

## ASX RELEASE

3 JUNE 2010

### Conquest Announces Takeover Offer for North Queensland Metals

Conquest Mining Limited (ASX: CQT) ("Conquest") announces it intends to make an off-market takeover offer (the "Offer") for all of the shares in North Queensland Metals Limited (ASX: NQM) ("NQM"). Under the terms of the Offer, Conquest will offer NQM shareholders 0.5 of a Conquest share plus 10 cents cash for every NQM share held, which values NQM at approximately \$58 million or \$0.29 per share<sup>1</sup>.

The Offer represents a substantial and attractive premium of:

- 29% to NQM's closing price on 2 June 2010 (the last trading day prior to this announcement); and
- 37% to the volume weighted average price of NQM shares on ASX for the month prior to this announcement.

The major shareholder of NQM is supportive of the Offer and has entered into a pre-bid acceptance agreement with Conquest covering a 19.9% shareholding in NQM.

The Offer provides an opportunity for NQM shareholders to monetise a substantial portion of their value in cash, and is also an opportunity to participate in the potential value of the combined company.

By accepting the Offer, NQM shareholders will become shareholders in a larger, growth oriented company which offers:

- A board with a successful track record of increasing shareholder value
- Exposure to development of the Mt Carlton project – with Ore Reserves of over 1.15 million ounces gold equivalent<sup>2</sup>
- Increased share liquidity and likely better access to capital markets
- A strong platform for growth
- Asset and risk diversification

Conquest is a growth oriented company that has the focus and ability to deliver a growth plan to achieve mid-tier market status and to take advantage of the benefits available to a company of this status. Conquest will seek to deliver this growth through successful development of its Mt Carlton project and by acting on consolidation opportunities in the relatively fragmented and poorly funded junior market sector.

<sup>1</sup> Based on the closing share price of Conquest of \$0.38, as at 2 June 2010, the last trading day prior to the announcement of the Offer

<sup>2</sup> The gold equivalence calculation represents total metal value for each metal assuming 100% recovery, summed and expressed in equivalent gold grade or ounces. The prices used in the calculation being US\$1200/oz Au, US\$18.40/oz Ag and US\$3.00/lb Cu.

Conquest Executive Chairman, Jake Klein, commented:

"The combined company will be better placed to increase the exploration expenditure at Pajingo and attract and retain high quality people. NQM shareholders will benefit initially from the significant up-front offer premium and are expected to benefit over the longer term as value is unlocked by combining the complementary assets and capabilities of Conquest and NQM."

"I believe the combination of Conquest and NQM is very compelling and will deliver value to NQM shareholders more rapidly and far in excess of that achievable by NQM on a stand-alone basis."

If Conquest acquires all of the NQM shares under the Offer, Conquest will have approximately 453 million ordinary shares on issue and former NQM shareholders will own 22% of the combined company.

The Offer will be conditional on Conquest obtaining a relevant interest in at least 90% of NQM shares and on certain other conditions being fulfilled. These conditions are set out in Annexure A to this announcement.

### **Rationale for the Offer**

Conquest sees clear benefits from combining the two companies into a larger, more diverse gold mining company. The two companies have complementary assets and skills. The combination of the production base at Pajingo and mining expertise in NQM, and the development project at Mt Carlton and corporate expertise in Conquest, is expected to lead to significant value creation for shareholders.

### **Benefits of the Offer for NQM Shareholders**

By accepting the Offer, NQM shareholders will receive an up-front benefit in the form of a significant and attractive premium being offered by Conquest, and subsequent benefits that will likely become available to all shareholders of the combined company:

#### ***A board with a successful track record of increasing shareholder value***

Jake Klein was previously President and CEO of Sino Gold Mining Limited where along with Nick Curtis (founder and Chairman until 2005) and Jim Askew (director from 2002 and Chairman from 2005) he managed the development of that company into the largest foreign participant in the Chinese gold industry. Sino Gold was listed on the ASX in 2002 with a market capitalisation of \$100 million and was purchased by Eldorado Gold Corporation in late 2009 for over \$2 billion. It became an ASX/S&P 100 Company, operating two award-winning gold mines in China.

#### ***Exposure to development of the Mt Carlton project***

The Mt Carlton project hosts a Mineral Resource of 25.7Mt grading 1.7 g/t gold, 44 g/t silver and 0.28% copper and an Ore Reserve of 7.4Mt grading 3.12 g/t gold, 67 g/t silver and 0.41% copper. Feasibility investigations have shown that the deposit is mineable as two separate open pits and can be processed by conventional crush-grind-float processing to produce a polymetallic concentrate. Work to optimise the project and a review of the proposed process flowsheet is now underway.

#### ***Increased share liquidity and likely better access to capital markets***

Shareholders of the combined company will be exposed to an entity of greater market scale and liquidity which will likely have an enhanced ability to access debt and capital markets to fund development and acquisition opportunities. Accepting the Offer will allow NQM shareholders to exchange their NQM shares for a more liquid stock. In the year to date over \$44 million of Conquest shares have traded on the ASX compared to

just \$8 million of NQM shares. If the Offer is successful, Conquest shares are also likely to attract greater institutional investor attention.

