

Goldletter INTERNATIONAL

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

Special Situation – January 2012 Update

www.africanqueenmines.com



African Queen Mines Ltd. (Cdn\$ 0.16)

TSX.V	: AQ
Frankfurt	: QMO
H+L prices (12 months)	: Cdn\$ 0.59 – 0.13
Net issued shares	: 59.1 million
Fully diluted	: 71.1million
Market capitalization	: Cdn\$ 9.5 million

Next price target: Cdn\$ 0.40

Company profile

African Queen Mines (“African Queen”) is an exploratory resource company with diversified mineral properties in Southern, East and West Africa. It is exploring its gold properties in **Mozambique** and **Ghana** and gold and other metals in **Kenya**.

The Company had abandoned its diamond projects in Botswana and Namibia to concentrate its drilling and exploration activities on its highest priority gold and metals projects.

In July 2010, 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 square kilometers in the centre of the Fingoe belt in Mozambique, including the **King Solomon Gold Project**.

On September 30, 2010, African Queen announced a 5-year extension of the King Solomon prospective licence issued by the Ministry of Mineral Resources and is now effective for the period through May 2, 2015.

Highlights from geochemical results reported in 2010 and early 2011 included an intersection of 7.73 metres of 1.51% copper, 1.32 g/t gold and 27.6 g/t silver in hole MW03.



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.

Two new projects in Western Kenya are the **Ugunja Gold Project** with field work underway and the **Karameri Metals Project** (copper, gold, nickel and iron ore).

African Queen reached a decision to commence core drilling programs during the first quarter of 2012 at the Company's **Noyem-Nyanforma Gold Project** in Ghana, as well as its Odundu target at the **Rongo Gold Fields Project** in Kenya, with drill targets having already been identified through 2011 work programs at each of these projects.

Further exploration programs will also be undertaken during 2012 at the **King Solomon Project** in Mozambique, as well as the **Ugunja Gold Project** and **Karameri Metals Project** in Kenya.

Overview of projects

➤ King Solomon Gold Project, Tete Province, Mozambique

The Licence for the King Solomon Gold Project covers an area of approximately 230 sq.km in the centre of the Fingoe Belt, adjacent to a remaining licence comprising approximately 150 square kilometres, which is presently under a new application by subsidiary PAM Mozambique.

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.

