

INVESTMENT DATA

Issued Shares:
198,815,476

Net Assets (30 June 2009)
\$38.2 million

Net Profit after Tax (30 June 2009)
\$5.6 million

Dividend Paid for FY2009
1.8 cents per share

Market Capitalisation
\$53 million



ABOUT NQM

North Queensland Metals is an Australian based and listed mining company with a focus on activities in north Queensland.

The company has a 60% interest, 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. NQM aims to open a second gold mine through an option over the Dotswood Project, NE of Charters Towers, and is looking to expand its gold interests in the Drummond Basin.

In addition to its gold operation, North Queensland Metals has an interest in developing several mines in the Herberton area. The mineral field includes historic tin and base metal mines with rich credit metals such as silver and indium.

QUARTERLY REPORT

FOR PERIOD ENDED 30 SEPTEMBER 2009

SUMMARY

A rebound in gold production together with maintained control on production costs at Pajingo has delivered a significantly improved performance for NQM in the September quarter

PAJINGO (NQM 60%)

- 1 LTI injury
- Gold production 13,540 oz at \$705/oz cash cost
- Significant improvements made in mine
- Additional drilling underway at Moonlight

HERBERTON

- Value realisation review underway

NEW PROJECTS

- Dotswood Scoping study completed
- Resource of 2.83Mt @ 1.83g/t for 166,820oz announced
- Option on Dotswood Gold Project extended
- Mining contract tender process initiated
- Twin Hills Resource to be released in next quarter

CORPORATE

- Final dividend of 0.8c per share announced
- Placement raises \$4M
- SPP raises further \$6.2M

Pajingo Gold Mine (NQM 60% and operator)

	Quarter ending			
	30 Sep 09	30 Jun 09	31 Mar 09	31 Dec 08
Development (m)	1,196	1,082	848	839
Mine Production (t)	91,588	71,681	66,266	66,863
Mine Grade (g/t)	4.8	4.9	6.2	7.2
Mill Production (dry t)	89,813	79,552	63,672	76,571
Mill Grade (t)	4.9	4.4	6.0	7.0
Recovery (%)	95.7	95.0	95.7	94.9
Gold Produced (oz)	13,540	10,801	11,658	16,287
Average Gold Sale Price AUD/oz	1,155	1,167	1,211	1,164
Cash Cost AUD/oz	705	853	725	634
Total Cost AUD/oz	902	1,058	808	739
Silver Produced (oz)	18,421	13,191	16,282	19,242
Average Silver Sale Price AUD/oz	\$18.26	\$17.87	\$18.82	\$19.24

Table 1 Pajingo performance data

**NQM's equity is 60% of listed production*

Safety: The operation completed the quarter having recorded one Lost Time Injury. Meanwhile, the Company continues to work at developing its own culture of safe working.

Operations

Gold production (100%) for the quarter was 13,540 ounces at a cash cost of \$705 per ounce, compared with the previous June 2009 quarter of 10,801 ounces at a cash cost of \$853 per ounce.

NQM's average gold price received for the quarter was slightly lower at \$1,151 per ounce (\$1,167 previous quarter) but produced a better margin of \$446 per ounce (\$314 previous quarter).

Productivity improvements continued with record mining, development and processing volumes being achieved. Gold production was significantly improved in August and September as the benefits of improved planning were realised. Both months delivered over 5,000oz of gold production which is in line with the targeted 60,000oz pa production rate. Grades remain modest due to the areas being mined, however productivity improvements have kept cash costs lower.

At the end of the quarter a single boom jumbo was added to the production fleet to improve the mine's ability to efficiently extract narrow vein orebodies. Although considered a trial, it is believed the narrower mining equipment will be more commonly used in the stoping areas leaving the twin boom jumbos to concentrate on capital development accessing new stoping blocks.

Some significant milestones were achieved in the mine during the quarter:

- Record material movement (ore plus waste)
- Record development metres (1,196m vs 1,082m in previous quarter)
- Arrival of mechanised narrow vein mining equipment
- Commencement of delineation drilling on Zed West orebody

