

# Goldletter INTERNATIONAL

the international independent information and advice bulletin for gold and related investments

Special Situation – September 2010 Update

www.africanqueenmines.com



**African Queen Mines Ltd.**  
**(Cdn\$ 0.49)**

TSX.V	: AQ
Frankfurt	: QMO
H+L prices (12 months)	: Cdn\$ 0.74 – 0.28
Net issued shares	: 43.3 million
Fully diluted	: 50.2 million
Market capitalization	: Cdn\$ 21.2 million

**Next price target: Cdn\$ 0.70**

## Company profile

African Queen Mines Ltd. ("African Queen") is engaged in the acquisition, exploration and development of properties for the potential mining of gold, metals and diamonds in **Africa**.

The Company is exploring its properties for gold and other metals in **Mozambique**, **Kenya** and **Ghana**, and diamonds in **Namibia**.

African Queen acquired its assets in a spin-off transaction in June 2008 related to the acquisition of Pan African Mining by Asia Thai Mining for the assigned value of Cdn\$ 4.49 million, which was the carrying cost on the books of Pan African, in exchange for the issuance of approximately 34.45 million common shares of the Company and the assumption of liabilities directly related to the mainland African assets, and cash of Cdn\$ 2.5 million.

In July 2009, African Queen signed an earn-in and joint venture agreement with Swiss-based Opti Metal Trading covering exploration, development and exploitation of a prospecting licence which covers an area of approximately 230 sq.km in the centre of the Fingoe Belt in **Mozambique**, including the **King Solomon Gold Project**.

The licence is adjacent to five prospecting licences which are the subject of an existing earn-in and joint venture agreement in April 2007 between African Queen and African Eagle Resources, comprising approximately 150 sq. km in aggregate.



In March 2010, African Queen announced that it had received the initial technical Report in accordance with NI 43-101 on the King Solomon Project. Preparations are now underway to commence a first phase of 2,000 metres of drilling.

In October 2009, African Queen entered into an Earn-in and Joint Venture Agreement with Akan Exploration covering exploration, development and exploitation of the Noyem Gold Project, located within the Birim North District, located at the northwestern end of the well-known gold producing Ashanti Gold Belt in **Ghana**. Simultaneously, African Queen entered into a Purchase and Sale Agreement with Newmont Ghana Gold under which the Noyem-Nyafoman prospecting Licence for the Noyem Gold Project is transferred directly to African Queen's Ghanaian subsidiary AQ Ghana.

In May 2010, African Queen announced that it had entered into an earn-in and joint venture agreement with Kenyan private company Abba Mining, covering exploration, development and exploitation of the Rongo Gold Field Project in **Kenya**, subject to a "Special Licence" granted by the government of Kenya.