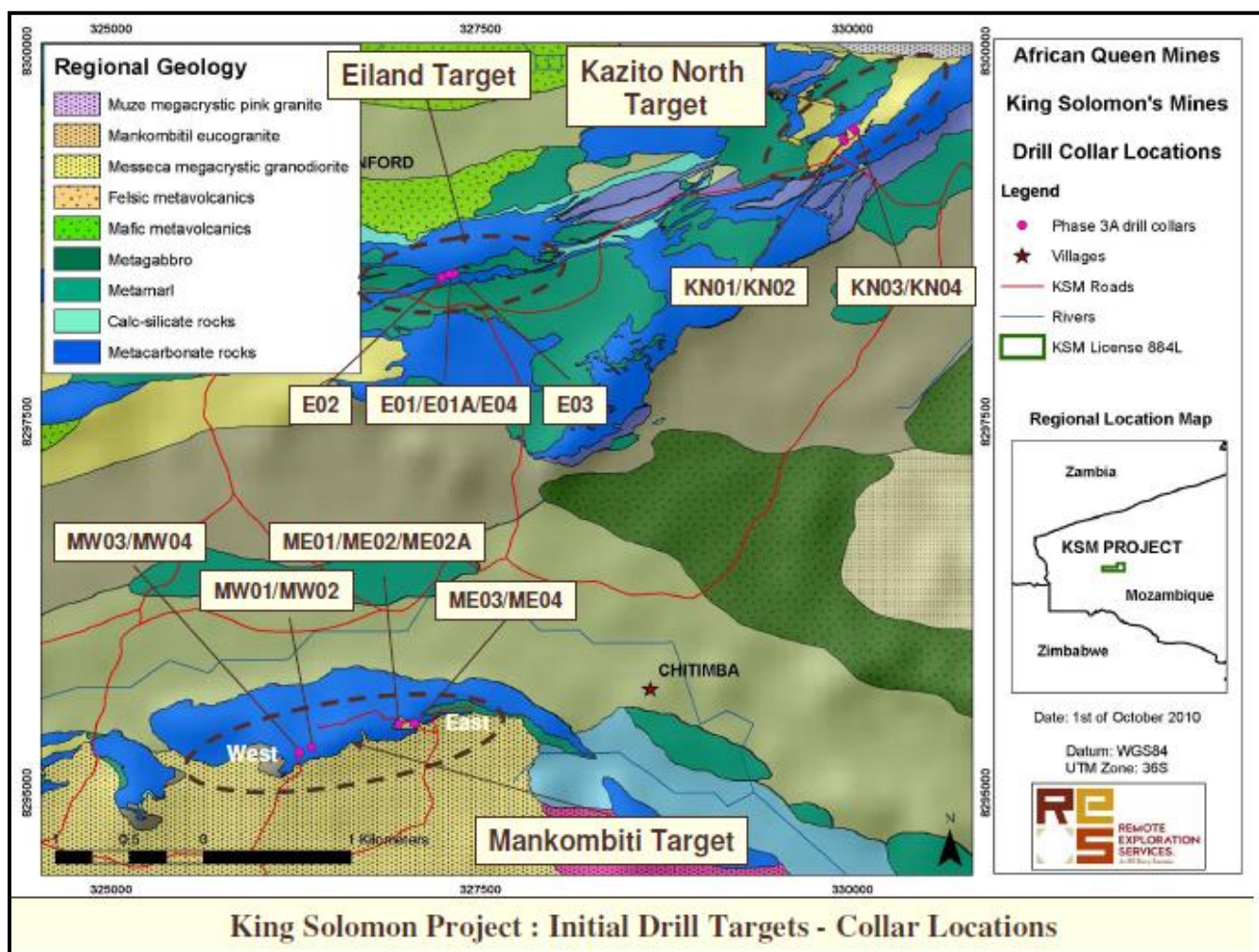


The highest values obtained from any single sample were: 11.87 g/t gold, 3.67% copper, 56.3 g/t silver, with 6.8 ppm bismuth.

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.



INITIAL DISCOVERY HOLES AT AFRICAN QUEEN'S KING SOLOMON PROJECT REVEAL SIGNIFICANT COPPER, GOLD AND SILVER MINERALIZATION AND SUGGEST ROBUST POLYMETALLIC SYSTEM; RESULTS INCLUDE 7.73 m of 1.51% Cu, 1.32 g/t Au and 27.6 g/t Ag (October 4, 2010)

African Queen has focused considerable exploration including detailed mapping, ground geophysics and detailed grab sampling over the last two years, as well as the completion of over 5,000 metres of diamond core drilling from 2010 to 2011.