### ***A strong platform for growth***

Conquest believes that there is an opportunity in the Australian gold industry to create a genuine mid-tier gold producer with significant production scale and upside. Conquest's long term goal is for it to become an Australian based company with assets that are capable of producing 500,000 ounces per annum. The Offer is the first step by Conquest on its path to realising its goal through organic growth and future acquisitions.

### ***Asset and risk diversification***

The combined company will have one production asset, a development project and a portfolio of exploration projects across a large landholding in north Queensland. The combined company will have combined Ore Reserves of 1.21 million gold equivalent ounces; 95% contributed by Conquest and 5% contributed by NQM<sup>3</sup>. Asset diversification is an important business principle that partially mitigates company risk if a key asset experiences production shortfalls. The asset portfolio of the proposed combined company would provide shareholders with a greater risk mitigation opportunity than is present within the existing separate corporate entities.

Further information about the benefits and risk factors relating to the Offer will be set out in Conquest's Bidder's Statement.

### ***Process and Timing***

Conquest expects that the Bidder's Statement will be lodged with ASIC later this month and sent to shareholders approximately 2 weeks thereafter<sup>4</sup>. Following the dispatch of the Bidder's Statement the offer will remain open for at least one month.

The cash component of the Offer, approximately \$20 million, will be funded from Conquest's current cash reserves. At the end of May 2010 Conquest had cash at bank of approximately \$57 million.

Sino Resources Capital is acting as financial adviser and Allens Arthur Robinson as legal adviser to Conquest.

### **For more information:**

Jake Klein  
Executive Chairman  
Conquest Mining Limited  
0411 422 474

### **About Conquest**

Conquest is an Australian based and listed mining company with a focus on activities in north Queensland. The company has a 100% interest in the Mt Carlton gold-silver-copper project, near Townsville, that is being advanced towards development. Work to optimise the project and a review of the proposed process flowsheet is underway.

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<sup>3</sup> Based on Reserves and Resources as at 31 March 2009 as reported in the NQM Annual Report 2009

<sup>4</sup> This timetable is indicative only and is subject to change

Conquest is a growth oriented company that has the focus and ability to deliver a growth plan to achieve mid-tier market status and to take advantage of the benefits available to a company of this status. Conquest will seek to deliver this growth through successful development of its Mt Carlton project and by acting on consolidation opportunities in the relatively fragmented and poorly funded junior market sector.

### **About NQM**

NQM is an Australian based and listed mining company with a focus on activities in north Queensland. The company has a 60% interest in, and is the manager of the Pajingo Gold Mine near Charters Towers. The Pajingo partnership has acquired the former Twin Hills mine for which it has plans to operate as a satellite mine to boost production from Pajingo to over 100,000oz pa. NQM aims to expand its operations and is looking to expand its gold interests in the Drummond Basin.

In addition to its gold operation, NQM has an interest in partnering to develop the Baal Gammon copper/tin mine in the Herberton area. The mineral field includes historic tin and base metal mines with rich credit metals such as silver and indium.

### **Competent Person Statement**

Information in this announcement that relates to Conquest Exploration Results, Mineral Resources and Ore Reserves is based on and accurately reflects information compiled by Mr Martin Male, BSc (Hons), MAIG who is a full time employee of the Company. Mr Male has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Martin Male consents to the inclusion in this announcement of the matters based on his information in the form and context in which it appears.

## **ANNEXURE A – CONDITIONS OF THE OFFER**

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

### **1. Minimum relevant interest**

At or before the end of the Offer Period, CML has a relevant interest in such number of NQM Shares which represents at least 90% of the aggregate of all the NQM Shares on issue.

### **2. No regulatory actions**

During the period from the Announcement Date to the end of the Offer Period:

- (a) there is not in effect any preliminary or final decision, order or decree issued by a Public Authority;
- (b) no action or investigation is announced, commenced or threatened by any Public Authority; and
- (c) no application is made to any Public Authority (other than by CML or any of its associates),

in consequence of or in connection with the Offer (other than an application to, or a decision or order of, ASIC or the Takeovers Panel under, or relating to a breach of, Chapter 6, 6A, 6B or 6C of the Corporations Act or relating to unacceptable circumstances within the meaning of section 657A of the Corporations Act) which restrains, prohibits or impedes, or threatens to restrain, prohibit or impede, the making of the Offer or the acquisition of NQM Shares under the Offer or the completion of any transaction contemplated by CML's bidder's statement, or which seeks to require the divestiture by CML of any NQM Shares or of any material assets of the NQM Group or the CML Group.