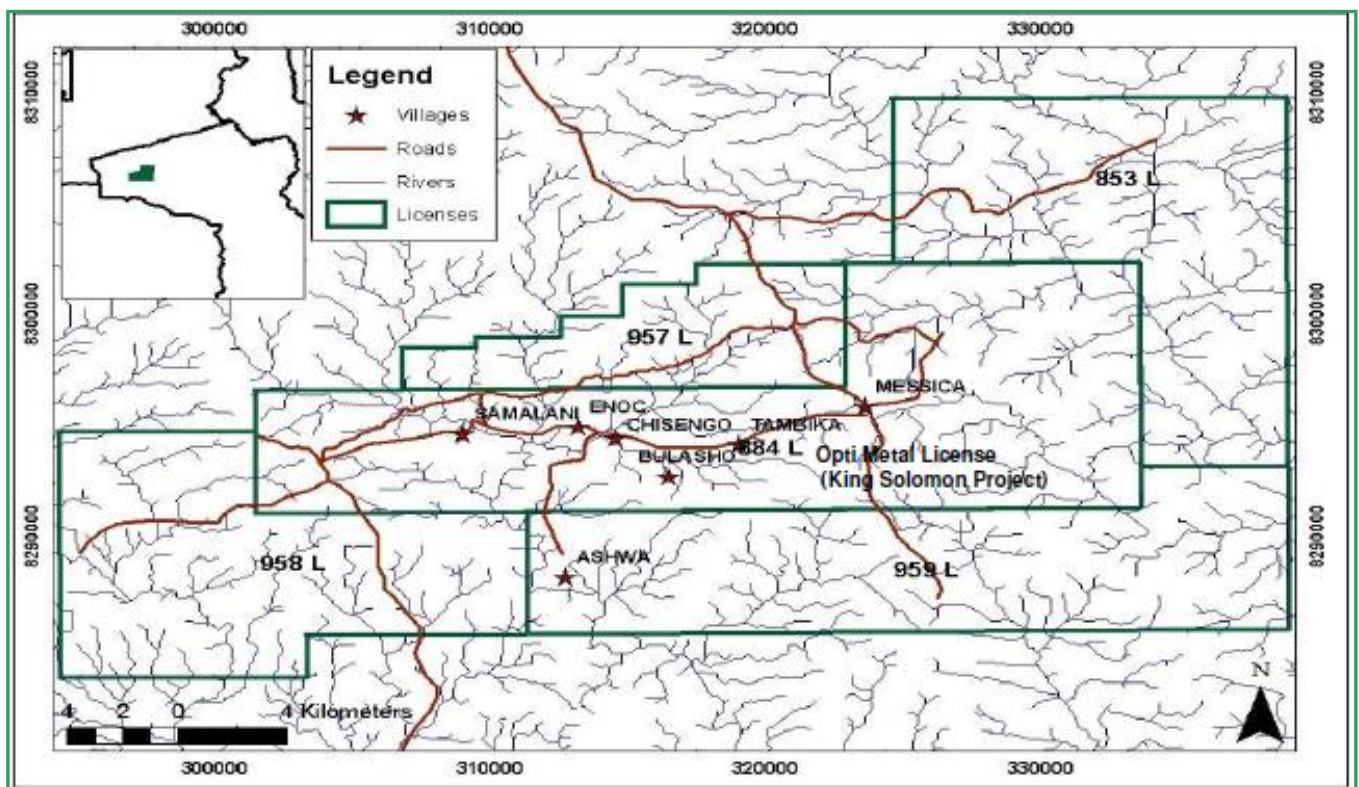
### Overview of projects

#### ➤ King Solomon Gold Project, Tete Province, Mozambique

In July 2009, African Queen signed an earn-in and joint venture agreement with Swiss-based **Opti Metal Trading** covering exploration, development and exploitation of prospecting Licence No 884 L held by Opti Metal's Mozambique subsidiary.

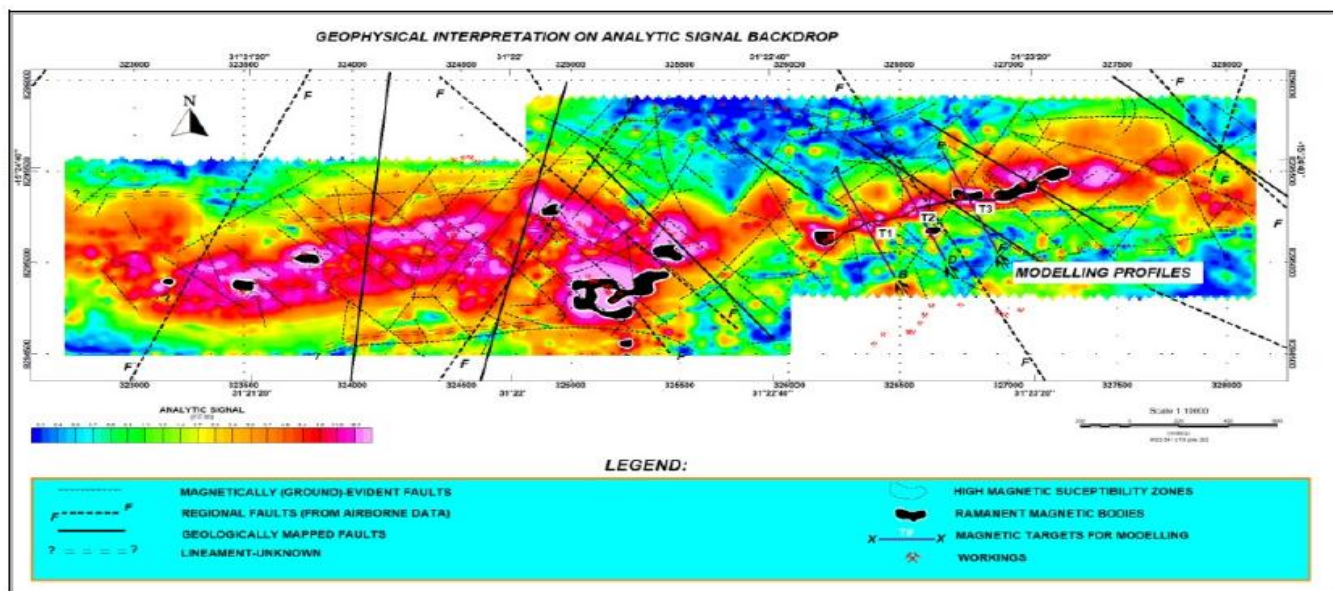
The Licence covers an area of approximately 230 sq.km in the centre of the Fingoe Belt, adjacent to permits which are the subject of existing earn-in and joint venture agreements between African Queen and African Eagle Resources, covering an aggregate of 1,380 sq.km.