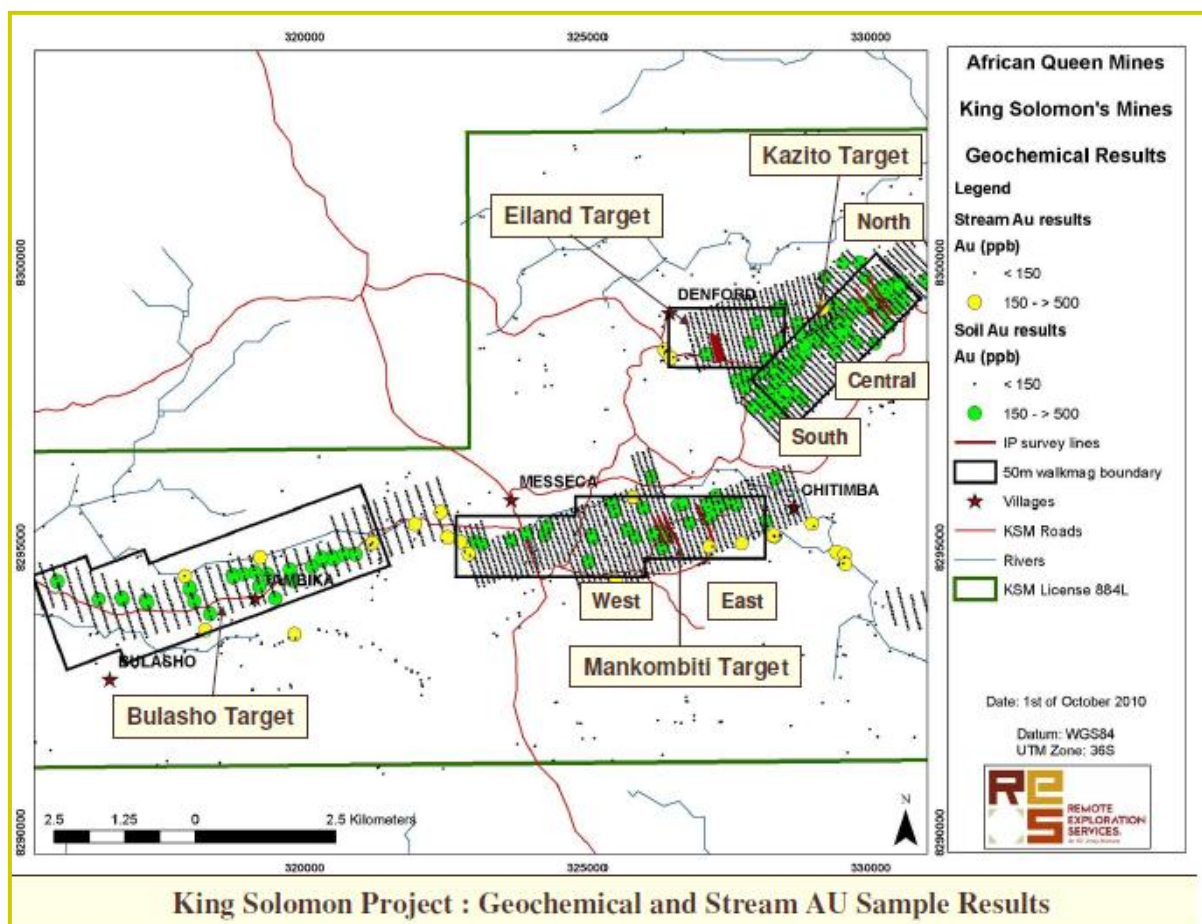
The 2011 drill program was focused on extending the known mineralization towards the west, as well as testing importance of structural shoots which may have been developed during later deformation. Results of the drill program have confirmed the presence of mineralization for over 2 kilometres along strike and down dip similar to that encountered in the previously drilled targets for which geochemical results were reported in 2010 and early 2011.

The three key target areas, Mankombiti, Eiland and Kazito, have revolved the most anomalous sample results, as well as strong geophysical characteristics, and will be the focus of the Phase 2 core drilling program set to be undertaken in 2012.

HIGHLIGHTS OF RESULTS RECEIVED

HOLE	FROM (m)	TO (m)	INTERVAL (m)	Cu (%)	Au (g/t)	Ag (g/t)	Bi (ppm)
MW01	50.54	53.57	3.03	1.52	0.62	5.8	69
MW02	89.30	94.09	4.79	1.63	1.13	32.2	512
MW02	102.90	107.20	4.3	0.85	0.86	17.8	217
MW02	109.11	120.50	11.39	0.74	0.34	9.7	130
MW03	65.18	72.91	7.73	1.51	1.32	27.6	376

Note: Intercepts are not resolved to true width.



African Queen completed its initial 3,000 metres drill program in 2010 encompassing a total of 19 holes ranging from 120 to 200 metres in depth. 12 of the holes were drilled into the West and East zones of Mankombiti copper-gold targets, while the remaining 7 holes tested the Eiland and Kazibo gold prospects to the northeast.

Significant copper, hold and silver mineralization was reported from the Mankombiti West target, including intersections of: 7.73 metres of 1.51% copper, 1.32 g/t gold and 27.6 g/t silver (hole MW03), 4.79 metres of 1.63% copper, 1.13 g/t gold and 32.2 g/t silver (hole MW02), 3.03 metres of 1.52% copper, 0.62 g/t gold and 5.8 g/t silver (hole MW01).

