



29 June 2010

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

**By electronic lodgement**

Dear Sir / Madam

**Proposed 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), we **attach** a Supplementary Bidder's Statement dated 29 June 2010, setting out amendments to the original Bidder's Statement dated (and lodged with ASIC on) 11 June 2010.

Further, in accordance with Condition 1 of Schedule D of ASIC Class Order 00/344, we **attach**:

- (a) a Replacement Bidder's Statement of Conquest dated 29 June 2010; and
- (b) a copy of the Replacement Bidder's Statement of Conquest marked to show all changes from the original Bidder's Statement.

The Replacement Bidder's Statement reflects the changes set out in the Supplementary Bidder's Statement.

Yours faithfully

Aaron Collieran

Company Secretary

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**Supplementary Bidder's Statement dated 29 June 2010**

# Conquest Mining Limited Supplementary Bidder's Statement

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## 1. Introduction

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This document is a supplementary bidder's statement dated 29 June 2010 under section 643 of the *Corporations Act 2001* (Cth). It is the first supplementary bidder's statement issued by Conquest Mining Limited (**Conquest Mining**) in relation to its proposed takeover offer for all of the North Queensland Metals Shares.

This Supplementary Bidder's Statement supplements, and should be read together with, the Bidder's Statement dated 11 June 2010 lodged with ASIC (the **Bidder's Statement**).

Words and phrases defined in the Bidder's Statement have the same meaning in this Supplementary Bidder's Statement unless the context requires otherwise. References to sections, pages and headings are to those in the Bidder's Statement.

## 2. Amendments to Bidder's Statement

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The Bidder's Statement is amended as set out below.

### 2.1 Inside front cover - Important Dates

In the table under the heading "Important Dates",

- in the second row, insert the word "Original" before the words "Bidder's Statement lodged with ASIC"; and
- insert the following row in between the second and third rows:

Replacement Bidder's Statement (this document) lodged with ASIC	29 June 2010
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### 2.2 Inside front cover – Important Notices

- Replace all of the first paragraph, all of the second paragraph and the first sentence of the third paragraph under the heading "Important Notices" with the following:

"This Bidder's Statement is a replacement bidder's statement given by Conquest Mining Limited to North Queensland Metals Limited under Part 6.5 of the Corporations Act and ASIC Class Order 00/344 and relates to the Offer.

This Bidder's Statement is dated 29 June 2010 and replaces the original Bidder's Statement dated 11 June 2010. It incorporates the original Bidder's Statement dated 11 June 2010 and changes made in the Supplementary Bidder's Statement dated 29 June 2010. It includes an Offer dated [\*] 2010 in section 11.

A copy of the original Bidder's Statement was lodged with ASIC on 11 June 2010 and this replacement Bidder's Statement was lodged with ASIC on 29 June 2010."

- Replace the heading "Information regarding Queensland North Metals" with "Information regarding North Queensland Metals".

### 2.3 Letter from the Chairman of Conquest Mining

On page 2, in the Letter from the Chairman of Conquest Mining:

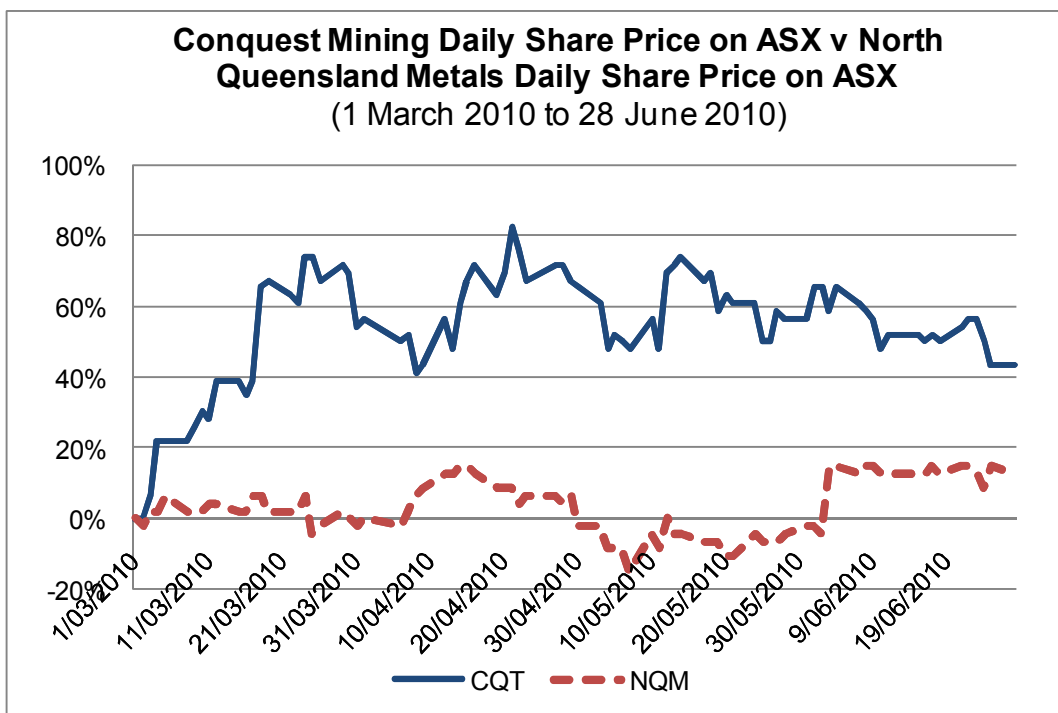
- 
- Replace the date of the letter of "11 June 2010" with "29 June 2010".
  - In footnote 1, replace "10 June 2010" with "28 June 2010", "\$0.34" with "\$0.33", "\$0.27" with "\$0.265", and the final sentence with the following:  
"The value of the Offer Consideration is dependent on the trading price of Conquest Mining Shares once they are issued to you."
  - Insert the following footnote as a new footnote 2.  
<sup>2</sup> See section 1.2 for a description of the Mt Carlton project. There are a number of risks associated with the development of the Mt Carlton project, which are described in section 1.2 and section 7."

## **2.4 Summary of the Offer**

- In the third row under the heading "Summary of the Offer" in the text adjacent to the wording "What is the value of the Offer?", replace "\$0.27" with "\$0.265".
- In footnote 3 (footnote 4 following insertion of additional footnote referred to in 2.3 above), replace "10 June 2010" with "28 June 2010" and "\$0.34" with "\$0.33".
- In item 11, insert "Metals" after each reference to "North Queensland".

## **2.5 Why You Should Accept the Offer**

- In section 1 (YOU ARE BEING OFFERED A SUBSTANTIAL AND ATTRACTIVE UPFRONT PREMIUM) under the heading "Why You Should Accept the Offer":
  - In the third final paragraph, replace "10 June 2010" with "28 June 2010", "\$0.34" with "\$0.33" and "\$0.27" with "\$0.265".
  - In the penultimate paragraph, delete the words "post-Offer" and insert at the end the words: "once they are issued to you".
- In section 2 (CONQUEST MINING HAS A BOARD WITH A SUCCESSFUL TRACK RECORD OF INCREASING SHAREHOLDER VALUE), replace the chart with the following chart which reflects the Conquest Mining daily share price compared to the North Queensland Metals daily share price up to 28 June 2010.



- In section 3 (YOU WILL GAIN EXPOSURE TO CONQUEST MINING'S MT CARLTON PROJECT AND RETAIN EXPOSURE TO THE PAJINGO GOLD MINE):
  - In the fifth paragraph, insert the following words to the beginning of the second sentence: "As explained further in section 1.2,".
  - In the final paragraph, replace "1.28 million" with "1.26 million".
- In section 4 (YOU WILL GAIN EXPOSURE TO A COMPANY WITH A SUBSTANTIALLY INCREASED RESERVE BASE):
  - In the first paragraph, replace "1.28 million" with "1.26 million" and "just over 129,000" with "approximately 114,000".
  - In footnote 5 (footnote 6 following insertion of additional footnote referred to in 2.3 above), replace the first sentence with the following:  
 "Based on Reserves and Resources as reported in the North Queensland Metals Annual Report 2009, Quarterly Report March 2010 and Update announced on 24 June 2010."

**2.6 Section 1.2(a)**

- Replace the table titled "Mt Carlton Project Total Resource – December 2009" with the following table which corrects some rounding errors in calculations and provides a resource breakdown into Measured Resources, Indicated Resources and Inferred Resources.

Mt Carlton Project Resource – December 2009							
	Tonnes	Grade g/t Au	Grade g/t Ag	Grade % Cu	Gold Ounces	Silver Ounces	Copper Tonnes
<b>Silver Hill</b>							
Measured Resources	11,100,000	1.72	70	0.32	610,000	24,764,000	35,600
Indicated Resources	13,200,000	1.60	25	0.25	679,000	10,474,000	32,700
Inferred Resources	1,500,000	1.67	30	0.20	79,000	1,417,000	2,900
<b>Subtotal Silver Hill</b>	<b>25,700,000</b>	<b>1.65</b>	<b>44</b>	<b>0.28</b>	<b>1,368,000</b>	<b>36,655,000</b>	<b>71,200</b>
<b>Mt Carlton</b>							
Measured Resources	0	-	-	-	0	0	0
Indicated Resources	0	-	-	-	0	0	0
Inferred Resources	966,000	1.35	38	0.345	42,000	1,090,000	3,400
<b>Subtotal Mt Carlton</b>	<b>966,000</b>	<b>1.35</b>	<b>38</b>	<b>0.345</b>	<b>42,000</b>	<b>1,090,000</b>	<b>3,400</b>
<b>Western Lodes</b>							
Measured Resources	0	-	-	-	0	0	0
Indicated Resources	0	-	-	-	0	0	0
Inferred Resources	558,000	1.49	120	-	26,700	2,100,000	0
<b>Subtotal Western Lodes</b>	<b>558,000</b>	<b>1.49</b>	<b>120</b>	<b>-</b>	<b>26,700</b>	<b>2,100,000</b>	<b>0</b>
<b>Herbert Creek</b>							
Measured Resources	0	-	-	-	0	0	0
Indicated Resources	0	-	-	-	0	0	0
Inferred Resources	351,000	2.17	4	-	24,500	47,000	0
<b>Subtotal Herbert Creek</b>	<b>351,000</b>	<b>2.17</b>	<b>4</b>	<b>-</b>	<b>24,500</b>	<b>47,000</b>	<b>0</b>
<b>Total</b>	<b>27,575,000</b>	<b>1.65</b>	<b>45</b>	<b>0.27</b>	<b>1,461,200</b>	<b>39,892,000</b>	<b>74,600</b>

- In the first column of the table titled "Mt Carlton Project Ore Reserves – December 2009", replace the word "Total" in the sixth and tenth rows with the word "Subtotal".
- In section 1.2(a), add the heading "Feasibility studies" to the first paragraph appearing under the table titled "Mt Carlton Project Ore Reserves – December 2009" and delete the word "polymetallic" in the first sentence of that paragraph.
- Replace the final two paragraphs in 1.2(a) with the following paragraphs.

"The Mt Carlton ore is characterised as a multi-metal refractory sulphide ore. The potential value elements are gold, silver, and copper. Lead, zinc, and arsenic are also present as potential penalty elements. Due to the polymetallic nature of the ore, concentrates are best treated at specialised smelters which recover such elements or through oxidation processes such as pressure oxidation or bacterial oxidation. A Pre-Feasibility Study ("PFS"), completed in April 2009, was based on a two-stream processing route:

  - producing a high-grade gold-silver-copper concentrate for sale to smelters; and

- 
- producing a low-grade gold-silver-copper concentrate for further processing by the GEOCOAT® bioleaching process to produce gold and silver doré and copper cathode at site.

