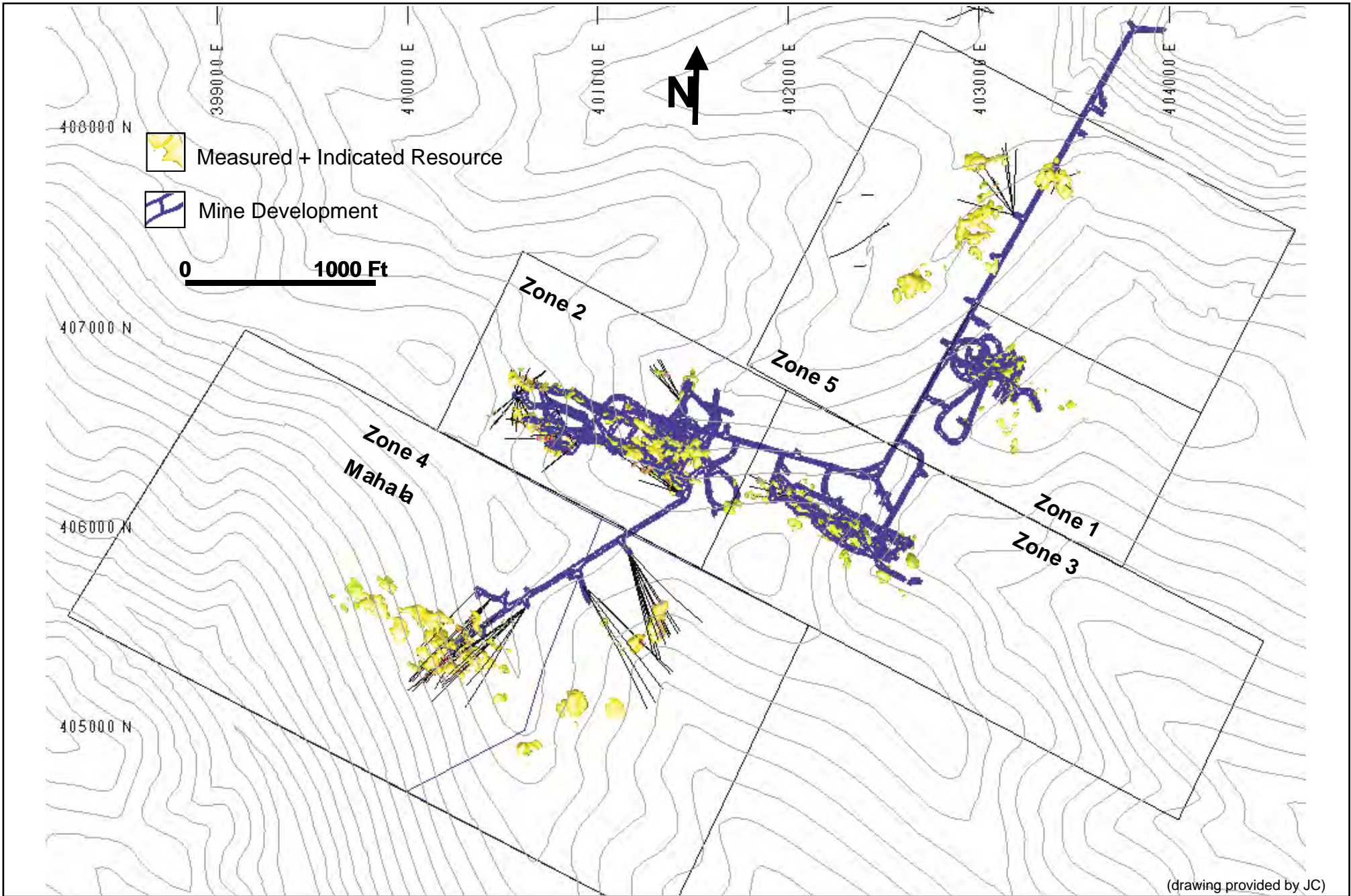
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FIGURE 9-3
SSX MINE - DECEMBER 2004 MODEL

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FIGURE 9-4
SMITH MINE - DECEMBER 2004 MODEL

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Drawing Name
Fig9-4.cdr

encountered in association with intrusive dikes that have lately proven to be quite productive. Dike areas tend to be thin and steeply dipping but return good gold grades particularly in Zone 2 (e.g. R4 and R6 cuts). Rock conditions are generally good although bulk-mining methods can only be applied in thicker areas of the ore zones.

The Mahala deposit has been reached from the Smith portal. Mineralization at Mahala is hosted by the lower Roberts Mountains and Upper Hanson Creek Formations. Like the main Smith deposit, the northeast trending Coulee Fault and the intersecting northwesterly Mahala fault serve as controls on mineralization. Mahala has been drilled from the surface with spacing averaging 50 feet and more recently from underground at closer spacing. The average gold grade of the reserve is 0.386 opt. Additional resources lie along the Coulee Fault and to the west of the main Mahala deposit.

9.4 MCE Mine

The mine is located at the base of the Marlboro Canyon pit to the northeast of the Murray mine. The mineralization is confined to the contact zone between the Hanson Creek III and Hanson Creek IV units, which dip 20 degrees to the south. The mineralization extends about 1500 feet along a N70E trend (Figure 9-6) with a plunge of 15 degrees to the east. The highest grades are generally encountered when northeast cutting structures intersect the main trend of the orebody as is the case in Zone 1A. No intrusive dikes have been found in the mine.

In early December 2003, mine production at MCE was temporarily halted in order to conduct an exploration program aimed at increasing the limited resources and reserves currently existing at this mine. Production resumed in mid-2004 for a short period of time but the mine was shut down shortly thereafter when reserves were exhausted.

9.5 Steer Mine

The Steer mine portal was collared in April 2004. A mining contract was awarded to Small Mine Development (SMD) in March 2004. The development of the mine has since been steady with more than 3,200 feet of advance through October 2004, of which 500 feet were on ore and 2700 feet on waste.

In the western area of the mine (Blocks 1 and 2), the contact between units III and IV of the Hanson Creek Formation forms the principal stratigraphic ore control. Mineralization may extend as much as 40 feet below the contact and 60 feet above it. Structurally, the primary ore control in this area is a northeast-striking fault corridor. Faults in the northwest part of this corridor are low angle and dip to the southeast. Faults in the southeast part are moderate- to high-angle and dip to the northwest. Mineralization is commonly present between low-angle fault planes, in the footwalls of high-angle ramps associated with low-angle faults, in the footwalls of high-to medium-angle faults, and at the intersections of high-/medium- and low-angle faults. Thin, discontinuous northwest- and north-south striking dikes are also present in two mineralized areas.

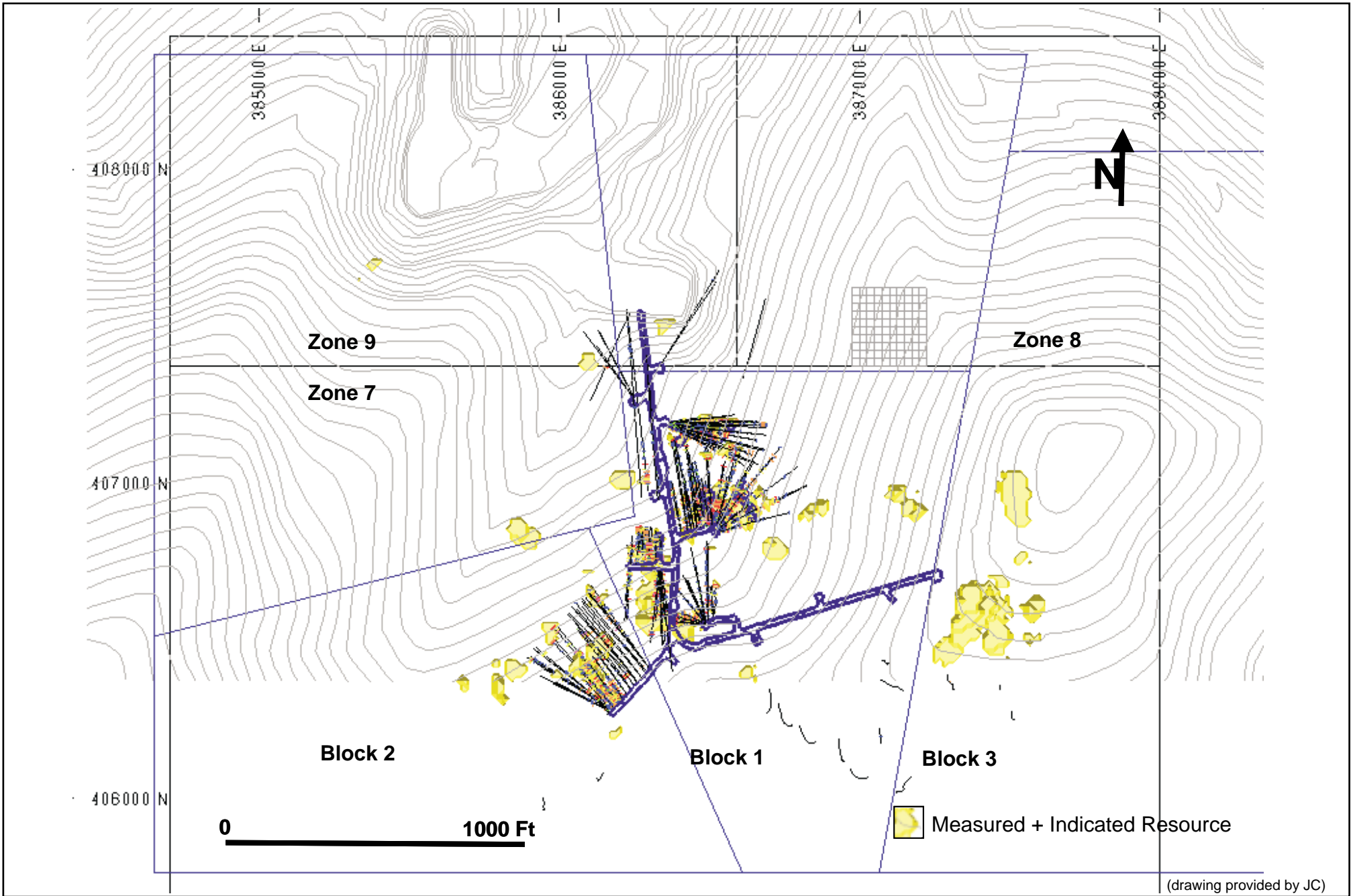
In the eastern area (Block 3), mineralization is present in discrete zones at the Hanson III/IV contact, the Hanson/Roberts Mountains Formation contact (extending 20' -30' above the contact) and in the middle of unit III of the Hanson Creek Formation. The principal structural controls are a major near-vertical north-northeast-striking structure, and a group of high-angle south dipping east-west to east-northeast-striking faults. The largest mineralized pods are at the intersections of these fault systems.

9.6 Other Reserve/Resource Areas


Dash East (Smith East): Dash East is located about 1,800 feet southeast of the Dash pit (Figure 9-5). It is a fairly flat lying deposit composed of several high grade pods following strata mainly along the contact between Hanson Creek Units II and III. High grade pods range in size from 100 to 200 feet wide and in thickness between 10 and 25 feet. The average gold grade is about 0.37 opt. The majority of the reserve is in the far-east block against the Range Front fault, which drops the stratigraphy down to the east. It is fairly well defined by surface drilling with spacing averaging less than 70 feet. Opportunities for resource expansion may exist in the area between the Dash pit and the far-east block.

Wright Window Pit: The Wright window is a small open pit reserve and resource area located on the west side of the Independence Mountains range to the west of the Murray mine (Figure 9-1). The deposit is hosted by the lower Roberts Mountains and Upper Hanson Creek Formations along the Saval Discontinuity. Mineralization occurs on two zones: the west and the east. The west zone mineralization outcrops at the surface and is about 50 feet thick. The high-grade area is about 200 x 300 feet wide and 45 feet thick. Queenstake drilled an additional 29 holes in 2003, reducing the drill spacing to about 50 feet. The average grade of the 32,600 ton pit is 0.226 opt.

Starvation Canyon: Significant mineralization in this area was discovered by Queenstake's 2004 exploration program. Mineralization at Starvation Canyon appears to be fairly typical of Jerritt Canyon gold deposits. High-grade gold mineralization occurs as pods at the intersections of northwest- and northeast-trending structures and is hosted primarily at the contact between Units II and III of the Hanson Creek Formation. The northwest structures are prominent district-scale features and often host mafic dikes. The northeast cross faults are a major factor in controlling grade and location of mineralization along the persistent northwest trend. Both structural trends remain open along their strikes and appear to form part of a major mineralized northwest-southeast trending structural zone at least 4½ miles long.



(drawing provided by JC)

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**FIGURE 9-5
 STEER MINE - DECEMBER 2004 MODEL**

Date of Issue
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 Drawing Name
Fig9-5.cdr

9.7 Other Mineralized Zones

Murray Zone 9: This area is located immediately west of the Murray Mine and along strike of the New Deep Fault. It underwent a significant drilling campaign in 2004. The mineralization is associated with a westward projection of the New Deep Fault and several northeast trending faults like the Coyote Fault. At least three different zones of mineralization have been defined, including:

- 1) A flat lying zone at the base of the Roberts Mountains Formation (Saval).
- 2) Tip Over Pod following a moderately westward dipping structure striking to the northeast.
- 3) The Main Zone, which appears to be associated with a New Deep type structure and is bounded to the west by the northeast striking Coyote Fault. Mineralization is hosted along to Hanson Creek III and often overlain by Snow Canyon Formation.

The mineralization is located from 500 to 1400 feet west and 150 feet above to 250 feet below the existing development of the Murray Mine.

North Burns Underground: This area is located to the northeast of the Burns pit along the structural trend that further to the northeast leads to the SSX mine (Figure 9-1). This underground target is located about 330 feet from the bottom of the pit that was mined between 1996 and 1998. The North Burns Basin open pit produced about 150,000 tons at a grade of 0.33 opt gold. Ore outcrops at the base of the pit and, if proven to have continuity, could be extracted with minimal infrastructure by underground methods. However, no drilling has been performed through the target area.

10.0 PROJECT EXPLORATION

In the early parts of the 20th century the Jerritt Canyon district was explored by prospectors looking for antimony contained in the mineral stibnite. It was not until the early 1970s that FMC Corporation, also initially exploring for antimony, discovered gold occurrences similar to the ones identified by Newmont in the Carlin trend area of Nevada. New technologies had by then made very fine-grained disseminated gold deposits economic. In 1976, FMC by then Meridian Mining, formed a joint venture with Freeport Minerals to explore and develop the deposits. Mining for gold began at JC in 1981 with the North Generator open pit.

Subsequent operators until present times maintained a program for the identification and development of new mineralized areas. Several other areas within the district were explored, developed and mined such as the Marlboro Canyon pit, North Burns pit, Saval pit, and the Dash pit. Underground targets were also identified and developed. The first underground operation in the district was the West Generator starting in 1993. The Murray mine was originally discovered by condemnation drilling for a waste dump. The SSX underground deposit was discovered in the early 1990's following the structural trends between the Burns Basin and California Mountain deposits despite the fact that no geochemical signature on gold or pathfinders were present in the area. The mine was open in 1997. The deposit occurs 450 to 1,000 feet below surface. The MCE mine and the Smith mine are more recent discoveries. The Smith mine started in 1999 as the Dash pit was being mined out.

As demonstrated by its production history and the number of deposits developed and mined to date, the JC operation has had a long and fruitful history of exploration and discovery. For the past few years, most of the exploration efforts have concentrated at and around the existing underground mines. Exploration efforts in the southern part of the range were directed to areas such as the Water Pipe, Pie Creek, and Starvation targets (refer to Figure 9-1). As a result, significant high-grade mineralization in the Starvation Canyon area was expanded by Queenstake's 2004 exploration program.

Since the acquisition of the Jerritt Canyon project by Queenstake on June 30, 2003, an aggressive program of mine exploration started. A total of 300,226 feet of surface drilling (RC) and 147,303 feet of core drilling (surface and underground) were completed during 2004. Queenstake continues to evaluate its landholdings at JC with the objective of focusing future exploration and drilling in the most promising areas both around and away from the existing mines.

11.0 PROJECT DRILLING

The property has been subjected to numerous drill campaigns since the 1970s as discussed in previous sections.

Exploration drilling programs at Jerritt Canyon typically consists of Reverse Circulation (RC) surface drilling at approximately 200-foot centers, then reduced to about 140 feet and finally, if successful, to 100-foot centers or less. Underground drilling follows with core holes (NQ size, 1.875 inches in diameter), drilled at 50-foot centers (definition drilling) from drill stations. Underground RC drilling (Cubex) is used for resource confirmation and identification. Holes are generally less than 150 feet long but can be as long as 300 feet generally at 20- to 40-foot centers. Underground production sample drilling consists of RC (Cubex) and rotary percussion drilling (Solo and Secoma drills). Holes are generally short (60 feet or less) and are drilled as close as 10 – 20 foot centers. The vast majority of drill holes (except rotary percussion holes) are measured for downhole deviations and recorded in the databases.