Under the terms of the Agreement, African Queen may earn up to an 85% interest in the Licence and related project by funding prescribed stages from exploration to feasibility. Opti Metal has the right to participate at its election pro-rata after African Queen has reached a 51% ownership interest. African Queen is designated as manager and operator of the Project.



Of the 23 grab rock samples collected as part of the Phase I exploration program on the King Solomon Project and assayed by Acme Analytical Laboratories in Vancouver, 6 reported gold values were higher than 3 g/t, 6 reported copper values higher than 3% and 3 reported silver values higher than 50 ppm, with associated bismuth mineralization present in nearly all samples.

The highest values obtained from any single sample were: 11.87 g/t gold, 3.67% copper, 56.3 g/t silver, with 6.8 ppm bismuth.



**Interpretation and Analytical Signal magnetic image of the Mankombiti Target**

In addition to the initial 23 samples reported, 62 grab rock samples were collected as part of the Phase I exploration program, of which 11 reported gold values higher than 3 g/t, 5 reported copper values higher than 10% and 4 reported silver values higher than 200 ppm. Zinc was also present in many of the samples ranging nearly 40% in the case of one sample.

The results of these 62 samples are consistent with and in some respects more robust than the results reported for the 23 samples taken along strike and analysed by Acme Analytical Laboratories.

In January 2010, assay results of 7 chip samples independently taken by PAC Geological Consulting, were received in conjunction with preparation of its initial Technical Report on the King Solomon Gold Project in accordance with NI 43-101.

The samples, which include one gold value as high as 41 g/t gold, copper values as high as 6%, zinc values as high as 12%, as well as strong silver credits, corroborate the results of African Queen's own grab samples and confirm prospectivity of the three main target zones at King Solomon.

The three key target areas, Mankombiti, Eiland and Kazito, have revolved the moist anomalous sample results, as well as strong geophysical characteristics, and will be the focus of the Phase 2 core drilling program set to commence as soon as practicable.

In March 2010, African Queen received the initial Technical Report in accordance with NI 43-101 on the King Solomon Project.

The Report contained a detailed overview of the history, geology and prior work program on the Project, concluding that it is a property of merit and recommending a 3,000 metre reconnaissance drilling program covering a number of key targets.

The recommended work program comprises a first phase of 2,000 metres drilling together with induced polarization ground geophysics, related laboratory and other exploration work; with a second phase of 1,000 metres of follow-up drilling on a result contingent basis.

The initial reconnaissance drill program of approximately 2,000-3,000 metres is underway on the King Solomon Project.

➤ **Noyem Gold Project, Ashanti Gold Belt – Ghana**

In October 2009 African Queen entered into an Earn-in and Joint Venture Agreement (the “Akan Agreement”) with private company Akan Exploration, covering exploration, development and exploitation of the Noyem Gold Project, which is the subject of the Noyem-Nyafoaman Prospecting Licence.

Simultaneously, the Company entered into a Purchase and Sale Agreement with Newmont Ghana Gold (the “Newmont Agreement”), the Ghanaian subsidiary of Newmont Mining, under which Newmont Ghana Gold is transferring the licence directly to African Queen’s Ghanaian subsidiary AQ Ghana Gold.