A Definitive Feasibility Study (“**DFS**”), which commenced in April 2009, found that the GEOCOAT® bioleaching process was not economically viable and as such the study was completed based only on producing a high-grade gold-silver-copper concentrate for sale to smelters and leaving the low-grade concentrate untreated. The results of the DFS were publicly released on 4 February 2010. At that time, the Board of Conquest Mining considered that although the DFS outcomes identified the project as profitable (based only on producing a high-grade concentrate) it was not sufficiently robust to develop prior to completing project optimisation studies and finalising long-term concentrate offtake arrangements.

At the time of release of the DFS findings, Mr Jake Klein and a number of his associates were brought in as consultants by Conquest Mining with the specific goal of conducting a strategic review of the project to determine alternative and optimal routes to production. Shortly thereafter, Mr Klein and his associates joined the management team at Conquest Mining. Since that time, the focus of the management team has been on progressing optimisation studies; a related review of the proposed process flowsheet and low-grade concentrate stream; and information exchange with potential concentrate offtake parties.

#### **Subsequent optimisation program and process improvements**

Following the DFS, as part of the optimisation studies and related review of the proposed process flowsheet and low-grade concentrate stream, work was undertaken to determine whether a single ‘mixed’ concentrate could be produced, rather than the previous strategy of producing a high-grade concentrate for sale and a separate low-grade concentrate for further on-site treatment. Here, the initial flotation test work results (announced to ASX on 12 April 2010) were encouraging. Highlights of these results were recovery of 90% for gold, 91% for silver and 96% for copper to cleaner concentrate; which compare favourably with the DFS estimates of 70% for gold, 64% for silver and 91% for copper. These recoveries translated into a concentrate grade of 46g/t gold, 246 g/t silver, 6.2% copper and 2.16% arsenic. These grades are not materially different to the high-grade concentrate produced in the DFS. In Conquest Mining’s view, this was a very positive development for the project. Alternative process routes, namely bacterial oxidation and pressure oxidation, are applicable and were also being investigated however these investigations have been curtailed following the success of the flotation test work.

The focus of the optimisation work and related review of the proposed process flowsheet, since the DFS and leading up to a development decision (expected in the December 2010 quarter – see below), is as follows:

- Exploration – the immediate strategy is to add high-grade tonnes to the reserve inventory. See section 1.2(b) for a description of this exploration drilling program.

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- Mine planning – trial grade control drilling has provided assurance that the Mineral Resources estimated by the Silver Hill model can be used with confidence for mine planning.
  - Processing – as discussed above, flotation test work results indicate recovery to concentrate of 90% for gold, 91% for silver and 96% for copper. Further test work is underway to determine whether the bulk sample result is representative of the entire ore body and to understand variability across the ore body.
  - Capital costs – work has commenced, and is currently ongoing, to identify areas of potential savings including optimising the plant throughput, reviewing the development sequencing, procuring second hand items and identifying suitable items that can be procured at lower cost in China (see below for further discussion on capital costs).
  - Offtake – the ability to produce a single “mixed” concentrate, as described above, has meant that Conquest Mining has now started to re-engage with potential offtake parties (precious metal smelter companies) and provide them with new concentrate specifications. See the discussion below in relation to status of discussions with offtake parties.

Project scale is now expected to be in the order of 800,000tpa throughput to produce approximately 105,000 ounces per annum gold equivalent in concentrate from the V2 open pit. Concentrate production from the Area 39 pit will consist predominantly of silver.

### **Capital costs**

As discussed above, the DFS estimated costs of \$137.8 million (including owners costs and contingency) for the project as then envisaged (a 1Mtpa throughput project producing a high-grade concentrate for sale and a separate low-grade concentrate for later on-site treatment). The optimisation studies and process review referred to above assume a lower throughput, of 800,000tpa, and production of a single ‘mixed’ concentrate. Accordingly, the upfront capital cost is expected to be less than that estimated by the DFS however, at this stage, is not able to be estimated.

### **Concentrate offtake arrangements**

Following the optimisation studies referred to above which indicated that the project had the ability to produce a single ‘mixed’ concentrate, Conquest Mining has now started to re-engage with potential offtake parties to provide them with the new concentrate specifications. Detailed concentrate specifications were supplied to 14 interested parties and meetings have been completed with all of these parties. Conquest Mining has now short-listed 6 interested parties and discussions are underway with those parties regarding purchasing Mt Carlton concentrate and providing development funding for the Mt Carlton project. Two of the parties have already scheduled due diligence visits to Australia.

Each of the short-listed parties has experience in treating concentrate similar to the Mt Carlton concentrate and all have confirmed that they can treat that concentrate.



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The relatively high arsenic content of the Mt Carlton concentrates (currently expected to average 2.2% for V2 concentrate and 2.5% for A39 concentrate) may mean that payment penalties will be applied but in Conquest Mining's opinion will not otherwise impact on the marketability of the concentrates.

All of the short-listed parties are China based smelter companies. The Mt Carlton concentrates could also be sold to traders and an African based smelter company however Conquest Mining has restricted its focus to China given the current management team's network and previous experience in China. Charles Wang, Conquest Mining's Commercial Manager was previously Deputy General Manager at the Sino Gold Mining Limited "Biogold" plant in Shandong Province in China, a plant that purchased and processed concentrates, similar to Mt Carlton concentrates, from both domestic and international customers. Given this intimate knowledge of the Chinese market, Conquest Mining is confident that it will be able to sell its concentrates into China at better terms than would be available through traders or smelters elsewhere in the world.

### **Financing**

Given the early-stage status of the optimisation studies referred to above, project financing options are not currently being progressed. At this stage, no decisions have been made in relation to the optimal methods and structure of financing for the project. Conquest Mining currently has approximately \$57 million cash equivalent to 16 cents per Conquest Mining Share (less the \$20.4 million required to fund the cash component of the Offer Consideration if all North Queensland Metals Shareholders accept the Offer). This cash is more than sufficient to complete all of the optimisation studies and exploration programs that Conquest Mining has underway and to commence pre-development work at Mt Carlton. Development of the Mt Carlton project would ultimately require Conquest Mining to raise equity or debt funding. A key criteria in short-listing the concentrate offtake parties that Conquest Mining is now in discussions with was the credit worthiness and reputation of the offtake party and the capacity of the offtake party to provide financial support, in the form of equity or debt contributions, for the development of the Mt Carlton project.

There are a number of risks associated with obtaining equity and debt funding to fund the project, and your attention is specifically drawn to section 7.3 (Risk factors specific to Conquest Mining), and in particular section 7.3(a) (Development funding requirement risk).

### **Timing of development decision and risks that the project may not proceed**

Conquest Mining currently expects to make a development decision in relation to the project in the December quarter of 2010. Factors which will be relevant to that decision include return on capital employed, gross profit margin, availability of funding and the ability to secure long-term concentrate offtake agreements on acceptable terms.

There are a number of risks in relation to the development of the Mt Carlton project. In this respect, your attention is specifically drawn to section 7.3 (Risk factors specific to Conquest Mining) and in particular section 7.3(a) (Development

funding requirement risk); section 7.3(b) (Uncertainty of exploration, optimisation and development programs); and section 7.3(c) (Product final market risk)."

## 2.7 Section 2.1

- In the table in section 2.1, delete the second row.
- In the second paragraph of section 2.1, delete the words "22 June 2010 and".

## 2.8 Section 2.2

- In the first sentence in section 2.2, replace "1 June 2010" with "25 June 2010".
- Replace the table in section 2.2 with the following table.

Rank	Shareholder	Number of securities	Percentage of issued share capital
1	ST IVES GOLD MINING COMPANY	50,754,817	14.4%
2	HSBC CUSTODY NOMINEES	32,975,137	9.3%
3	JJ HOLDINGS (VIC) PTY LTD	20,965,098	5.9%
4	LUJETA PTY LTD	19,667,353	5.6%
5	HSBC CUSTODY NOMINEES	9,983,025	2.8%
6	CROFTHILL PTY LTD	8,300,000	2.4%
7	ANZ NOMINEES LIMITED	7,938,045	2.2%
8	SADARAJAK PTY LTD	5,031,141	1.4%
9	K and J GOORJIAN	5,000,000	1.4%
10	VALLEYROSE PTY LTD	4,410,031	1.2%
11	CITICORP NOMINEES PTY LTD	4,273,470	1.2%
12	J P MORGAN NOMINEES	3,559,702	1.0%
13	ARODAM PTY LTD	3,081,000	0.9%
14	VIBRAYE HOLDINGS PTY LTD	2,995,000	0.8%
15	CRYSTAL TRIANGLE PTY LTD	2,585,000	0.7%
16	MR PHILIP RUSSELL HARRIS	2,394,900	0.7%
17	MERRILL LYNCH (AUSTRALIA)	2,070,000	0.6%
18	SPARTA NOMINEES PTY LTD	2,000,000	0.6%
19	NATIONAL NOMINEES LIMITED	1,780,286	0.5%
20	R & S FOUNDATION PTY LTD	1,532,290	0.4%
	<b>TOTAL</b>	<b>191,293,906</b>	<b>54.2%</b>

## 2.9 Section 2.3

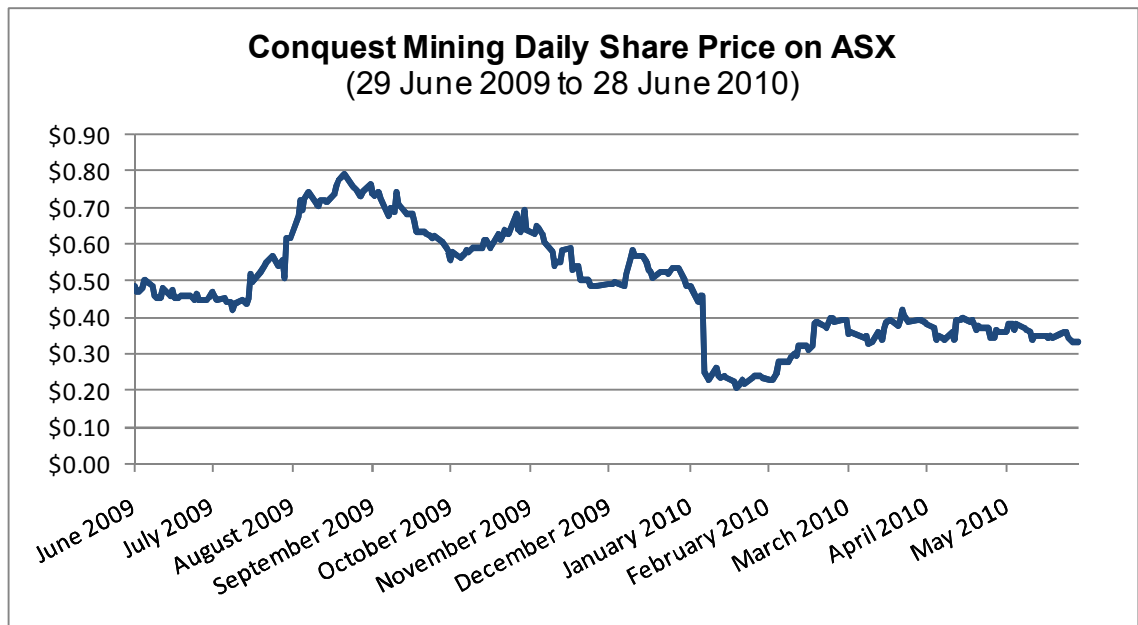
- In the first sentence in section 2.3, replace "10 June 2010" with "28 June 2010".

