

5 July 2010

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## Heemskirk Announces Recommended Takeover Offer for North Queensland Metals

### KEY POINTS

- ▶ **Recommended Offer at a significant premium of 56%, implying a value of 42<sup>1</sup> cents per NQM share**
- ▶ **Offer supported by NQM non-conflicted directors and major shareholder, Newmont**
- ▶ **Creates a larger, more attractive gold dominated company through the consolidation of the Pajingo Gold Mine**
- ▶ **100% ownership of the Pajingo Gold Mine provides for significant synergistic benefits**
- ▶ **Creates a combined entity with an attractive financial position and strong sustainable cash flows**

Heemskirk Consolidated Limited (ASX:HSK) (*Heemskirk*) and North Queensland Metals Limited (ASX:NQM) (*NQM*) are pleased to announce Heemskirk's intention to acquire 100% of the issued ordinary shares of North Queensland Metals (*NQM Shares*) through a recommended, off-market takeover bid for NQM (*Heemskirk Offer*).

The Heemskirk Offer values NQM at 42<sup>1</sup> cents per NQM Share, a premium of 56% to the last closing price of NQM on 2 July 2010, being the last trading day prior to the date of this announcement. The Heemskirk Offer accordingly values the equity of NQM at approximately \$84 million.

### **NQM directors & major shareholder Newmont support the Heemskirk Offer**

The Heemskirk Offer is unanimously recommended by all non-conflicted NQM directors. Donald Walker and Bruce Kay are unable to make any recommendation because of a conflict of interest. In the absence of a superior competing proposal, each non-conflicted NQM director intends to accept the Heemskirk Offer in respect of their own shareholdings. Importantly, those non-conflicted directors recognise and support the Heemskirk Offer as being superior to the takeover bid currently being put forward by Conquest Mining Limited (Conquest Offer).

NQM's second largest shareholder, Newmont Capital Pty Ltd (with a 7.58% shareholding), has demonstrated its support for the Heemskirk Offer by entering into an Option and Pre-Bid Acceptance Deed with Heemskirk on 5 July 2010.

Donald Walker has entered into a pre-bid acceptance agreement with Conquest Mining Limited in respect of 19.9% of NQM Shares. The terms of this agreement were provided to ASX on 3 June 2010. Mr Walker's obligations under the pre-bid acceptance agreement will cease if Conquest Mining Limited does not increase its offer to match the value of the Heemskirk Offer within a specified period.

### **Terms of the Offer**

Under the Heemskirk Offer, NQM shareholders will receive 1.2 Heemskirk ordinary shares for each NQM Share. Based on the closing price of \$0.35 per Heemskirk Share on 2 July 2010, being the last trading day prior to the date of this announcement, this implies a value of 42<sup>1</sup> cents per NQM Share.

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<sup>1</sup> Based on a Heemskirk closing price of \$0.35 per share as at 2 July 2010.

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If Heemskirk acquires all of the NQM shares under the Offer, former NQM shareholders will own 60.4%<sup>2</sup> of the combined entity. The Offer is subject to a Takeover Bid Implementation Agreement entered into by Heemskirk and NQM on 5 July 2010 and will be conditional on Heemskirk obtaining a relevant interest in at least 90% of NQM shares and on certain other conditions being fulfilled. A summary of the terms of the Takeover Bid Implementation Agreement and the conditions of the Offer is provided in Appendix A.

### Transaction Highlights

Managing Director of Heemskirk, Mr Kevin Robinson, said: "Our offer provides NQM shareholders with a very attractive takeover premium, and more importantly provides the benefits of ongoing ownership in a larger resources company with exciting gold projects, and exposure to other metals."

Chairman of NQM, Mr Neville Thomas, said: "Heemskirk understands the value of the Pajingo gold project and its offer clearly reflects that. Our shareholders are being properly rewarded for their patience and will continue to benefit from the growth of Pajingo, and the future possible development of Twin Hills."

The Heemskirk Offer provides NQM shareholders with:

➤ **Superior value**

- ✓ an 87% premium to the closing price of NQM shares on 2 June 2010 of \$0.225, being the last trading day prior to the announcement of the Conquest Offer;
- ✓ a 56% premium to the closing price of NQM shares of \$0.27 on 2 July 2010, being the last trading day prior to the date of this announcement;
- ✓ a 54% premium to the implied value of the Conquest Offer of \$0.273 on 2 July 2010, being the last trading day prior to the date of this announcement; and
- ✓ a substantial premium to the 1 month and 3 month volume weighted average prices of NQM shares up to and including 2 July 2010.