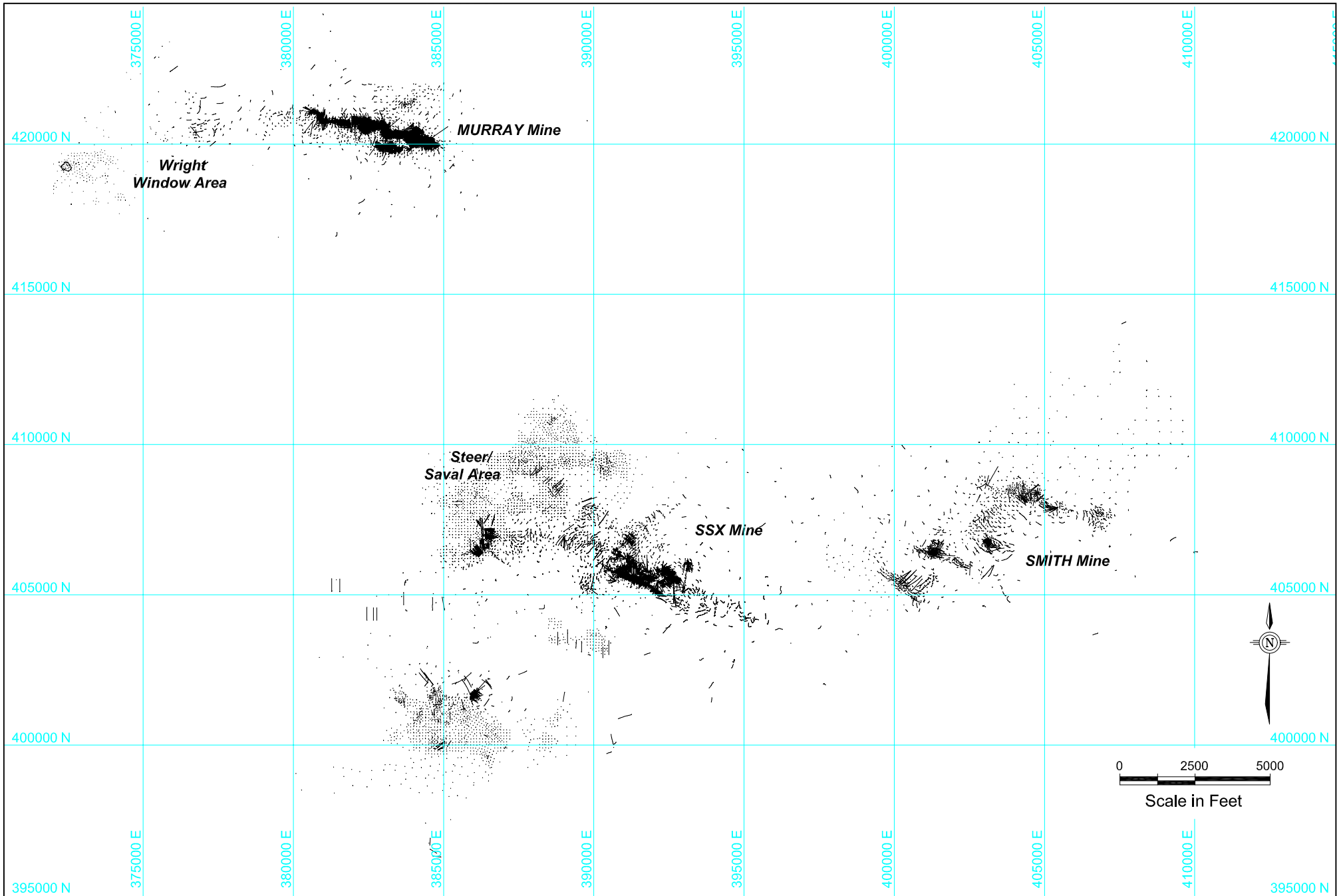
Numerous databases and literally tens of thousands of drill holes exist on the property. As an example, the Smith mine database already contains more than 4,500 drill holes totaling about 1.77 million feet although it is a fairly recent project that started mining in 1999. The Murray mine area has about 21,000 drill holes for a total of more than 1.9 million feet. The SSX mine area has about 15,000 holes for about 2.8 million feet of drilling. Figure 11-1 shows a representative sample of the drill hole locations for the Murray, SSX, Steer, and Smith Mine areas.


Drilling at JC for the last five years (2000, 2001, 2002, 2003, and 2004) is shown in Table 11-1.

TABLE 11-1
Queenstake Resources Ltd.
Jerritt Canyon Project
Project Drilling

Year	Surface RC		U/G Core		U/G RC		Production	
	No. Holes	Footage	No. Holes	Footage	No. Holes	Footage	No. Holes	Footage
2000	378	164,814	292	75,799	See Note	See Note	4,982	204,182
2001	59	65,450	268	86,134	914	112,129	5,086	349,157
2002	27	18,905	186	53,940	2,939	245,536	3,593	135,824
2003 (Jul – Dec)	108	47,277	119	41,458	2,057	191,416	3,643	141,218
2004	377	300,226	297	126,091	2,643	263,367	2,739	108,780

Note: 2000 underground RC drilling is included with production drilling footage



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FIGURE 11-1
DRILL HOLE LOCATION MAP AT THE
SSX, SMITH AND MURRAY MINE AREAS

Date of Issue
 Feb/2005

Drawing Name
 Flg11-1.dwg

12.0 SAMPLING METHODOLOGY

Exploration drilling programs at Jerritt Canyon are predominantly reverse circulation (RC) surface drilling and occasionally, surface core drilling, followed by underground drilling with core holes. Underground production sample drilling consists of RC (Cubex) and rotary percussion drilling (Solo and Secoma drills).

Surface RC drilling operations consist of drilling 5.5 inches diameter holes. Chips are collected in a sample tray to represent each five-foot interval and sent to the logging facility. Surface exploration core is split or cut with a diamond saw and half of the sample sent to the lab for analysis. Underground core samples are logged by the geologist, photographed, and assayed. Core size is typically of NQ size (1.875 inches in diameter). No core splitting occurs. Core recoveries are generally good, especially within the ore zones, although certain units are friable and may experience low recoveries (e.g. Hanson Creek Unit I). Samples from drill holes are collected every 5 feet on surface RC and core drills, every 5 feet on the underground RC, and every 6 feet on percussion drills with the rod change.

Based on past experience, the drilling with the percussion drills is purposely limited to short holes to prevent sample contamination that occurs in holes longer than 60 feet. Twin hole tests were run in 2002 at the Murray mine with the Core, Cubex (RC) and Solo (percussion) drill equipment. The data showed good reproducibility of sampling data but showed consistently higher grades when drilling with the Cubex (11 to 30 percent higher) and the Solo percussion drill (27 to 34 percent higher), relative to the core holes. PAH notes that while this apparent bias may be due, at least partially, to the highly variable distribution of gold within the deposit, the utilization of percussion drilling may be questionable for resource estimation purposes although it can be very effective for ore zone boundary definition and short term planning which PAH acknowledges.

At all four mines each haul truck is sampled for grade control purposes. The sample consists of chip samples taken from all over the truck by the truck driver. Samples are placed in bags with pre-attached bar code numbered tags and transported to the JC lab. Truck samples are used at Jerritt Canyon for stating mine production.

Selective rib and/or face sampling is conducted by the geologists at each mine on an as needed basis. Chip samples are taken horizontally every 5 feet or by geologic unit, not to exceed 10 feet in length. These samples are used for ore/waste determination or geologic unit definition.

13.0 SAMPLE PREPARATION, ANALYSES AND SECURITY

The surface drilling samples both core and RC are sent to BSi Inspectorate laboratory and American Assay Laboratory (AAL) in Reno for analysis. Early in the year 2004 a few of the drill holes were also sent to ALS Chemex Laboratory and approximately 7 to 10 holes were submitted to the in-house laboratory at Jerritt Canyon. Samples above a value of 0.100 ounce per ton gold grade are routinely fire assayed with a gravimetric finish at the contract laboratories. Blanks and/or standards are routinely submitted with these samples. Check samples to verify results were also sent to ALS Chemex laboratory. These check samples are routinely done on approximately 10 percent of the samples with values above 0.100 ounce per ton gold grade and a few of the lower value samples.

All of the samples from underground sources (Cubex, Core, Solo, and Secoma) are routinely sent to the Jerritt Canyon laboratory for analysis. The assay laboratory is located in a separate building close to the ore processing plant. The laboratory has all the normal sample preparation equipment and facilities. The laboratory operates continually with a crew of 16 and performs about 500 fire assays per day with a 24-hour turn around from receipt of sample to reporting of assays. The company standard is that approximately 10 percent of the underground core samples with values greater than 0.100 ounce per ton gold grade and a few of the lower grade samples are sent out to ALS Chemex for a check and verification of the in-house lab results. This past year 2004 approximately 3.4 percent of all the pulps taken from these samples were submitted for check analysis. There is no data available for coarse rejects from underground drill sources.

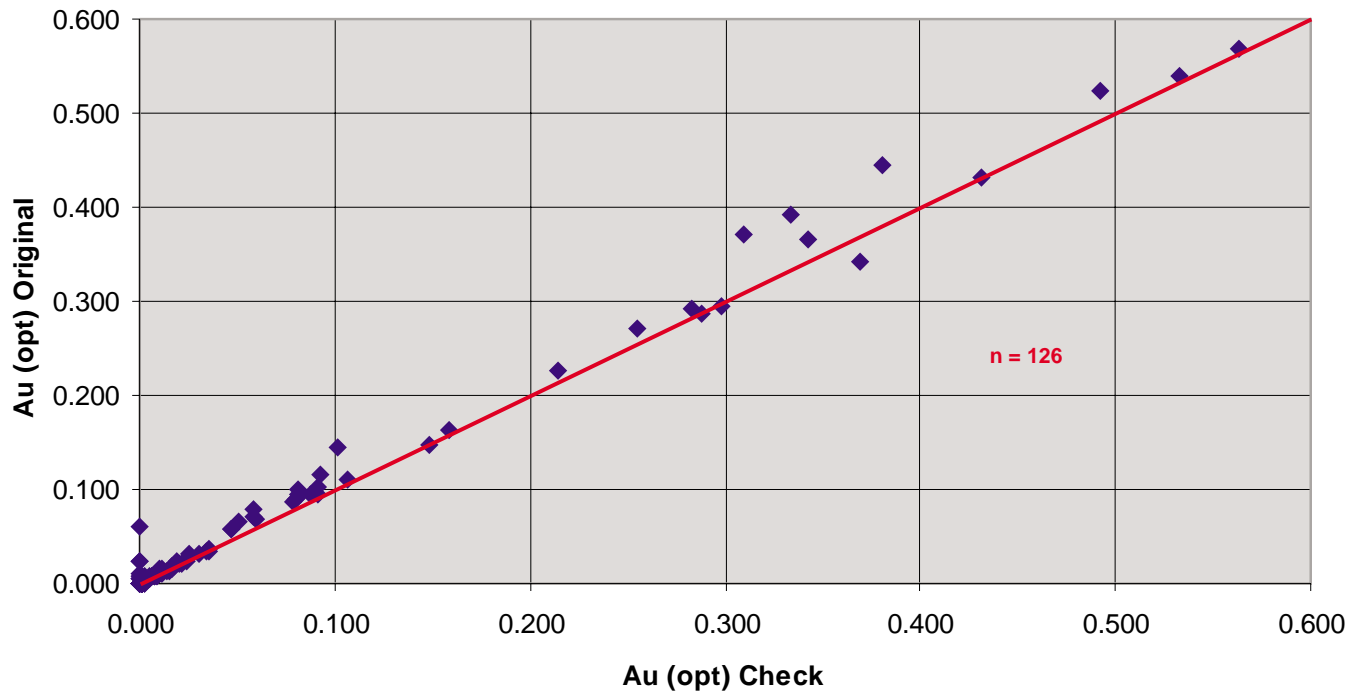
PAH reviewed the JC assay QA/QC data for the year 2004 and finds the results adequately within industry standards. Figure 13-1 shows the pulp and reject check assays from the 2004 surface-drilling program. All assaying at JC follows accepted industry standards using industry practices at recognized laboratories. PAH notes that as a producing operation with sales records and recorded income, no unusual security measures are warranted.

13.1 Density Analysis

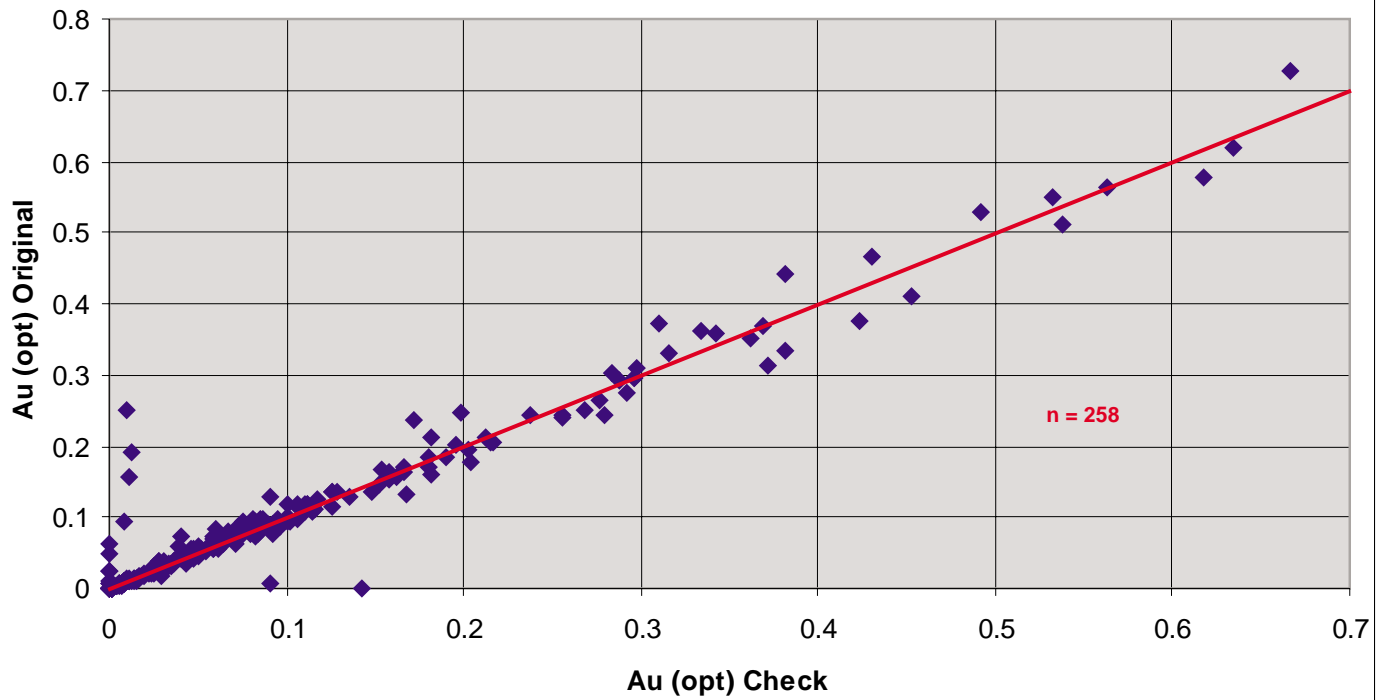
JC performed density testing in the year 2000. Sixty-seven samples from the SSX mine were sent to Chemex Labs (39) and the University of Nevada, Reno (28) for testing. The weighted average tonnage factor of all measurements was 12.616 cubic feet per ton. The tonnage factor was then changed from 13.0 cubic feet per ton to 12.6 cubic feet per ton which is currently used at all mines for all materials.

At the end of 2004, 55 rock samples (50 from the Mahala area and 5 from the Steer mine), were tested for specific gravity determinations by Zonge Engineering and Research of Tucson, Arizona. The average tonnage factor of all measurements was 12.50 cubic feet per ton, slightly heavier than the current factor in use at the mines. The average for Mahala was 12.45 cubic feet per ton, and for Steer 13.0 cubic feet per ton.


Pulp Checks (Chemex)



Reject Checks (Chemex)



(drawing provided by JC)

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**FIGURE 13-1
SURFACE DRILLING QU/QC ASSAY DATA**

Feb/2005

Drawing Name
Fig13-1.cdr

Project No.
9234.07

14.0 DATA VERIFICATION

The operation has thousands of drill holes at each of the four active mines. In addition, there are thousands of drill holes in other mined-out areas, and at several resource areas located throughout the JC-controlled land package (please refer to Figure 9-1).

In June 2000, Mineral Resources Development Inc. (MRDI) conducted a review and audit of resources and reserves of the JC operation. MRDI reviewed the database, stored as Vulcan software files, used at the Murray and SSX mines and did not find any problems or errors. A review of the spreadsheets used for Resource and Reserve tabulation found no errors.

PAH reviewed a portion of the databases as part of its due diligence review of the JC operations in early 2003. Checks of several records of the SSX mine database performed against original logs confirmed the assays values and geological-geotechnical codes included. Data validation checks identified a few errors in the drill hole databases such as duplicate holes and missing intervals in downhole surveys (e.g. Smith mine), which were relayed to and corrected by the operation.

In early 2004 PAH conducted a review of JC resources and reserves. Checks of several drill hole records and original assay certificates against the database were performed for several areas such as Smith and SSX mines and new reserve areas such as Mahala and Smith East. Data validation checks identified no errors in the drill hole databases.

In early 2005 PAH conducted a review of JC resources and reserves. Checks of several drill hole records and original assay certificates against the database were performed for several areas such as Smith and SSX mines, the new Steer mine and new or expanded resource/reserve areas such as Starvation Canyon. Data validation checks identified minor errors in the drill hole databases that were relayed to and corrected by the operation.

The vast majority of drill holes (except rotary percussion holes) are measured for downhole deviations and recorded in the database. Very few exploration holes do not get measured for deviation. This may occur in shallow vertical holes, when holes collapse or when logistics are such that timely measurement is not permitted.

The operation continues working on centralizing the storage of drill hole samples and assaying data into the AcQuire® software package. Assay data is directly downloaded from the lab and goes through automatic validations before being recorded allowing for virtually no chance of data entry errors. The data for all mines including the new Steer mine have already been entered into AcQuire. The data is normally maintained in MineSight for interpretation and modeling at each mine.

PAH believes that JC is conducting exploration and development sampling and analysis programs using standard practices, providing generally reasonable results. PAH believes that the resulting data can effectively be used in the subsequent estimation of resources and reserves.

15.0 ADJACENT PROPERTIES

There are no significant resources on adjacent properties controlled by other companies.

16.0 METALLURGY AND MINERAL PROCESSING

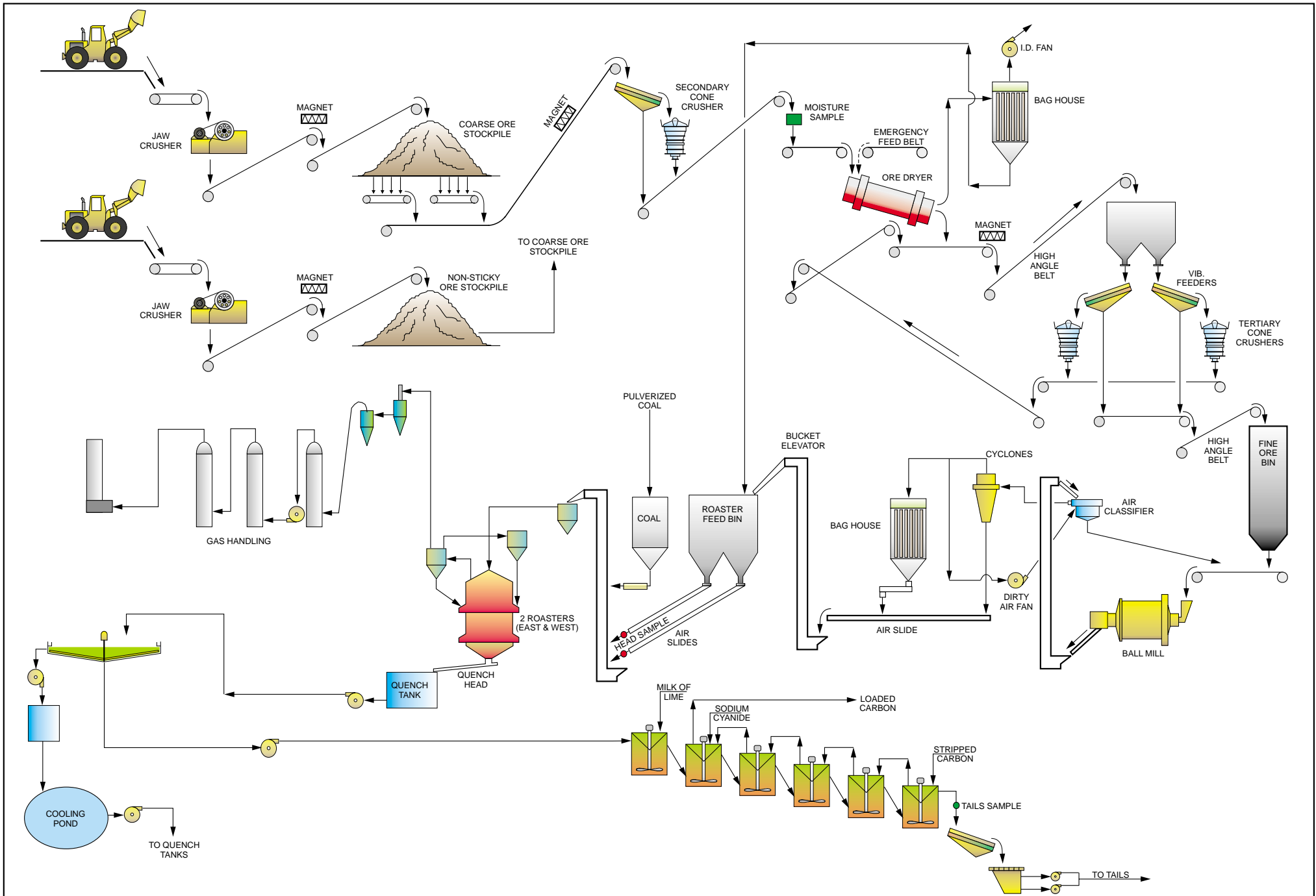
The ore processing facility at Jerritt Canyon is unconventional in that it is one of three gold ore processing plants in Nevada that process refractory gold ore by roasting. As originally built, the plant processed oxide and mildly refractory ores by conventional cyanide leaching in conjunction with chlorine-gas pre-oxidation of the mildly refractory fraction. About a decade ago the roasting section of the plant was built to process the highly refractory ores that started to be mined at that time.

