



27 July 2010

The Manager,
Company Announcements Office,
Australian Securities Exchange,
Sydney

By electronic lodgement

Dear Sir / Madam

**Takeover Bid by Conquest Mining Limited ("Conquest") in
relation to North Queensland Metals Limited**

In accordance with section 647(3) of the *Corporations Act 2001* (Cth), attached on behalf of Conquest is a Third Supplementary Bidder's Statement dated 27 July 2010. It supplements the replacement Bidder's Statement dated (and lodged with ASIC on) 29 June 2010 and the Second Supplementary Bidder's Statement dated (and lodged with ASIC on) 15 July 2010.

The Third Supplementary Bidder's Statement incorporates a notice of variation pursuant to section 650D(1) of the *Corporations Act* to extend the offer period in relation to the takeover bid.

Yours faithfully

Aaron Collieran

Company Secretary

5 REASONS TO **ACCEPT** **CONQUEST'S OFFER** AND REJECT HEEMSKIRK'S OFFER

Conquest Mining Limited ("**Conquest**") has made an offer to purchase all of your shares in North Queensland Metals Limited ("**NQM**") – Conquest is offering you 0.5 Conquest shares and \$0.15 cash for every 1 of your NQM shares. Heemskirk Consolidated Limited ("**Heemskirk**") has made a competing offer for your NQM shares – Heemskirk is offering you 1.2 Heemskirk shares for every 1 of your NQM shares.

1. **Heemskirk is only offering Heemskirk shares, whereas Conquest's offer has a \$0.15 per share cash component.**
2. **The financial positions of Heemskirk and Conquest are quite different. Conquest currently has \$56.1 million cash and no debt, and even after acquiring NQM the combined group would still have \$39.6 million in available cash. Heemskirk currently has \$4.1 million in available cash and is required to repay \$29.1 million in April 2011 upon the maturity of convertible notes that it has issued. It is not clear how Heemskirk will fund the repayment of this debt.**
3. **Heemskirk is a much smaller company than NQM, so that its offer is a reverse takeover bid for NQM. Heemskirk would need to issue approximately 150% of its existing issued share capital to acquire all of NQM. NQM shareholders should give very careful consideration as to how Heemskirk shares would trade following an issue of that size.**
4. **Heemskirk has a profit sharing arrangement with 3 of its executives under which the first 20% of Heemskirk's annual net profit after tax (in excess of \$250,000) is payable not to shareholders but to those executives.**
5. **Heemskirk's offer is subject to a 90% minimum acceptance condition that, as things currently stand, cannot be met because NQM's largest shareholder (20.9% holding) has already accepted Conquest's offer. In contrast, Conquest has agreed to declare its offer unconditional if it obtains more than 50% of NQM or a majority of the board of NQM.**

Note: This document should be read subject to, and in conjunction with, the enclosed Third Supplementary Bidder's Statement issued by Conquest.

This document is a Supplementary Bidder's Statement dated 27 July 2010 under section 643 of the Corporations Act 2001 (Cth) (the "**Corporations Act**"). It incorporates notices under sections 630(2) and 650D of the Corporations Act. This is the third supplementary Bidder's Statement issued by Conquest Mining Limited ("**Conquest Mining**") in relation to its takeover offer for all the shares in North Queensland Metals Limited ("**North Queensland Metals**") (the "**Offer**"). This Supplementary Bidder's Statement supplements, and should be read together with, the replacement Bidder's Statement dated 29 June 2010 (which reflects the original Bidder's Statement dated 11 June 2010 as amended by the first Supplementary Bidder's Statement dated 29 June 2010) and the Second Supplementary Bidder's Statement dated 15 July 2010 (collectively, the "**Bidder's Statement**"). This Supplementary Bidder's Statement will prevail to the extent of any inconsistency with the Bidder's Statement. A copy of this Supplementary Bidder's Statement was lodged with ASIC on 27 July 2010. Neither ASIC nor any of its officers take any responsibility for the contents of this Supplementary Bidder's Statement. This Supplementary Bidder's Statement has been approved by a unanimous resolution passed by the directors of Conquest Mining. Words and phrases defined in the Bidder's Statement have the same meaning in this Supplementary Bidder's Statement unless the context requires otherwise.