➤ **Superior leverage to the Pajingo Gold Mine (*Pajingo*)**

- ✓ Subject to Heemskirk acquiring 100% of NQM Shares, NQM shareholders' attributable interest in Pajingo, being NQM's primary mining operation, will actually increase to 60.4%<sup>2</sup>. At present, Heemskirk and NQM respectively hold 40% and 60% interests in Pajingo.
- ✓ By comparison, should the Conquest Offer succeed, NQM Shareholders' attributable interest in Pajingo would reduce to approximately 12%<sup>3</sup>.
- ✓ Acceptance of the Conquest Offer will also expose NQM Shareholders to the undeveloped Mt Carlton mining project, which is likely to require significant capital expenditure should it be developed.

➤ **A superior company. The combination of Heemskirk and NQM will:**

- ✓ create a unified, gold-dominated vehicle with 100% ownership of Pajingo;
- ✓ have strong operating cash flow combined with a substantial position in cash and liquid investments exceeding \$20m;
- ✓ potentially increase share liquidity and, in turn, provide greater access to capital markets; and

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<sup>2</sup> Assumes the issue of 239.5 Heemskirk shares under the Offer, along with the conversion of all Heemskirk's partly paid shares into fully paid ordinary Heemskirk shares and the conversion of all NQM options into Heemskirk shares based on the Offer ratio.

<sup>3</sup> Assumes conversion of all Conquest options into Conquest shares and the conversion of all NQM Options, as a result of the completion of the Conquest Offer, into Conquest Shares based on the Conquest Offer ratio.

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- ✓ diversify asset risks with the combined entity having two additional fully owned operating businesses in tungsten and industrial minerals.

### **Greater synergy in operating Pajingo**

The successful acquisition of NQM by Heemskirk allows for the removal of the many inefficiencies of the present Pajingo joint venture, namely:

- the duplication of corporate structures, the removal of which will deliver substantial cost savings to the combined entity;
- the voting structure where at present all budgeted and non-budgeted expenditure must be unanimously approved by joint venture participants (with no dilution mechanism should parties not agree);
- the change of control provisions which provide for operational management to transfer from NQM to Heemskirk should certain changes occur to the management team and directors of the subsidiary that holds NQM's interest in Pajingo; and
- the pre-emptive rights relating to the sale of a joint venture participant's interest.

The removal of these inefficiencies will allow the market to better value the combined entity with the full strategic value of having 100% ownership of Pajingo in one vehicle.

### **Board and Management**

It is intended that the consolidated Company will continue to be led by Mr Bruce Kay as Chairman and Mr Kevin Robinson as Managing Director.

In addition, upon completion of the Offer, two directors from the NQM board will join the Heemskirk Board as non-executive Directors, being Neville Thomas, the chairman of NQM, and Michael Tilley.

Once consolidated, it is intended that the Board will be further restructured to better reflect the requirements of the enlarged company and will review the business, strategy and organisation structure of the combined entity and make any changes that it considers to be appropriate.

In accordance with Heemskirk's and NQM's corporate governance policies, and to avoid any conflict arising from Mr Bruce Kay's directorships of both NQM and Heemskirk, Mr Bruce Kay has been excluded from Heemskirk and NQM board meetings pertaining to the Offer. This approach will remain for the duration of the Offer during which time Mr Bruce Kay will step down as Chairman of Heemskirk. Mr Ross Herron will be acting Chairman of Heemskirk during the Offer period.

### **Timetable**

The present intention is to lodge the Bidder's Statement in relation to the Heemskirk Offer with ASIC on or around 7 July 2010. The Heemskirk Offer is anticipated to open for acceptance on or around 22 July 2010. In accordance with the Corporations Act, NQM's Target's Statement in respect of the Heemskirk Offer will include a report from an independent expert indicating whether the expert considers the Heemskirk Offer to be fair and reasonable to NQM shareholders.

### **Advisors**

Heemskirk is being advised in relation to the Heemskirk Offer by Gryphon Partners as its corporate advisors and TressCox Lawyers as its legal advisors.

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NQM is being advised in relation by Neuchatel Partners and Terrain Capital as its corporate advisors and McCullough Robertson as its legal advisors.