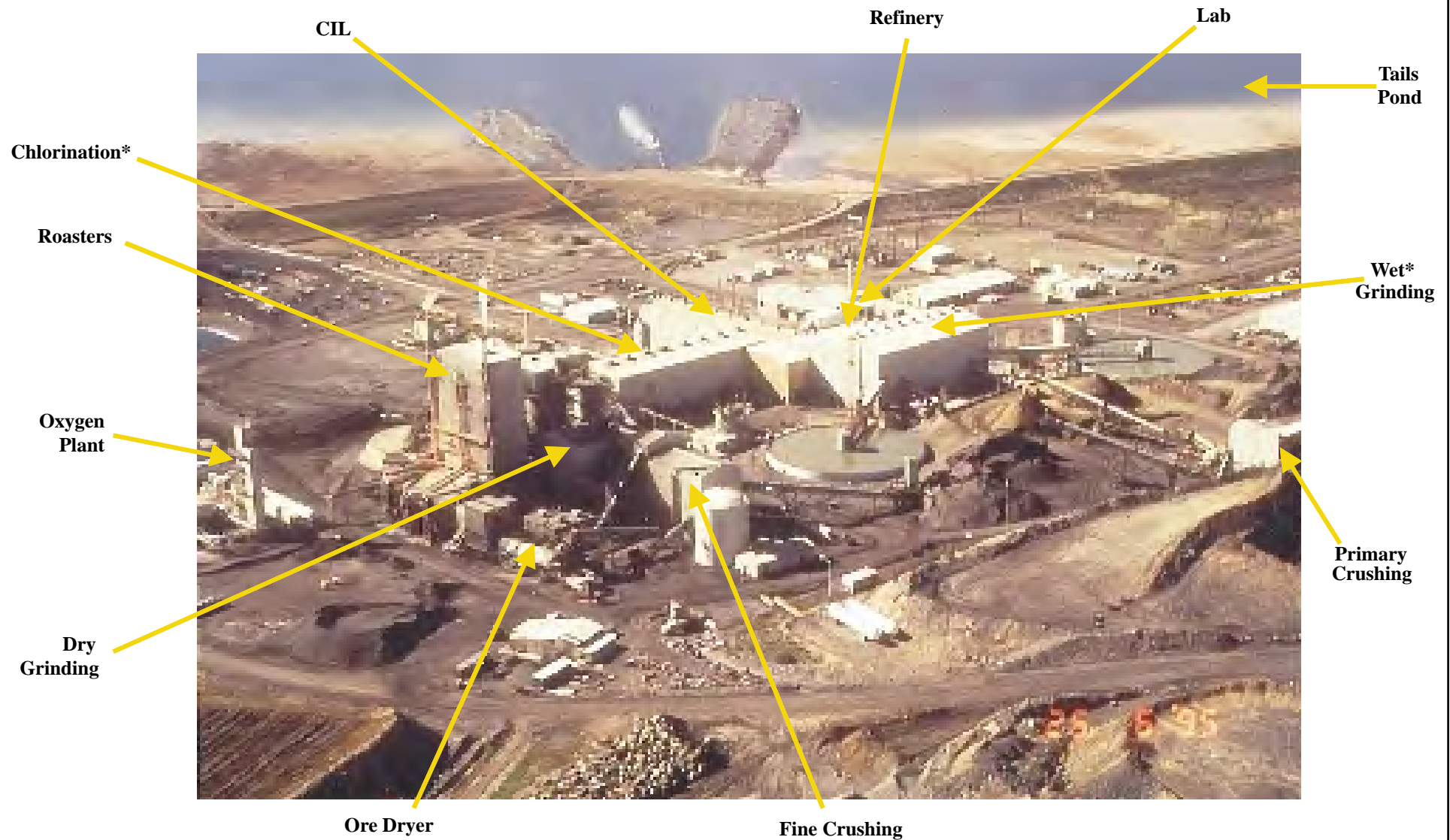
The basic unit processes and facilities of the current plant are as follows:

- Primary and secondary crushing
- Crushed ore drying
- Tertiary crushing
- Dry grinding
- Roasting
- Oxygen plant
- Carbon-in-leach (cyanide leaching and carbon adsorption)
- Carbon stripping and reactivation
- Zinc cementation of gold and precipitate refining
- Tailing containment
- Assay laboratory

A flow diagram of the plant is presented in Figure 16-1 and an overview of the facilities is shown in Figure 16-2. Basic parameters of the operation are presented in Table 16-1.


Much of the ore processed has high clay content and also has a high moisture content leading to serious handling problems, particularly the plugging of chutes. Freezing and mud in winter also contribute to handling problems.





*No longer in service

(drawing provided by JC)

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FIGURE 16-2
PROCESS FACILITIES OF THE JERRITT CANYON PROJECT

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Drawing Name
Fig16-2.cdr

Project No. **9234.07**

TABLE 16-1
Queenstake Resources, Ltd.
Jerritt Canyon Project
Ore Processing, Principal Parameters

Item	Units	Value
Processing Rate		
Annual	Tons/year	1,450,000
Daily	Tons/day	4,000
Ore Grade	Ounces gold/ton	0.215
Recovery	Percent	87.00
Operating Cost	\$/ton milled	18.70

Gold recovery values and roaster tonnages over the last four years, as well as the projections for the 2005 Budget, are presented in Table 16-2. Exceptionally difficult weather conditions in 2004 led to lower production than in previous years. In addition, higher-than-normal fuel-value ores resulted in lower tonnage of ore processed. The lower production, in combination with higher consumable costs, especially power, led to higher total costs and higher unit costs than in the past. Queenstake made extensive changes to the plant in 2004 to minimize the influence of weather on plant operation; these included:

- Installation of new-style air cannons in the chutes that work much better than the old type
- Replacement of the secondary crusher with a new machine which is less vulnerable to plugging
- Replacement of the primary-screen-undersize chute with one less vulnerable to plugging
- Replacement of the screen-undersize/secondary-crusher-product conveyor with a high-tensile belt less vulnerable to weather-related shut-downs
- Installation of a diversion gate on the secondary-crushed-ore conveyor discharge chute to allow stockpiling of crushed ore
- Installation of an emergency feed belt to allow feeding of stockpiled crushed ore to the dryer when the primary/secondary crushing plant has problems
- Modification of the dryer feed chute making it wider and installing a duct to send hot air into the chute so as to minimize plugging problems

Queenstake are projecting similar production figures for 2005 as for years prior to 2004 (2003 and earlier). With the modifications listed PAH expects weather-related shortfalls in projected production will be largely eliminated. The projected unit cost for 2005 is about 12 percent higher than in 2003. PAH considers the projected production and cost figures achievable so long as the quantity of high fuel-value ore processed does not become excessive.

TABLE 16-2
Queenstake Resources, Ltd.
Jerritt Canyon Project
Ore Processing, Production and Costs, Historic and Projected

Item	units	Actual 2000	Actual 2001	Actual 2002	Actual 2003	Actual 2004	Budget 2005
PRODUCTION							
Tons Milled							
Annual	000 tons	1,499	1,469	1,467	1,496	1,306	1,453
Daily average	tons	4,163	4,014	4,076	4,100	3,578	4,000
Ore Grade	oz Au/ton	0.272	0.306	0.264	0.228	0.214	0.217
Recovery	percent	90.2	89.2	87.9	88.4	87.0	87.0
Gold Produced	000 ounces	355	403	339	302	243	275
COSTS							
Total Costs							
Operating	\$000	15,743	17,296	18,714	19,049	20,333	20,197
Maintenance	\$000	6,626	5,727	5,757	6,133	8,190	6,972
Total	\$000	22,369	23,023	24,471	25,182	28,524	27,169
Unit Costs							
Ore milled	\$/ton milled	14.92	15.67	16.68	16.83	21.84	18.69
Gold produced	\$/oz Au prod.	63.06	57.09	72.26	83.36	117.22	98.86

17.0 MINERAL RESOURCE AND MINERAL RESERVE ESTIMATES

The resource and reserve estimates for JC were developed by the staff of Queenstake's Jerritt Canyon operation, with the following individuals and others contributing:

- Mark Odell, Mine Manager
- Bob Tolden, Chief Mine Engineer
- Donald Colli, Mineral Resource Manager
- Lloyd Wherry, Senior Mine Planner
- Larry Snyder, Senior Geologist

The individuals preparing the estimates are employees of JC, and have no relationship to the reviewing qualified person.

PAH received the December 2004 updated models and reviewed the models for compliance with accepted engineering practice.

17.1 *Definition of Resource Categories*

PAH finds that the resource and reserve models developed by JC conform to the definitions set forth in National Instrument 43-101 in Sections 1.3 and 1.4 which classify the resource into measured, indicated, and inferred categories. The standards applied by JC conform to the definitions adopted by the Canadian Institute of Mining, Metallurgy and Petroleum – Definitions adopted by CIM Council August 20, 2000.

17.2 *Resource Statement*

JC reports the resources as follows:

This resource estimate is current as of December 31, 2004 and reflects the advancing underground mines situation as well as areas that are reasonably expected to be accessed by the operation at sometime in the future. The metal ounces listed in Table 17-1 are on a contained basis without adjustment for process or smelting recoveries.

TABLE 17-1
Queenstake Resources Ltd.
Jerritt Canyon Project
Mineral Resource Estimate - December 2004 (Including Mineral Reserves)

DEPOSIT / AREA	Interpolation Method	MEASURED			INDICATED			MEASURED + INDICATED			INFERRED		
		Tons	oz/st	Cont'd Oz	Tons	oz/st	Cont'd Oz	Tons	oz/st	Cont'd Oz	Tons	oz/st	Cont'd Oz
MURRAY	PAC	517,937	0.290	150,186	60,860	0.262	18,460	578,797	0.291	168,646	350,084	0.273	95,462
MURRAY - ZONE 7		-	-	-	112,882	0.243	27,374	112,882	0.243	27,374	12,857	0.197	2,526
SSX	PAC	1,079,978	0.298	322,093	1,865,751	0.282	527,037	2,945,728	0.288	849,130	943,015	0.242	228,077
Steer		81,300	0.246	20,000	441,449	0.289	127,430	522,749	0.282	147,430	379,017	0.262	99,327
Smith		503,578	0.282	142,093	254,003	0.289	73,333	757,582	0.284	215,426	476,210	0.217	103,405
Mahala	PAC	-	-	-	485,506	0.305	148,031	485,506	0.305	148,031	280,934	0.244	68,492
Smith - Zone 5 (B-Pit)		10,982	0.261	2,861	169,764	0.255	43,341	180,747	0.256	46,202	65,626	0.252	16,544
Smith East	PAC-IDW	-	-	-	508,765	0.293	149,030	508,765	0.293	149,030	126,079	0.239	30,125
Saval	PAC-IDW	-	-	-	460,500	0.245	112,932	460,500	0.245	112,932	270,000	0.245	66,228
Wright Window (Open Pit)	PAC	-	-	-	114,175	0.147	16,784	114,175	0.147	16,784	277,988	0.105	29,099
Subtotal		2,193,775	0.290	637,233	4,473,654	0.278	1,243,751	6,667,429	0.282	1,880,984	3,181,808	0.232	739,285
Stockpiles		69,256	0.186	12,870	1,239,746	0.059	73,059	1,309,002	0.066	85,929	-	-	-
Other Pit Resources													
Burns Basin Pit	IDW	-	-	-	29,700	0.134	3,970	29,700	0.134	3,970	-	0.000	-
California Mtn. Pit	POLY	-	-	-	8,031	0.115	923	8,031	0.000	923	-	0.000	-
Covote Zone 10 Pit	IDW	-	-	-	-	-	-	-	0.000	-	20,100	0.104	2,090
Pie Creek Pit	POLY	-	-	-	293,700	0.140	41,100	293,700	0.140	41,100	232,100	0.095	22,000
Road Canyon Pit	POLY	-	-	-	171,100	0.105	18,000	171,100	0.105	18,000	111,400	0.105	11,700
Subtotal					502,531	0.127	63,993	502,531	0.127	63,993	363,600	0.098	35,790
Other U/G Resources													
Burns Basin	IDW	-	-	-	30,700	0.194	5,956	30,700	0.194	5,956	50,600	0.228	11,537
California Mtn.	POLY	-	-	-	32,148	0.377	12,120	32,148	0.377	12,120	9,377	0.330	3,095
Covote Zone 10	IDW	-	-	-	45,200	0.212	9,582	45,200	0.212	9,582	2,700	0.184	498
MCE	PAC	-	-	-	4,430	0.201	890	4,430	0.201	890	7,769	0.189	1,466
Murray Zone 9	IDW	-	-	-	219,500	0.258	56,704	219,500	0.258	56,704	65,200	0.207	13,494
Starvation	IDW	-	-	-	576,900	0.271	156,225	576,900	0.271	156,225	51,600	0.227	11,729
Waterpipe II	POLY	-	-	-	-	0.000	-	-	-	-	37,400	0.206	7,704
West Dash	IDW	-	-	-	83,000	0.269	22,327	83,000	0.269	22,327	109,600	0.244	26,784
West Mahala	POLY	-	-	-	368,100	0.224	82,454	368,100	0.224	82,454	141,865	0.209	29,650
Winters Creek	IDW	-	-	-	148,900	0.218	32,460	148,900	0.218	32,460	37,200	0.199	7,403
Subtotal					1,508,878	0.251	378,719	1,508,878	0.251	378,719	513,311	0.221	113,359
Total		2,263,031	0.287	650,103	7,724,809	0.228	1,759,522	9,987,840	0.241	2,409,624	4,058,719	0.219	888,435

Note: Cutoff Grade for Open Pit Material is 0.075 oz Au/ton
Cutoff Grade for Underground Material is 0.15 oz Au/ton

17.2.1 Other Resource Constraints

JC is a well-established operation at this time, and appears to enjoy favorable relations in the surrounding area. PAH is not aware of any possible adverse or unusual restrictions on mining resulting from legal or title issues, taxation, socio-economic, or other issues. As noted previously, JC has in place the necessary permits to operate.

We would note that development of identified ore bodies from the existing underground mine surface facilities will likely require only administrative approval as was the case with the new Steer mine portal. However, opening an open pit mine at the Wright Window deposit will require permitting through the USFS. The Jerritt Canyon staff has had initial discussions with the USFS and initial indications are that the project can be permitted under an Environmental Assessment and would not need a more time-consuming Environmental Impact Statement.

At this writing, no constraints are known on the marketing aspects of the property.

17.3 Model Description

Mineral resources and mineral reserves at JC are contained in about twenty (20) mineral deposits in the JC area (please refer to Figure 9-1). The operation employs block modeling techniques supported by relatively small block sizes. Most of the resource and reserve models are built with 15 x 15 x 15 foot blocks.

Three methods of resource estimation are applied at JC using MineSight modeling software:

- A geostatistical method known as PACK, Probability Assisted Constrained Kriging, which is applied to Murray Zones 1-8, SSX Zones 1-6, Steer, MCE, Smith, Mahala, B-Pit, Saval 4, and Wright Window. Block grade is estimated using probabilistic and interpreted envelopes. Only these blocks can be used for mine planning and reserve declaration. Only blocks within interpreted “geological envelopes” can be measured or indicated. Inferred blocks are those outside the constraining envelopes.
- An Inverse Distance algorithm (power 3-4) has been applied to several project areas including the Saval, Murray Zone 9, East Dash, West Dash, Winters Creek, Burns Basin, and Starvation Canyon. This method has been applied to areas interpreted to have specific local directions of mineralization, but with drilling generally too widely spaced to derive detailed variography necessary for good interpolation using the PACK method. Gold grade is interpolated within lenticular ore zone wireframes using only interior composites (except where specifically noted). To model exterior dilution, the grade is interpolated with assays outside and directly adjacent to the wireframes. The anisotropic searches (90-125 ft) are oriented along the best-fit shape of individual wireframes. The number of composites used in interpolation (generally 4-6 per hole and at least 3 minimum overall) is designed to represent the minimum mining cut through the zone and allow for some dilution. Classification of blocks as indicated is generally only allowed

if they reside within the wireframes and have resource grade mineralization (>0.1 opt Au) across multiple drill hole intercepts. Additionally, blocks inside the wireframes must also be within 2/3 of the search range to the closest drill hole to be classified as Indicated. Blocks associated with isolated higher-grade intercepts are classified as inferred. The resources are tabulated at a 0.15 opt cutoff grade.

- A block-polygon method is utilized in all other resource areas where drill hole spacing is insufficient to conduct mine planning and reserve estimation. It employs a nearest neighbor two-dimensional search without constraining interpreted envelopes. An oriented anisotropic search is used for Winters Creek and California Mountain; a horizontal search is used for the Water Pipe II and West Mahala. Blocks are classified as Indicated if the nearest composite is within 75 feet of the block center and meets an opt gold cutoff grade 0.070 for open pit resources (e.g. California Mountain, Pie Creek, Road Canyon), or a 0.15 opt gold cutoff grade for underground resources (e.g. West Mahala, California Mountain, Water Pipe II). Inferred polygonal resources lie within 75 – 100 feet of the nearest composite.

The PACK method consists of dividing the deposit into low-grade and high-grade probability zones and then estimating the gold distribution within each one of these zones separately. The methodology is summarized below.