- Replace the table in section 2.3 with the following table:

Substantial Shareholder	Number of securities	Percentage of issued share capital
Gold Fields Ltd (and associated entities)	51,783,388	14.66%
JJ Holdings (Vic) Pty Ltd	20,965,098	5.94%
The Capital Group Companies, Inc	20,000,000	5.66%
Lujeta Pty Ltd	19,667,353	5.57%

## 2.10 Section 2.4

- In the first paragraph of section 2.4, replace "10 June 2010" with "28 June 2010" and "\$0.34" with "\$0.33".
- In the third paragraph of section 2.4, replace "10 June 2010" with "28 June 2010", and in subparagraph (b), replace "was \$0.29 on 11 March 2010" with "was \$0.31 on 5 and 7 May 2010".
- Replace the chart in section 2.4 with the following chart which reflects the Conquest Mining daily share price up to 28 June 2010.



## 2.11 Section 2.6

In the table in section 2.6, replace the number of Conquest Mining Shares in which P Marks has a relevant interest of "20,500,098" to "20,965,098".

## 2.12 Section 2.7(a)

- In the table in section 2.7(a), insert "" following the words "Tranche 2".
- In the second paragraph of section 2.7(a), replace "800,000" with "400,000".
- Replace all references in section 2.7(a) to "Sazabo" with "Szabo".

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### **2.13 Section 2.7(b)**

- Replace "2 June 2010" with the words "1 June 2010" in the final paragraph of section 2.7(b), in the first paragraph of section 2.7(b)(i), and in section 2.7(b)(ii).
- In the table in section 2.7(b)(i), replace all references to "02/06/10" with "01/06/10".
- In the third final paragraph of section 2.7(b)(i), add the following words to the end (following the words "except that the exercise price will be 15% higher"): "than the issue price for the relevant Share Issue".
- Insert the following words at the end of the final paragraph of section 2.7(b)(i):  
"For the purposes of determining the exercise price for those Additional Options, the "issue price" of Conquest Mining Shares issued under the Offer will be the volume-weighted average price of Conquest Mining Shares on the ASX on the relevant day the Conquest Mining Shares are issued."

### **2.14 Section 3.3**

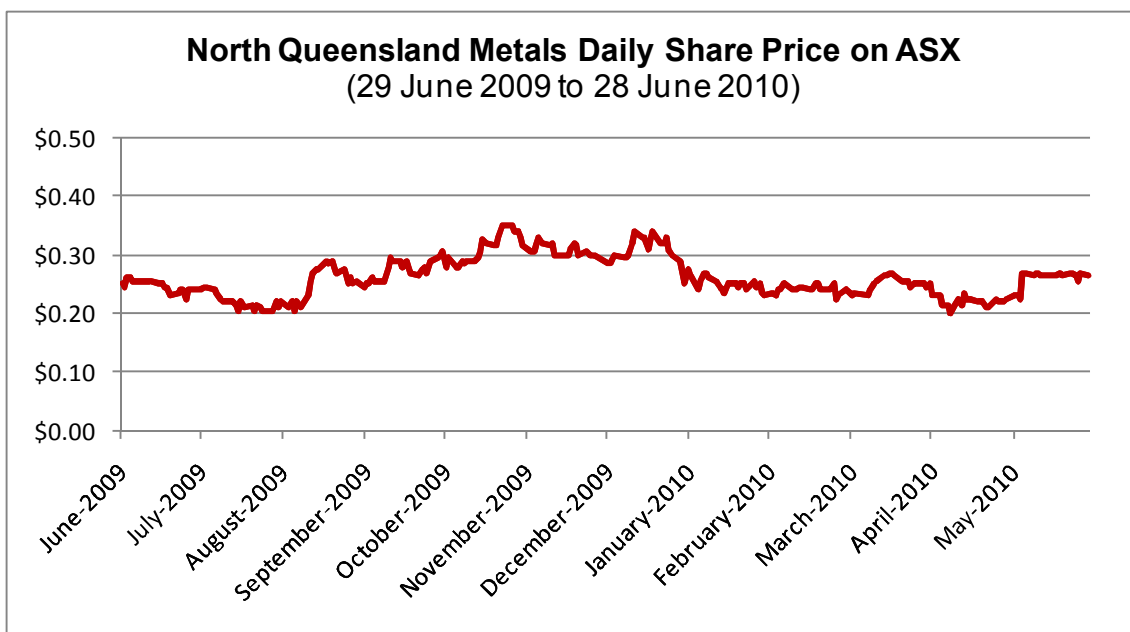
- In the fifth final paragraph of section 3.3, replace the words in the first bullet point with: "309 Deposit: 1.882Mt @ 2.6g/t Au for 157,000oz Au".
- In the fourth final paragraph of section 3.3, replace the words in the bullet point with: "309 Deposit: 0.842Mt @ 3.4g/t Au and 5.0g/t Ag for 92,000oz Au and 136,000oz Ag".
- In footnote 8 (footnote 9 following insertion of additional footnote referred to in 2.3 above), add the following words to the end: "and Update announced on 24 June 2010".

### **2.15 Section 4.3**

In the first sentence of section 4.3, replace "10 June 2010" with "28 June 2010".

### **2.16 Section 4.4**

- In the first and third sentences of section 4.4, replace "10 June 2010" with "28 June 2010".
- Replace the chart in section 4.4 with the following chart which reflects the North Queensland Metals daily share price up to 28 June 2010.



## 2.17 Section 5.4

- Replace the first table in section 5.4 with the following table which corrects some rounding errors in calculations relating to Conquest Mining and provides a resource breakdown into Measured Resources, Indicated Resources and Inferred Resources.

<b>Combined Mineral Resources</b>							
	<b>Tonnes</b>	<b>Grade g/t Au</b>	<b>Grade g/t Ag</b>	<b>Grade % Cu</b>	<b>Gold Ounces</b>	<b>Silver Ounces</b>	<b>Copper Tonnes</b>
<b>Conquest Mining</b>							
<b>Silver Hill</b>							
Measured Resources	11,100,000	1.72	70	0.32	610,000	24,764,000	35,600
Indicated Resources	13,200,000	1.60	25	0.25	679,000	10,474,000	32,700
Inferred Resources	1,500,000	1.67	30	0.20	79,000	1,417,000	2,900
<b>Subtotal Silver Hill</b>	<b>25,700,000</b>	<b>1.65</b>	<b>44</b>	<b>0.28</b>	<b>1,368,000</b>	<b>36,655,000</b>	<b>71,200</b>
<b>Mt Carlton</b>							
Measured Resources	0	-	-	-	0	0	0
Indicated Resources	0	-	-	-	0	0	0
Inferred Resources	966,000	1.35	38	0.345	42,000	1,090,000	3,400
<b>Subtotal Mt Carlton</b>	<b>966,000</b>	<b>1.35</b>	<b>38</b>	<b>0.345</b>	<b>42,000</b>	<b>1,090,000</b>	<b>3,400</b>
<b>Western Lodes</b>							
Measured Resources	0	-	-	-	0	0	0
Indicated Resources	0	-	-	-	0	0	0
Inferred Resources	558,000	1.49	120	-	26,700	2,100,000	0
<b>Subtotal Western Lodes</b>	<b>558,000</b>	<b>1.49</b>	<b>120</b>	<b>-</b>	<b>26,700</b>	<b>2,100,000</b>	<b>0</b>
<b>Herbert Creek</b>							
Measured Resources	0	-	-	-	0	0	0

Indicated Resources	0	-	-	-	0	0	0
Inferred Resources	351,000	2.17	4	-	24,500	47,000	0
<b>Subtotal Herbert Creek</b>	<b>351,000</b>	<b>2.17</b>	<b>4</b>	<b>-</b>	<b>24,500</b>	<b>47,000</b>	<b>0</b>
<b>Subtotal</b>	<b>27,575,000</b>	<b>1.7</b>	<b>45</b>	<b>0.27</b>	<b>1,461,200</b>	<b>39,892,000</b>	<b>74,600</b>
<b>North Queensland Metals</b>							
<b>Pajingo</b>							
Measured Resources	0	-	-	-	0	0	0
Indicated Resources	48,600	10.0	-	-	15,600	0	0
Inferred Resources	753,480	7.3	-	-	176,520	0	0
<b>Subtotal Pajingo</b>	<b>802,080</b>	<b>7.5</b>	<b>-</b>	<b>-</b>	<b>192,120</b>	<b>0</b>	<b>0</b>
<b>309 Deposit</b>							
Measured Resources	0	-	-	-	0	0	0
Indicated Resources	639,600	2.0	-	-	40,800	0	0
Inferred Resources	489,600	3.4	-	-	53,400	0	0
<b>Subtotal 309 Deposit</b>	<b>1,129,200</b>	<b>2.6</b>	<b>-</b>	<b>-</b>	<b>94,200</b>	<b>0</b>	<b>0</b>
<b>Lone Sister</b>							
Measured Resources	324,000	4.1	6.1	-	42,600	63,000	0
Indicated Resources	168,000	3.4	5.0	-	18,600	27,000	0
Inferred Resources	120,000	2.8	3.6	-	10,800	13,800	0
<b>Subtotal Lone Sister</b>	<b>612,000</b>	<b>3.7</b>	<b>5.3</b>	<b>-</b>	<b>72,000</b>	<b>103,800</b>	<b>0</b>
<b>Subtotal</b>	<b>2,543,280</b>	<b>4.4</b>	<b>1.3</b>	<b>-</b>	<b>358,320</b>	<b>103,800</b>	<b>0</b>
<b>TOTAL</b>	<b>30,118,280</b>	<b>1.9</b>	<b>41</b>	<b>0.29</b>	<b>1,819,520</b>	<b>39,995,800</b>	<b>74,600</b>

- Replace the second table in section 5.4 with the following table which provides a reserve breakdown into Proved Reserves and Probable Reserves.

<b>Combined Ore Reserves</b>							
	<b>Tonnes</b>	<b>Grade</b> g/t Au	<b>Grade</b> g/t Ag	<b>Grade</b> % Cu	<b>Gold</b> Ounces	<b>Silver</b> Ounces	<b>Copper</b> Tonnes
<b>Conquest Mining</b>							
<b>Area 39</b>							
Proved Reserves	392,000	0.18	640	0.76	2,000	8,066,000	3,000
Probable Reserves	0	-	-	-	0	0	0
<b>Subtotal Area 39</b>	<b>392,000</b>	<b>0.18</b>	<b>640</b>	<b>0.76</b>	<b>2,000</b>	<b>8,066,000</b>	<b>3,000</b>
<b>V2</b>							
Proved Reserves	4,004,000	3.44	42	0.47	443,000	5,407,000	18,800
Probable Reserves	2,985,000	3.08	26	0.29	295,588	2,495,219	8,700
<b>Subtotal V2</b>	<b>6,988,000</b>	<b>3.29</b>	<b>35</b>	<b>0.39</b>	<b>738,588</b>	<b>7,902,219</b>	<b>27,500</b>
<b>Subtotal</b>	<b>7,380,000</b>	<b>3.12</b>	<b>67</b>	<b>0.41</b>	<b>740,588</b>	<b>15,919,219</b>	<b>30,200</b>
<b>North Queensland Metals</b>							
<b>Pajingo</b>							
Proved Reserves	42,000	5.9	-	-	7,980	0	0
Probable Reserves	280,980	5.5	-	-	49,260	0	0
<b>Subtotal Pajingo</b>	<b>322,980</b>	<b>5.5</b>	<b>-</b>	<b>-</b>	<b>57,240</b>	<b>0</b>	<b>0</b>
<b>309 Deposit</b>							

Proved Reserves	0	-	-	-	0	0	0
Probable Reserves	505,200	3.4	5.0	-	55,200	81,600	0
<b>Subtotal 309 Deposit</b>	<b>505,200</b>	<b>3.4</b>	<b>5.0</b>	-	<b>55,200</b>	<b>81,600</b>	<b>0</b>
<b>Subtotal</b>	<b>828,180</b>	<b>4.2</b>	<b>3.1</b>	-	<b>112,440</b>	<b>81,600</b>	<b>0</b>
<b>TOTAL</b>	<b>8,208,180</b>	<b>3.2</b>	<b>61</b>	<b>0.37</b>	<b>853,028</b>	<b>16,000,819</b>	<b>30,200</b>

- In the final paragraph of section 5.4, add the following words to the end: "and Update announced on 24 June 2010".