Dear North Queensland Metals Shareholder,

Conquest Mining takeover offer to purchase your shares in North Queensland Metals Limited

We last wrote to you on 15 July 2010 to advise that Conquest Mining had increased its Offer to purchase your North Queensland Metals Shares. As a result of the increase, if you accept the Offer you will receive 0.5 Conquest Mining Shares and \$0.15 for each of your North Queensland Metals Shares.¹

As stated in our letter of 15 July 2010, Conquest Mining will declare its Offer to be unconditional if either:

- Conquest obtains a relevant interest in more than 50% of the North Queensland Metals Shares (eg. if Conquest Mining obtains acceptances in respect of more than 50% of the North Queensland Metals Shares); or
- the Board of North Queensland Metals is reconstituted so that at least a majority of that Board comprises nominees appointed by Conquest Mining.

Details on how to accept the Offer are set out in the Bidder's Statement. You may use the Acceptance Form enclosed with this letter or one of the Acceptance Forms previously sent to you. Conquest Mining encourages you to accept the Offer as soon as possible. As at 26 July 2010, acceptances have been received in respect of 21.26% of the North Queensland Metals Shares.

The purpose of this letter is to update you on various matters relating to the Offer.

1. Extension of Offer Period

Conquest Mining has decided to extend the Offer Period by 4 weeks so that the Offer will now remain open for acceptance until 7.00pm (Sydney time) on 3 September 2010 (unless extended further in accordance with the Corporations Act).

¹ This is subject to the Offer becoming or being declared unconditional, and to the other terms of the Offer.

Annexure A of this document contains a notice of variation of the Offer under section 650D of the Corporations Act to extend the Offer Period, and also a notice under section 630(2) of the Corporations Act relating to the Offer conditions.

2. Competing takeover offer by Heemskirk

You may be aware that a company called Heemskirk Consolidated Limited ("**Heemskirk**") has also made an offer to purchase your North Queensland Metals Shares (the "**Heemskirk Offer**"). You may have recently received from Heemskirk a bidder's statement in relation to that offer. The Heemskirk Offer is subject to a 90% minimum acceptance condition and to various other conditions.

Conquest believes its Offer provides North Queensland Metals Shareholders with a more attractive investment proposition than the Heemskirk Offer. The reasons for this include:

- **(Heemskirk Offer has no cash component)** The Heemskirk Offer consists entirely of Heemskirk shares and has no cash component, whereas the Conquest Offer has a \$0.15 per share cash component. The trading price of Heemskirk shares has fallen substantially since the Heemskirk Offer was announced on 5 July 2010 (see below).
- **(Heemskirk has a \$29.1 million debt due for repayment in April 2011)** The financial positions of Heemskirk and Conquest are quite different. Conquest currently has \$56.1 million cash and no debt, and even after acquiring NQM the combined group would still have \$39.6 million in available cash. Heemskirk currently has \$4.1 million of available cash and is required to repay \$29.1 million in April 2011 upon the maturity of convertible notes that it has issued. If you accept the Heemskirk Offer and as a result receive Heemskirk shares, you will be indirectly exposed to Heemskirk's liability to repay this \$29.1 million debt. It is not clear how Heemskirk will fund this debt repayment obligation. You should take careful note of the following statements in the Heemskirk bidder's statement (in section 6.4.1, in the "risk factors" section):

"HSK is currently exploring a number of alternatives to provide for the redemption or conversion of the HSK Convertible Notes. Should HSK not be able to successfully secure any of the alternatives currently being considered within the time required, it may be necessary for HSK to pursue asset sales or discounted equity issuances to provide the necessary funding.

Separately, should HSK acquire a majority holding in NQM Shares but not 100% holding, the Combined Entity will not have the full benefit of NQM's cash balance or cash flows. As such, Combined Entity's ability to redeem or convert the HSK Convertible Notes from internal sources will be negatively impacted.

In the event that HSK is unable to redeem or convert the HSK Convertible Notes and such default not being remedied, HSK Convertible Noteholders have the right to commence winding-up proceedings."

- **(Heemskirk Offer is a reverse takeover bid)** Heemskirk is a much smaller company than NQM – as a result, the Heemskirk Offer is a reverse takeover bid for NQM. Heemskirk would need to issue approximately 150% of its existing issued share capital to acquire all of NQM. This would be a substantial issue of shares.

NQM shareholders should give very careful consideration as to how Heemskirk shares would trade following an issue of that size.

