

HEEMSKIRK

Announcement



12 July 2010

Response to Conquest's Revised Offer for North Queensland Metals

KEY POINTS

- ▶ Heemskirk believes the existing Recommended Heemskirk Offer remains superior to the revised Conquest Offer
- ▶ The non-conflicted directors of NQM continue to recommend the superior Heemskirk Offer
- ▶ The Heemskirk Offer continues to represent the only opportunity to consolidate 100% of Pajingo, creating a gold dominated company
- ▶ The Heemskirk Offer represents a premium of more than 18% to the revised Conquest Offer
- ▶ NQM has advised its shareholders to REJECT the Conquest Offer

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Heemskirk Consolidated Limited (*Heemskirk*) notes the revised Offer announced on Friday for North Queensland Metals Limited (*NQM*) by Conquest Mining Limited (*Non-Recommended Conquest Offer*).

Heemskirk wishes to reiterate the significant advantages of the existing Recommended Heemskirk Offer over the Non-Recommended Conquest Offer:

- ✓ **The Heemskirk Offer is higher:** The Heemskirk Offer, at an implied value of \$0.372¹ per NQM share, represents a premium of more than 18% to the Non-Recommended Conquest Offer, which has an implied value of \$0.315² per NQM share. *The Non-Recommended Conquest Offer is lower.*
- ✓ **The Heemskirk Offer consolidates 100% of Pajingo, creating a gold dominated company:** The Heemskirk Offer represents the only proposal before NQM shareholders which is capable of consolidating 100% ownership of Pajingo in one Company. The non-conflicted directors of Heemskirk consider that this provides a very attractive opportunity to unlock significant synergistic and strategic value. *The Non-Recommended Conquest Offer does not provide this substantial benefit.*
- ✓ **The Heemskirk Offer allows NQM shareholders to maintain their Pajingo exposure:** The Heemskirk Offer is an all share offer, which allows NQM shareholders to maintain exposure to Pajingo, the value that will be unlocked through its consolidation and any subsequent re-rating. *By comparison, the Non-Recommended Conquest Offer dilutes NQM shareholders effective interest in Pajingo to approximately 12%.*
- ✓ **The Heemskirk Offer is Recommended by NQM:** The non-conflicted directors of NQM continue to unanimously recommend the Heemskirk Offer, in preference to the Non-Recommended Conquest Offer. *The non-conflicted directors of NQM have recommended that NQM shareholders REJECT the Non-Recommended Conquest Offer.*

¹ Based on the last closing price for Heemskirk to 9 July 2010.

² Based on the last closing price for Conquest to 9 July 2010.



- ✓ **The Heemskirk Offer is supported by major gold producer, Newmont:** Newmont is one of the world's largest gold producers, and former owner of the Pajingo Gold Mine. With its knowledge of Pajingo and the gold industry in general, Newmont has agreed to accept into the Heemskirk Offer in the absence of a superior proposal, through its subsidiary Newmont Capital Pty Ltd.

In response to Conquest's comments in respect of the Heemskirk Offer, Heemskirk wishes to make the following points:

- Following the acquisition of 100% of NQM by Heemskirk, the Combined Entity will have cash and liquid investments in excess of \$20m and total annualised operating cash flow from Pajingo of over \$36m, based on the quarter to March 2010. **Heemskirk considers that the combined entity would be in a strong position to redeem or refinance the convertible notes. In contrast, Conquest's undeveloped Mt Carlton asset requires significant capital expenditure well in excess of either Heemskirk's convertible note liability or Conquest's cash balance.**
- In respect of Heemskirk's other operating assets, Heemskirk does not consider these unproven. Specifically, the Canadian industrial minerals operation has two main operating sites with a long operating record, including the Lethbridge plant facility which has been operating for over 60 years, and the Moberly silica operation has run for in excess of 25 years. In addition, the Los Santos Tungsten operation has recommenced concentrate shipments following the successful completion of plant modifications.
- Despite Mr Don Walker's acceptance into the Non-Recommended Conquest Offer, the Heemskirk Offer remains capable of being satisfied as the Non-Recommended Conquest Offer continues to be conditional. Given the Heemskirk Offer is superior and recommended by NQM, Heemskirk consider that the Non-Recommended Conquest Offer may not achieve acceptances of more than 50%, being the level at which Conquest have indicated an intention to go unconditional. Separately, Heemskirk has the ability to vary the acceptance condition of the Heemskirk Offer at its discretion.

Heemskirk lodged its Bidder's Statement with ASIC on Thursday 8 July 2010, and in accordance with the Corporations Act, has also provided the document to NQM. The Heemskirk Bidder's Statement outlines in further detail the merits and compelling rationale of the Heemskirk Offer. NQM Shareholders wishing to view the document can access it online at www.asx.com.au.

With the lodgement of the Bidder's Statement, Heemskirk remains committed to advancing its offer in a timely manner, with an anticipated opening date on or around 22 July 2010. For the reasons outlined above, the non-conflicted directors of Heemskirk consider the Heemskirk Offer to be substantially superior to the Non-Recommended Conquest Offer, and urge NQM shareholders to accept the Recommended Heemskirk Offer upon opening.