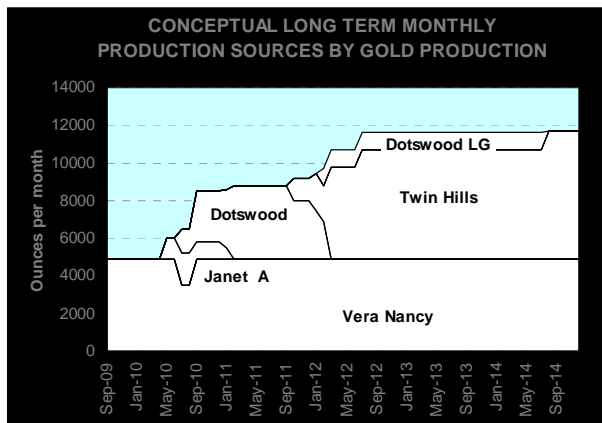
The low tonnage of ore per vertical metre in the Pajingo underground mine means that production is particularly dependant on the number of available stopes and the number of production areas in development. A significantly greater portion of ore came from development of sill drives allowing better planning. Design work on the Jandam Deeps and Veracity orebodies is well advanced. Much of the September and December quarter's production will be from Janet B.

Capital development was focused on two access drives providing drill site access for delineation of the Zed and Sonia orebodies. The first drilling commenced during the month on the western fringe of Zed.

Planning and evaluation studies are underway on several open pit options on the Pajingo lease. If the feasibility work proves successful, the future mine plan will include the mining of one open pit per year.

Milling operations settled back to more normal throughput rates following the conclusion of the low grade Dotswood ore trial. A significant drop off in grade in the existing stockpiles resulted in the trial being cut short.

A conceptual production schedule (below) based on treating Dotswood ore followed by Twin Hills ore showed the need to have the second mill recommissioned for operation in the second half of 2010. This would see gold production from Pajingo potentially rising to 140,000oz pa by mid 2012.



Exploration

The Moonlight prospect lies on a separate parallel system to the current Pajingo operation, approximately 1.5km south east. The results of the first two holes on this target have provided encouraging results and the JV partners have committed to drilling six additional holes by the end of 2009. The two holes drilled in the September quarter confirmed the orientation of the vein system.

The results from the first drill hole – JMRD 3542, highlight a broad zone of gold mineralisation from a depth of 365m down hole, with an intersection of **138m at 1.38g/t gold**. Within this intersection is a zone of **30m at 3.52g/t gold** from 430m down hole including an intersection of **8.10m at 7.80g/t gold** from 452.9m to 461m down hole.

The second hole which was drilled in an opposing direction to the first appears to have run parallel to, and between, the target higher grade zones. The second hole reported **132.5m at 0.5g/t gold** from 399m, with a best intersection of **1.7m at 5.9g/t gold** from 489.3m. Results from both of these holes have been previously report.

The six new holes will drill in the optimal orientation and will extend down into what is expected to be a more enriched zone ('pay zone'), from where mineralized fluids have entered the fractured zone. The results add credence to the theory that Moonlight is an intact gold epithermal system located proximal to the existing Pajingo infrastructure.

Further examination of previous drilling results has exposed shortcomings in the logging and sampling of holes drilled at Moonlight prior to NQM's ownership. A program of relogging and reassaying these holes has been approved.

It is expected that the system will eventually be drilled from an extension of the underground workings of the mine. .

Follow up drilling has commenced on Ralph Porter at the opposite end of the Vera – Nancy system. This consists of six new holes, the results of which may justify development and further drilling from underground.

Herberton Project (NQM 100%)

The mining leases have been granted for the Baal Gammon copper-tin-silver-indium project. The Company has engaged the services of Ernst and Young Corporate Finance to advise on a strategy to realise the intrinsic value to shareholders of the Baal Gammon Project and of the tin exploration tenements.

New Projects

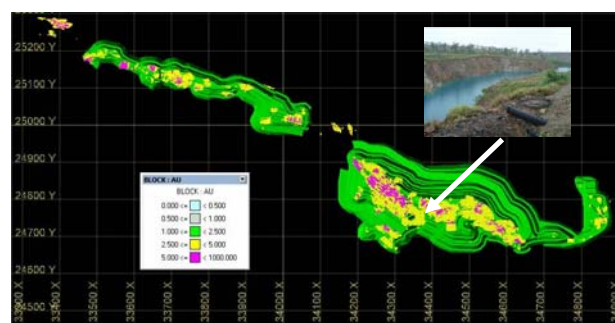
Dotswood

During the quarter NQM concluded negotiations for an extension to the option agreement to purchase the Dotswood Gold Project located 60km south-west of Townsville. The extension comes at no additional cost to NQM.

A scoping study has been concluded and presented to the Board. The extension period has allowed NQM to finalise the pit design and put the project out to tender for a mining contract.

The company has released an Inferred Resource of **2.83Mt @ 1.84g/t for a total of 166,820oz**. The preferred scenario is to mine a higher grade pit, using the Pajingo processing plant for treatment of the ore.