On January 6, 2012, Africa Queen announced that it had received from Genalysis Laboratories of Johannesburg analytical results from its 2011 reconnaissance drill program at the King Solomon Project. A total of 18 holes were drilled as part of the program, aggregating approximately 2,346 metres. This program was designed to test the Bulasho target and several other targets on trend, as well as including some step/out drilling from the Mankombiti Zone.

Gold, copper and silver mineralization continued to be intersected in most of the holes, but the grades and widths intersected were not deemed to significantly advance the size of the Project.

However, the drilling confirmed the regional continuity of the expansive gold and copper anomalies previously traced on surface and there remains in excess of 3 kilometres of strike length to be tested, as well as other regional targets to be explored.

➤ **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-Nyafoman 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.

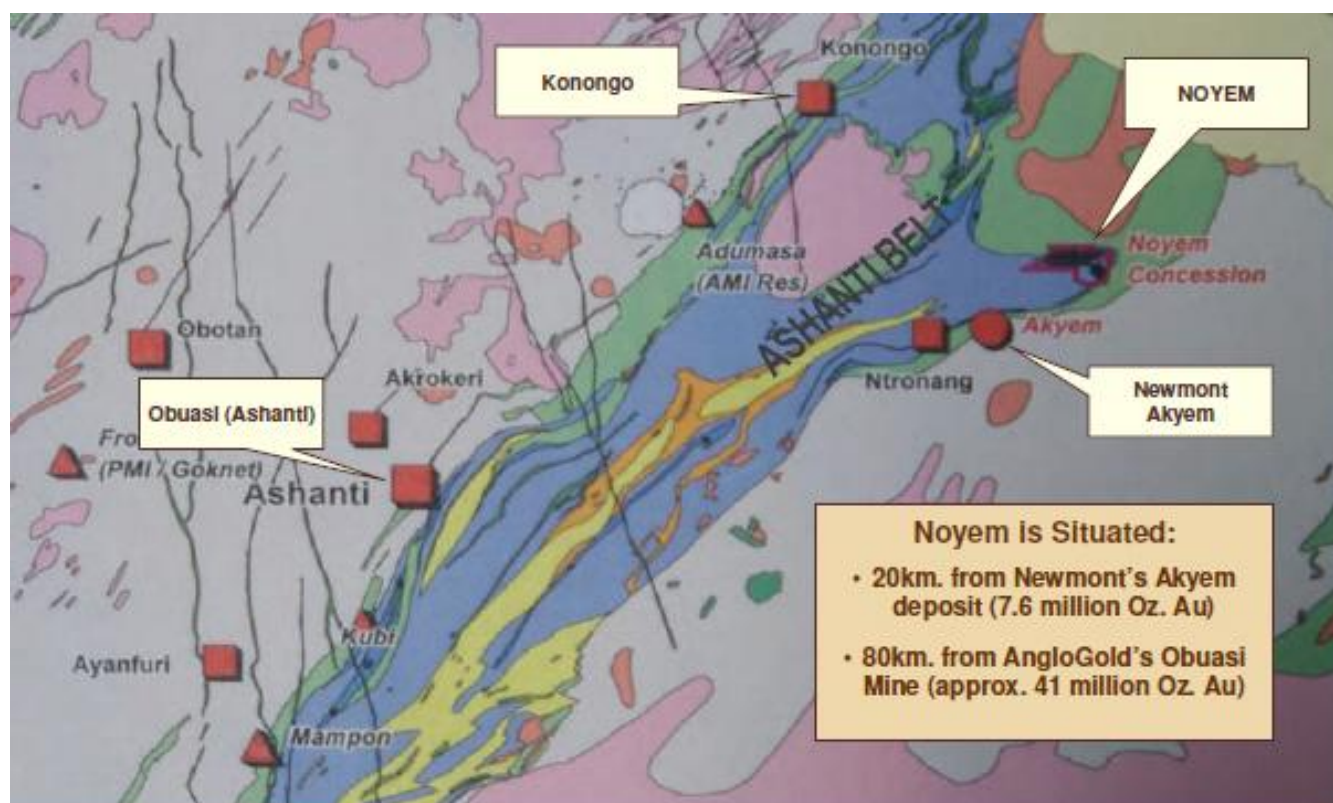
During the period 2005 – 2007, a modest program of reverse circulation drilling to shallow depths was undertaken by Newmont Ghana Gold. Gold intersections reported in the Banket conglomerates include 19.4 g/t gold over 4 metres.