#### 2.18 Section 5.5

- Replace the last two rows in the table in section 5.5 with the following two rows which include an updated amount of Conquest Mining Options issued as at the date of the Bidder's Statement.

<b>Conquest Mining Options</b>	38,450,000	Nil	38,450,000
<b>Total</b>	391,601,103	100,185,636	491,786,739

#### 2.19 Section 7.1

In the fourth paragraph of section 7.1, replace to the reference to "North Queensland's announcements" with "North Queensland Metals' announcements".

#### 2.20 Section 7.2

In the second paragraph of section 7.2, insert "Metals" after the reference to "North Queensland".

#### 2.21 Section 7.3

- In the second sentence in the first paragraph of section 7.3(a), replace "Development will" with "Development would".
- In the fourth sentence in section 7.3(c), replace "are willing" with "are interested in agreeing terms".

#### 2.22 Section 12.1

- Insert the following definition in section 12.1:  

**"Business Day** means a week day on which trading banks are open for business in Sydney, Australia."
- In the definition of Register Date, replace "[\*] 2010" with "21 June 2010".

#### 2.23 Section 13

Replace the date in section 13 from "11 June 2010" to "29 June 2010".

#### 2.24 Annexure B

Insert the following announcements into the table in Annexure B.

28/06/2010	Change of Director's Interest Notice
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18/06/2010	Register Request Notification
16/06/2010	Appendix 3B Takeover Offer Consideration
16/06/2010	Register Request Notification
11/06/2010	Change in substantial holding NQM
11/06/2010	Bidder's Statement as Lodged

### **2.25 Acceptance Forms**

In the pro forma Acceptance Forms, replace the reference to "Conquest Mining's bidder's statement dated 11 June 2010" with "Conquest Mining's replacement bidder's statement dated 29 June 2010".

## **3. Other**

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### **3.1 Consent**

Information in this Supplementary Bidder's Statement that relates to Conquest Mining exploration results, Mineral Resources and Ore Reserves is based on and accurately reflects information compiled by Mr Martin Male, BSc (Hons), MAIG who is an employee of Conquest Mining. 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 Supplementary Bidder's Statement of the matters based on his information in the form and context in which it appears.

### **3.2 Lodgment with ASIC**

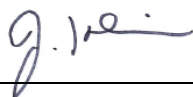
A copy of this Supplementary Bidder's Statement was lodged with ASIC on 29 June 2010. This Supplementary Bidder's Statement will prevail to the extent of any inconsistency with the Bidder's Statement. Neither ASIC nor its officers takes any responsibility for the contents of this Supplementary Bidder's Statement.

### **3.3 Authorisation**

This Supplementary Bidder's Statement has been approved by a unanimous resolution of the directors of Conquest Mining.

Dated 29 June 2010

Signed on behalf of Conquest Mining Limited.



---

Jake Klein, Executive Chairman



**Replacement Bidder's Statement of Conquest dated 29 June 2010**

THIS IS AN IMPORTANT DOCUMENT AND CONTAINS AN OFFER BY CONQUEST MINING LIMITED TO PURCHASE ALL OF YOUR SHARES IN NORTH QUEENSLAND METALS LIMITED. THIS DOCUMENT REQUIRES YOUR IMMEDIATE ATTENTION. IF YOU ARE IN ANY DOUBT AS TO HOW TO ACT, YOU SHOULD CONSULT YOUR FINANCIAL OR LEGAL ADVISER AS SOON AS POSSIBLE.

## Bidder's Statement

# ACCEPT THE OFFER

by

## **CONQUEST MINING LIMITED**

(ACN 009 232 277)

to acquire all of your shares in

## **NORTH QUEENSLAND METALS LIMITED**

(ACN 115 279 653)

**If you accept the Offer you will receive 0.5 Conquest Mining shares and \$0.10 cash for every 1 of your North Queensland Metals shares**

Financial Adviser:



Legal Adviser:

Allens Arthur Robinson 

## IMPORTANT DATES

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Announcement Date	3 June 2010
Original Bidder's Statement lodged with ASIC	11 June 2010
Replacement Bidder's Statement (this document) lodged with ASIC	29 June 2010
Date of Offer	[*] 2010
Offer scheduled to close (unless extended in accordance with the Corporations Act)	7.00pm (Sydney time) on [*] 2010

## IMPORTANT NOTICES

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### Bidder's Statement

This Bidder's Statement is a replacement bidder's statement given by Conquest Mining Limited to North Queensland Metals Limited under Part 6.5 of the Corporations Act and ASIC Class Order 00/344 and relates to the Offer.

This Bidder's Statement is dated 29 June 2010 and replaces the original Bidder's Statement dated 11 June 2010. It incorporates the original Bidder's Statement dated 11 June 2010 and changes made in the Supplementary Bidder's Statement dated 29 June 2010. It includes an Offer dated [\*] 2010 in section 11.

A copy of the original Bidder's Statement was lodged with ASIC on 11 June 2010 and this replacement Bidder's Statement was lodged with ASIC on 29 June 2010. Neither ASIC nor any of its officers takes any responsibility for the contents of this Bidder's Statement.

You should read this Bidder's Statement in its entirety.

### Investment decisions

This Bidder's Statement does not take into account your individual investment objectives, financial situation or particular needs. You may wish to seek independent financial and taxation advice before deciding whether or not to accept the Offer and whether Conquest Mining Shares are an appropriate investment for you.

### Defined terms

A number of defined terms are used in this Bidder's Statement. These terms are explained in section 12 along with certain rules of interpretation which apply to this Bidder's Statement.

### Forward-looking statements

This Bidder's Statement includes information that is historical in character and forward looking statements. The forward looking statements relate to future matters and are subject to various inherent risks and uncertainties.

These risks and uncertainties include the risks described in section 7, as well as other matters not yet known to Conquest Mining or not currently considered material by Conquest Mining.

Actual events or results may differ materially from the events or results expressed or implied by any forward looking statements. The past performance of Conquest and North Queensland Metals is no guarantee of future performance. None of Conquest Mining, any of the directors or officers of Conquest Mining, any other person named in this Bidder's Statement with their consent or any person involved in the preparation of this Bidder's Statement makes any representation or warranty (either express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, or any events or results expressed or implied in any forward looking statement, except to the extent required by law. The forward looking statements in this Bidder's Statement reflect views held only as at the date of this Bidder's Statement.

### Information regarding North Queensland Metals

The information contained in this Bidder's Statement on:

- North Queensland Metals, North Queensland Metals Shares and the North Queensland Metals Group; and
- the Combined Group, to the extent that it incorporates or reflects information on North Queensland Metals or the North Queensland Metals Group,

has been prepared by Conquest Mining using publicly available information and certain non-public information provided by North Queensland Metals. None of that information has been independently verified by Conquest Mining. Accordingly, Conquest Mining does not, subject to the Corporations Act, make any representation or warranty, express or implied, as to the accuracy or completeness of such information.

### Foreign jurisdictions

The distribution of this Bidder's Statement and the making of the Offer may be restricted by the laws of jurisdictions outside of Australia, and persons who come into possession of it should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities law. The Offer is not being made, directly or indirectly, in or into and will not be capable of acceptance from within any jurisdiction, if to do so would not be in compliance with the laws of that jurisdiction.

This Bidder's Statement is not a New Zealand prospectus or an investment statement and has not been registered, filed with or approved by any New Zealand regulatory authority under or in accordance with the *Securities Act 1978* (or any other relevant New Zealand law). This Bidder's Statement may not contain all the information that a prospectus or an investment statement under New Zealand law is required to contain. Conquest Mining Shares are being offered to the public in New Zealand under the Offer in reliance on the *Securities Act (Overseas*

*Companies) Exemption Notice 2002* (New Zealand). New Zealand investors should seek their own advice and satisfy themselves as to the Australian and New Zealand tax implications of participating in the Offer. Conquest Mining is not, and will not be, listed on the New Zealand Exchange, and investors may not have access to information on it in the same way as they would if it were so listed.

No action has been taken to register this Bidder's Statement or qualify Conquest Mining or to otherwise permit a public offering of Conquest Mining Shares outside Australia or New Zealand. In particular, Conquest Mining Shares have not been, and will not be, registered under the *Securities Act 1933* of the United States of America ("**Securities Act**") and may not be offered or sold in the United States or to, or for the account or benefit of, a US person (as defined in Regulation S under the Securities Act), except in a transaction exempt from the registration requirements of the Securities Act and applicable United States state securities laws.

The entitlements of North Queensland Metals Shareholders who are located in jurisdictions outside Australia and its external territories or New Zealand are set out in section 11.9.

## **Privacy statement**

Conquest Mining has collected your information from the North Queensland Metals register of members for the purpose of making the Offer and, if accepted, administering your holding of North Queensland Metals Shares. The type of information Conquest Mining has collected about you includes your name, address, contact details and information on your shareholding in North Queensland Metals. Without this information, Conquest Mining will be hindered in its ability to carry out the Offer. The Corporations Act requires the name and address of shareholders to be held in a public register. Your information may be disclosed on a confidential basis to Conquest Mining's Related Bodies Corporate and external service providers (such as Link Market Services Limited and providers of print and mail services), and may be required to be disclosed to regulators such as ASIC. If you would like details of information about you held by Conquest Mining or Link Market Services Limited please contact them at the addresses set out in the corporate directory.

## **How to accept**

The manner by which you accept the Offer will depend on the nature and type of your holding. Full details of how to accept the Offer are set out in section 11.5 and a summary is set out on page 4. Acceptances must be received by the end of the Offer Period.

## **Queries**

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

## **Implied value of Offer**

As you are being offered Conquest Mining Shares as part of the consideration for your North Queensland Metals Shares, the implied value to you of the Offer will vary with the ASX trading price of Conquest Mining Shares.

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# Letter from the Chairman of Conquest Mining

29 June 2010

Dear North Queensland Metals Shareholder,

I am pleased to enclose an Offer by Conquest Mining Limited ("**Conquest Mining**") to acquire all of your shares in North Queensland Metals Limited ("**North Queensland Metals**").

Conquest Mining is offering you 0.5 Conquest Mining Shares and \$0.10 cash for every 1 of your North Queensland Metals Shares. We believe this is an attractive Offer for your North Queensland Metals Shares. As at 2 June 2010 (the last ASX trading day before the announcement of the Offer), the implied value of the Offer Consideration was \$0.29 per North Queensland Metals Share (based on the closing price of Conquest Mining Shares on 2 June 2010 of \$0.38). This represents:

- a 29% premium to the closing price of North Queensland Metals Shares on 2 June 2010 of \$0.225; and
- a substantial premium to the 1 month and 3 month volume weighted average prices of North Queensland Metals Shares up to and including 2 June 2010.<sup>1</sup>

Further, the Offer allows you to monetise a substantial portion of the value of your shareholding in North Queensland Metals in cash, and also provides you with an opportunity to participate in the potential value of the combined company. By accepting the Offer, you will become a shareholder 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 gold-silver-copper project.<sup>2</sup>
- Increased share liquidity and likely better access to capital markets.
- A strong platform for growth.
- Asset and risk diversification.