- 1) Divide the deposits into geological zones within which the same geostatistical parameters are expected to be applicable. The remaining steps are followed within each geologic zone.
- 2) Using the cumulative frequency plots of the sample values (Figures 17-1 through 17-4), pick a low threshold (typically about 0.03 oz/ton) and a high threshold (typically about 0.15 oz/ton). These thresholds are chosen to help define significantly mineralized zones and high-grade zones respectively. The zone, which is significantly mineralized but not high-grade, is defined as the low-grade zone.
- 3) To define the significantly mineralized zone, consider the low threshold. All samples with grade below 0.03 oz/ton are given an indicator value of 0. Those exceeding 0.03 oz/ton are given an indicator value of 1. Indicator variograms are calculated from the indicator values. The deposit is divided into blocks whose indicator value is estimated by kriging. The block value can be considered as an estimate of the proportion of the block whose value exceeds 0.03 oz/ton. A value of zero indicates that the block is not likely to contain any significant mineralization while a value of one indicates that the block grade is likely to be entirely above 0.03 oz/ton.
- 4) A block is considered to lie within a significantly mineralized zone if its indicator value exceeds 50 percent.
- 5) To define the high-grade zone, consider the high threshold. All samples with grade below 0.15 oz/ton are given an indicator value of 0. Those exceeding 0.15 oz/ton are given an indicator value of 1. Variograms are calculated and high-grade block values are estimated by kriging. In

theory the high-grade indicator block value should be between 0 and 1 and should exceed the low-grade indicator value.

- 6) A block is considered to lie within the high-grade envelope if its high-grade kriged indicator value is greater than or equal to 50 percent. A block is considered to lie within the low-grade envelope if it is in the significantly mineralized zone (its low-grade kriged indicator value is greater than or equal to 50 percent) but is not in the high-grade envelope (its high-grade kriged indicator value is less than or equal to 50 percent).
- 7) Samples lying within blocks constituting the low-grade envelope are tagged accordingly. The gold grades of the tagged samples are used to calculate a low-grade variogram and to estimate the gold grade of the blocks located within the low-grade envelope. The block values are estimated by kriging. Samples outside the low-grade envelope (including those in the high-grade envelope) are ignored.
- 8) Samples lying within blocks constituting the high-grade envelope are tagged accordingly. The gold grades of the tagged samples are used to calculate a high-grade variogram and to estimate the gold grade of the blocks located within the high-grade envelope. The block values are estimated by kriging. Samples outside the high-grade envelope (including those in the low-grade envelope) are ignored.
- 9) Once this process is completed, the gold grade of all the blocks located within the mineralized zone (both the low-grade and high-grade envelopes) has been estimated. A "geological envelope" is then defined, which is drawn using a nominal 0.15 oz/ton cutoff grade or, if necessary to maintain continuity as it is the case with some of the newer resource areas, a 0.10 oz/ton cutoff grade. In designing this envelope the emphasis is on drawing a continuous zone, which correlates well from section to section. This envelope may therefore incorporate some low grade or waste (un-estimated) blocks. Conversely isolated high grade mineralized blocks may be left outside the "geological envelope." PAH notes that the so-called "geological envelope" is actually a grade envelope, with geologic constraints.

PAH visually analyzed the low-grade and high-grade indicator variograms (an example is shown in Figure 17-5). These show reasonable continuity over significant distances, often exceeding 100 feet. PAH also visually analyzed the grade variograms within the low-grade and high-grade envelopes (Figures 17-6 and 17-7). The majority of these variograms have a very short range, less than 20 feet. This was expected since the sample grades within the low-grade envelopes are mostly between 0.03 oz/ton and 0.15 oz/ton; both very low grade samples and high grade samples have been eliminated, thus destroying any structure which is present in the deposit and is reflected by the indicator variogram. Similarly the samples considered for high-grade variogram analysis only take into account high-grade samples and ignore the surrounding lower grade values.

Mean = 0.2156

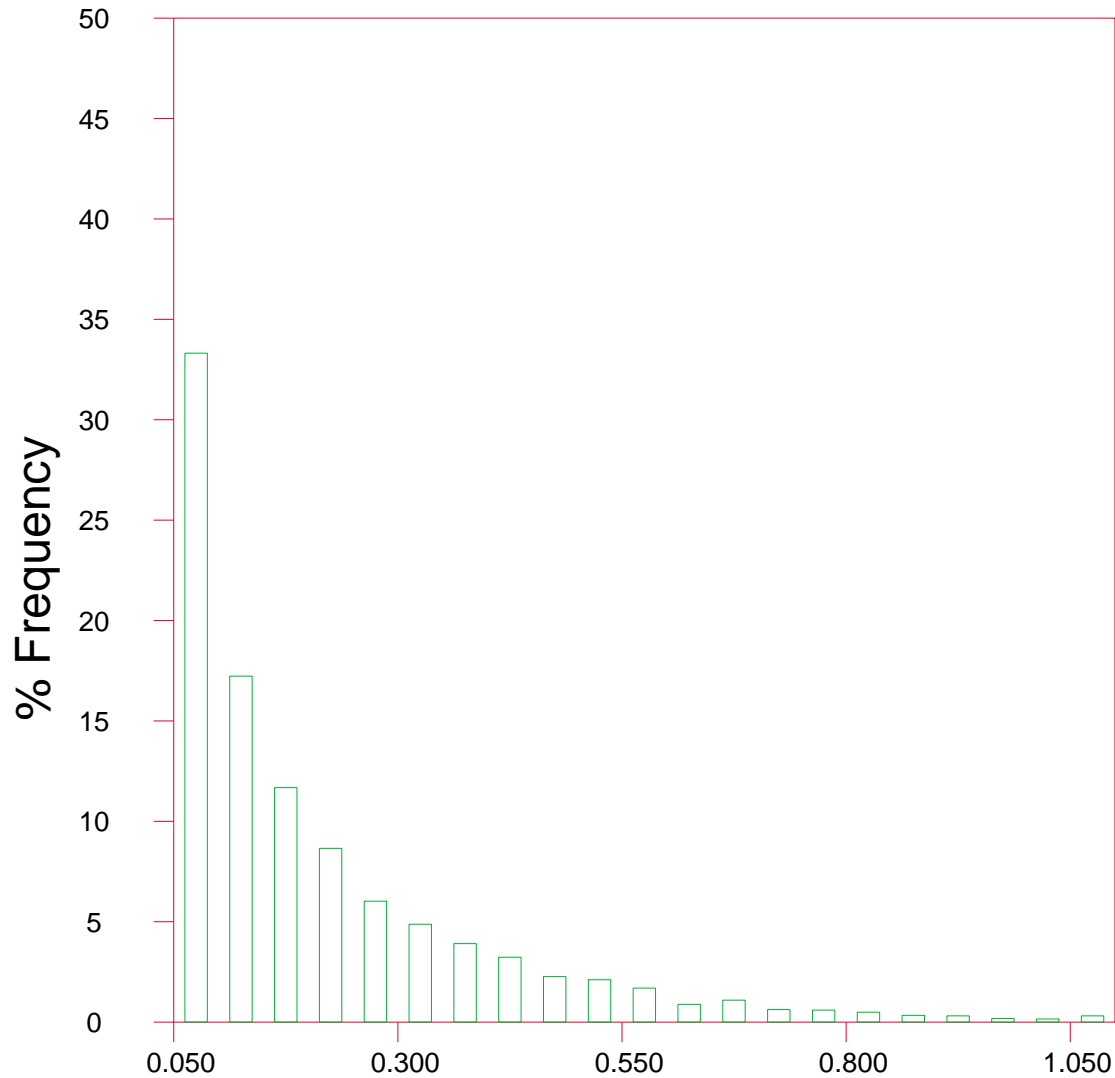
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No. = 3836

Std.D.= 0.1873

Max.= 1.3970

C.V.= 0.869



Zone 1- All Composites

Composite Statistics

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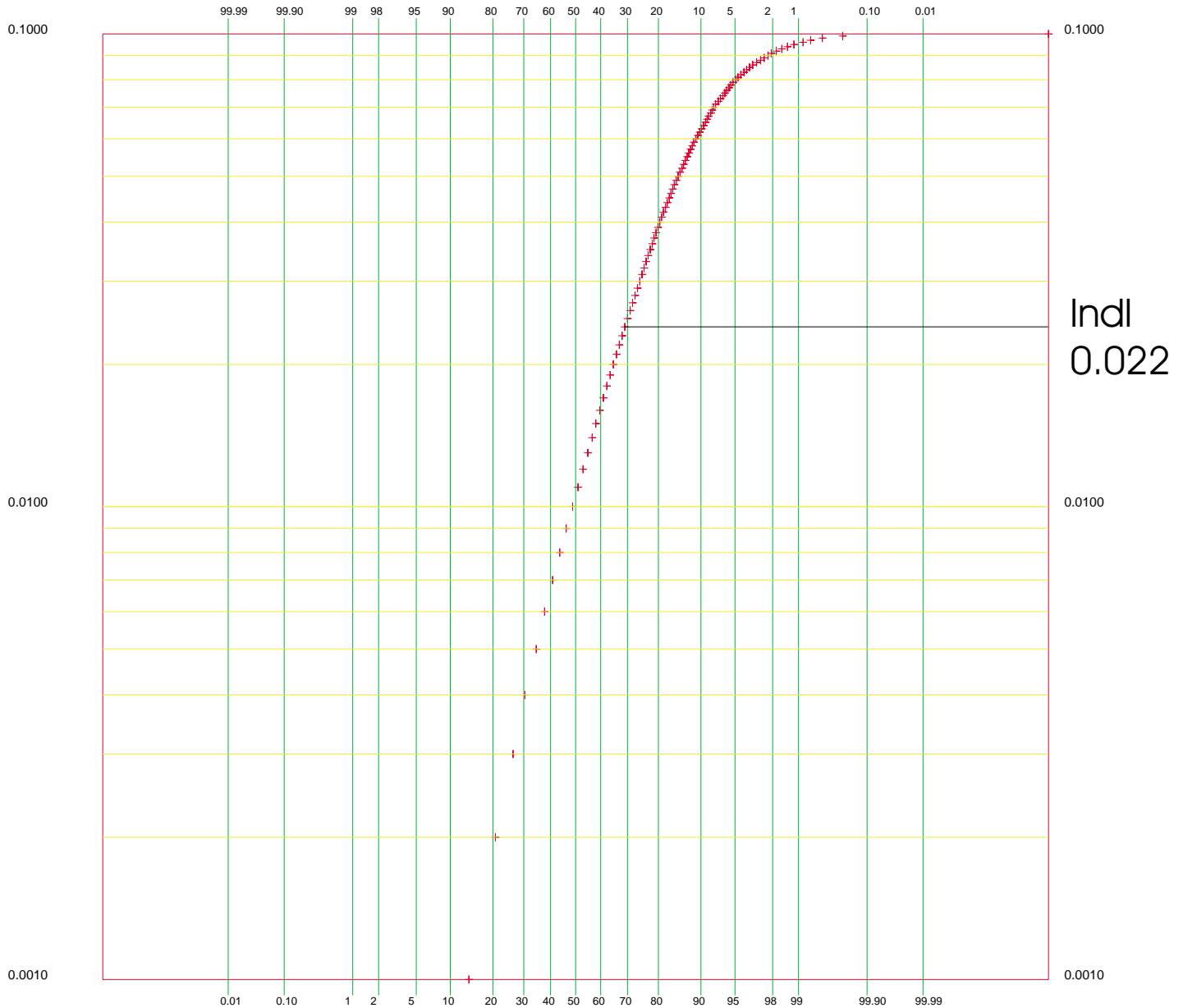
User=

Tue Jun 4, 2002 9:48:23 AM P

Jerritt Canyon

(drawing provided by JC)


SSX LOW INDICATOR PROBABILITY



** PROBABILITY DISTRIBUTION PLOT OF AUTOT **

ITEM	AUTOT	NATURAL LOGS
NUMBER	53004	NUMBER 53004
MEAN	0.0220	MEAN -4.6160
MINIMUM	0.0010	MINIMUM -6.9070
MAXIMUM	0.1000	MAXIMUM -2.3030
VARIANCE	0.0010	VARIANCE 1.9550
ST.DEV.	0.0250	ST.DEV. 1.3980

(drawing provided by JC)

Report by

PINCOCK, ALLEN & HOLT
 274 Union Boulevard, Suite 200
 Lakewood, Colorado 80228
 Phone (303) 986-6950

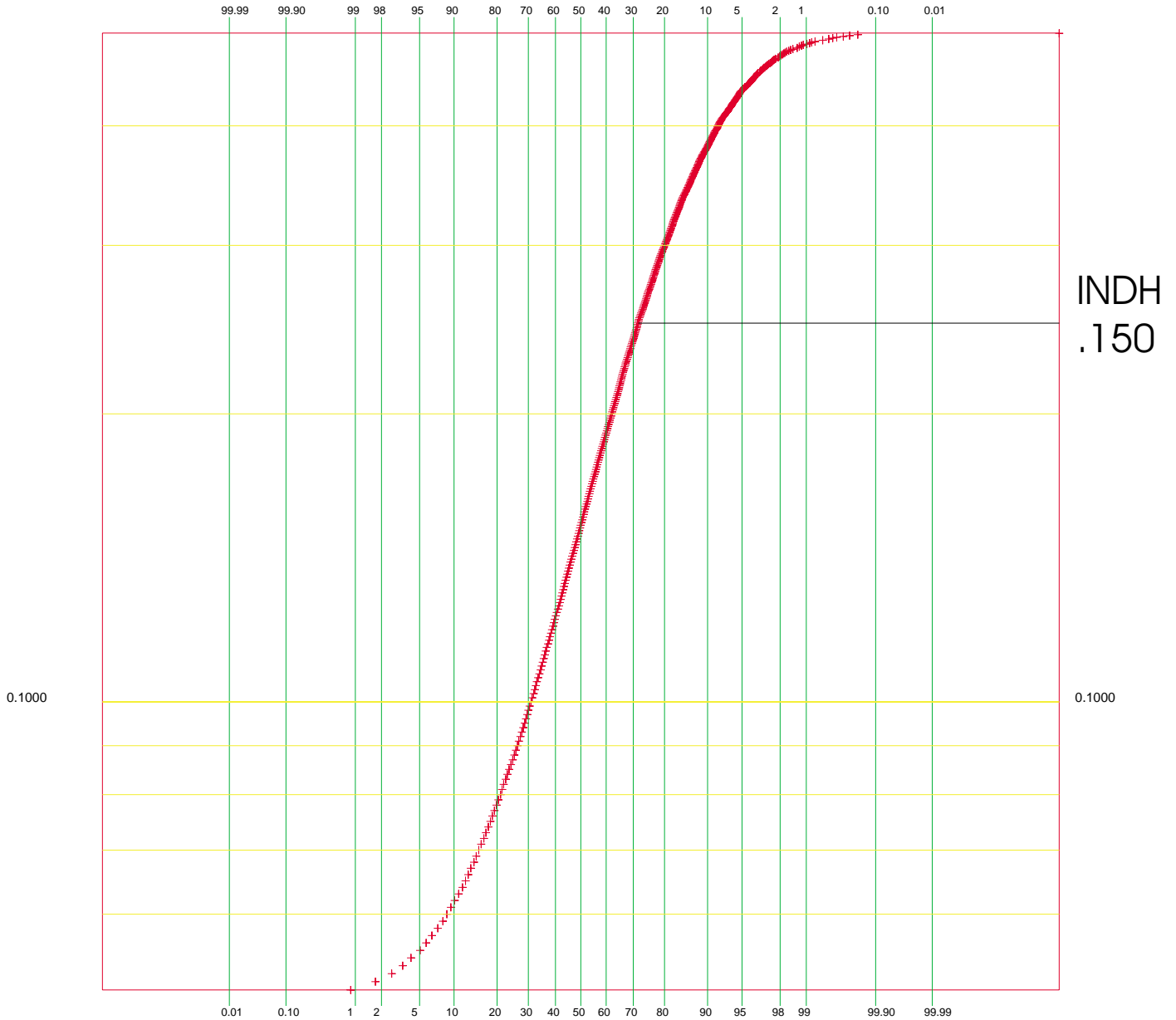
Prepared for
**QUEENSTAKE
 RESOURCES**
 Project Name
 Jerritt Canyon Project

**FIGURE 17-2
 LOW INDICATOR PROBABILITY
 SSX MINE**

Date of Issue
Feb/2005
 Drawing Name
Fig17-2.cdr

Project No.
9234.07


SSX HIGH INDICATOR PROBABILITY



** PROBABILITY DISTRIBUTION PLOT OF AUTOT **

ITEM	AUTOT	NATURAL LOGS	
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MEAN	0.1900	MEAN	-1.8700
MINIMUM	0.0500	MINIMUM	-2.9960
MAXIMUM	0.5000	MAXIMUM	-0.6940
VARIANCE	0.0150	VARIANCE	0.4280
ST.DEV.	0.1210	ST.DEV.	0.6540

(drawing provided by JC)

Report by

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Project No. **9234.07**

Prepared for
**QUEENSTAKE
 RESOURCES**

Project Name
 Jerritt Canyon Project

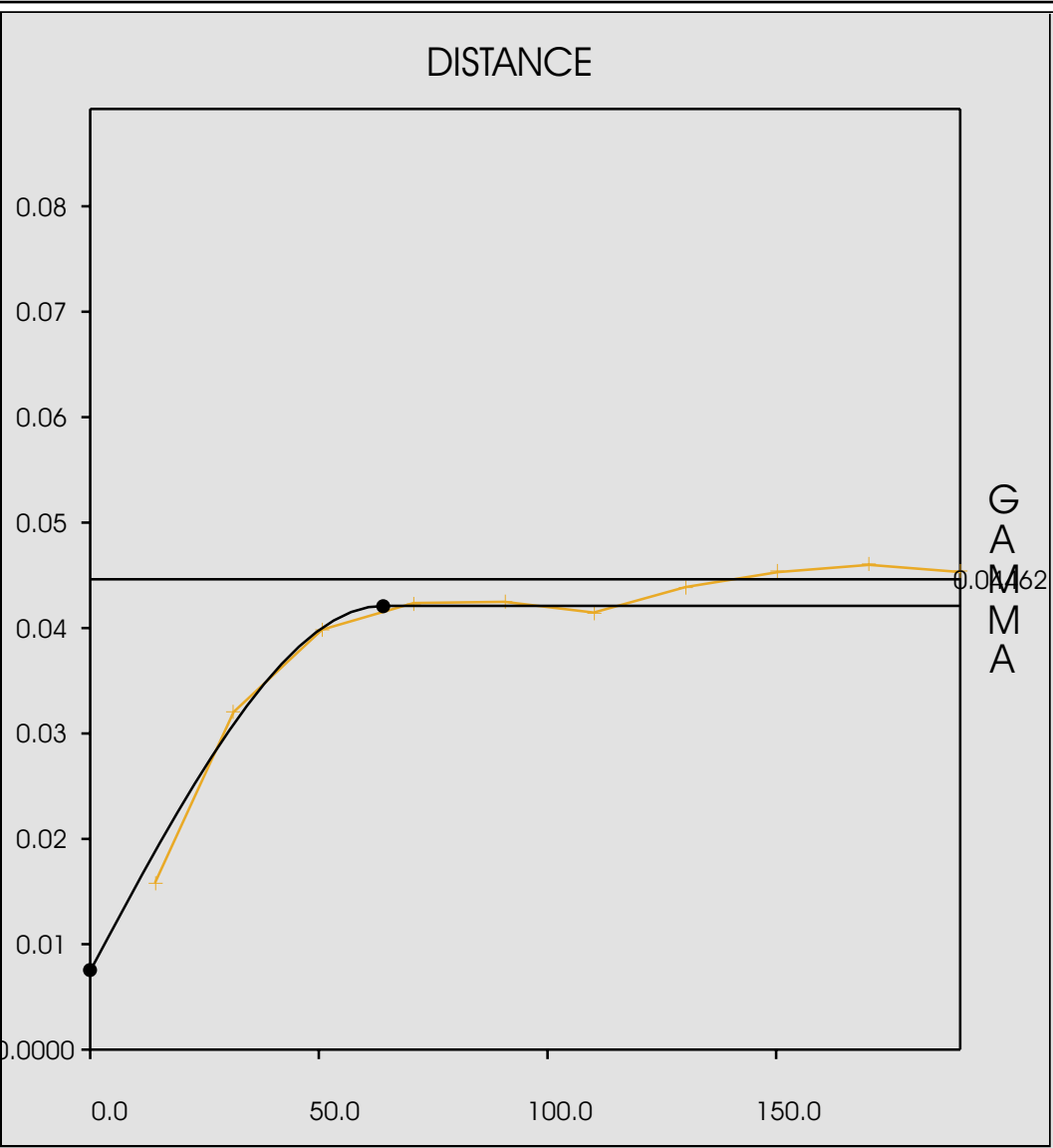
**FIGURE 17-3
 HIGH INDICATOR PROBABILITY
 SSX MINE**