**Teleconference**

A teleconference hosted by Heemskirk's Managing Director, Mr Kevin Robinson regarding the Heemskirk Offer will be held on 5 July 2010 at 11.00am.

Dial in details can be found in Appendix B.

For further information, please contact:

<b>Heemskirk Contacts</b>	
Peter Bird Executive Director Corporate & Markets - Heemskirk Tel: +61 3 9614 0666	
<b>North Queensland Metals Contacts</b>	
Jon Lorraine Neuchatel Partners Tel: +61 419 643 200.	Michael Ramsden Terrain Capital M : +61 419 564 975
<b>North Queensland Metals Media Contacts</b>	
Peter Brookes – Citadel Tel: +61 2 9290 3033 M: +61 407 911 389	

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## **Appendix A – Summary of the Takeover Bid Implementation Agreement**

The following is a summary of the key terms of the Takeover Bid Implementation Agreement between HSK and NQM under which the parties have agreed to co-operate in relation to the Offer.

### **EXCLUSIVITY**

During the period from the date of the Takeover Bid Implementation Agreement until its termination, NQM has undertaken to:

- a) **No-shop** – ensure that neither it nor any of its representatives take any actions with a view to obtaining any expression of interest or proposal from any person in relation to a Competing Proposal;
- b) **No-due diligence** – not permit due diligence investigations on it or any of its subsidiaries, or make available to any other person any information relating to it or any of its subsidiaries or any Competing Proposal, unless otherwise agreed with HSK;
- c) **No-talk** – ensure that neither it nor any of its representatives negotiates or enters into any negotiations or discussions with any person regarding a Competing Proposal or respond to any Competing Proposal (whether or not it was solicited);
- d) **Notification** – notify HSK of the fact and details of any approach, discussion, expression of interest, proposal or similar in relation to a Competing Proposal or potential Competing Proposal; or any determination by NQM that a Competing Proposal is a Superior Proposal, as soon as practicable, and no later than 1 Business Day after such event.

Carve out for Superior Proposal - Despite the restrictions in (b) and (c) above, NQM may enter into discussions or negotiations and provide due diligence material in response to any unsolicited Competing Proposal made after the date of the Takeover Bid Implementation Agreement which, following receipt of written advice from its financial adviser, it reasonably considers could lead to a Superior Proposal.

### **TERMINATION RIGHTS**

Either party may terminate the Takeover Bid Implementation Agreement if:

- a) the other party remains in material breach of the Takeover Bid Implementation Agreement for at least 10 Business Days after notice has been given by the party not in breach;
- b) the Offer closes without becoming unconditional or HSK withdraws the Offer; or
- c) there is a Superior Proposal.

### **BREAK FEE**

#### **Break fee payable to NQM**

HSK must pay NQM a break fee equal to NQM's costs and expenses incurred in connection with the negotiation, preparation, execution and implementation of the Offer up to a maximum of \$50,000 plus GST, if HSK:

- a) does not announce or make the Offer for any reason other than a superior proposal being made to NQM, or the occurrence of something that would prevent a Defeating Condition being able to be satisfied; or

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- b) undertakes any transaction that would have or be likely to have a material adverse impact on the likelihood of the successful completion of the Offer, or does anything that would have or be likely to have the effect of giving rise to any determination or ruling from a Regulatory Agency which would have an adverse impact on the successful completion of the Offer, with the result that a Defeating Condition cannot be satisfied and HSK does not waive the Defeating Condition.

#### **Break fee payable to HSK**

NQM must pay HSK a break fee equalling 1% of the market capitalisation of NQM implied by the Offer as at the date of this announcement (referred to as 'HSK Break Fee') if at any time after the announcement date:

- a) the maker of the Competing Proposal acquires a relevant interest in more than 40% of the NQM Shares and has satisfied any minimum acceptance condition to which the Competing Proposal is subject or the Competing Proposal otherwise becomes unconditional;
- b) any third party who does not have a relevant interest in 20% or more of NQM Shares acquires a relevant interest in more than 20% of NQM Shares other than through a takeover bid or other proposal approved by NQM Shareholders;
- c) any Voting Director fails to make, change or otherwise withdraws their recommendation that NQM Shareholders should accept the Offer;
- d) any Voting Director recommends a competing proposal or offer by a third party to acquire NQM Shares or a material part of NQM's business;
- e) NQM breaches any of its material obligations under the Takeover Bid Implementation Agreement and, to the extent that breach is capable of remedy, is not remedied in accordance with the Takeover Bid Implementation Agreement; or
- f) NQM takes any action that causes any of the Defeating Conditions in clauses (b), (d) or (e) below to be breached.