The major shareholder, founder and director of North Queensland Metals, Donald Walker has entered into an agreement with Conquest Mining to accept the Offer for a 19.9% shareholding in North Queensland Metals, in the absence of a higher offer.

While the North Queensland Metals board has not recommended the Offer, the background to the Offer is that in February 2010 I was contacted by John McKinstry, the Chief Executive Officer of North Queensland Metals, in relation to a possible business combination between North Queensland Metals

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<sup>1</sup> In this Bidder's Statement, the trading prices of North Queensland Metals Shares prior to the Announcement Date have been used as bases for comparison to the implied value of the Offer Consideration because such prices are unaffected by the Offer. The implied value of the Offer Consideration during the Offer Period will change according to changes in the ASX trading price of Conquest Mining Shares. As at 28 June 2010 (the last ASX trading day prior to the date of this Bidder's Statement), the closing price of Conquest Mining Shares was \$0.33. This implies an Offer Consideration value of \$0.265 for each North Queensland Metals Share. The value of the Offer Consideration is dependent on the trading price of Conquest Mining Shares once they are issued to you.

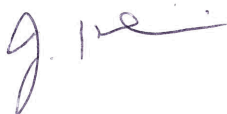
<sup>2</sup> See section 1.2 for a description of the Mt Carlton project. There are a number of risks associated with the development of the Mt Carlton project, which are described in section 1.2 and section 7.

and Conquest Mining. The present Offer is a culmination of high-level discussions and due diligence between our respective management teams.

**The Offer is now open and is scheduled to close at 7.00pm (Sydney time) on [\*] 2010 (unless extended). See page 4 for details on how to accept the Offer.**

Further details in relation to the Offer are provided in this Bidder's Statement. You should read this document in its entirety, including the conditions to the Offer.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'J. Klein', with a horizontal line extending to the right.

**Jake Klein**  
Executive Chairman  
Conquest Mining Limited

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## How to accept the Offer

The Offer may only be accepted for all of your North Queensland Metals Shares. Below is a summary on how to accept the Offer – full details are in section 11.5 of this Bidder's Statement.

### 1. ISSUER SPONSORED HOLDINGS

If your North Queensland Metals Shares are held in an Issuer Sponsored Holding (such holdings will have Securityholder Reference Numbers beginning with an "I"), to accept the Offer you must complete and sign the enclosed Acceptance Form in accordance with the instructions on it and return it, together with any other documents required by those instructions, to one of the addresses indicated on the form so that it is received before the end of the Offer Period.

**Acceptance Forms must be received by 7.00 pm (Sydney time) on [\*] 2010, unless the Offer is extended.**

### 2. CHESS HOLDINGS

If your North Queensland Metals Shares are held in a CHESS Holding (such holdings will have Holder Identification Numbers beginning with an "X"), you must instruct your Controlling Participant (usually your stockbroker) to initiate an acceptance of the Offer on your behalf in sufficient time for the Offer to be accepted before the end of the Offer Period.

You could also complete and sign the enclosed Acceptance Form in accordance with the instructions on it and return it, together with any other documents required by those instructions, to one of the addresses listed on the form. However, Conquest Mining will merely send the instruction carried on this form onto your Controlling Participant who is the only person who can accept the Offer on your behalf.

**Your Controlling Participant must accept the Offer on your behalf by 7.00 pm (Sydney time) on [\*] 2010, unless the Offer is extended.**



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## Summary of the Offer

The following is a summary only of the Offer and is qualified by the detailed information contained in the rest of this Bidder's Statement. You should read this Bidder's Statement in full before deciding how to deal with your North Queensland Metals Shares.

The terms of the Offer are contained in section 11.

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<b>1. What is the Offer?</b>	<p>Conquest Mining is offering to purchase all of your North Queensland Metals Shares.</p> <p>For each of your shares you are being offered 0.5 Conquest Mining Shares and \$0.10 cash.<sup>3</sup> This is known as the <b>"Offer Consideration"</b>.</p>
<b>2. Who is Conquest Mining?</b>	<p>Conquest Mining is a growth-oriented Australian mining company, which is focused on the discovery and development of high-quality precious metals resources. Conquest Mining's main asset is the Mt Carlton project in north Queensland, which has substantial gold, silver and copper resources.</p> <p>Conquest Mining is listed on the ASX, trading as "CQT".</p>
<b>3. What is the value of the Offer?</b>	<p>Based on the closing price of Conquest Mining Shares on the day immediately before the date of this Bidder's Statement, the implied value of the Offer is \$0.265 per North Queensland Metals Share.<sup>4</sup></p> <p>The implied value of the Offer will change as a consequence of changes in the market price of Conquest Mining Shares from time to time. See page 9 for further information.</p>
<b>4. How do I accept the Offer?</b>	<p>See page 4 of this Bidder's Statement.</p>
<b>5. What happens if I do not accept the Offer?</b>	<p>If you do not accept the Offer and Conquest Mining acquires a relevant interest in at least 90% of the North Queensland Metals Shares and the Offer becomes unconditional, Conquest Mining intends to compulsorily acquire your North Queensland Metals Shares.</p> <p>If your North Queensland Metals Shares are compulsorily acquired by Conquest Mining, it will be for the Offer Consideration and you will receive it later than the North Queensland Metals Shareholders who accepted the Offer before the end of the Offer Period.</p>

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<sup>3</sup> If you are entitled to a fraction of a Conquest Mining Share upon acceptance of the Offer, your entitlement to Conquest Mining Shares will be rounded up to the nearest whole number (if equal to a fraction of 0.5 or greater) or rounded down (if equal to a fraction of less than 0.5).

<sup>4</sup> The closing price of Conquest Mining Shares as traded on the ASX on 28 June 2010 was \$0.33.

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6. **When does the Offer close?** The Offer closes at 7.00pm (Sydney time) on [\*] 2010, unless extended in accordance with the Corporations Act.

The Offer can be extended for up to a maximum Offer Period of 12 months.

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7. **Are there any conditions to the Offer?** Yes. The Offer is subject to a number of conditions (set out in section 11.12) which include requirements that:

- at or before the end of the Offer Period, Conquest Mining obtains a relevant interest in at least 90% of the North Queensland Metals Shares;
- certain regulatory actions are not taken to restrain, prohibit or impede the Offer;
- no material adverse change occurs in relation to North Queensland Metals before the end of the Offer Period;
- North Queensland Metals does not undertake any new material acquisitions, disposals or new commitments during the period from the Announcement Date until the end of the Offer Period;
- North Queensland Metals does not declare or pay any dividends during the period from the Announcement Date to the end of the Offer Period;
- no person has any rights to acquire any material asset of the North Queensland Metals Group or terminate any material agreement with the North Queensland Metals Group, in each case as a result of the Offer; and
- no "prescribed occurrences" occur in relation to North Queensland Metals during the period from the Announcement Date until the end of the Offer Period.

If any of these conditions, known as "**Defeating Conditions**" are not satisfied or waived by Conquest Mining by the end of the Offer Period, then the Offer will lapse and not proceed (ie. you will retain your North Queensland Metals Shares).

In addition, there is a statutory condition (see section 11.14) relating to the ASX quotation of Conquest Mining Shares to be issued under the Offer. If this condition is not satisfied the Offer will lapse and not proceed (ie. you will retain your North Queensland Metals Shares).

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<p><b>8. Will my new Conquest Mining Shares be quoted on the ASX?</b></p>	<p>Conquest Mining will apply for the Conquest Mining Shares to be issued under the Offer to be quoted on the ASX within seven days after the date of this Bidder's Statement. Quotation of these Conquest Mining Shares will not be automatic but will depend on the ASX exercising its discretion. However, as Conquest Mining is already admitted to the official list of the ASX and Conquest Mining Shares in the same class as to those to be issued under the Offer are already quoted, Conquest Mining believes quotation of the shares will be granted.</p>
<p><b>9. Can I withdraw my acceptance?</b></p>	<p>You cannot withdraw your acceptance unless a withdrawal right arises under the Corporations Act. Such a right will arise if, after you have accepted the Offer and whilst the Offer remains conditional, Conquest Mining varies the Offer (eg. by extending the Offer Period) in a way that postpones for more than 1 month the time when Conquest Mining has to meet its obligations under the Offer (eg. the obligation to provide Offer Consideration to accepting shareholders).</p>
<p><b>10. If I accept the Offer, when will I receive my Offer Consideration?</b></p>	<p>If you validly accept the Offer and the Offer becomes unconditional, then generally speaking the Offer Consideration will be provided to you on or before the earlier of:</p> <ul style="list-style-type: none"> <li>• 1 month after the date of your acceptance or, if at the time of your acceptance the Offer is subject to a Defeating Condition, 1 month after the Offer becomes, or is declared, unconditional; and</li> <li>• 21 days after the end of the Offer Period.</li> </ul>
<p><b>11. Can I sell my North Queensland Metals Shares on market?</b></p>	<p>Yes, but you may incur brokerage and other transaction costs if you do.</p> <p>However, if you accept the Offer, you agree not to sell your North Queensland Metals Shares to anyone else. So if you accept the Offer and then seek to sell your North Queensland Metals Shares on-market you will be unable to settle that on-market trade.</p>
<p><b>12. What if I am a foreign North Queensland Metals shareholder?</b></p>	<p>Generally speaking, if your address on North Queensland Metals' register of members is in a jurisdiction other than Australia or New Zealand you will be considered an Ineligible Foreign Shareholder.</p> <p>If you are an Ineligible Foreign Shareholder you are entitled to accept the Offer just like any other North Queensland Metals Shareholder. However, you will not be entitled to receive Conquest Mining Shares as a result of acceptance. Instead, the Conquest Mining Shares to which you would otherwise be entitled will be issued to a sale nominee who will sell those shares on the ASX and provide you with the net sale proceeds. See section 11.9 for further details.</p>

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<p><b>13. Are there any other circumstances in which I will not be entitled to receive Conquest Mining Shares?</b></p>	<p>Yes. If the value of the Conquest Mining Shares to which you would be entitled under the Offer has a market value of less than \$500 (based on the highest trading price of Conquest Mining Shares from the date of this Bidder's Statement until the end of the Offer Period), then:</p> <ul style="list-style-type: none"> <li>• you will be considered an Unmarketable Parcel Shareholder; and</li> <li>• the Conquest Mining Shares to which you would otherwise be entitled will be issued to a sale nominee who will sell those shares on the ASX and provide you with the net sale proceeds.</li> </ul> <p>See section 11.9 for further details.</p>
<p><b>14. What are the tax implications of acceptance?</b></p>	<p>You should consult your financial, tax or other professional adviser on the tax implications of acceptance, in light of your own particular circumstances.</p> <p>However, section 9 contains a general summary of the major likely Australian tax consequences for North Queensland Metals Shareholders who accept the Offer. If, after the Offer, Conquest Mining does not own at least 80% of the North Queensland Metals Shares, North Queensland Metals Shareholders who are Australian residents for income tax purposes and who would make a capital gain from their disposal of North Queensland Metals Shares will be unable to elect capital gains tax rollover relief in respect of the component of the Offer Consideration that comprises Conquest Mining Shares.</p>
<p><b>15. Are there any risks in accepting the Offer?</b></p>	<p>If you accept the Offer you will be issued with Conquest Mining Shares (unless you are an Ineligible Foreign Shareholder or an Unmarketable Parcel Shareholder). There are a number of risk factors associated with an investment in Conquest Mining Shares and with the Offer itself. These risks are described in section 7. In deciding whether or not to accept the Offer, you should carefully consider these risks.</p>
<p><b>16. Will I need to pay brokerage if I accept the Offer?</b></p>	<p>No brokerage, stamp duty or GST is payable by you if you accept the Offer (unless you are an Ineligible Foreign Shareholder or an Unmarketable Parcel Shareholder, in which case the proceeds you will receive will be net of sale expenses). However, if you hold your North Queensland Metals Shares through a CHESS Holding, you should ask your Controlling Participant (normally your stockbroker) or nominee whether it will charge any transaction fees or service charges in connection with acceptance of the Offer.</p>