Date of Issue
Feb/2005

Drawing Name
Fig17-3.cdr

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Nugget	0.00747
Sill	Range
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- New File
- Variogram Select
- Options
- New Model
- Edit Model
- Spherical
- Exponential
- Linear
- Single
- Nested
- Fix Range
- Fix Sill
- Plot File
- Save Model
- Save Overlay
- Get Overlay
- Clear Overlay
- Variogram Query

Info

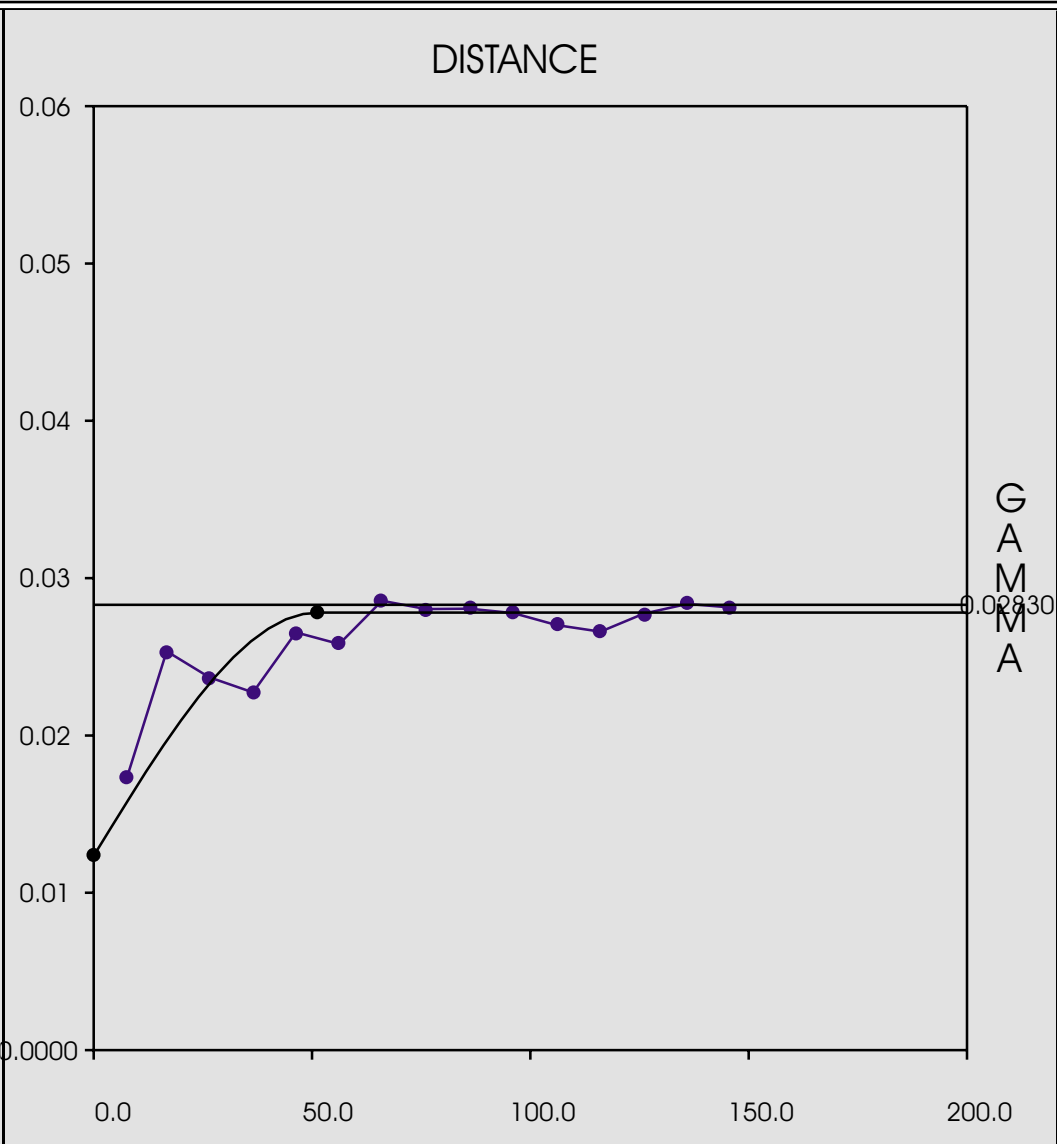
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(drawing provided by JC)

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Sill	Range
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- New File
- Variogram Select
- Options
- New Model
- Edit Model
- Spherical
- Exponential
- Linear
- Single
- Nested
- Fix Range
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- Plot File
- Save Model
- Save Overlay
- Get Overlay
- Clear Overlay
- Variogram Query
- ?
- X

Info

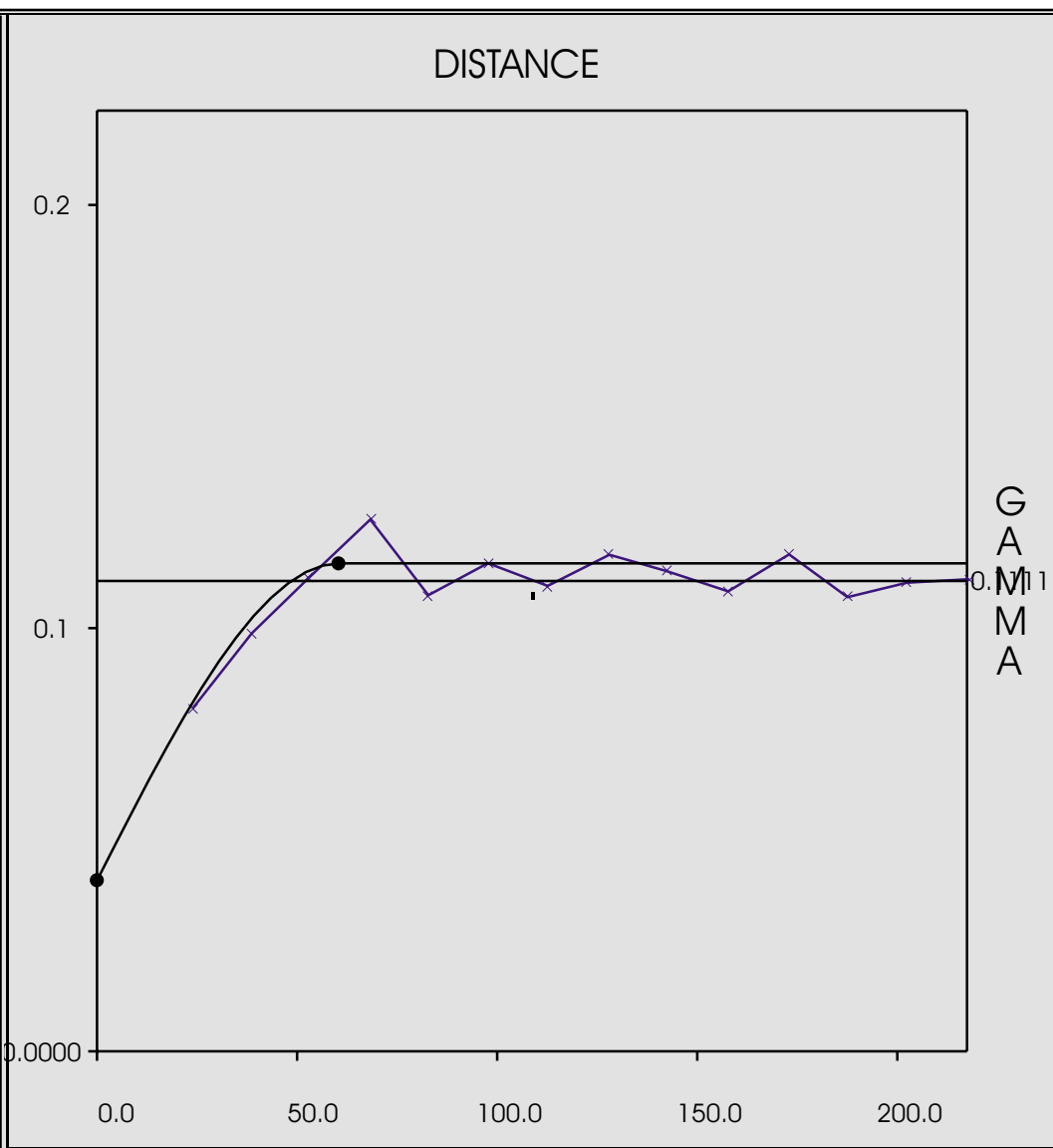
Select Output Type

Enter output filename: auhmaj.ps

(drawing provided by JC)

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Sill	Range
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- New File
- Variogram Select
- Options
- New Model
- Edit Model
- Spherical
- Exponential
- Linear
- Single
- Nested
- Fix Range
- Fix Sill
- Plot File
- Save Model
- Save Overlay
- Get Overlay
- Clear Overlay
- Variogram Query
- ?
- X

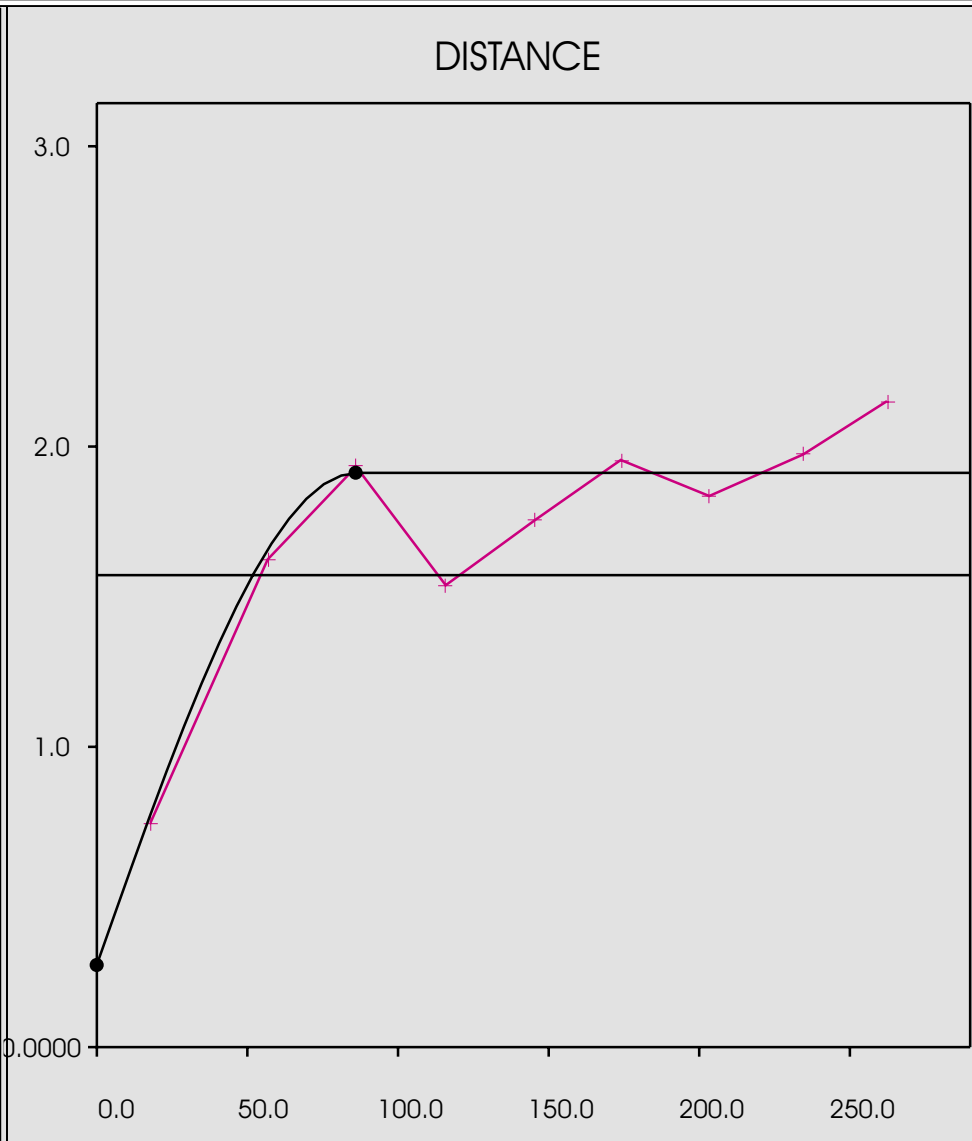
Info

Select Output Type

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(drawing provided by JC)

Horiz Vert Error %V
 + 40.00 -75.00 0.12 7.76



Nugget 0.27479
 Sill Range
 1.91204 86.280

G
A
M
A

- New File
- Variogram Select
- Options
- New Model
- Edit Model
- Spherical
- Exponential
- Linear
- Single
- Nested
- Fix Range
- Fix Sill
- Plot File
- Save Model
- Save Overlay
- Get Overlay
- Clear Overlay
- Variogram Query
- ?
- X

Info

Select Output Type
 Enter output filename:mah2ahmin.ps

(drawing provided by JC)

The very short range of the gold variograms should not be interpreted as an indication that gold grades are not correlated. The level of continuity in mineralization must be interpreted from the indicator variograms. Gold variograms calculated from all samples within a broadly defined mineralized zone, including both high-grade and low-grade samples, would also show continuity of mineralization over significant distances, probably exceeding 100 feet.

17.4 Classification Categories

JC bases its definition of measured, indicated, and inferred resources on probability values, distance to the nearest composite, number of composites used to estimate a block, number of drill holes used to estimate a block, and mining history. With the PACK method a block is considered measured if it has a probability value greater or equal to 0.50, at least one composite within 20 feet, a minimum of eight composites within the search ellipsoid, a minimum of three drill holes within the search ellipsoid and mining history (i.e. located at or near an active mine operation). An Indicated block needs a 0.5 indicator and must lie within the interpreted envelope and has at least one composite within 75 feet. An inferred block lies outside the geologic envelope and has at least one composite within 100 feet.

PAH has reviewed the method used to classify the blocks in the measured, indicated, and inferred resource categories and believes these methods to be reasonable and that they meet or exceed industry standards.

17.5 PAH Resource Checks

PAH conducted a number of global checks on the completed resource model including transferring the JC models to Gemcom® software for independent checks on data and results, reconciling resource tons and grade for several areas, reconciling geologic/grade envelopes against actual block model grades and drillhole assay data, etc.

In all cases, PAH found no material evidence of improper methods or applications. PAH considers that the JC models have been constructed in compliance with accepted engineering practice and can be considered reasonable global predictors of resources within the modeled areas.

17.6 Mineral Reserve Estimation

All current reserves at Jerritt Canyon (except stockpiles) are contained in deposits being developed and mined by underground methods except Wright Window, which is an open pit. Once the mineralized envelopes and gold grades are estimated as described in the above sections, the mine geologists draw high grade envelopes (based on cutoff grade), using the block model values, the status of the mine workings and the cutoff grades provided by operations for each mine (Table 17-2). In order to determine the portion of the measured and indicated resource that would qualify for proven and probable mineral ore reserve status, it is necessary to configure the measured and

indicated resource into mineable shapes for the selected mining method, and then apply tests for economic viability and include factors for mining dilution (Table 17-3) and recovery.

The economic viability is normally accomplished by calculating a breakeven cutoff grade (oz Au/t) in an algorithm that equates total operating costs (mine, processing, and administrative) with the gold price (less refining charges and royalties) and the process plant metal recovery. This calculates the minimum gold grade that will be necessary to recoup the total operating cost. Since this is the minimum grade that will be accepted in the mining process, the average plant feed grade is always higher. The increment between the breakeven grade and the plant feed grade allows for the recovery of invested capital and provides for a profit on the investment.

Incremental cutoff grades and optimization cutoffs are useful tools for the mine management to use in the mine operation. These cutoffs are typically used to maximize the resource recovery where part of the operating cost has already been sunk, and/or to improve cash flows during certain periods of the mine operation. However, ore reserve calculations are typically based solely on the breakeven cutoff grade.

The breakeven cutoff grade (G_{au}), expressed in gold ounces per ton, is formulated as follows:

$$G_{\text{au}} = \frac{\text{Total Operating Cost}}{(\text{Gold Price} - \text{deducts}) \times \text{Plant Recovery}}$$

Using the following parameters, breakeven cutoff grades were calculated for each of the mines and compared to the cutoff grade used by JC. The cost figures and plant recovery percentage included in the parameters were derived from the December 2004 year-to-date figures, and do not include any capitalized development or reserve development costs.

Gold Price	\$ 360/oz
Plant Recovery	87.0 %
Royalty (ave.)	\$2.10/oz
Refining	\$0.60/oz
Net Proceeds Tax	\$0.81/oz
Operating Costs	
Processing	\$18.39/t
G&A	<u>7.90/t</u>
Subtotal	\$26.29/t
Mine Operating Costs	
SSX	\$33.75/t
Murray	\$48.53t
Smith	\$31.52/t
MCE	\$55.63/t
Steer*	\$21.81/t
Stockpile (hauling/screening)	\$ 4.16/t

*Most production from development – does not reflect a true mine operating cost.

Equating these parameters as indicated above, results in the breakeven cutoff grades shown in Table 17-2 that should be used to calculate the proven and probable mineral reserve portion of the resource statement. The cutoff grades used by JC to calculate their mineral reserve statement are included in Table 17-2 for comparison:

TABLE 17-2
Queenstake Resources Ltd.
Jerritt Canyon Project
Breakeven Cutoff Grades by Mine

Mine	Indicated Breakeven Cutoff	JC Cutoff
SSX	0.19 oz/t	0.19 oz/t
Murray	0.23 oz/t	0.23 oz/t
Smith	0.20 oz/t	0.20 oz/t
MCE	0.26 oz/t	0.25 oz/t
Steer	0.19 oz/t	0.19 oz/t
Stockpile	0.08 oz/t	0.08 oz/t

The in-place grade of the stockpiles averages about 0.06 oz/t, which is less than the indicated cutoff grade for this material. In order to include these resources as reserves, they must be screened to be upgraded to an economical grade. The cutoff grade calculated by PAH includes the cost for screening.