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.



In April 2011, the Company announced that it has received the requisite permits for its Phase I exploration program, including ground exploration work as well as an air borne geophysical survey on its Prospecting Licence.

On September 13, 2011, African Queen announced that documentation had been executed providing for the relinquishment of 12 additional licences and-or applications covering contiguous small scale mining licences aggregating approximately 300 metres on the Noyem A Reef.

Together with 7 licences covered by the prior settlements announced in July 2011, Africa Queen has now reached accords covering 19 of the small scale licences in or near the area of interest. The Company is optimistic that further settlements will be reached in the near future.

The effect of the settlement to date is to return control of the Noyem/Nyafoman Project. The transaction is subject to final approval by the Ghana Mining Commission under the Minerals and Mining Act 2006.

➤ **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 Mining, 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 Mining 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.

There is a dispute presently ongoing between Abba Mining and a prior licence holder, B & M Mining Company, with respect to the ownership of the area. The matter is presently being litigated in the High Court of Kenya in Kusumu.

The Phase I exploration program completed in 2010 included: 1,200 metres of trenching close to the existing artisanal workings. Quartz veining encountered in the trenching together with visible gold, 700 one-metre channel samples taken and detailed air borne and ground geophysical surveys were completed.

In June 2011, African Queen announced that work is underway on a ground geophysics survey at the Rongo Gold Fields Project. The 3D Resistivity/Induced Polarization survey is designed to assist in targeting an upcoming core drill program over the Project area which is scheduled to commence as soon as practicable this year. The key targets are comprised of 5 lines measuring in total 3,375 linear metres. The survey will be completed within 30 days.

The objective of the survey is to assist in drill targeting by further delineating the sulfidic rich zone which has already been identified by a ground magnetic survey and field exploration, including termite-mound soil analysis revealing gold content as high as 669 ppm. Structurally the target area is located within a shear/fault system.

Small-scale miners have been actively mining gold bearing veins in and around the Project area for months.

➤ Ugunja Gold Project, Lakeland District, Western Kenya

On April 27, 2011, African Queen announced that field work is underway on the ground in its Phase I exploration program at the Ugunja Gold Project in the Lakeland District, which encompasses approximately 625 square kilometres in the Busia, Siaya and Kakamega areas located north of the shores of Lake Victoria in Western Kenya.

The initial work presently being undertaken comprises principally stream and termite-mound soil-samples, together with mapping.

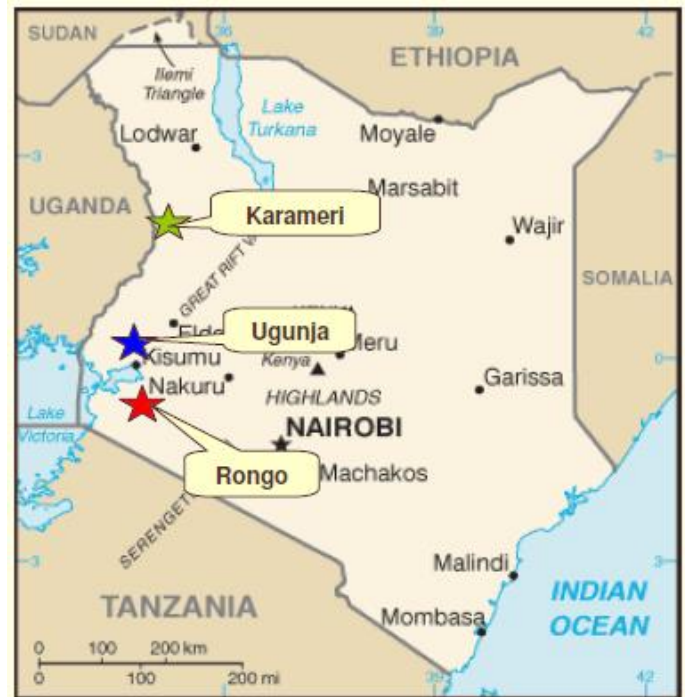
To date, more than 1,100 termite-mound soil samples have been elected as well as more than 150 stream samples from the licence area.

