

HEEMSKIRK

Announcement



28 July 2010

Founders' Plan to end

For further information, please contact:

Peter Bird
Executive Director
Corporate and Markets

Heemskirk Consolidated Limited
ABN 18 106 720 138
Level 5
303 Collins Street
Melbourne Victoria 3000
Australia

Telephone: +61 3 9614 0666
Facsimile: +61 3 9614 4466
Email: hsk@heemskirk.com

This information is available on
our website at
www.heemskirk.com

Ross Herron
Acting Chairman



At the formation of Heemskirk Consolidated, the founders of the company, Messrs Robinson, Bird and Flook (*Founders*) canvassed both buy side and sell side specialists as to how to best align variable executive remuneration performance with company performance.

The resultant mechanism from the advice received was a Net Profit After Tax (NPAT) participation system whereby in its initial stage, 20% of NPAT (in excess of \$250,000 and up to a cumulative net profit of \$65 million) was to be distributed to Founders and this was to be applied in total to the payment of outstanding partly paid shares held by Founders (*Founders' Plan*).

The logic behind the initial stage was to facilitate the funds in relation to this mechanism to be reinvested back into Heemskirk by way of capitalisation. Subsequent to the initial stage, the NPAT distribution fell to a fixed rate of 10%.

The Heemskirk directors have given consideration to the Founders' Plan and the stage of evolution of the company. It has been decided to terminate the Founders' Plan and settlement terms have been agreed. This action has the full support of the Founders and the Heemskirk Board.

The outcome of the settlement has:

- No net effect on shareholders' equity; and
- No net after tax cash outflows by the company.

Documentation to bring effect to the agreed terms will be completed shortly. The settlement provides for all outstanding partly paid shares held by the Founders to be paid up on execution. A one off charge to the income statement of approximately \$3.2 million after tax will be taken during the current year.

There will be a subsequent cash payment to the Founders of approximately \$750,000 but after allowing for the tax benefits accruing to the company from the settlement, there are no adverse cash impacts on the company.

It has also been agreed that the Founders will be entitled to participate in the standard employee variable remuneration and Share Purchase Plan. The level of participation is at the discretion of the Board from time to time, following review by the Remuneration Committee.

The company is presently undertaking an off-market takeover bid for North Queensland Metals Limited. The company believes that it must continue to adjust and fine tune its business strategy, so that the strategy of aiming to deliver 100% of the Pajingo asset to shareholders can be achieved. This decision in relation to the Founders Plan is a very positive step in the execution of the company's value driven strategy.

A replacement Bidder's Statement in relation to the takeover for North Queensland Metals was sent to its shareholders on 26 July 2010. Upon finalisation of the documentation required to terminate the Founders' Plan, Heemskirk intends to make full disclosures to NQM shareholders by way of a supplementary Bidder's Statement.