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## Why You Should Accept the Offer

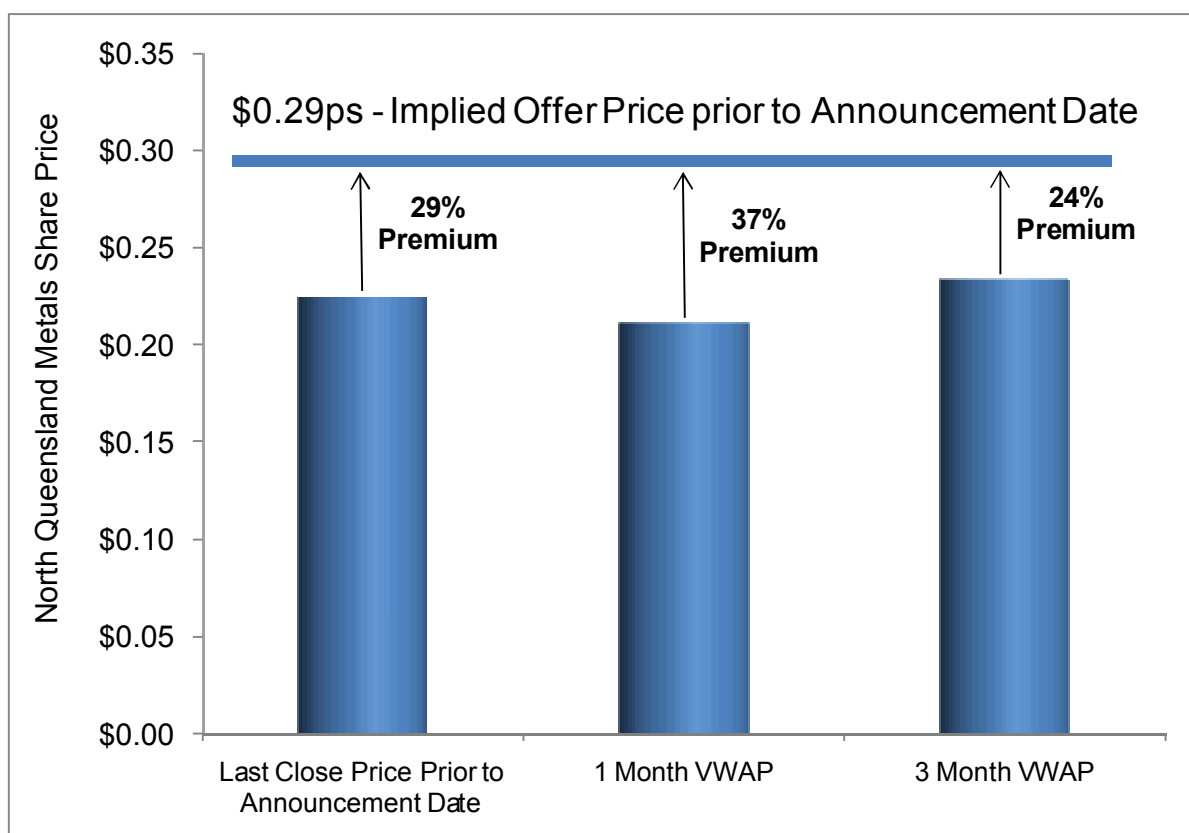
### 1. YOU ARE BEING OFFERED A SUBSTANTIAL AND ATTRACTIVE UPFRONT PREMIUM

The Offer was announced on 3 June 2010 ("**Announcement Date**"). The Offer Consideration for each North Queensland Metals Share is 0.5 Conquest Mining Shares plus \$0.10 cash.

As at 2 June 2010 (the last ASX trading day before the Announcement Date), the implied value of the Offer Consideration was \$0.29 per North Queensland Metals Share (based on the closing price of Conquest Mining Shares on 2 June 2010 of \$0.38).

As indicated in the chart below, this represents:

- A 29% premium to the closing price of North Queensland Metals Shares on 2 June 2010 of \$0.225; and
- A substantial premium to the 1 month and 3 month VWAPs of North Queensland Metals Shares up to and including 2 June 2010.<sup>5</sup>



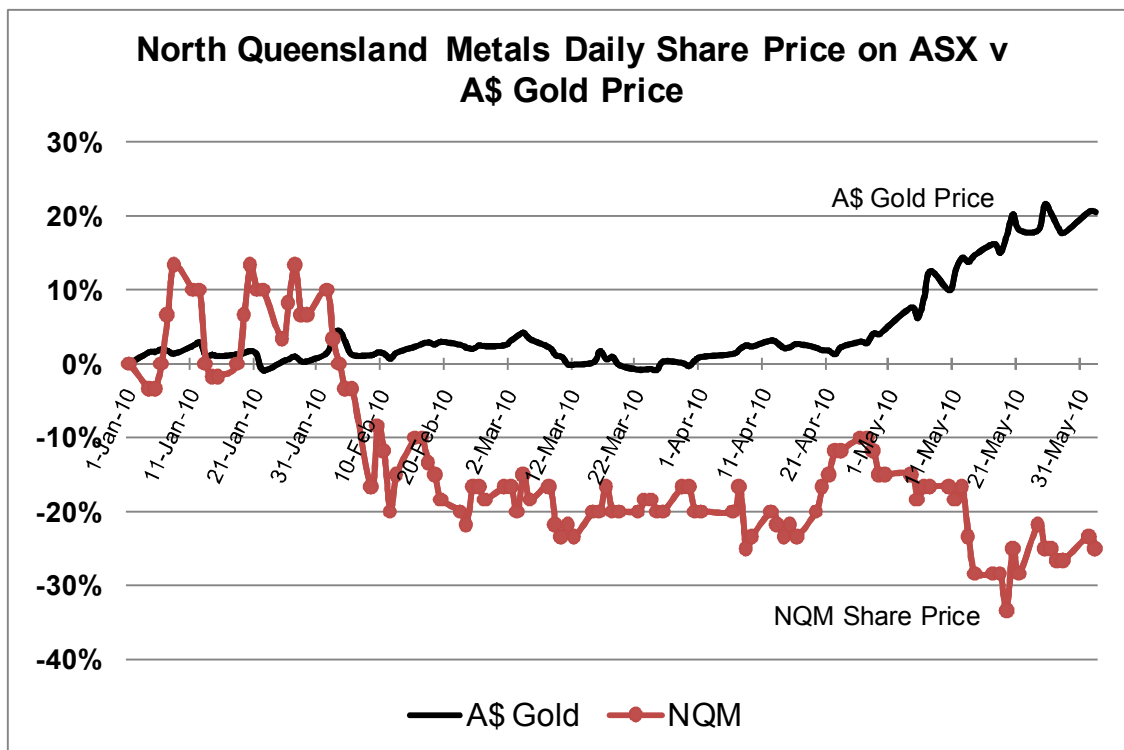
The implied value of the Offer Consideration during the Offer Period will change according to changes in the ASX trading price of Conquest Mining Shares. As at 28 June 2010 (the last ASX trading day prior to the date of this Bidder's Statement), the closing price of Conquest Mining Shares was \$0.33. This implies an Offer Consideration value of \$0.265 for each North Queensland Metals Share.

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<sup>5</sup> In this Bidder's Statement, the trading prices of North Queensland Metals Shares prior to the Announcement Date have been used as bases for comparison to the implied value of the Offer Consideration because such prices are unaffected by the Offer.

The value of the Offer Consideration is dependent on the trading price of Conquest Mining Shares once they are issued to you.

In addition, you should note that the spot gold price, measured in Australian dollars, has increased by approximately 20% since the beginning of 2010. This increase has not been mirrored by the North Queensland Metals share price; in fact the North Queensland Metals share price had fallen by approximately 25% since the beginning of 2010 to prior to the Announcement Date, as shown in the chart below.

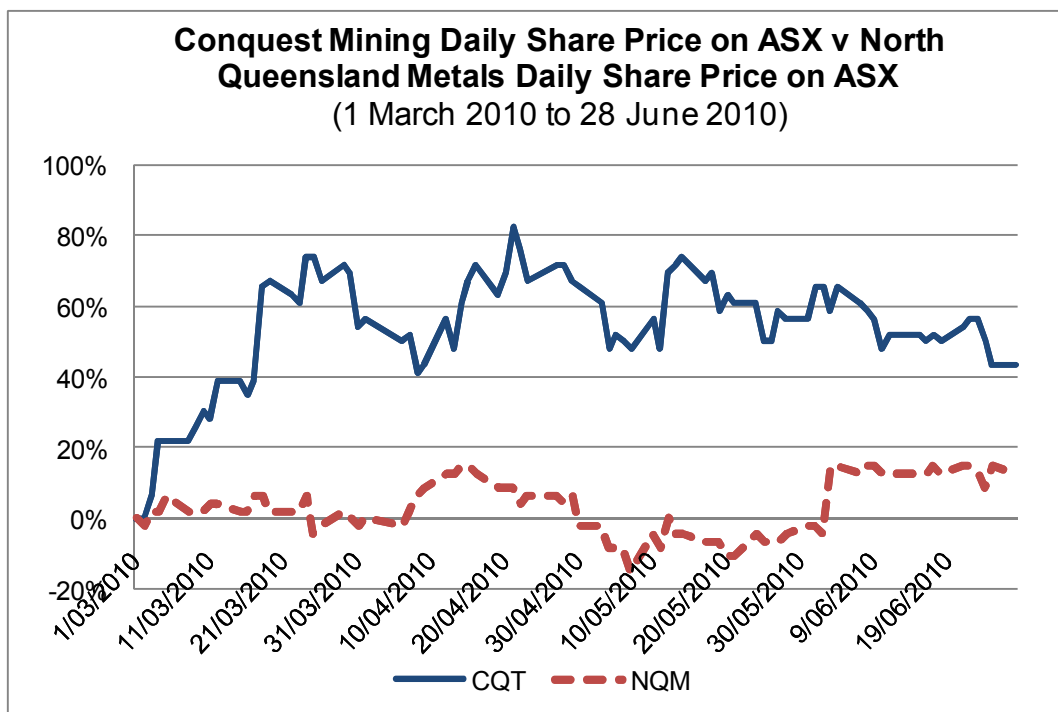


## 2. CONQUEST MINING HAS A BOARD WITH A SUCCESSFUL TRACK RECORD OF INCREASING SHAREHOLDER VALUE

The current Executive Chairman of Conquest Mining, Jake Klein, was previously President and CEO of Sino Gold Mining Limited where, along with current Conquest Mining directors 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 consideration valued at over \$2 billion. Sino Gold became an ASX/S&P 100 Company, operating two award-winning gold mines in China. Jake Klein, Nick Curtis and Jim Askew joined the board of Conquest on 12 May 2010.

The Conquest Mining Board is focused on applying its significant expertise and experience to seek to create a genuine mid-tier gold producer with significant production scale and upside.

While it is a relatively short period, the Conquest Mining Share price has dramatically outperformed the North Queensland Metals share price since the beginning of March 2010 when the new executive and management team, led by Jake Klein, first became involved with Conquest Mining as consultants, as shown in the chart below.