The licence for the Noyem Gold Project covers an area of approximately 28.9 sq.km. located within the Birim North District of Ghana’s Eastern Region, approximately 120 km northwest of Accra.

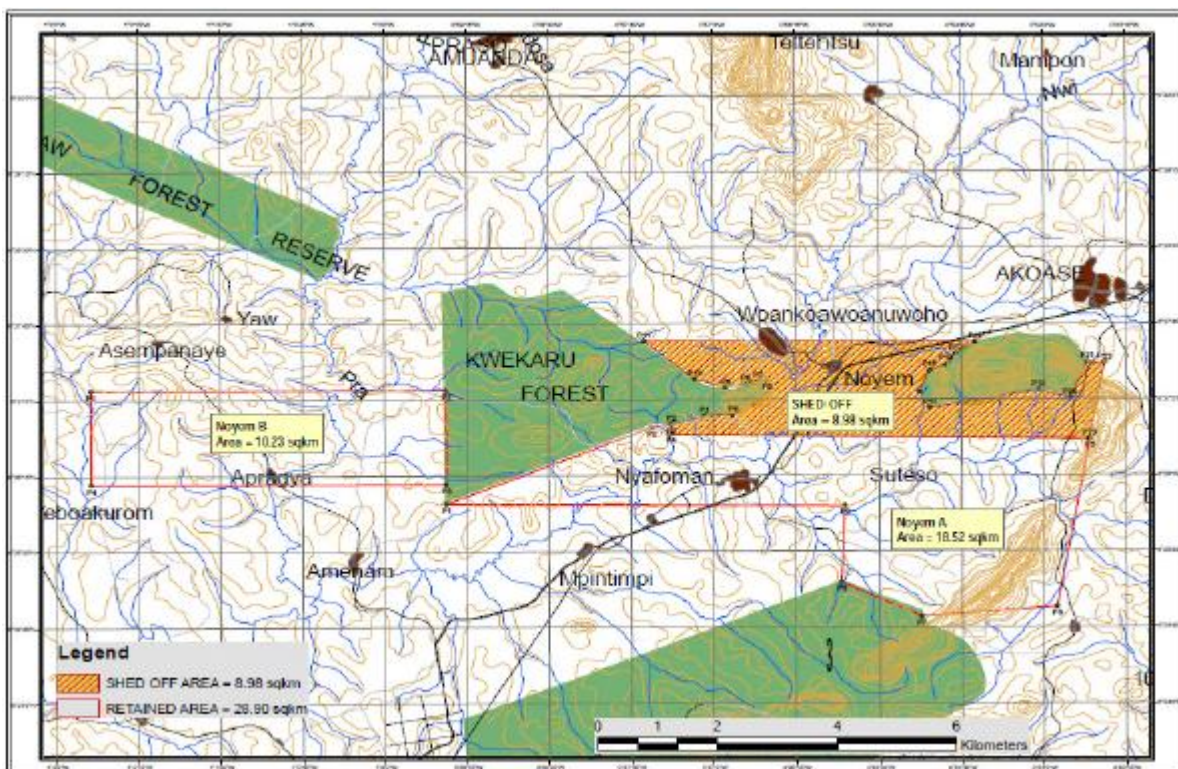
It is located at the northwestern end of Ghana’s well-known gold producing Ashanti Gold Belt, near Newmont’s Akyem Deposit, which is presently under development for potential production. It is also within approximately 100 km of AngloGold Ashanti’s world-class Obuasi Mine and the old Konongo open pit Gold Mine.

The Project has long been host to large numbers of artisanal miners and in October 2008, a shed-off area of 8.98 sq.km. adjacent to the current licence area was reserved for small scale mining. This will facilitate exploration and development of potential large-scale mining operations on the Licence.

The Licence was initially acquired by Newmont Ghana Gold, together with a number of other Ghana gold mining properties through Newmont’s acquisition in 2002 of Australian-based Normandy Mining.