This low capital project would start in the second half of 2010 and run for approximately two years.

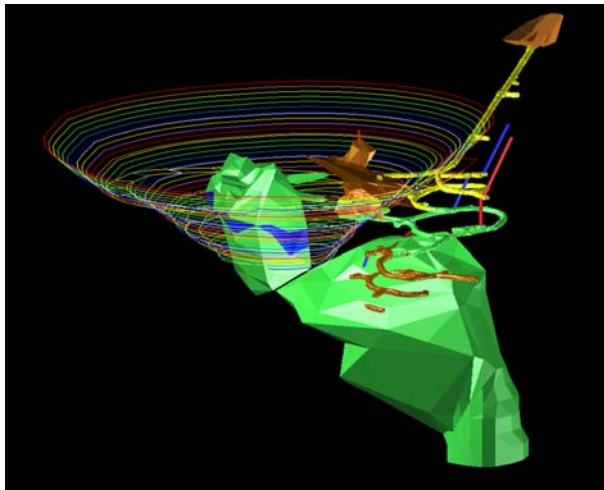


Dotswood pit design

Twin Hills

Work continued on modeling the Twin Hills orebodies in order to establish a Resource. The mineralisation has been extensively drilled, however NQM believes that previous Resource estimates have missed significant features being seen in the three dimensional modeling.

Despite further drilling being required, a Resource estimate will be released early in the next quarter.



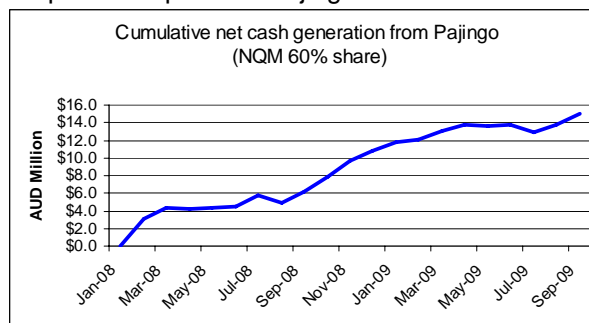
Twin Hills geological model

Corporate

During the quarter, the Company received income of \$9.8 million; and cost of sales was \$7.3 million. A summary of revenue and expenses is presented below

	Quarter ended 30 Sept 09 And 09/10 YTD
Revenue	
Gold Sales (\$)	\$9.4 million
Other Income	\$0.4 million
Total Income	\$9.8 million
Expenses	
Operating Expenditure	\$5.4 million
Royalties paid	\$0.3 million
Depreciation and Amortisation	\$1.5 million
Cost of Sales	\$7.3 million
NQM Corporate Overheads	\$0.9 million
Capital Costs	
Capital Development	\$1.2 million
Capital other	\$0.4 million
Exploration costs	\$0.6 million
	\$2.2 million

At the end of September 2009 net cash flow from Pajingo from the date of purchase reached \$15 million, which equals NQM's 60% share in the purchase price on Pajingo.



At 30 September, 2009, NQM had \$11.6 million cash at bank and total assets of \$52 million.

Net operating cash inflow (after working Capital)	\$ 1.6 million
Cashflow on investments	(\$ 2.8 million)
Financing Inflows	<u>\$10.2 million</u>
Net Cashflow	\$ 9.0 million

The Company has no corporate debt. During the quarter the Company engaged Sydney based broking firm Veritas Securities to raise \$4million from institutional and sophisticated investors. The placement was made at 20.5c. The funds will be used to accelerate development of NQM's new projects and exploration.

The placement was followed by a Shareholder Purchase Plan (SPP) which closed raising a further \$6.2 million, demonstrating strong shareholder support for the company's strategic direction. This sees NQM in a strong financial position at the end of the quarter.

The Company continues to maintain a flexible approach to gold price hedging, and at present no forward sales or call options are in place.

