

Queenstake to raise \$10-million with Newmont Canada

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Ms. Wendy Yang reports

QUEENSTAKE ANNOUNCES \$10 MILLION PRIVATE PLACEMENT FROM NEWMONT

Queenstake Resources Ltd. has entered into an agreement with Newmont Canada Ltd. whereby Newmont will purchase 28.51 million Queenstake common shares at 41 cents per share for gross proceeds of \$10-million (U.S.) through an equity private placement.

As part of the private placement, Newmont will receive warrants that can be exercised to acquire up to 28.51 million common shares of Queenstake at a price of 55 for a four-year period, which would generate \$15.7-million in cash if exercised. After closing, Newmont will own approximately 4.9 per cent of Queenstake's basic common shares. If Newmont were to exercise all of its warrants and maintain its holdings of Queenstake's basic outstanding common shares, Newmont would hold approximately 8.5 per cent of Queenstake's fully diluted outstanding common shares. For a period of two years from closing, Newmont will have the right to participate in future equity offerings by Queenstake to preserve its fully diluted shareholding percentage and will have certain additional rights to participate in debt financings.

An affiliate of Newmont will also convey three of its Nevada exploration properties, including the Shwin Ranch project along the Cortez/Battle Mountain Trend, to Queenstake. In addition, another affiliate of Newmont will sell concentrates and ore from its Nevada operations to Queenstake for processing at its Jerritt Canyon roasting and milling facility in northeastern Nevada. The contract calls for the purchase of at least 500,000 tons per year over two years. Ore purchases with Newmont may continue for up to three more years if Queenstake has the spare processing capacity.

Dorian L. Nicol, president and chief executive officer of Queenstake, said: "We are leveraging the value of our Jerritt Canyon assets through this multifaceted strategic transaction with Newmont. This deal delivers four significant value enhancers for our shareholders -- processing and production optimization, exploration acceleration, financial flexibility and portfolio diversification. The alliance with the world's leading gold company reflects positively on our exploration and processing expertise and our prospective, 119-square-mile exploration land package."

The locations of the three Nevada early-stage exploration properties with respect to Jerritt Canyon are shown on the map on the company's website. A brief description of each property follows:

- Shwin Ranch -- located on the Cortez trend. The property has potential for sediment-hosted Carlin-style gold mineralization as well as skarn mineralization.

- Some drilling has been done on the property, but there are several recognized targets that remain undrilled together with the potential to generate additional targets;
- South Carlin -- located on the Carlin trend, between Newmont's Rain and Gold Quarry mines. The property hosts Carlin-style gold targets. Limited historical drilling has not fully tested these targets and there is also potential to generate additional targets; and
 - Baxter -- located on the north end of the Carlin trend, about 25 miles southwest of the Jerritt Canyon property boundary, six miles northwest of Barrick's Meikle mine and about a mile from Hecla Mining's Hollister project. Past drilling has only partially tested potential sediment-hosted Carlin type gold targets.

The properties are subject to a sliding scale net smelter royalty, dependent on the gold price, of 3 per cent to a maximum of 5 per cent if gold is at or above \$500 per ounce, with Newmont retaining the right to back into a 51-per-cent joint venture interest in each of the properties.

The purchase of Newmont's concentrates and ore for processing of at least 500,000 tons per year over two years will increase the Jerritt Canyon mill throughput to approximately 95 per cent of its past demonstrated capacity of approximately 1.5 million tons (1.4 million tonnes) per year. Queenstake had previously projected a steady-state mining and processing rate of approximately 900,000 tons annually under the redevelopment plan. This contract is expected to lower the company's cash operating costs by approximately \$15 to \$20 per ounce for production from Jerritt Canyon by reducing the fixed costs per ounce. It also will allow blending of Jerritt Canyon ore for improved efficiency.

The private placement, which remains subject to certain closing conditions, including regulatory approvals, is expected to close within about four weeks. Proceeds will be used to finance exploration and for other corporate uses.

Queenstake was advised in this transaction by Blackmont Capital Inc. and will pay advisory fees in connection with the transaction.

The securities referenced herein have not been and will not be registered under the United States Securities Act of 1933 and may not be offered or sold in the United States, unless an exemption from registration is available. After a contractual six-month holding period, the shares held by Newmont may be freely traded in Canada.

We seek Safe Harbor.