- **(Profit sharing arrangements with executives)** Heemskirk has an executive incentive scheme, known as a Founders' Plan, which requires that 20% of Heemskirk's Net Profit after Tax ("**NPAT**") in excess of \$250,000 each financial period will be paid in cash as a distribution to Heemskirk executives, Kevin Robinson (52.9%); Peter Bird (35.3%); and Mark Flook (11.8%). This type of profit sharing arrangement between shareholders and executives is highly unusual in ASX-listed companies.
- **(Major shareholder has accepted Conquest Mining's Offer)** North Queensland Metals' founder, director and major shareholder, Mr Donald Walker, has accepted the Offer in respect of his entire holding of North Queensland Metals Shares, which represents 20.9% of all the North Queensland Metals Shares in issue. As a result, the 90% minimum acceptance condition in Heemskirk's offer cannot be satisfied except in certain limited circumstances². In contrast, Conquest has agreed to declare its offer unconditional if it obtains more than 50% of NQM or a majority of the board of NQM.

In addition, you should note that Mr Walker recommends that you accept Conquest Mining's Offer, in the absence of a superior offer. The reasons for that recommendation are set out in the Target's Statement in response to Conquest Mining's Offer, which you should have recently received from North Queensland Metals.

3. Update on Conquest Mining's operations

Concentrate offtake arrangements

The Bidder's Statement contained disclosure on the status of engagement with potential offtake parties in relation to production from the company's Mt Carlton project in North Queensland (see page 18 under the heading "Concentrate offtake arrangements").

On 20 July 2010, Conquest Mining released to the ASX an announcement updating the market on the status of that engagement. The key aspects of the announcement, insofar as the announcement updates the disclosure in the Bidder's Statement, are as follows.

- The Bidder's Statement disclosed that 2 of the 6 short-listed potential offtake parties had scheduled due diligence visits to China. Those visits have been undertaken.
- Conquest Mining has received letters from each of those 2 companies formally expressing an interest in separately securing 100% of the concentrate expected to be produced from the Mt Carlton project. The expressions of interest are non-binding and any formal offtake agreement will be subject to further mutual due diligence investigations and agreement on commercial terms.

² If Conquest's Offer lapses or is withdrawn; or if Conquest decided to accept into the Heemskirk offer; or if Mr Walker became entitled to withdraw his acceptance under section 650E of the Corporations Act if Conquest extended the period of its Offer by more than one month.

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- The communications and expressions of interest that Conquest Mining has received from the first smelter companies to commence their due diligence visits provides Conquest Mining with further confidence that it will be able to secure a reliable, long-term offtake contract for all of the concentrate to be produced at Mt Carlton.
 - Conquest Mining will be working to formalise a long-term offtake contract in the next three to four months.
 - Discussions are ongoing with all 6 shortlisted offtake parties regarding the purchase of Mt Carlton concentrate and the provision of development funding for the Mt Carlton project.
 - Concentrate samples will be dispatched to all shortlisted parties in early August.
 - Project scale at Mt Carlton is expected to be in the order of 800,000tpa throughput to produce approximately 105,000 ounces per annum gold equivalent³ in concentrate from the V2 open pit. Concentrate production from the V2 open pit is expected to be approximately 4,500 tonnes per month with an average grade in the range of 40-45g/t Au, 350-450g/t Ag, 5-6% Cu and 1.6-2.2 % As.

Ongoing metallurgical testwork at Mt Carlton

The Bidder's Statement noted that initial flotation test work results (announced to ASX on 12 April 2010) indicated recovery to concentrate of 90% for gold, 91% for silver and 96% for copper, and that further testwork was underway (see page 17 under the heading "Subsequent optimisation program and process improvements).

On 21 July 2010, Conquest Mining released to the ASX an announcement informing the market on the results of that further testwork. The key aspects of the announcement, which updates the disclosure in the Bidder's Statement, are as follows.

- Metallurgical tests on composite samples from the V2 and A39 deposits have been completed with results confirming recoveries to concentrate of greater than 90% gold and 86-89% silver at coarser ore grind size. This is a full 20 percentage points above the 70% gold recovery assumed in the Mt Carlton Definitive Feasibility Study ("DFS"), completed in February 2010, and will have a significant impact on project economics.
- Ore grind sizes of 75, 106, 125 microns have been tested and have shown that grind size is a relatively insensitive factor affecting recovery in this range. Accordingly a grind size of 106 microns has been selected for process design. This compares with a product size of 75 microns used in the Mt Carlton DFS.
- The ability to increase the product size from 75 microns to 106 microns is significant as it reduces the size and capital cost of the SAG mill and the amount of power used by the mill and therefore the overall processing cost. Initial estimates suggest that the power consumption may drop by as much as 20%. This will be

³ The gold equivalence calculation represents total metal value for each metal as recovered to concentrate, summed and expressed in equivalent gold ounces. The prices used in the calculation being US\$1200/oz Au, US\$18.40/oz Ag and US\$3.00/lb Cu.

confirmed in the cost and optimisation studies that are scheduled for completion in the December quarter of 2010.