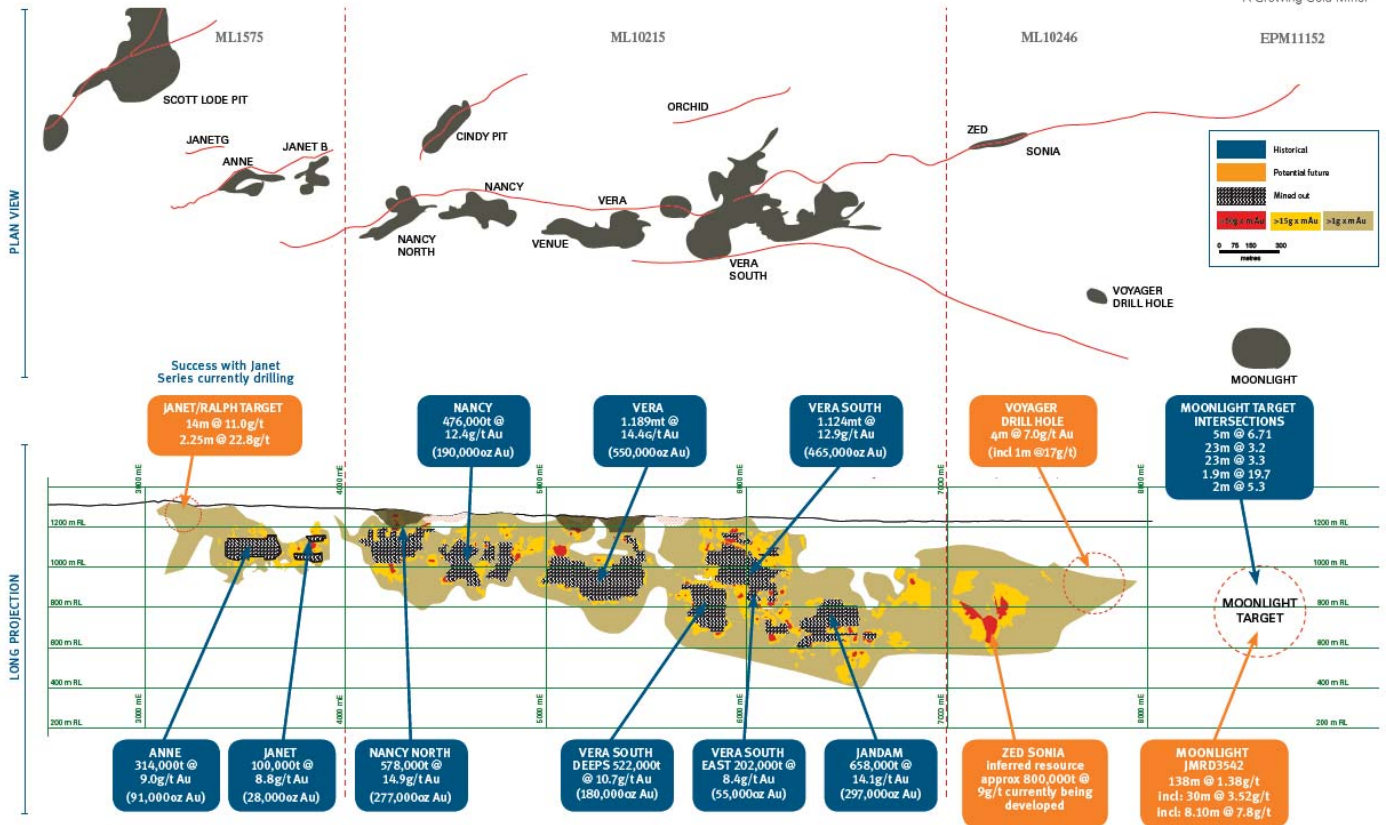
The Company's expenditure on exploration for the quarter was \$0.62 million. This includes exploration in Herberton and NQM's share of Pajingo exploration.

In August 2009 NQM announced a net profit of \$5.6 million for the full year to 30 June 2009, and subsequently paid a final dividend of 0.8 cent per share unfranked, bringing full year dividend payments to 1.8c per share.

Dated 22 October 2009

John D McKinstry
CEO
North Queensland Metals Limited

SCHEMATIC PLAN & LONG PROJECTION – SCOTT LODE TO MOONLIGHT



Competent Persons' Statement

The information in this report that relates to Pajingo Reserves and Resources is based on information compiled by Jason Butler, who is a Member of the Australian Institute of Mining and Metallurgy. He is a full time employee of North Queensland Metals Limited. Jason Butler has sufficient experience which is relevant to the style 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". Jason Butler consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to Pajingo exploration results are based on information reviewed by Brentan Grant, who is a Member of the Australian Institute of Geoscientists. He is a full time employee of North Queensland Metals Limited. Brentan Grant has sufficient experience which is relevant to the style 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". Brentan Grant consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to 'Dotswood' is based on information reviewed by Peter Brown, who is a Member of the Australian Institute of Geoscientists. He is a full time employee of North Queensland Metals Limited. Peter Brown has sufficient experience which is relevant to the style 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". Peter Brown consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.