#### **CONDITIONS OF THE OFFER**

The Offer will be subject to the fulfilment of the following conditions.

**a) Minimum acceptance condition**

At the end of the Offer Period, Heemskirk and its Associates have a relevant interest in at least 90% (by number) of NQM Shares on issue.

**b) No prescribed occurrences**

None of the following events happen during the Condition Period:

- i) NQM converts all or any of its shares into a larger or smaller number of shares;
- ii) NQM or any subsidiary of NQM resolves to reduce its share capital in any way;
- iii) NQM or any subsidiary of NQM:
  - A. enters into a buy back agreement in relation to its shares; or
  - B. resolves to approve the terms of a buy back agreement of its shares;
- iv) NQM or any subsidiary of NQM issues shares or grants an Option over its shares or agrees to make such an issue or grant such an Option;

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- v) NQM or any subsidiary of NQM issues, or agrees to issue, convertible notes;
- vi) NQM or any subsidiary of NQM disposes or agrees to dispose, of the whole, or a substantial part, of its business or property;
- vii) NQM or any subsidiary of NQM charges, or agrees to charge, the whole, or a substantial part, of its business or property;
- viii) NQM or any subsidiary of NQM resolves to be wound up;
- ix) a liquidator or provisional liquidator of NQM or a subsidiary is appointed;
- x) a court makes an order for the winding up of NQM or any subsidiary of NQM;
- xi) an administrator of NQM or a subsidiary of NQM is appointed under section 436A, 436B or 436C of the Corporations Act;
- xii) NQM or a subsidiary of NQM executes a deed of company arrangement; and
- xiii) a receiver, or a receiver and manager, is appointed in relation to the whole, or a substantial part, of the property of NQM or a subsidiary of NQM.

**c) No action by Regulatory Agency materially adversely affecting the Offer**

That during the Condition Period:

- i) there is not any preliminary or final decision, order or decree issued by a Regulatory Agency;
- ii) no action or investigation is instituted, or threatened by any Regulatory Agency; or
- iii) no application is made to any Regulatory Agency,

(other than an application by Heemskirk or any Associate of Heemskirk, an application under section 657G of the Corporations Act, or an application commenced by a person specified in section 659B(1) of the Corporations Act in relation to the Offer), in consequence of, or in connection with, the Offer which restrains or prohibits or threatens to restrain or prohibit, or may otherwise materially adversely impact upon, the making of the Offer or the completion of any transaction contemplated by the Bidder's Statement for the Offer.

**d) No material acquisitions, disposals or new commitments**

None of the following events occurs during the Condition Period:

- i) NQM, or any of its subsidiaries acquires, offers to acquire, agrees to acquire or announces a bid or tenders for, one or more companies, businesses or assets (or any legal, beneficial or economic interest or right in one or more companies, businesses or assets) with a value of more than \$2,000,000, or makes an announcement in relation to such an acquisition, offer, agreement, bid or tender;
- ii) NQM, or any of its subsidiaries, disposes of, offers to dispose of, or agrees to dispose of one or more companies, businesses or assets or any legal, beneficial or economic interest or right in any one or more companies, businesses or assets with a value of more than \$1,000,000;
- iii) NQM, or any of its subsidiaries, enters into, or offers to enter into, any agreement, joint venture, partnership, management agreement, arrangement or commitment which would require expenditure, or the foregoing of revenue, by NQM and/or its subsidiaries of an amount or value which is, in aggregate, more than \$2,000,000, other than in the ordinary course of business;
- iv) NQM, or any of its subsidiaries, enters into, or offers to enter into, a transaction that has the same economic effect as any of the things in clauses (i) to (iii); or
- v) NQM resolves to do any of the things in clauses (i) to (iv).

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This condition does not apply to any transaction or arrangement or proposed transaction or arrangement publicly announced by NQM before the date of this announcement.

**e) No dividends**

That during the Condition Period, NQM does not declare, or distribute any dividend, bonus or other share of its profit or assets.

**f) Non-existence of certain rights**

That no person has any right (whether subject to conditions or not) as a result of Heemskirk acquiring NQM Shares to:

- i) acquire, or require NQM or a material subsidiary of NQM to dispose of, or offer to dispose of, any material asset of NQM or a material subsidiary of NQM; or
- ii) terminate or vary or exercise any right under any material agreement with NQM or a material subsidiary of NQM.