Sampling is ongoing. Mapping of the Samia Hills ironstones (containing isolated known gold occurrences) have been completed. All samples have been transported to Scientific Services Laboratories in Cape Town, South Africa for gold and base metal analysis.

This program is designed to identify potential targets for a later drill program to be carried out.

Ugunja has been the site of significant artisanal mining. The presence of massive sulphide lenses as well as gold in quartz veins and BIF horizons is anticipated.

Under the terms of Earn-In and its Joint Venture Agreement with Kenya Discovery Ltd., African Queen may earn up to an 85% interest in the Ugunja Project by funding prescribed optional stages from exploration to feasibility.



➤ Karameri Metals Project, Western Kenya

On June 21, 2011, African Queen announced that it has been granted Special Licence No.307 by the Commissioner of Mines and Geology. The licence grants full and extensive rights to prospect and explore for copper, gold, nickel and iron ore for an initial period of 2 years within an area of approximately 850 square kilometres known as Karameri in the West Pokot District in Western Kenya near the border with Uganda.

The Licence area is approximately 240 kilometres north of the city of Kisumu, where African Queen's operating subsidiary AQ Kenya Gold, maintains its principal base of operations and manages its joint ventures for the Rongo Gold Fields and Ugunja projects which are also in the region.

In the licence area numerous occurrences of copper, gold and iron ore have been observed as well as artisanal gold workings. It is largely underexplored, with the last known comprehensive exploration work having been conducted during the 1930s.

The nature and extent of the mineral occurrences suggesting a complex regional system may be at play with the potential to host economic mineralization.

The general association of gold, copper and iron ore is deemed to be significant and potentially suggests a mineralization model associated with iron-oxide-copper-gold (IOCG) enriched rocks which will be investigated through African Queen's upcoming exploration program on the Licence.

Part of the program will involve detailed mapping and dating of the rocks in order to put them within a proper tectono-stratigraphic context.

The Phase I exploration program for the licence area is presently being planned and will be commenced at receipt of all requisite work and environmental permits.

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.

Mark Lotz, CFO, Chartered Accountant, has 17 years of post-qualification experience, most of which has been in the minerals industry and minerals related securities business. He has held CFO and other senior financial positions with several well-known mining and exploration companies. Mr. Lotz has also served as a senior executive officer for two well-known Vancouver based securities firms. Prior to that, he served as a financial compliance officer for the Vancouver Stock Exchange, following four years as a Senior Auditor with Coopers and Lybrand, focusing on the mining and tax sectors.

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

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.

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.

Michael Kotoka, Senior Geologist and Country Manager for Ghana. On-Site Project Manager for the Noyem-Nyafoman Gold Project with more than 15 years experience, formerly with Newmont.

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. Dr. Moore 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 August 2011, African Queen closed a Cdn\$ 2.4 million non-brokered private placement by the issuance of 9.6 million units at Cdn\$ 0.25 per unit for total gross proceeds of Cdn\$ 2.4 million. Each unit consists of one common share of the Company and one-half of one share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Company at an exercise price of Cdn\$ 0.40 until August 8, 2013.

Investment recommendation:

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

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, where it completed a 5,000 metre diamond drilling from 2010 to 2011.

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.

Two new projects in Western Kenya are the Ugunja Gold Project with field work underway, and the Karameri Metals Project.

Core drilling programs on the Noyem project in Ghana will commence during the first quarter of 2012.

Having a well diversified portfolio of assets in Africa, in our view, at a current market capitalization of just Cdn\$ 9.5 million, and its planned exploration and drilling program fully funded, in our view, the shares of African Queen offer an attractive speculative leverage potential.

Our next price objective is Cdn\$ 0.40.