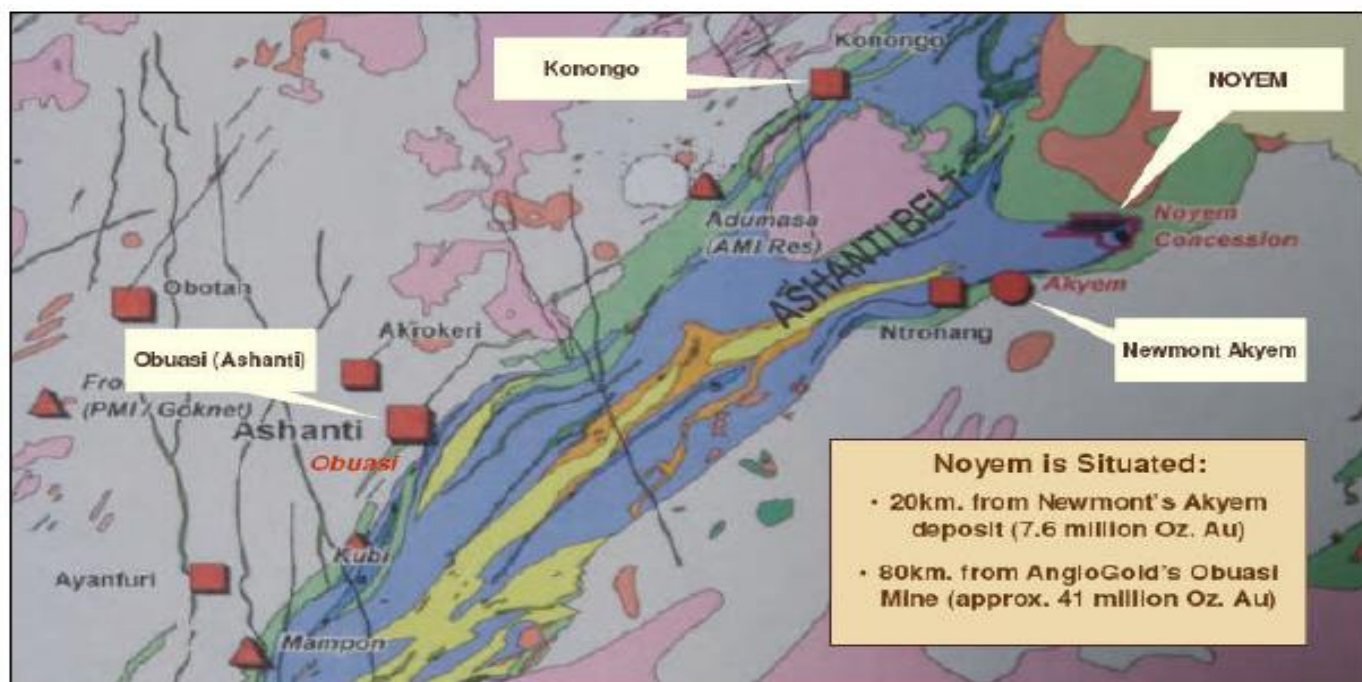
Exploration conducted by Normandy’s predecessor Bonsai Gold Holdings, including diamond drilling during 1996 – 1997, resulted in the definition by Bonsai Gold Holdings of an historic Inferred gold resource of approximately 1.1 million ounces gold (5.2 million tonnes grading 6.67 g/t gold) down to 550 metres within reefs of the Tarkwaian conglomerates in the Eastern portion of the concession (“Noyem A”).



In addition to the work done on Noyem A, Newmont Ghana Gold tested gold anomalies at the western part of the Licence ("Noyem B") with soil sampling resulting in definition of a 4 km strike anomaly. Follow-up trenching intercepted encouraging mineralization within the horizons (1-2 m) of steeply dipping Banket conglomerates.

During the period 2005 – 2007, a modest program of reverse circulation drilling to shallow depths was undertaken by Newmont Ghana Gold. Gold intersections reported in the Banket conglomerates include 19.4 g/t gold over 4 metres.

Geophysical structures were also undertaken, including a gravity survey of the project area covering some 37.88 sq.km.



African Queen views the Noyem A and Noyem B as highly prospective exploration targets for further evaluation, study and work in the near future. The Company has commissioned an independent Technical Report under NI 43-101, which is presently in preparation by PAC. The Phase I exploration program (estimated costs up to US\$ 250,000), is to access the overall geologic structure of the Licence area and the likelihood of commercially viable gold deposits within both Noyem A and Noyem B, as well as to identify discreet drill targets for a Phase 2 core drilling program.