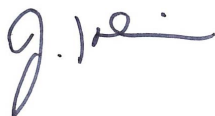
Optimisation, engineering and costing study

On 22 July 2010, Conquest Mining announced to the ASX that it has appointed Brisbane-based engineering and project management company, Calder Projects Services (“**Calder**”) to undertake the Optimisation Engineering and Costing Study (“**Optimisation Study**”) for the Mt Carlton process plant and ancillaries. The announcement went on to state the following.

- Conquest Mining will complete the Optimisation Study in the fourth quarter of this year, which will reconfigure the designs in the DFS completed in February 2010, anticipated to provide lower capital and operating costs and higher metal recoveries for the Mt Carlton Project, based upon the results of recent positive metallurgical tests and other works.
- Some of the substantial reconfigurations include:
 - reduced ore treatment rate to 800,000 tonnes per annum (from 1 million tons per annum) extending the mine life to 9 years and reducing capital costs;
 - coarser ore grind (106 microns – up from 75 microns) reducing power costs without impacting recovery rates;
 - optimised bulk sulphide flotation circuit increasing recoveries by up to 20 percentage points above the DFS;
 - integrated plant water circuits;
 - deferred expenditure on road upgrades to better fit the schedule; and
 - reviewing procurement strategies to include Chinese and second hand equipment.
- The study will be lead by Ed Rose, a Principal Electrical Engineer and Senior Project/Study Manager in the Calder organisation with over 25 years experience in heavy industry, both in Australia and overseas. Mr Rose is well known to key Conquest Mining staff.
- The DFS Optimisation Study is expected to lead to a development decision by the end of 2010.

If you have any questions about the Offer, please contact the Offer enquiry line on 1800 131 904 (or + 61 2 8280 7735 for international callers) or your stockbroker, legal or financial adviser.

Yours sincerely,



Jake Klein, Executive Chairman

Signed on behalf of Conquest Mining Limited

Dated 27 July 2010

Annexure A – Statutory Information

1. Variation of the Offer – Extension of Offer Period

Conquest Mining gives notice under section 650D of the Corporations Act that it varies the Offer contained in the Bidder's Statement by extending the period during which the Offer will remain open by a further 4 weeks so that the Offer will now close at 7:00pm (Sydney time) on 3 September 2010.

Accordingly, the Bidder's Statement is amended by replacing all references to "6 August 2010" in the Bidder's Statement with references to "3 September 2010".

2. Conditions of the Offer

Conquest Mining gives notice under section 630(2) of the Corporations Act that:

- the Offer is not free from any of the conditions set out in section 11.12 of the Bidder's Statement;
- so far as it knows, none of the conditions set out in section 11.12 of the Bidder's Statement were fulfilled as at the date of this Supplementary Bidder's Statement; and
- as a result of the extension of the period during which the Offer will remain open to 7:00pm (Sydney time) on 3 September 2010, the new date for giving notice of the status of conditions set out in section 11.12 of the Bidder's Statement is 26 August 2010

Accordingly, the Bidder's Statement is amended by replacing the reference to "29 July 2010" in section 11.13(d) of the Bidder's Statement with a reference to "26 August 2010".

3. Consents

This Supplementary Bidder's Statement includes statements which are made in, or based on statements made in, documents lodged with ASIC or given to ASX (namely, the Heemskirk replacement Bidder's Statement dated 21 July 2010 and the North Queensland Metals Target's Statement dated 20 July 2010). Under the terms of ASIC Class Order 01/1543, the persons making those statements are not required to consent to, and have not consented to, the inclusion of those statements, or of statements based on those statements, in this Bidder's Statement. As required by Class Order 01/1543, Conquest Mining will make available a copy of these documents (or relevant extracts of these documents), free of charge, to North Queensland Metals Shareholders who request them during the Bid Period. To obtain a copy of these documents (or the relevant extracts), North Queensland Metals Shareholders may telephone the Offer enquiry line on 1800 131 904 (toll free within Australia) or +61 2 8280 7735 (from outside Australia).