**3. YOU WILL GAIN EXPOSURE TO CONQUEST MINING'S MT CARLTON PROJECT AND RETAIN EXPOSURE TO THE PAJINGO GOLD MINE**

Conquest Mining has 100% ownership of the prospective Mt Carlton Project, located 150km south of Townsville. Development studies at Mt Carlton are centred on the Silver Hill gold-silver-copper deposit, which was discovered by Conquest Mining in 2006.

The Mineral Resources at Mt Carlton are substantial, containing a total of 1.5 million ounces of gold, 40 million ounces of silver and 74,600 tonnes of copper.

The Ore Reserves at Mt Carlton contain a total of 0.7 million ounces of gold, 16 million ounces of silver and 30,200 tonnes of copper.

Feasibility investigations have shown that the Mt Carlton project is mineable as two separate open pits and can be processed by conventional crush-grind-float processing to produce a polymetallic concentrate.

Optimisation studies and a review of the proposed process flowsheet are underway and a development decision is expected in the December quarter of 2010. As explained further in section 1.2, optimisation work is focussed on:

- Exploration – the immediate strategy is to add high-grade tonnes to the reserve inventory.
- Mine planning – trial grade control drilling has provided assurance that the Mineral Resources estimated by the Silver Hill model can be used with confidence for mine planning.
- Processing – flotation test work results (announced on 12 April 2010) indicate recovery to concentrate of 90% for gold, 91% for silver and 96% for copper; which compare favourably with the definitive feasibility study estimates of 70% for gold, 64% for silver and 91% for copper.
- Capital costs – work has commenced, and is currently ongoing, to identify areas of potential savings including optimising the plant throughput, reviewing the development

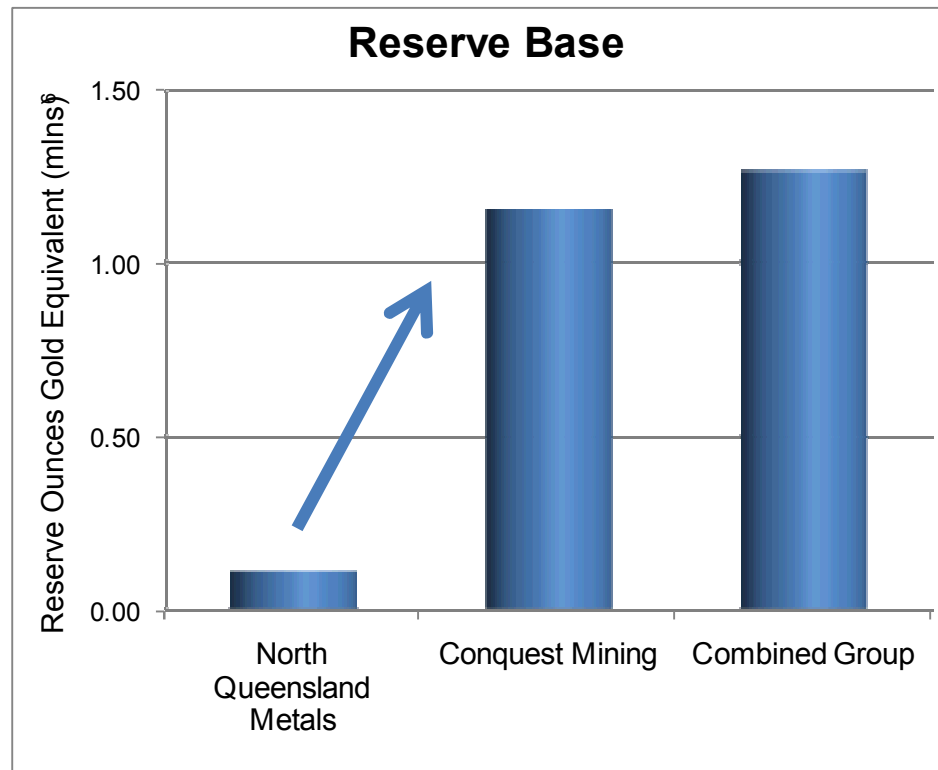
sequencing, procuring second hand items and identifying suitable items that can be procured at lower cost in China.

- Offtake – a total of 6 precious metal smelter companies have been shortlisted and discussions are underway regarding purchasing Mt Carlton concentrate and providing development funding for the project.

The Combined Group would have one production asset, a development project and a portfolio of exploration projects across a large landholding in north Queensland, comprising combined Ore Reserves of 1.26 million gold equivalent ounces.<sup>6</sup>

#### 4. YOU WILL GAIN EXPOSURE TO A COMPANY WITH A SUBSTANTIALLY INCREASED RESERVE BASE

The Combined Group will have combined Ore Reserves of 1.26 million gold equivalent ounces<sup>6</sup>, a substantial uplift compared to North Queensland Metals' current position of approximately 114,000 attributable gold equivalent ounces.



North Queensland Metals' Pajingo mine has a very short life based on published Ore Reserves. The currently published underground and open pit Ore Reserve at Pajingo is sufficient for just over 12 months of mill feed. Additional Ore Reserves may be able to be sourced from the Twin Hills project, 190km by road south of the Pajingo operations, however optimisation studies and underground mining trials are still to be completed at Twin Hills.

North Queensland Metals must continually replace Ore Reserves depleted by production in order to be able to maintain and grow its current production into the future. Success in

<sup>6</sup> Based on Reserves and Resources as reported in the North Queensland Metals Annual Report 2009, Quarterly Report March 2010 and Update announced on 24 June 2010. 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.



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exploration for gold is uncertain and there is a risk that future depletion of Ore Reserves will not be offset by discoveries. As a result, the Ore Reserve base of North Queensland Metals may decline as gold is produced without adequate replacement, eventually leading to mine closure.

Conquest Mining's Mt Carlton project has 7.38Mt of material classified as Ore Reserves. This is equivalent to a 9-year mine life at the expected project scale of 800,000tpa throughput.

**5. YOUR INVESTMENT WILL BE MORE LIQUID**

Accepting the Offer will allow North Queensland Metals Shareholders to exchange their North Queensland Metals Shares for a more liquid stock. For example, in the year to the Announcement Date over \$44 million of Conquest Mining Shares have traded on the ASX compared to just \$8 million of North Queensland Metals Shares.

Liquidity attracts institutional and professional investors as it provides them with the ability to efficiently trade large parcels of shares.

Shareholders of the Combined Group will be exposed to an entity of greater market scale and share trading liquidity which will likely have an enhanced ability to access debt and capital markets to fund development and acquisition opportunities.

**6. YOU WILL PARTICIPATE IN A GROWTH-ORIENTED COMPANY**

Conquest Mining 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. Through a combination of organic growth and future acquisitions, Conquest Mining's long-term goal is to become an Australian-based company with assets that are capable of producing 500,000 ounces per annum.

With a recently rejuvenated management and Board, Conquest Mining has the focus and ability to deliver these growth ambitions.

**7. CAPITAL GAINS TAX ROLLOVER RELIEF MAY BE AVAILABLE**

If Conquest Mining acquires ownership of at least 80% of the North Queensland Metals Shares as a result of the Offer, capital gains tax roll-over relief may be available to Australian resident North Queensland Metals Shareholders in respect of that part of the Offer consideration which comprises Conquest Mining Shares.

See section 9 for a general overview of the tax consequences which will arise if the Offer is declared unconditional and Conquest Mining does not acquire ownership of at least 80% of the North Queensland Metals Shares.

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## **1. Profile of Conquest Mining**

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### **1.1 Overview**

Conquest Mining is an Australian-based growth-oriented mining company that owns 100% of the Mt Carlton gold-silver-copper project in north Queensland. Mt Carlton is being advanced towards development and Conquest Mining is actively exploring its substantial tenement package in the surrounding region.

Conquest Mining manages its exploration programs from a regional office in Townsville and has recently re-located its head office to Sydney.

Conquest Mining is listed on the ASX, trading as "CQT".

### **1.2 Principal assets and activities**

The focus of Conquest Mining is on the following activities in north Queensland:

- advancing the Mt Carlton gold-silver-copper project towards development; and
- exploring the company's large (approximately 2,125km<sup>2</sup>) tenement holding at Mt Carlton and the surrounding region.

Conquest Mining has a 100% interest in all of its projects.

#### **(a) Mt Carlton project**

The Mt Carlton Project is located 150-km south of Townsville and is centred on the Silver Hill gold-silver-copper deposit, which was discovered by Conquest Mining in 2006. The mineralisation occurs within felsic volcanic rocks on the northern margin of the Permian Bowen Basin.

The Mineral Resources for the Mt Carlton Project contain a total of 1.5 million ounces of gold, 40 million ounces of silver and 74,600 tonnes of copper. The Silver Hill deposit accounts for approximately 93% of the total resource.

<b>Mt Carlton Project Resource – December 2009</b>							
	<b>Tonnes</b>	<b>Grade g/t Au</b>	<b>Grade g/t Ag</b>	<b>Grade % Cu</b>	<b>Gold Ounces</b>	<b>Silver Ounces</b>	<b>Copper Tonnes</b>
<b>Silver Hill</b>							
Measured Resources	11,100,000	1.72	70	0.32	610,000	24,764,000	35,600
Indicated Resources	13,200,000	1.60	25	0.25	679,000	10,474,000	32,700
Inferred Resources	1,500,000	1.67	30	0.20	79,000	1,417,000	2,900
<b>Subtotal Silver Hill</b>	<b>25,700,000</b>	<b>1.65</b>	<b>44</b>	<b>0.28</b>	<b>1,368,000</b>	<b>36,655,000</b>	<b>71,200</b>
<b>Mt Carlton</b>							
Measured Resources	0	-	-	-	0	0	0
Indicated Resources	0	-	-	-	0	0	0
Inferred Resources	966,000	1.35	38	0.345	42,000	1,090,000	3,400
<b>Subtotal Mt Carlton</b>	<b>966,000</b>	<b>1.35</b>	<b>38</b>	<b>0.345</b>	<b>42,000</b>	<b>1,090,000</b>	<b>3,400</b>
<b>Western Lodes</b>							
Measured Resources	0	-	-	-	0	0	0
Indicated Resources	0	-	-	-	0	0	0
Inferred Resources	558,000	1.49	120	-	26,700	2,100,000	0
<b>Subtotal Western Lodes</b>	<b>558,000</b>	<b>1.49</b>	<b>120</b>	<b>-</b>	<b>26,700</b>	<b>2,100,000</b>	<b>0</b>
<b>Herbert Creek</b>							
Measured Resources	0	-	-	-	0	0	0
Indicated Resources	0	-	-	-	0	0	0
Inferred Resources	351,000	2.17	4	-	24,500	47,000	0
<b>Subtotal Herbert Creek</b>	<b>351,000</b>	<b>2.17</b>	<b>4</b>	<b>-</b>	<b>24,500</b>	<b>47,000</b>	<b>0</b>
<b>Total</b>	<b>27,575,000</b>	<b>1.65</b>	<b>45</b>	<b>0.27</b>	<b>1,461,200</b>	<b>39,892,000</b>	<b>74,600</b>

Notes: The Silver Hill resource was estimated using multiple indicator kriging. The Mt Carlton and Herbert Creek resources were estimated using ordinary kriging. The Western Lodes resource was estimated by sectional polygonal method. Rounding may introduce minor computational errors.

The Ore Reserves for the Mt Carlton project contain a total of 0.7 million ounces of gold, 16 million ounces of silver and 30,200 tonnes of copper; which can be expressed as 1.15 million ounces gold equivalent<sup>7</sup>.