### **3. No material adverse change**

Before the end of the Offer Period, no event, change or condition occurs, is announced or becomes known to CML where that event, change or condition has had, or could reasonably be expected to have, a material adverse effect on:

- (a) the business, assets, liabilities, financial or trading position, profitability or prospects of the NQM Group, taken as a whole; or
- (b) the status or terms of any material approvals, licences, tenements or permits issued by any Public Authority to any member of the NQM Group,

except for events, changes and conditions announced by NQM to the ASX prior to the Announcement Date.

### **4. No material acquisitions, disposals or new commitments**

None of the following events occurs during the period from the Announcement Date to the end of the Offer Period:

- (a) any member of the NQM Group acquires, offers to acquire or agrees to acquire any one or more entities or assets for a consideration, or with a value, which when aggregated with all other such acquisitions, offers and agreements exceeds \$2,000,000;
- (b) any member of the NQM Group disposes, offers to dispose or agrees to dispose of:

- (i) all or part of the interest which the NQM Group holds in the joint ventures for the Pajingo gold mine or the Twin Hills gold project; or
- (ii) any one or more entities or assets for a consideration, or with a value, which when aggregated with all other such disposals, offers and agreements exceeds \$1,000,000, or in respect of which the book value (as recorded in NQM's balance sheet as at 31 December 2009) exceeds \$1,000,000; or
- (c) any member of the NQM Group enters into, or offers to enter into or agrees to enter into, or brings forward a commitment to enter into, any agreement, joint venture or partnership which would require expenditure, or the foregoing of revenue, by the NQM Group which when aggregated with all other such agreements and offers exceeds \$2,000,000.

## 5. **No dividends**

During the period from the Announcement Date to the end of the Offer Period, NQM does not pay, determines as payable or declares any distribution (by way of dividend, capital reduction or otherwise and whether in cash or in specie).

## 6. **No change of control rights**

No person has or will have any right (whether subject to conditions or not) as a result of CML making the Offer, or announcing its intention to make the Offer, or acquiring NQM Shares to:

- (a) acquire, or require the disposal of, or require any member of the NQM Group to offer to dispose of, any material asset of any member of the NQM Group; or
- (b) terminate, or vary the terms or performance of, any material agreement with any member of the NQM Group.

## 7. **No prescribed occurrences**

During the period from the date of the bidder's statement to the end of the Offer Period, none of the following occurrences happens:

- (a) NQM converts all or any of its shares into a larger or smaller number of shares under section 254H of the Corporations Act;
- (b) NQM or a subsidiary of NQM resolves to reduce its share capital in any way;
- (c) NQM or a subsidiary of NQM enters into a buy-back agreement or resolves to approve the terms of a buy-back agreement under section 257C(1) or 257D(1) of the Corporations Act;
- (d) NQM or a subsidiary of NQM issues shares (other than as a result of the exercise of NQM Options) or grants an option over its shares, or agrees to make such an issue or grant such an option;
- (e) NQM or a subsidiary of NQM issues, or agrees to issue, convertible notes;
- (f) NQM or a subsidiary of NQM disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property;
- (g) NQM or a subsidiary of NQM charges, or agrees to charge, the whole, or a substantial part, of its business or property;
- (h) NQM or a subsidiary of NQM resolves to be wound up;

- (i) a liquidator or provisional liquidator of NQM or of a subsidiary of NQM is appointed;
- (j) a court makes an order for the winding up of NQM or of a subsidiary of NQM;
- (k) an administrator of NQM or of a subsidiary of NQM is appointed under section 436A, 436B or 436C of the Corporations Act;
- (l) NQM or a subsidiary of NQM executes a deed of company arrangement; or
- (m) 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.

**8. No prescribed occurrences between the Announcement Date and date of service**

None of the events listed in sub-paragraphs (a) to (m) of paragraph 7 happens during the period beginning on the Announcement Date and ending on the day before the bidder's statement is given to NQM.

**Definitions**

In this Annexure:

**"Announcement Date"** means the date of this announcement.

**"ASIC"** means the Australian Securities and Investments Commission.

**"ASX"** means the Australian Securities Exchange.

**"CML"** means Conquest Mining Limited (ACN 009 232 277).

**"CML Group"** means CML and its subsidiaries.

**"Corporations Act"** means the Corporations Act 2001 (Cth).

**"NQM"** means North Queensland Metals Limited (ACN 115 279 653).

**"NQM Group"** means NQM and its subsidiaries.

**"NQM Option"** means an option issued by NQM prior to the Announcement Date to subscribe for an NQM Share.

**"NQM Share"** means a fully paid ordinary share issued in the capital of NQM.

**"Offer"** means the offer to acquire NQM Shares to be made by CML to NQM shareholders in connection with the proposed takeover bid.

**"Offer Period"** means the period during which the Offer will remain open for acceptance.

**"Public Authority"** means any government or any governmental, semi-governmental, statutory or judicial entity or authority, or any minister, department, office or delegate of any government, whether in Australia or elsewhere. It also includes any self-regulatory organisation established under statute and any stock exchange.