In addition to the economic justification of the resource, factors for mining dilution and recovery need to be considered before the final mineral reserve statement is issued. At the Jerritt Canyon mines, where the ore occurs as irregular pods, and the mining methods are typically sublevel or drift and fill stoping, mining dilution occurs mostly at the fringes of the ore pods or lenses. Within the pods, slices or drifts are extracted and then filled with a cemented backfill. When the backfill has consolidated, the ore between the stopes or drifts is extracted. In the primary cuts (first pass), the interior stope boundaries are surrounded by ore, so little dilution results. In the secondary cuts, the walls and/or back are cemented backfill, which is stronger than the ore or enclosing rocks; so again, little dilution occurs. On the fringes of the individual ore bodies or pods some dilution occurs. The amount of dilution is primarily dependent on the mining method. JC has developed a matrix for the different dilution factors based on the mining method, and uses the appropriate dilution factor as part of their mineral reserve estimation.

PAH has reviewed the dilution amounts in the JC matrix and found them to be representative of the dilution that is occurring in the mining process. Table 17-3 includes the unplanned mining dilution percentages that have been applied to the resource to arrive at the mineral reserve statement for each of the four mines at Jerritt Canyon. All dilution is applied at zero ounces per ton, which is a conservative approach in PAH's view.

TABLE 17-3
Queenstake Resources Ltd.
Jerritt Canyon Project
Unplanned Dilution

Mine	Drift & Fill (rock)	Drift & Fill (fill)	Sublevel Stopes
SSX	6.0%	6.0%	3.0%
Murray	5.0%	3.0%	10.0%
Smith	12.0%	5.0%	7.0%
Steer*	6.0%	6.0%	3.0%

The Steer mine is not yet in production. JC engineers have estimated that the dilution factors for the Steer mine will be close to those experienced in the SSX mine. However, there are indications that the dilution may be closer to Smith, which historically has been higher than SSX.

Because of the excellent quality of the cemented backfill that is being used, the mining recovery in stoping is essentially 100 percent.

No external dilution has been calculated for the stockpiles and Wright Window, which will be an open pit operation.

The mineral reserves, using JC's cutoff grades as of December 31, 2004, are listed in Table 17-4. The stockpiled ore included in the "proven" category in the mineral reserve is a combination of stockpiled ore from underground production, and that part of the open pit stockpiled material that has been screened and upgraded. The stockpiled ore included in the "probable" category is that part of the open pit stockpile that has not been screened, but has been assumed to have been screened and upgraded in order to meet the cutoff grade criteria.

TABLE 17-4

Queenstake Resources Ltd.

Jerritt Canyon Project

Mineral Reserve Estimate - December 2004

AREA	PROVEN			PROBABLE			TOTAL		
	Tons	oz/st	Cont'd Oz	Tons	oz/st	Cont'd Oz	Tons	oz/st	Cont'd Oz
Murray Zones 1-6	90,573	0.315	28,502	14,173	0.309	4,381	104,746	0.314	32,883
Murray Zone 7	-	-	-	43,437	0.266	11,545	43,437	0.266	11,545
SSX	470,738	0.268	126,335	1,090,662	0.253	275,886	1,561,400	0.258	402,221
Steer	31,251	0.250	7,797	310,816	0.282	87,499	342,067	0.279	95,296
Smith Zones 2 and 3	88,059	0.321	28,289	55,633	0.344	19,148	143,692	0.330	47,436
Smith Zone 4 (Mahala)	-	-	-	217,348	0.381	80,688	217,348	0.371	80,688
Smith - Zone 5 (B-Pit)	10,611	0.235	2,496	152,451	0.231	35,190	163,062	0.231	37,686
East Dash Smith	-	-	-	316,803	0.276	87,426	316,803	0.276	87,426
Saval 4	-	-	-	82,347	0.268	22,056	82,347	0.268	22,056
Wright Window Open Pit	-	-	-	32,605	0.226	7,369	32,605	0.226	7,369
Subtotal	691,232	0.280	193,419	2,316,275	0.273	631,187	3,007,507	0.274	824,607
Stockpiles	69,256	0.186	12,871	433,820	0.087	37,869	503,076	0.101	50,740
TOTAL	760,488	0.271	206,291	2,750,095	0.243	669,056	3,510,584	0.249	875,347

Note: Cutoff grades based on \$360/oz gold price

Murray=0.230 oz Au/ton

SSX=0.190 oz Au/ton

Smith/Mahala=0.200 oz Au/ton

Steer/Saval=0.190 oz Au/ton

Wright Window=0.10 oz Au/ton

Stockpiles=0.080 oz Au/ton

18.0 OTHER RELEVANT DATA AND INFORMATION

PAH notes that Queenstake is planning to continue operating JC at current mill throughput rates within the current Life of Mine plans which extends into the years 2006 and 2007, mining out the currently available proven and probable reserves by mid 2007. Queenstake will continue to pursue an aggressive program of resource development with the goal of converting a good portion of the current measured and indicated resources not yet in reserves into proven or probable reserves. To achieve this resource conversion Queenstake maintains expenditures in reserve development (drilling plus ore access and development), at similar levels to previous years budgets.

Based on the exploration and development drilling data currently available, PAH finds that there is a reasonable expectation of converting some of Jerritt Canyon's currently defined geologic resources to reserves.

PAH is not aware of any relevant data or information not already presented in this report.

19.0 INTERPRETATION AND CONCLUSIONS

PAH considers the JC mine to be a relatively low-risk project at least for the short term within the next two and a half years during which the current reserves will be exhausted. For the second half of 2007 and beyond, the operation will largely depend, like many underground mines with short mine life, on its ability to replace mined-out reserves by timely conversion of resources to reserves. The success of the reserve development program that Queenstake has implemented will be the critical item in continuing to prolong the mine life of JC.

During the year 2004, JC was able to replace the tons and ounces mined through an aggressive program of resource conversion to proven and probable reserves. At the end of 2004, the reserve tonnage had grown by about 450,000 tons, and the contained ounces increased by about 55,000 over the tons and ounces included in reserves at the end of 2003. The contained ounce increase was accomplished with more tons, at a slightly lower grade (0.25 vs 0.27 opt) in the new reserve estimate.

It appears that this trend will continue into 2005 and beyond. As previously mentioned, the mine has typically had trouble matching the reserve grades from a particular area mined. Typically, about 0.02 to 0.03 opt less gold grade is delivered to the plant than indicated in the reserve. This undoubtedly reflects additional dilution in the mining process as well as inclusion of incremental ore encountered while mining. The individual mines actually do a good job in trying to control dilution, but the size and erratic nature of the ore pods lends itself to external dilution along the mineralized pod margins that is quite often unavoidable.

20.0 RECOMMENDATIONS

Queenstake has been implementing an aggressive resource and reserve development program. It is critical for the sustainability of the operation beyond 2007 that mineral reserves are maintained at least at current levels of about two years. Drilling and mine development into highly prospective resource areas should be given a high priority for the conversion of resources to reserves. Primary targets for resource conversion should be areas immediately adjacent to current operations primarily at the SSX, Smith and Steer mines.

PAH has the following recommendations:

- Maximize the mill tonnage capacity by using screened, low-grade stockpiles available to complement the mines' production especially during times of high gold prices.
- Considering that winter normally proves to be a difficult season for ore haulage, the operation should try to maximize stockpile haulage to or near the mill during the summer time.
- Continue, and expand studies on the source areas of arsenic and iron sulfide dike ores ("high fuel" ores) to control the quantities mined and regulate the amount that is blended into non-dike ("friendly" ore) so as to minimize the impact of high fuel ore on the plant throughput.
- Continue working toward a better reconciliation of mined ore grades versus the calculated mine grade entering the plant.
- Develop a program to minimize the amount of moisture in the ore that enters the plant. This typically comes from internal mine water, and water that enters the underground mined ore surface stockpiles located at the mine, and at the mill. This problem is largely a seasonal (winter) problem, but lowers the mill throughput, and requires higher energy costs to dry the ore.
- Expand studies on the possibility and economic viability of reducing the processing plant throughput to a single roaster fed exclusively from the higher-grade underground mines.

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22.0 ADDITIONAL REQUIREMENTS FOR PRODUCING PROPERTIES

JC is an operating property with over 20 years of production experience, during which about 7.0 million ounces of gold have been produced.

The Jerritt Canyon mine consists of four operating underground mines located several miles west of the ore processing plant and administration complex that is situated about 50 miles north of Elko, Nevada (Figure 22-1).

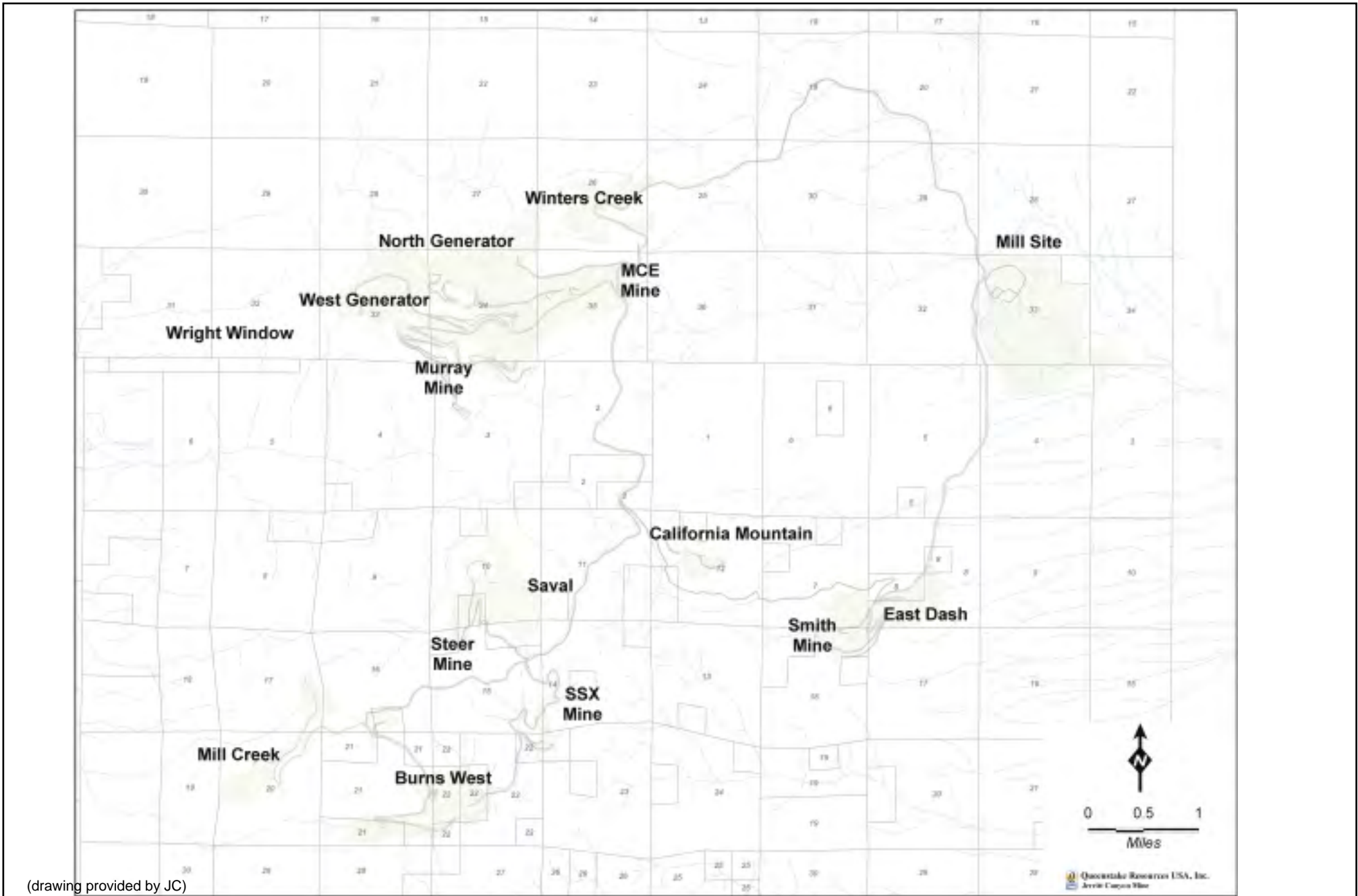
All of the mines feed the same processing plant, with the four mines typically producing and trucking about 3,270 tons per day (t/d) to the plant. Additionally, about 460 tons per day of plant feed comes from surface stockpiles.

The individual mines, with their approximate average production rates for the year ending December 31, 2004, are listed as follows:


SSX	1,646 t/d
Murray	760 t/d
Smith	687 t/d
MCE	92 t/d
Steer	85 t/d
Stockpiles	<u>460 t/d</u>
Total	3,730 t/d

The processing plant has the capability of treating approximately 4,200 t/d. This rate was more easily attainable when the plant was being fed with ore from several open pits, along with minor underground production. However, now that all of the open pits have been shut down, the plant feed is being derived solely from the underground mines. The four underground mines as currently developed are not capable of producing the 4,200 t/d production required by the plant. Therefore, low-grade stockpiles, left over from earlier open pit mining, and underground low-grade ore are being utilized to supplement the underground production and provide the additional tonnage required to keep the processing plant operating at full capacity.

During 2004 the plant processed an average of 3,730 tons per day or 1.3 million tons for the year. This shortfall was partly the result of severe weather conditions in the first quarter and to greater-than-normal amounts of sulfide ore (arsenic and iron) derived from gold-ore-bearing dikes within the mine. Plant capacity is limited by the fuel content of the ore; accordingly, when the fuel content is high the ore throughput rate is reduced and vice versa. Throughput rate of the plant can be augmented by blending high-fuel value ore with low-grade surface stockpile ore but economics favor reducing the tonnage and maximizing the treatment of higher-grade ore. The net result of the severe weather and the processing of high-fuel-value ore in 2004 was a reduction of about 56,000 ounces in gold production versus that planned for the year.



(drawing provided by JC)

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Prepared for
QUEENSTAKE RESOURCES
 Project Name
 Jerritt Canyon Project

FIGURE 22-1
LOCATION MAP OF THE MINES WITH A RELATIONSHIP TO THE
PROCESSING PLANT AND ADMINISTRATION OFFICES

Date of Issue
Feb/2005
 Drawing Name
Fig21-1.cdr

The open pit stockpile material carries a very low grade (approximately 0.06 oz Au/t) and is “borderline” when the economics of the material is considered, even when using incremental cutoffs. On-site studies indicated that the gold values were relatively higher in the fines portion of the stockpiled material, and that screening of the material to upgrade it could be justified. This screening has been performed in a few of the various existing stockpiles, resulting in a recovery of about 70 percent, with an average grade of 0.094 oz Au/t. The screened material is part of the reserve.

Stockpiled material and low-grade feed should only be utilized if there is space in the plant, or at the end of the mine lives. Production beyond 2004 will primarily come from the SSX and Smith mines, Steer-Saval, Dash East and other newly converted resources to ore reserves.

All of the mines are operated by trackless equipment and send their production from surface stockpiles located at the respective portals to the processing plant in 150-ton haul trucks.

Well-maintained, haul roads of adequate width connect the individual mines to the processing plants and the administration area next to the plant. In the winter months, the mine and plant areas receive a fair amount of snow that causes the roads, which have been constructed for the most part in carbonaceous sediments, to become covered with a black mud, that also covers the equipment operating on the roads.

The Jerritt Canyon gold deposits are Carlin-Type deposits, where replacement gold occurs in carbonaceous sediments, particularly along major structures. The gold is generally very fine, and the host rocks are altered, resulting in poor to fair rock conditions within the individual mines. All openings underground must be supported with rockbolts and wire mesh, and shotcrete where conditions are more severe, or where traffic is concentrated. Generally, the mines are relatively dry, except for the Smith mine which has underground water inflows of about 1,000 gallons per minute (gpm), including nuisance floor water. The dewatering system, with the capacity to handle 1,500 gpm, is handling the water; and the water table is slowly being lowered. The pumped water is sent to re-injection wells located on the surface. The Murray mine is currently pumping about 500 gpm.

Typical openings underground are 15 feet x 15 feet in cross-section, with ramps of 12 to 15 percent inclination. Ventilation and road conditions are excellent in all mines, and the ground is being well supported and maintained. The safety records at all mines are excellent.

Mine drilling, mucking, and hauling equipment maintenance is typically performed in small surface shops located at each mine, or at the central shop located adjacent to the processing plant.

Access to all underground mines is by inclined ramp. Interior development includes haulage levels, stope access ramps, crosscutting, and drifting alongside the ore.

Ventilation boreholes (6 and 8 foot diameter, with some lined) connect the underground mine workings with the surface. Typically, the access ramps are fresh-air intakes, while the ventilation

raises are used as exhaust conduits. These ventilation raises are typically equipped with variable-pitch, or belt driven, axi-vane, 125 hp to 150 hp main fans, located either underground adjacent to the ventilation raise, or on the surface. Secondary fans within the mine are typically 42" diameter, 125 hp, axi-vane units.

22.1 Mining Production Schedule

For the year 2004, a total of 1.144 million tons, at a calculated gold grade of 0.235 opt of ore (above cutoff grade) and marginal grade (incremental cutoff grade), were mined and treated at the plant. An additional 161,000 tons, at a grade of 0.062 opt, came from existing surface low-grade stockpiles to provide the total plant feed of 1,305,833 tons, at a grade of 0.214 opt.

The mine production schedule for the year 2005 maintains essentially the 2004 levels of mine production, but calls for additional low-grade surface stockpile tonnage to be treated at the plant.

In 2005, 1.1407 million tons (ore and marginal) at grade of 0.253 opt gold are scheduled from the four mines. An additional 312,725 tons of surface stockpile material, at a grade of approximately 0.065 opt, is scheduled to be treated in the plant. This would result in a total mill feed for the year of 1.4534 million tons at a grade of 0.217 opt. Production beyond 2005 has not been scheduled in the current 2005 budget.

It is expected that continued conversion of resources to reserves, as explained in Section 18, will occur. Based on the exploration and development drilling data currently available, PAH finds that there is a reasonable expectation of converting some of Jerritt Canyon's currently-defined geologic resources to mineral reserves to meet the prior production forecasts through the year 2007.

22.2 Recoverability

Gold recovery values and roaster tonnages, as well as the projections for the 2005 Budget are presented in Table 16-2. Queenstake has used the same recovery figure achieved in 2004 for 2005; projected throughput rate is in line with that achieved in 2000 through 2003; PAH considers these figures acceptable.

22.3 Markets

Gold markets are mature, global markets with reputable smelters and refiners located throughout the world. Market prices for gold have recently been on the rise with current levels at about \$425.00 per ounce.

Doré is easily marketable to refiners in North America. Jerritt Canyon has been shipping its doré to the Johnson Matthey refinery in Salt Lake City, Utah.

22.4 Contracts

Contracts for operations at JC are limited to specialized drilling and exploration or development drilling campaigns. JC conducts mining activities in-house. The current refining agreement specifies a treatment charge of \$0.40 per ounce of doré processed, a transportation charge of \$400 per shipment, and a payable rate of 99.9 percent of the gold. In aggregate these costs and payable rate amounts to about \$1.20 per ounce of gold, the value used in Queenstake's assessment.