Under the terms of the Akan Agreement, African Queen may earn up to a 75% interest in the Noyem Gold Project by funding prescribed stages from exploration through feasibility. Akan has the right to participate at its election pro-rata after the Company has reached 60% ownership by funding all costs through pre-feasibility.

Under the terms of the Newmont Agreement between AQ Ghana Gold and Newmont Ghana Gold, African Queen has agreed to pay Newmont Ghana Gold in consideration for the transfer of the Licence (immediately upon approval of Ghana's Minister of Lands, Forestry and Mines as is customarily required) the total sum of US\$ 850,000, of which US\$ 100,000 was due upon execution and has been paid, \$ 250,000 of which is due upon final transfer of the Licence to AQ Ghana Gold, \$ 250,000 of which is due one year from the date of execution, and \$ 250,000 of which is due on commercial production as defined. Newmont retains a 2% NSR.

Akan has agreed to reimburse African Queen Ghana Gold for a portion of its payments to Newmont Ghana Gold in the sum of \$ 100,000 and \$ 250,000, respectively.

➤ **Rongo Gold Field Project, Lake Victoria Greenstone Belt, southwest Kenya**

On May 17, 2010, African Queen announced to have signed an earn-in and joint venture agreement with Kenyan private company Abba Mining, covering exploration, development and exploitation of the Rongo Gold Field Project, which is the subject of a Special Licence granted to Abba in January 2010 by the Commissioner of Mines and Geology of the Government of Kenya.

The licence grants full and exclusive rights to prospect and explore for all minerals for an initial period of 2 years within an area of approximately 112 sq.km in the Kanango gold mining area of the Migori District of Nyanza Province in southwest Kenya near Lake Victoria.



The Project is situated some 380 km by road from the capital city of Nairobi and 60 km north of the border of Tanzania, forming part of the rich Lake Victoria Greenstone Belt extending from Tanzania and hosting known world-class gold deposits including African Barrick Gold's Bulyanhulu and North Mara Mines, within approximately 100 km of the Project, and AngloGold Ashanti's Geita Mine.

Under the terms of the earn-in and joint venture agreement with Abba, African Queen may earn up to an 85% interest in the Rongo Gold Field Project by funding prescribed optional stages from exploration through feasibility.

In addition, the Company is required to make three payments to Abba to secure its rights under the Agreement in the sum of US\$ 100,000.

African Queen is designated as manager and operator of the Project.

African Queen carried out a comprehensive site examination in April 2010, as well as a due diligence review of the Licence and Project. A number of rock samples were identified within which visible gold was seen. The main type of mineralization in the Licence area comprises steel swarms and stock works of gold-bearing quartz veins commencing at and near surface. Historic grab samples taken from the artisanal working have reported grades in excess of 2 g/t gold and as high as 96 g/t silver.

In July 2010, African Queen announced that it had commenced its Phase I exploration program, which will include comprehensive rock and soil sampling, trenching and pitting over the Licence area, geological mapping and evaluation, and airborne geophysical studies.

The costs for the Phase I program, estimated at up to US\$ 300,000, are being paid by the Company.

The objective of the Phase I exploration program is to assess the overall geologic structure of the Licence area and the likelihood of a commercially viable gold deposit within the Licence area, as well as to identify discreet drill targets for a Phase 2 core drilling program.

On August 12, 2010, African Queen announced that it had commenced a detailed airborne geophysical survey on the Rongo Gold Field Project which covers an area of approximately 112 sq.km. The survey is anticipated to highlight areas of structural interest such as faults and shear zones.

## **Management**

**Irwin Olian, Chairman, CEO & President**, is an entrepreneur with strong background in finance and law. He majored in Economics at Princeton University and received his Law degree from Harvard School. In addition to his legal background, Mr. Olian has extensive corporate finance experience and is co-founder of North American Scientific, a highly successful NASDAQ-listed company. Mr. Olian was the founder and served as CEO and Chairman of Pan African Mining until its acquisition by Asia Thai Mining in June 2008.

**Limor Rubin, CFO**, is a member of the Institute of Chartered Accountants of British Columbia and the Israeli Bureau of Accountants. In addition to experience in the mining industry, Ms. Rubin has experience with the financial services industry, mutual funds, insurance, real estate as well as the public sector. She has previously served as an Accounting Manager for KPMG and as a Senior Accountant with both KPMG and Ernst & Young.