**g) No Material Adverse Change**

That during the Condition Period, no change or event occurs, is discovered or becomes public which has or could reasonably be expected to have a Material Adverse Change on the assets, liabilities, or financial position of the NQM group taken as a whole.

## DEFINITIONS

In this Appendix:

- a) **Associate** has the same meaning given to it in the Corporations Act for the purposes of Chapter 6 of the Corporations Act.
- b) **Business Day** means a day that is not a Saturday, Sunday, public holiday or bank holiday in Melbourne, Victoria.
- c) **Competing Proposal** means a proposal for a takeover bid, scheme of arrangement or other corporate transaction involving NQM or NQM Shares that would compete with the Offer or mean that one or more Defeating Conditions would not be fulfilled;
- d) **Condition Period** means the period beginning on the date of this announcement and ending at the end of the Offer Period.
- e) **Defeating Conditions** means the conditions set out below.
- f) **Material Adverse Change** means, in relation to any event or series of events, that the event alone or events in aggregate would or would be likely to impact (directly or indirectly) upon the financial position of NQM by an amount equal to or greater than 10% of the consolidated net assets of NQM as at 30 June 2009.
- g) **NQM Share** means a fully paid ordinary share in NQM.
- h) **NQM Shareholder** means each registered holder of NQM Shares.
- i) **Offer** means the offer by HSK to all NQM Shareholders, by way of a takeover bid for all of the issued NQM Shares, pursuant to Chapter 6 of the Corporations Act 2001.

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- j) **Offer Period** means the period during which the Offer will remain open for acceptance as specified in the Bidder's Statement.
- k) **Regulatory Agency** means a government or governmental, semi-governmental, administrative, fiscal or judicial body, department, commission, authority, tribunal, agency or entity whether foreign, federal, state, territorial or local and for these purposes shall include the ASX and ASIC.
- l) **Superior Proposal** means a Competing Proposal that:
- i. is actually proposed or offered;
  - ii. is not subject to financing;
  - iii. in the determination of the NQM board, acting reasonably and in good faith (after having taken advice from its financial advisers):
    1. would be likely to be completed substantially in accordance with its terms; and
    2. would result in a transaction more favourable to NQM Shareholders than the Offer if completion occurred (taking into account the terms and conditions of the Competing Proposal); and
  - iv. that determination has been communicated by notice in writing to Heemskirk and Heemskirk has not matched or bettered the Competing Proposal within 3 Business Days of receipt of such notice;
- m) **Takeover Bid Implementation Agreement** means the agreement executed by HSK and NQM in relation to the Offer.
- n) **Voting Director** means a director of NQM other than Bruce Kay and Donald Walker.

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## Appendix B – Conference Call Details

### A. HEEMSKIRK CONFERENCE CALL DETAILS

#### Details

Scheduled time: **11.00am, Monday 5 July 2010**  
**Please dial your Dial-In number 10 minutes before scheduled call time.**

Title: **Heemskirk Takeover Offer of North Queensland Metals**

#### DIAL IN NUMBERS

Australia	<b>1800 064 347</b>
United Kingdom*	<b>0800 032 4417</b>
New Zealand	<b>0800 441 278</b>
Singapore	<b>800 616 1919</b>
Japan	<b>0034 800 400 541</b>
Hong Kong	<b>800 968 665</b>
USA^	<b>1866 830 1117</b>
<b>Other countries</b>	
International	<b>+61 3 8660 4944</b>
Metered	

\* includes only England, Scotland, Wales, Guernsey, Jersey and Northern Ireland (not Rep. of Ireland)

^ this number not available to all carriers in the United States. If the number cannot be accessed, use the international metered number

#### Instructions:

- A conference administrator will greet you and note your name and telephone number. You may be asked to test your telephone to ensure that you will be able to register questions. You then will be placed on hold music until the conference is due to commence.
- At the start of the conference your line will be taken off hold music and you will be placed in Listen Only mode.
- If at any time during the nominated question time you wish to ask a question or make a comment press (\*1) to register your question. If you decide to cancel your question at any time, press (\*2). All parties on the conference will hear your questions and the answers. When you have finished asking your questions and received answers, you will be placed back on *Listen Only* mode.
- If you are disconnected for any reason during the conference, redial your Dial-In number.
- At the end of the conference the presenter will inform you that the conference has concluded.