22.5 Environmental Considerations

Environmental management systems are in place and there is a qualified environmental staff onsite. The senior staff remained with the project after Queenstake's acquisition and overall the environmental management has continued as prior to the acquisition. Various mitigation programs are in place as required under the various plans of operations that have been filed and approved for the project. No unusual costs associated with any of these programs were identified. Approved reclamation and closure plans are in place and JC is progressing with concurrent reclamation in an orderly manner. The current closure cost estimate for Jerritt Canyon is approximately \$30 million assuming the work is done by in-house work force. The reclamation cost for the agency bond is estimated at \$35 million as calculated under the US Forest Service bonding guidelines, including agency oversight and administration.

It is understood Queenstake has a policy with American Insurance Group (AIG) for a closure cost cap insurance policy that has been accepted by the regulatory agencies to serve both to fund reclamation and post-closure site management by Queenstake and to meet the agency requirements for bonding. PAH has not reviewed the terms and conditions of this policy, however we would consider the current closure cost estimates developed by JC to be reflective of the post-closure reclamation costs.

Closure and reclamation will consist of the following actions:

- Open pits will be reclaimed by partially backfilling the pits with mine waste rock produced in the underground mining operations. Level areas in the pit bottom will be covered with fine-grained waste rock or growth medium and revegetated.
- Portals for the underground mines will be sealed by blasting, backfilling or bulkheading. Raises extending to the surface will be backfilled. Regional groundwater levels are below the elevation of the mine portals or raises, therefore seepage from the mines is not expected.
- Waste rock dumps are to be left in a condition meeting slope stability requirements. Portions of the older dumps will be left with angle of repose sideslopes that are covered with durable non-acid generating rock. Other dumps will have final slopes of 2.5 to 1 (horizontal to vertical). Tops of the dumps will be graded to route surface water runoff away from dump slopes. Level

surfaces of the dumps and the 2.5 to 1 sideslopes will be covered with growth media and revegetated.

- Haul roads and access roads not included in the final site access requirements will be regraded to conform to the original ground contours and revegetated. It is understood discussion are currently in progress with the US Forest Service to identify roads that will remain. Haul roads that may be left open will likely require some level of reclamation to reduce overall road width.
- Sediment control structures will be reclaimed by breaching ponds and basins after sediment and erosion control issues are controlled through reclamation of the areas draining to the structures.
- The tailings impoundment will be reclaimed by first removing free water from the pond through evaporation. The tailings surface will be allowed to dry to a consistency to allow operation of earth moving equipment and covered with 2 to 2.5 feet of material to grade the surface to drain and an additional 1.5 to 2 feet of growth medium placed for revegetation. Operation of the seepage recovery and pumpback system will need to continue for a period of time after the tailings impoundment is closed and seepage from the tailings ceases. It is assumed the recovered water will be managed by land application over the tailings impoundment area to assist in revegetation efforts and by evaporation.
- Spent heap leach materials from a leach pad adjacent to the tailings impoundment will be excavated and placed as fill for grading the tailings impoundment.
- Solution ponds associated with the heap leach pad and the processing plant will be reclaimed by removing solution from the pond, and disposal of all contained sludge in the tailings impoundment. Pond liners will be folded into the ponds and backfilled. Growth medium will be placed over the backfilled ponds and revegetated.
- Buildings and structures will be dismantled to the level of foundations and either salvaged or disposed of in an approved landfill. Process piping will be rinsed and neutralized. Disposition of underground piping is not specifically addressed, however PAH would assume it will be necessary to remove all piping.

As the mine progresses closer to closure, the overall detail of the closure plan may require refinement. The overall closure plan is considered by PAH to follow proven and accepted industry practices.

22.6 Taxes and Royalties

Table 22-1 details the state and local taxes that Queenstake may be subjected to at its head office in Colorado and the state and local taxes levied in the state of Nevada to the Jerritt Canyon operation.

TABLE 22-1
Queenstake Resources Ltd.
Jerritt Canyon Project
State and Local Taxes

Nevada	Tax base	Tax rate
Corporate Income Tax	Nevada has no state corporate income tax	0
Net Proceeds Tax	Ratio of net proceeds to gross proceeds. Maximum rate is 5%	5%
Property Tax	35% of taxable value	3.64%
Ad valorem taxes:		
Producing Mine Value	Net income at the mine level adjusted to deduct 100% of development cost and some exploration costs	5% if net proceeds over \$4MM, sliding scale below that
Equipment and Improvement Value	35% (assessed value) of depreciated replacement cost	2.48%
Sales and Use Tax	One time transaction tax based on cost of personal property additions	6.50%

22.7 Capital Costs

22.7.1 Mining

Mine capital expenditures at the JC mines are grouped into three main cost centers; resource conversion, capitalized equipment and facilities, and capitalized mining.

Capitalized equipment and facilities includes all mine equipment purchases and facilities construction. Resource conversion includes U.G. drilling and direct mine openings in the immediate mine area. Capitalized mining includes underground development work that will serve the mine for several years (major haulage levels, ramps, etc.), or includes permanent installations such as bored ventilation raises, etc.

A summary of the actual mine capital expenditures for the last five years and the capital budgeted by the JC for 2005 are shown in Table 22-2.

TABLE 22-2
Queenstake Resources Ltd.
Jerritt Canyon Project
Mine Capital Expenditure Summary (\$x1000)

Cost Center	2000	2001	2002	2003	2004	2005
Resource Conversion	\$3,546	\$783	\$0	\$0	\$5,725	\$2,328
Cap. UG Equip./Facilities	10,058	5,378	5,256	2,349	5,451	9,569
Capital. Mine Develop.	10,972	9,209	4,883	4,267	10,907	9,364
Total	\$24,576	\$15,370	\$10,139	\$6,616	\$22,083	\$21,261

A breakdown of the mine capital underground and capitalized mining expenditures by mine for the year 2005 (Table 22-2) is shown in Table 22-3.

TABLE 22-3
Queenstake Resources Ltd.
Jerritt Canyon Project
2005 Capital Expenditure Detail by Mine (\$x1000)

Cost Center	SSX	Murray	Smith	Steer	Total
Capital. Mining	\$2,229	\$720	\$3,275	\$3,140	\$9,364
Equip./Facilities	634	0	5,170	3,765	9,569
Resource Conversion	1,078	(108)	(108)	1,466	2,328
Total	\$3,941	\$612	\$8,337	8,371	\$21,261*

*An additional \$1,171,000 in capital is scheduled for Surface Services, primarily for equipment during 2005.

The ongoing, or sustaining, mine-related capital for diamond drilling and equipment rebuilds, water handling, vent raises, load centers, etc. for 2005, that has been included in the capital estimates presented in Tables 22-2 and 22-3 above, is \$484,000. The breakdown for this capital is shown in the following Table 22-4.

TABLE 22-4
Queenstake Resources Ltd.
Jerritt Canyon Project
Sustaining Capital Expenditure for 2003 to 2006 by Mine (\$x1000)

Mine	2003	2004	2005	2006*	Total
SSX	\$1,071	\$1,000	\$ 329	\$500	\$2,900
Murray	677	677	0	0	1,354
Smith	600	600	155	300	1,655
Steer	0	0	0	0	0
Total	\$2,348	\$2,277	\$484	\$800	\$5,909

*Previous estimate

22.7.2 Ore Processing

Sustaining capital costs for ore processing was \$1.3 million in 2004. Queenstake has included \$2 million in the 2005 Budget, mostly for upgrades to existing facilities.

22.7.3 Surface Services

The surface services sustaining capital costs have varied significantly but generally have not exceeded \$0.4 million per year. Budgeted expenditure for 2005 is \$1.2 million. Capital costs in this account are primarily for heavy mobile equipment rebuilds, though that for 2005 also includes the leasing of one haul truck.

22.7.4 General and Administrative

G&A capital costs were about \$0.4 million in 2004; \$0.3 million is budgeted in 2005, mostly for light vehicle replacements.

22.8 *Operating Costs*

22.8.1 Mine Operating Costs

Mine operating costs for the four mines during the year 2004, and those budgeted for 2005 were reviewed and evaluated by PAH.

In general, mine operating costs at JC are somewhat high when compared with other western hemisphere mines producing at the same production rate and using the same mining method(s). This is primarily due to the expensive backfill that is required at the JC mines and the large amount of definition drilling required to define mineable zones within a mineralized area. Typically, the backfill costs are about \$14 per ton placed; but the excellent quality of the backfill allows a high percentage extraction of the ore. The ores at JC are very erratically emplaced; and higher-than-normal amounts of definition drilling are required to accurately determine the economically mineable shapes. The mine management and underground crews do an excellent job of locating and defining these shapes.

The following Table 22-5 details the mine operating costs incurred during the year 2004 (\$x1000).

TABLE 22-5
Queenstake Resources Ltd.
Jerritt Canyon Project
2004 Operating Cost Summary (\$x1000)

Cost Center	SSX	Murray	Smith	Steer*	Total/Average
Mine Oper. Cost	\$16,692	\$ 8,907	\$9,254	\$4,062	\$38,915
Maint. Oper. Cost	6,769	3,757	3,717	3	14,246
Total Oper. Cost	\$23,461	\$12,664	\$12,972	\$4,065	\$53,161
Total \$/ton	\$40.73	\$47.62	\$53.92	\$136.12	\$46.46
Less Capital Dev.	\$4,020	\$ 450	\$3,023	\$3,414	\$2,884
Net Oper. Cost	\$19,441	\$12,214	\$9,949	\$651	\$42,255
Net \$/ton ore	\$33.75	\$45.93	\$41.35	\$21.81	\$36.93

*The MCE mine was closed during the year after a small production, and the Steer mine production came principally from capitalized development, thereby distorting operating costs for these two mines. The Steer mine is in the early stages of exploration and development. When normal production from stopes is achieved, the Steer mine operating costs should approximate the operating costs of the Smith mine. The Smith mine operating costs continue to be negatively impacted by water in the deeper parts of the mine. As the reserves are depleted in the Murray mine, ore pods become more isolated and fragmented and will be more costly to mine.

A comparison of the 2004 actual unit mine operating costs per ton of ore by mine and the estimated 2005 unit mine operating costs are as follows.

<u>Mine</u>	<u>2004</u>	<u>2005</u>
SSX	\$33.75	\$36.16
Murray	45.93	48.19
Smith	41.35	39.84
Steer	<u>21.81*</u>	<u>48.47</u>
Average	\$37.92	\$40.04

*Most production from development – does not reflect a true mine operating cost.

PAH has reviewed the budgeted mine operating costs for the year 2005 and found them to fairly represent the costs that might be incurred during 2005. Smith operating costs may not be reduced due to mining in the lower part of the mine where there is still water, but the Steer operating costs may be somewhat less than estimated due to the better conditions observed in this mine.

22.8.2 Ore Processing

Ore processing costs have risen steadily over the years and are projected to total about \$27 million in 2005 or about \$18.70 per ton. Of this amount about \$20 million is for operation and about \$7 million for maintenance. Unit costs were significantly higher than normal in 2004, due primarily to low throughput, a consequence of poor weather conditions in the first quarter and higher-than-normal fuel-value ore delivered to the plant; extensive plant modifications made in 2004 are

expected to ameliorate weather-related difficulties in the future. PAH considers the 2005 projected costs acceptable so long as the quantity of high-fuel-value ore delivered to the plant does not become excessive.

22.8.3 Surface Services

Costs for surface services were about \$4.7 million per year for the last two years and are projected to be the same in 2005. The unit costs amount to about \$3.25 per ton milled. Most of these costs are for heavy mobile equipment operation and maintenance, since the principal service is transportation of mined and stockpiled ore to the ore processing plant. Costs for operation of the aggregate plant are also included. PAH considers the projected 2005 costs acceptable.

22.8.4 General and Administrative

The G&A costs are essentially independent of the production rate. Costs were relatively constant at about \$9 million per year under the previous AngloGold management. G&A costs are currently averaging about \$8 million per year, or about \$5.70 per ton milled. Queenstake's 2005 Budget projects a G&A cost of \$8.2 million. PAH considers this figure acceptable.

22.9 Economic Analysis

The production, operating costs and capital cost included in the Queenstake proven and probable reserves (P&P) cash flow model appear reasonable based on a comparison to Jerritt Canyon actual and the presented P&P LOM plan. A summary comparison is presented in Table 22-6.

The presented P&P plan indicates that mineral reserves are mined out by mid 2007. A 0.5-million ton low-grade ore stockpile (at about 0.10 opt gold) is blended into the mill feed. Mill recovery is projected to be about 87.5 percent through 2007 compared to 88 - 89 percent during the past four years. Total recovered gold production drops from an actual peak of over 400,000 ounces (including custom milling from Cortez) in 2001 to about 288,000 ounces in 2005.

Mining and milling unit-operating costs (per ton) are similar in the P&P plan to actuals. The administration cost drops from actual to plan by about \$100,000 per month due to reduced corporate overhead allocations. The P&P plan operating cost per gold ounce produced is estimated to be about \$270 to \$280 per ounce, which is slightly higher than Jerritt Canyon's actual costs of the last few years except 2004.

TABLE 22-6										
Queenstake Resources Ltd.										
Jerritt Canyon Project										
Cash Flow Model - PAH Cost Comparison										
	Units	Actual 2000	Actual 2001	Actual 2002	Actual 2003	Actual 2004	Queenstake Resources Ltd. Plan			
							2005	2006	2007	2005 - 2007
Production										
Ore mined	(000) tons	873	990	1,134	1,096	1,144	961	1,436	611	3,008
Waste mined (expensed)	(000) tons	410	396	342	391	496	525	683	203	1,411
Total mined	(000) tons	1,283	1,387	1,477	1,487	1,640	1,486	2,119	814	4,419
Average grade mined	ozs/ton	0.332	0.344	0.323	0.298	0.253	0.292	0.267	0.260	0.274
Mined Ozs	(000) ozs	290	340	366	314	289	281	384	159	824
Stockpile ore drawdown	(000) tons				391	162	481	4	18	503
	(000) ozs				28	10	48.5	0.4	1.8	51
Milled tonnes	(000) tons	1,499	1,469	1,467	1,492	1,306	1,442	1,440	629	3,511
Ore Grade	ozs/ton	0.261	0.306	0.264	0.225	0.214	0.228	0.267	0.257	0.249
Recovery	%	90.2%	89.2%	87.9%	88.3%	87.0%	87.5%	87.5%	87.5%	87.5%
JC recovered gold	(000) ozs	309	295	329	302	243	288	337	141	766
Cortez recovered gold	(000) ozs	45	108	10	-	-	-	-	-	-
Recovered Gold	(000) ozs	355	403	339	302	243	288	337	141	766
Operating costs										
	US\$ (millions)									
Mining (includes stockpile)		-	-	-	43.1	43.0	38.7	51.2	22.1	112.0
Processing		-	-	-	25.1	28.7	27.1	27.1	11.8	66.0
Administration		-	-	-	8.7	8.0	8.2	8.5	3.7	20.4
Surface services		-	-	-	4.7	4.6	4.7	4.7	2.0	11.4
less reclamation		-	-	-	-	(0.4)	-	-	-	-
Total operating cost (ex Cortez)		-	-	-	81.6	83.9	78.7	91.5	39.6	210
Unit costs										
Mining	\$/ton milled	-	-	-	28.88	32.92	26.84	35.56	35.14	31.90
Processing	\$/ton milled	-	-	-	16.82	21.98	18.79	18.82	18.76	18.80
Site Administration	\$(000)/month	-	-	-	730	667	683	708	617	680
Surface services	\$(000)/month	-	-	-	392	383	392	392	333	380
Site Operating cost per oz	\$/oz	245	246	264	270	337	273	272	281	274
Capital expense										
	US\$ (millions)									
Mill (facilities)		-	-	-	-	1.2	2.0	-	-	2.0
Surface		-	-	-	-	-	-	-	-	-
Mine (underground)		-	-	-	-	4.8	8.0	1.0	-	9.0
Administration		-	-	-	-	0.4	0.9	0.7	0.14	1.7
Reserve development		-	-	-	-	2.3	-	-	-	-
Capitalized development		-	-	-	-	11.9	9.3	8.7	1.65	19.7
Total capital expenditures		-	-	-	-	-	20.2	10.4	1.8	32.4
Mine exploration		0.0	0.0	0.0	-	6.3	1.7	-	-	1.7
Reclamation		0.0	0.0	0.0	-	-	(0.1)	(0.1)	-	(0.2)
Working capital change		NA	NA	NA	NA	NA	(1.9)	(3.7)	4.0	(1.6)
NA - not available										2/2/2005 16:26

Planned total capital expenditures for the next two years are higher than the past two years reflecting Queenstake's increased focus on mine development and exploration. Capital is significantly higher during the next two years (\$30 million total) to develop ore reserves beyond the two years of current declared reserves. The conversion of mineral resources to planned mineral reserves is critical to the viability of Jerritt Canyon beyond 2007.

The underlying production, operating costs and capital costs included in the P&P cash flow model for JC appear reasonable based on plans evaluated by PAH. However, PAH did not perform a detailed independent economic analysis of the Queenstake Resources P&P plan and is unable to opine upon their accuracy or completeness. PAH notes that although the presented cash flow model is based only on P&P reserves, when we consider the observations, interpretations and conclusions included in Sections 1.7, 1.14, 10.0, 17.2, 18.0, 19.0 and 20.0, it is reasonable to expect that the Company may prepare life-of-mine plans that anticipate a longer mine life, and somewhat different production profiles and cost structures.

The gold price assumed by Queenstake in the cash flow projection is \$365 per ounce. In PAH's opinion this metal price is in line with gold price projections currently in use by the industry. It should be noted that the reported mineral reserves are based on cutoff grades using \$360 per ounce gold price. This is a minor difference in price and considered negligible by PAH.

The net present value (NPV), at 10 percent discount rate, is estimated to be \$26.5 million. Table 22-7 shows the JC annual cash flow model for Queenstake's Base Case. Table 22-8 presents the sensitivity to NPV regarding changes in the gold price (+/- \$50 per ounce) and changes in ore grades and operating costs of +/- 10 percent.

Jerritt Canyon economics are most sensitive to gold price assumptions and projected ore grade. NPV is based on two and one half years cash flow as indicated by the proven and probable reserves. Queenstake intends to increase reserves, mine life, and cash flow years.

22.10 Mine Life

The mine life of the JC mine, based on current projected milling rates and reported proven and probable reserves as of December 2004, is approximately 2.5 years, with an excellent possibility of extending it if Queenstake's resource conversion to reserves development program is successful. PAH believes that there is a reasonable likelihood of converting the higher quality resources to mineral reserves.