**Dr. Edward Schiller, Director**, is an internationally recognised senior consultant for diamond, gemstones and uranium programs. He supervised drilling of DiaMet's Ekali diamond discovery in Canada.

**Greg Sparks, P.Eng., Director**, has 25 years of experience and is a former Vice-President of Echo Bay Mines.

**Ardito Martohardjono, Director, Vice-President Lab Service**, is an experienced supervisor of sample preparation and quality control with North America's leading geochemical laboratories.

## **Geological Team**

**Peter Siegfried, P.Geol. Senior Exploration Geologist**, has over 15 years exploration experience in southern Africa. He is prospect manager of the Mozambique projects and consulting geologist on the Namibian diamond projects.

**Dr. Gregory Nowak, P.Geo, Project Manager** Noyem Gold Project, is a highly seasoned senior geologist with more than 25 years of experience, largely in exploration and project development. Most of his work has been on gold exploration in the West African countries of Ghana, Burkina Faso, Mali, Côte d'Ivoire, Liberia and Sierra Leone, as well as the western United States, Canada and South America. He has previously worked for Ashanti Goldfields, IGR and Reed Back Mining and is very familiar with the geology, mineralization and social structure there. He has worked in the Akyem and Konongo areas of Ghana, in the vicinity of the Project in the Ashanti Gold Belt.

**Dr. Andrew E. Moore, Ph. D. Geology - Senior Geologist, Vice President of Diamond Exploration**  
Dr. Andrew E. Moore, a South African national, received his Ph.D. in Geology from the University of Cape Town. He is a seasoned diamond geologist with over twenty years experience in Africa, having worked on major exploration projects for a wide range of companies including de Beers, Rio Tinto, Falconbridge and Trans Hex Group. Andy is well-known in the industry for his successful interpretations of kimberlitic indicator mineral anomalies in the Kalahari Desert environment of Namibia and Botswana, where he has been working most recently.

**Dr. M.J. McFarlane, Exploration Consultant**, specializing in geomorphology and residual deposits, has over 45 years experience largely in east and southern Africa.

**Dr. Frank Eckhardt, Exploration Consultant**, University of Cape Town, is internationally recognised geomorphologist and has published numerous scientific papers and landforms of northwest Botswana. He has commenced a program to develop criteria for identifying kimberlites on the basis of their surface expressions.

## **Technical Team**

**Remote Exploration Services (RES)** manages and operates mineral exploration projects in sub-Saharan Africa. RES has over 15 years experience in operating successful exploration and evaluation projects throughout Africa.

## Finance

In May 2010, African Queen announced that it had completed a private placement in two tranches by issuing 4.26 million units at Cdn\$ 0.30 for gross proceeds of Cdn\$ 1.28 million. Each unit consists of one common share and one-half of one purchase warrant. Each whole warrant entitles the holder to purchase one additional common share of the Company at an exercise price of Cdn\$ 0.45 for the period of two years.

Proceeds from the private placement will be utilized for acceleration of work programs on the Company's King Solomon Gold Project in Mozambique, as well as potential property acquisitions.

### Investment recommendation:

African Queen is initially focusing on exploration for gold and other metals in Mozambique, Kenya and Ghana, and diamonds in Namibia.

African Queen's has built a strong position in the historic Fingoe Gold Belt in Mozambique where it is actively exploring its King Solomon Gold Project, and an initial reconnaissance drill program of approximately 2,000-3,000 metres is underway, covering a number of key targets.

In Ghana, the Company will explore the Novem Gold Project, located within the Birim North District in the well-known gold producing Ashanti Gold Belt in Ghana. African Queen also recently entered into an earn-in and joint venture agreement covering exploration, development and exploitation of the Rongo Gold Field Project, located in the rich Lake Victoria Greenstone Belt of southwest Kenya extending from Tanzania and hosting world-class gold deposits.

In Namibia, African Queen has a diamond project adjacent to claims acquired by De Beers.

Having a well diversified portfolio of assets in Africa, in our view, at a current market capitalization of just Cdn\$ 21.2 million, the shares of African Queen offer an attractive speculative leverage potential.

Our next price objective is Cdn\$ 0.70.