TABLE 22-7
Queenstake Resources Ltd.
Jerritt Canyon Mine
Projected Production and Cash Flows¹

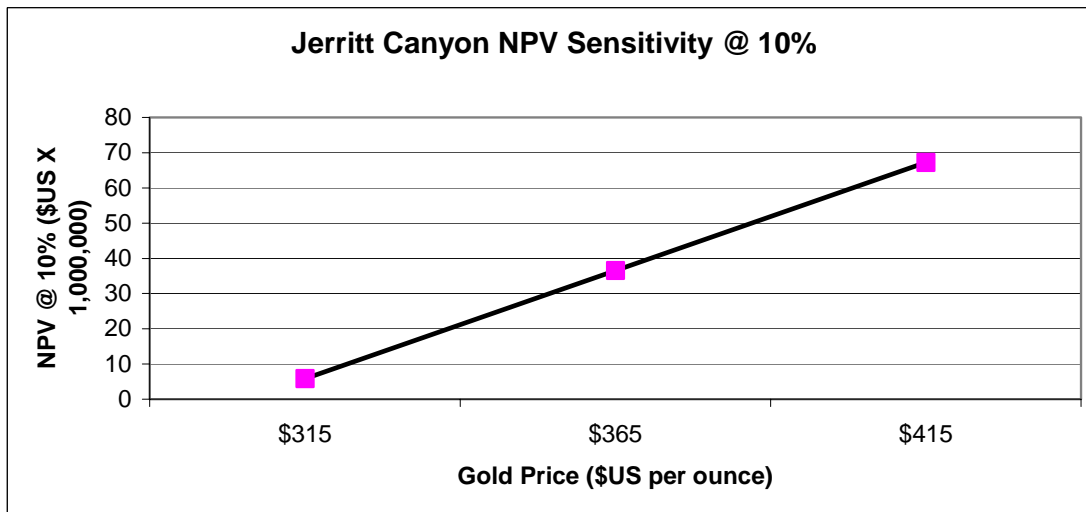
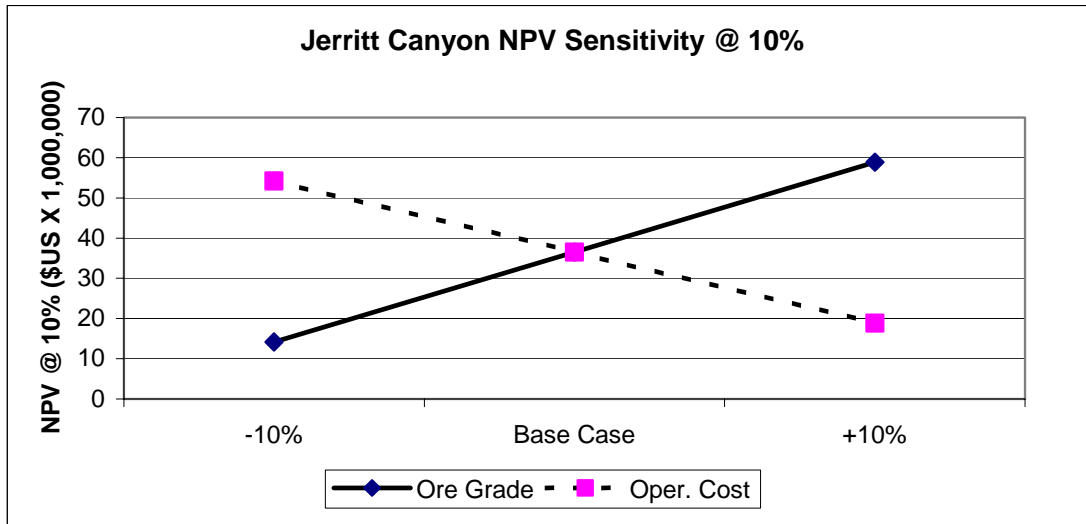
	2005	2006	2007	2008	2009	Total LOM
Production						
Reserves Mined & Processed						
Ore Mined (000's)	1,442.0	1,439.8	628.7	-	-	3,510.6
Grade O.P.T.	0.228	0.267	0.257	-	-	0.249
Contained Gold Ounces (000's)	329.0	385.0	161.3	-	-	875.3
Total Ore Processed						
Ore Mined (000's)	1,442.0	1,439.8	628.7	-	-	3,510.6
Grade O.P.T.	0.228	0.267	0.257	-	-	0.249
Contained Gold Ounces (000's)	329.0	385.0	161.3	-	-	875.3
Process Rate (tpd)	3,951	3,945	3,954	-	-	-
Waste Mined and Backfill Placed						
Cemented Backfill (000's)	435.1	598.0	254.1	-	-	1,287.2
Expensed Waste Tons Mined (000's)	262.4	430.6	152.5	-	-	845.5
Capitalized Drift Footage	13,378.5	12,806.0	2,534.0	-	-	28,718
Capitalized Drift Waste	262.4	252.3	50.7	-	-	565.4
Total Tons Mined	1,966.9	2,122.7	831.9	-	-	4,921.5
Mining Rate (tpd)	5,389	5,816	5,232	-	-	-
Gold Recovered (000's)	87.5%	288.1	336.9	141.2	-	766.2
Gold Price	\$365.	\$365.	\$365.			\$365.
Cash flow (000's)						
Revenue						
Gold Sales	\$ 105,170	\$ 122,955	\$ 51,531	\$ -	\$ -	\$279,656.1
Operating costs						
Mining	(38,735)	(51,183)	(22,067)	-	-	(111,984)
Surface services	(4,687)	(4,679)	(2,043)	-	-	(11,409)
Processing	(27,125)	(27,113)	(11,835)	-	-	(66,072)
Site administration	(6,441)	(6,591)	(3,042)	-	-	(16,074)
Royalties & production taxes	(1,735)	(1,933)	(730)	-	-	(4,398)
Total operating costs	(78,722)	(91,499)	(39,717)	-	-	(209,938)
Capital costs						
	(21,932)	(10,420)	(1,787)	-	-	(34,138)
Salvage recoveries						
	-	-	-	12,000		12,000
Working capital						
	(1,859)	(3,684)	4,042	1,500	-	-
Net cash flow	\$ 2,657	\$ 17,352	\$ 14,070	\$ 13,500	\$ -	\$ 47,580
Cumulative cash flow	\$ 2,657	\$ 20,009	\$ 34,079	\$ 47,580	\$ 47,580	
NPV @ 10%	\$36,548					
Note: Income taxes are assumed to be nil; reclamation costs are not included as the current reclamation liability is fully funded and insured.						

¹ Based only on mining and recovering proven and probable reserves, as estimated at December 31, 2004. The Company believes that there is a reasonable likelihood that some of its current resources will be converted to proven and probable reserves, which will effectively extend the Jerritt Canyon mine life and alter the production profile and cost structure presented in this table.

² Cutoff for mineral reserves based on \$360 gold price. Cash flows based on \$365 gold price.

TABLE 22-8
Queenstake Resources Ltd.
Jerritt Canyon Project
Sensitivity to Gold Price, Ore Grade and Operating Cost (\$US X 1,000,000)
Net Present Value as of January 1, 2005

Discount rate	43-101 Base case	Gold price (unhedged)			Ore Grade		Operating Cost	
		\$315	\$365	\$415	+10%	-10%	+10%	-10%
0%	47.6	11.2	47.6	84.0	74.1	21.1	26.6	68.6
5%	41.5	8.2	41.5	74.9	65.8	17.2	22.3	60.8
10%	36.5	5.9	36.5	67.2	58.9	14.2	18.8	54.3
15%	32.4	4.0	32.4	60.8	53.1	11.7	16.0	48.8
20%	28.9	2.5	28.9	55.3	48.2	9.7	13.7	44.1



23.0 ILLUSTRATIONS

The illustrations supporting the various sections of the report are located within the relevant sections immediately following the references to the illustrations, for ease of reference. An index of tables and illustrations is provided in the Table of Contents.

24.0 CERTIFICATE OF QUALIFICATION

As an author of the report entitled "Jerritt Canyon Mine, Elko County, Nevada, Technical Report", dated February 23rd, 2005 (the "Technical Report") and prepared on behalf of Queenstake Resources Ltd. (the "Issuer"), I, Raul H. Borrastero, P.E., do hereby certify that:

1. I am currently employed as a Principal Mining Engineer by:

 Pincock, Allen & Holt
 274 Union Blvd., Suite 200
 Lakewood, CO 80228
 USA
2. A Registered Professional Geologist with the American Institute of Professional Geologists (CPG-10884).
3. A graduate of the National University of Cordoba, Argentina a degree of Geologist, in 1981, and the University of Montana, with a Master of Science degree in Geology in 1990. I have practiced my profession continually for 21 years.
4. I hold membership in the following mineral industry technical societies:
 - Society for Mining, Metallurgy and Exploration (SME)
 - American Institute of Professional Geologists (AIPG)
5. Since 1982 I have been involved in mine management, geologic exploration, resource and reserve estimation in both open pit and underground operations, involving copper, gold, silver, phosphates, limestone, coal and base metals located in the United States, Canada, Mexico, Peru, Bolivia, Argentina, Chile, Venezuela, and Spain.
6. As a result of my education and experience, I am a "Qualified Person" as defined in National Policy 43-101.
7. I am presently senior geologist with the international consulting firm of Pincock, Allen and Holt, and have been so since December 2002.
8. I have visited the Jerritt Canyon project on several occasions: in January 2003, I reviewed the operations at three of the four operating mines, and reviewed resource and reserve information; in December 2003, I discussed current operations with mine personnel; in January 2004, I visited the SSX and Smith mines, ore stockpile areas, reviewed geologic and operational information, and reviewed the drill hole databases and assay data; and in

January 2005, I visited the Steer mine, reviewed geologic and operational information, and reviewed the drill hole databases and assay data.

9. This report was prepared under my supervision in consultation with technical specialists. I am responsible for the preparation of part of the summary (Section 1), Sections 2 through 16, part of Section 17, Sections 18 through 21 and part of Section 22.
10. The sources of all information are noted and referenced in the report. The information provided by the various parties is to the best of knowledge and experience correct.
11. I am not aware of any material fact or material change with respect to the subject matter of this technical report that is not reflected in this report, the omission to disclose which would make this report misleading.
12. I am independent of Queenstake Resources, in accordance with the application of Section 1.5 of National Instrument 43-101.
13. I have not received, nor do I expect to receive, any interest, directly or indirectly, from Queenstake Resources, any affiliate, or associate company.
14. I have read National Instrument 43-101, Forms 43-101F1. This report has been prepared in compliance with NI 43-101 and Form 43-101F1.
15. I consent to the filing of the Technical Report with any stock exchange and other regulatory authority and any publication by them, including electronic publication in the public company files on their websites accessible by the public.
16. This report, as well as its conclusions and recommendations, are based on the examination of available data and discussions with involved geologists. The Author last visited the Jerritt Canyon property on January 18-20, 2005, and examined the data supplied by Queenstake before, during and after that time.

Dated at Lakewood, Colorado, this 23rd day of February 2005.

“Raul H. Borrastero, C.P.G.”

Raul H. Borrastero, C.P.G.

CERTIFICATE OF QUALIFIED PERSON

As an author of the report entitled "Jerritt Canyon Mine, Elko County, Nevada, Technical Report", dated February 23rd, 2005 (the "Technical Report") and prepared on behalf of Queenstake Resources Ltd. (the "Issuer"), I, Darrel L. Buffington, P.E., do hereby certify that:

1. I am currently employed as a Principal Mining Engineer by:

Pincock, Allen & Holt
274 Union Blvd., Suite 200
Lakewood, CO 80228
USA

2. My residential address is: 6170 Arapahoe Drive, Evergreen, Colorado 80439
3. I graduated from the University of Missouri-Rolla with a B.S. in Geological Engineering in 1978 and obtained a M.S. degree in Civil Engineering from the same University in 1980. I have practiced my profession continuously since 1980.
4. I am a Registered Professional Engineer in the states of Colorado (#23705), Nevada (#07739) and Arizona (#34415) and a member of the Society of Mining, Metallurgy and Exploration (SME), the Canadian Institute of Mining, Metallurgy and Petroleum and the American Society of Civil Engineers.
5. Since 1980, I have been involved in broad-scale civil and geotechnical engineering practice, including substantial experience in environmental review and permitting issues of mining properties and operations. This includes reviewing environmental management systems as part of due diligence evaluation of operating mines, providing technical analysis of mine waste containment facilities, review of regulatory compliance issues, and developing strategies for addressing environmental impacts in the mine planning process.
6. As a result of my education and experience, I am a "Qualified Person" as defined in National Policy 43-101.
7. I am presently Manager of Environmental Services and Process Engineering with the international consulting firm of Pincock, Allen and Holt, and have been so since March of 1995.
8. I am responsible for the preparation of part of the Summary (Section 1), Section 4.4, Environmental Liabilities, and Section 22.6, Environmental Considerations, of the Technical Report.

9. I have personally visited the Jerritt Canyon site in Elko, Nevada on January 2003 as part of the due diligence review of the operation and served as the Qualified Person for a previous NI 43-101 Technical Report on the property dated June 9, 2003.
10. I am not aware of any material fact or material change with respect to the subject matter of the Technical Report that is not reflected in the Technical Report, the omission to disclose which makes the Technical Report misleading.
11. I am independent of the Issuer in accordance with Section 1.5 of NI 43-101.
12. I have read NI 43-101 and Form 43-101F1, and the Technical Report has been prepared in compliance with that instrument and form.
13. I consent to the filing of the Technical Report with any securities regulatory authority, stock exchange or other regulatory authority and any publication by them, including electronic publication in the public company files on their websites accessible by the public, of the Technical Report.

Dated in Lakewood, Colorado, this 23rd day of February 2005.

“Darrel L. Buffington, P.E.”

Darrel L. Buffington, P.E.

CERTIFICATE OF QUALIFIED PERSON

As an author of the report entitled "Jerritt Canyon Mine, Elko County, Nevada, Technical Report", dated February 23rd, 2005 (the "Technical Report") and prepared on behalf of Queenstake Resources Ltd. (the "Issuer"), I, Richard Addison, P.E., C. Eng., Eur. Ing., do hereby certify that:

1. I am currently a Principal Process Engineer employed by:

Pincock, Allen & Holt
274 Union Blvd., Suite 200
Lakewood, CO 80228
USA
2. My residential address is: 10555 West Jewell Avenue, Apt. #2-104 Lakewood, Colorado 80232.
3. I graduated from the Camborne School of Mines in England as an Honors Associate in 1964 and subsequently obtained a Master of Science degree in metallurgical engineering from the Colorado School of Mines in 1968. I have practiced my profession continuously since 1964.
4. I am a Registered Professional Engineer (#3198) in the state of Nevada, USA, a Chartered Engineer in the U.K., and a registered European Engineer in the EEC. I am a member of the American Institute of Mining, Metallurgical, and Petroleum Engineers and a member of The Institute of Materials, Minerals and Mining in the U.K.
5. I have worked as a metallurgical engineer for a total of 37 years since my graduation from university and have been involved in the evaluation and operation of mineral properties for gold, silver, copper, lead, zinc, tin, aluminum, iron, gypsum, limestone, barite, sulfur, pyrite, oil shale, coal, and diamonds in the United States, Canada, Mexico, Dominican Republic, Honduras, Nicaragua, Costa Rica, Panama, Venezuela, Guyana, Peru, Ecuador, Bolivia, Argentina, Chile, Spain, Portugal, Britain, Bulgaria, Indonesia, Papua New Guinea, the Philippines, Japan, Tunisia, Ghana, Zambia, South Africa, Russia, Kyrgyzstan, and Australia.
6. I have read the definition of "qualified person" set out in National Instrument 43-101 ("NI 43-101") and certify that by reason of my education, affiliation with a professional association (as defined in NI 43-101) and past relevant work experience, I fulfill the requirements to be a "qualified person" for the purposes of NI 43-101.
7. I am responsible for the reviews of the metallurgy testwork, metallurgical assumptions of future operations, future plant capital and operating costs, and production forecasts. I have prepared and/or assisted in the preparation of the mineral processing and metallurgical testing, metal recoverability, and product markets portions of the Technical Report.

8. I am not aware of any material fact or material change with respect to the subject matter of the Technical Report that is not reflected in the Technical Report, the omission to disclose which makes the Technical Report misleading.
9. I have visited the Jerritt Canyon site and processing facilities near Elko, Nevada, in January 2003 and January 2005 and have been involved in the project since January of 2003.
10. I am independent of the Issuer in accordance with Section 1.5 of NI 43-101.
11. I have read NI 43-101 and Form 43-101F1, and the Technical Report has been prepared in compliance with that instrument and form.
12. I consent to the filing of the Technical Report with any securities regulatory authority, stock exchange or other regulatory authority and any publication by them, including electronic publication in the public company files on their websites accessible by the public, of the Technical Report.

Dated in Lakewood, Colorado, this 23rd day of February 2005.

“Richard Addison, P.E., C. Eng., Eur. Ing”

Richard Addison, P.E., C. Eng., Eur. Ing.

CERTIFICATE OF QUALIFIED PERSON

As an author of the report entitled "Jerritt Canyon Mine, Elko County, Nevada, Technical Report", dated February 23rd, 2005 (the "Technical Report") and prepared on behalf of Queenstake Resources Ltd. (the "Issuer"), I, Steve L. Milne, P.E., do hereby certify that:

1. I am currently employed as a Principal Mining Engineer by:

Pincock, Allen & Holt
274 Union Blvd., Suite 200
Lakewood, CO 80228
USA

2. My residential address is 1651 East Calle el Cid, Tucson, Arizona 85718.
3. I graduated from Colorado School of Mines with a Bachelor of Science degree in Mining Engineering in 1959, and I have practiced my profession continuously since 1959.
4. I am a Registered Professional Engineer in the states of Arizona, Colorado, and Utah, USA, a Registered Professional Land Surveyor in the state of Arizona, USA, and a member of the American Institute Of Mining, Metallurgical, and Petroleum Engineers, Inc. (SME).
5. I have worked as a mining engineer for a total of 45 years since my graduation from university and have been involved in the management, design, evaluation and operation of small and large scale mining properties for gold, silver, copper, lead, and zinc in the United States, Canada, Mexico, Central and South America, the Philippines, Indonesia, Australia, Fiji, Africa, Scandinavia, the USSR and Europe.
6. I have read the definition of "qualified person" set out in National Instrument 43-101 ("NI 43-101") and certify that by reason of my education, affiliation with a professional association (as defined in NI 43-101) and past relevant work experience, I fulfill the requirements to be a "qualified person" for the purposes of NI 43-101.
7. I am responsible for the preparation of part of the Summary (Section 1), reserve (part of Section 17), and Additional Information (part of Sections 18 through 22) sections of the Technical Report.
8. I have personally visited the Jerritt Canyon site in Elko, Nevada on several occasions: January 2003, December 2003, January 2004, December 2004 and January 2005.
9. I am not aware of any material fact or material change with respect to the subject matter of the Technical Report that is not reflected in the Technical Report, the omission to disclose which makes the Technical Report misleading.

10. I am independent of the Issuer in accordance with Section 1.5 of NI 43-101.
11. I have read NI 43-101 and Form 43-101F1, and the Technical Report has been prepared in compliance with that instrument and form.
12. I consent to the filing of the Technical Report with any securities regulatory authority, stock exchange or other regulatory authority and any publication by them, including electronic publication in the public company files on their websites accessible by the public, of the Technical Report.

Dated in Lakewood, Colorado, this 23rd day of February 2005.

“Steve L. Milne, P.E.”

Steve L. Milne, P.E.