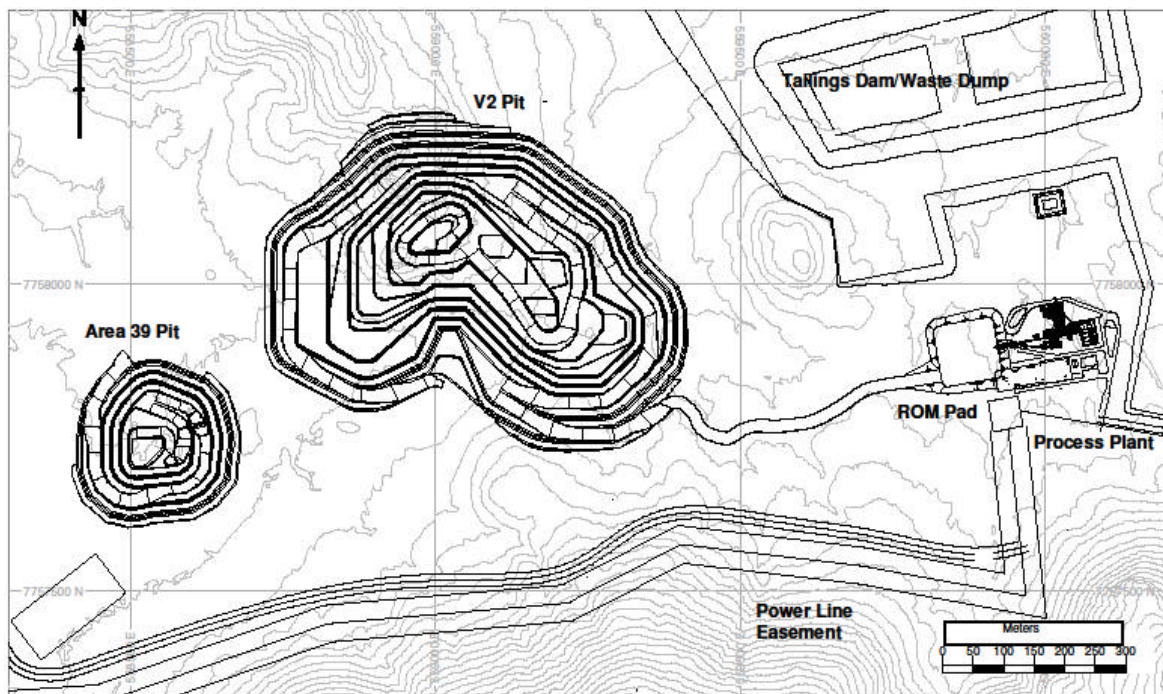
<sup>7</sup> The gold equivalence calculation represents total metal value for each metal assuming 100% recovery, summed and expressed in equivalent gold grade or ounces. The prices used in the calculation being US\$1200/oz Au, US\$18.40/oz Ag and US\$3.00/lb Cu.

Mt Carlton Project Ore Reserves – December 2009							
	Tonnes	Grade g/t Au	Grade g/t Ag	Grade % Cu	Gold Ounces	Silver Ounces	Copper Tonnes
<b>Area 39</b>							
Proved	392,000	0.18	640	0.76	2,000	8,066,000	3,000
Probable	0	-	-	-	0	0	0
Subtotal Area 39	392,000	0.18	640	0.76	2,000	8,066,000	3,000
<b>V2</b>							
Proved	4,004,000	3.44	42	0.47	443,000	5,407,000	18,800
Probable	2,985,000	3.08	26	0.29	295,588	2,495,219	8,700
Subtotal V2	6,988,000	3.29	35	0.39	738,588	7,902,219	27,500
<b>Total</b>	<b>7,380,000</b>	<b>3.12</b>	<b>67</b>	<b>0.41</b>	<b>740,588</b>	<b>15,919,219</b>	<b>30,200</b>

Note: Rounding may introduce minor computational errors.

### Feasibility studies

Feasibility studies have confirmed that the Silver Hill deposit is mineable as two separate open pits (V2 and Area 39) and can be processed via conventional crush-grind-float processing to produce a concentrate. The relative location of the two pits is shown in the following diagram.



The Mt Carlton ore is characterised as a multi-metal refractory sulphide ore. The potential value elements are gold, silver, and copper. Lead, zinc, and arsenic are also present as potential penalty elements. Due to the polymetallic nature of the ore,

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concentrates are best treated at specialised smelters which recover such elements or through oxidation processes such as pressure oxidation or bacterial oxidation. A Pre-Feasibility Study (“**PFS**”), completed in April 2009, was based on a two-stream processing route:

- producing a high-grade gold-silver-copper concentrate for sale to smelters; and
- producing a low-grade gold-silver-copper concentrate for further processing by the GEOCOAT® bioleaching process to produce gold and silver doré and copper cathode at site.

A Definitive Feasibility Study (“**DFS**”), which commenced in April 2009, found that the GEOCOAT® bioleaching process was not economically viable and as such the study was completed based only on producing a high-grade gold-silver-copper concentrate for sale to smelters and leaving the low-grade concentrate untreated. The results of the DFS were publicly released on 4 February 2010. At that time, the Board of Conquest Mining considered that although the DFS outcomes identified the project as profitable (based only on producing a high-grade concentrate) it was not sufficiently robust to develop prior to completing project optimisation studies and finalising long-term concentrate offtake arrangements.

At the time of release of the DFS findings, Mr Jake Klein and a number of his associates were brought in as consultants by Conquest Mining with the specific goal of conducting a strategic review of the project to determine alternative and optimal routes to production. Shortly thereafter, Mr Klein and his associates joined the management team at Conquest Mining. Since that time, the focus of the management team has been on progressing optimisation studies; a related review of the proposed process flowsheet and low-grade concentrate stream; and information exchange with potential concentrate offtake parties.

### **Subsequent optimisation program and process improvements**

Following the DFS, as part of the optimisation studies and related review of the proposed process flowsheet and low-grade concentrate stream, work was undertaken to determine whether a single ‘mixed’ concentrate could be produced, rather than the previous strategy of producing a high-grade concentrate for sale and a separate low-grade concentrate for further on-site treatment. Here, the initial flotation test work results (announced to ASX on 12 April 2010) were encouraging. Highlights of these results were recovery of 90% for gold, 91% for silver and 96% for copper to cleaner concentrate; which compare favourably with the DFS estimates of 70% for gold, 64% for silver and 91% for copper. These recoveries translated into a concentrate grade of 46g/t gold, 246 g/t silver, 6.2% copper and 2.16% arsenic. These grades are not materially different to the high-grade concentrate produced in the DFS. In Conquest Mining’s view, this was a very positive development for the project. Alternative process routes, namely bacterial oxidation and pressure oxidation, are applicable and were also being investigated however these investigations have been curtailed following the success of the flotation test work.

The focus of the optimisation work and related review of the proposed process flowsheet, since the DFS and leading up to a development decision (expected in the December 2010 quarter – see below), is as follows:

- 
- Exploration – the immediate strategy is to add high-grade tonnes to the reserve inventory. See section 1.2(b) for a description of this exploration drilling program.
  - Mine planning – trial grade control drilling has provided assurance that the Mineral Resources estimated by the Silver Hill model can be used with confidence for mine planning.
  - ⊖ Processing – as discussed above, flotation test work results indicate recovery to concentrate of 90% for gold, 91% for silver and 96% for copper. Further test work is underway to determine whether the bulk sample result is representative of the entire ore body and to understand variability across the ore body.
  - Capital costs – work has commenced, and is currently ongoing, to identify areas of potential savings including optimising the plant throughput, reviewing the development sequencing, procuring second hand items and identifying suitable items that can be procured at lower cost in China (see below for further discussion on capital costs).
  - Offtake – the ability to produce a single “mixed” concentrate, as described above, has meant that Conquest Mining has now started to re-engage with potential offtake parties (precious metal smelter companies) and provide them with new concentrate specifications. See the discussion below in relation to status of discussions with offtake parties.

Project scale is now expected to be in the order of 800,000tpa throughput to produce approximately 105,000 ounces per annum gold equivalent in concentrate from the V2 open pit. Concentrate production from the Area 39 pit will consist predominantly of silver.

### **Capital costs**

As discussed above, the DFS estimated costs of \$137.8 million (including owners costs and contingency) for the project as then envisaged (a 1Mtpa throughput project producing a high-grade concentrate for sale and a separate low-grade concentrate for later on-site treatment). The optimisation studies and process review referred to above assume a lower throughput, of 800,000tpa, and production of a single ‘mixed’ concentrate. Accordingly, the upfront capital cost is expected to be less than that estimated by the DFS however, at this stage, is not able to be estimated.

### **Concentrate offtake arrangements**

Following the optimisation studies referred to above which indicated that the project had the ability to produce a single ‘mixed’ concentrate, Conquest Mining has now started to re-engage with potential offtake parties to provide them with the new concentrate specifications. Detailed concentrate specifications were supplied to 14 interested parties and meetings have been completed with all of these parties. Conquest Mining has now short-listed 6 interested parties and discussions are underway with those parties regarding purchasing Mt Carlton concentrate and providing development funding for the Mt Carlton project. Two of the parties have already scheduled due diligence visits to Australia.

Each of the short-listed parties has experience in treating concentrate similar to the Mt Carlton concentrate and all have confirmed that they can treat that concentrate. The

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relatively high arsenic content of the Mt Carlton concentrates (currently expected to average 2.2% for V2 concentrate and 2.5% for A39 concentrate) may mean that payment penalties will be applied but in Conquest Mining's opinion will not otherwise impact on the marketability of the concentrates.

All of the short-listed parties are China based smelter companies. The Mt Carlton concentrates could also be sold to traders and an African based smelter company however Conquest Mining has restricted its focus to China given the current management team's network and previous experience in China. Charles Wang, Conquest Mining's Commercial Manager was previously Deputy General Manager at the Sino Gold Mining Limited "Biogold" plant in Shandong Province in China, a plant that purchased and processed concentrates, similar to Mt Carlton concentrates, from both domestic and international customers. Given this intimate knowledge of the Chinese market, Conquest Mining is confident that it will be able to sell its concentrates into China at better terms than would be available through traders or smelters elsewhere in the world.

### **Financing**

Given the early-stage status of the optimisation studies referred to above, project financing options are not currently being progressed. At this stage, no decisions have been made in relation to the optimal methods and structure of financing for the project. Conquest Mining currently has approximately \$57 million cash equivalent to 16 cents per Conquest Mining Share (less the \$20.4 million required to fund the cash component of the Offer Consideration if all North Queensland Metals Shareholders accept the Offer). This cash is more than sufficient to complete all of the optimisation studies and exploration programs that Conquest Mining has underway and to commence pre-development work at Mt Carlton. Development of the Mt Carlton project would ultimately require Conquest Mining to raise equity or debt funding. A key criteria in short-listing the concentrate offtake parties that Conquest Mining is now in discussions with was the credit worthiness and reputation of the offtake party and the capacity of the offtake party to provide financial support, in the form of equity or debt contributions, for the development of the Mt Carlton project.

There are a number of risks associated with obtaining equity and debt funding to fund the project, and your attention is specifically drawn to section 7.3 (Risk factors specific to Conquest Mining), and in particular section 7.3(a) (Development funding requirement risk).

### **Timing of development decision and risks that the project may not proceed**

Conquest Mining currently expects to make a development decision in relation to the project in the December quarter of 2010. Factors which will be relevant to that decision include return on capital employed, gross profit margin, availability of funding and the ability to secure long-term concentrate offtake agreements on acceptable terms.

There are a number of risks in relation to the development of the Mt Carlton project. In this respect, your attention is specifically drawn to section 7.3 (Risk factors specific to Conquest Mining) and in particular section 7.3(a) (Development funding requirement

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risk); section 7.3(b) (Uncertainty of exploration, optimisation and development programs); and section 7.3(c) (Product final market risk).

**(b) Mt Carlton exploration**

The Mt Carlton regional tenement area was subject to a joint venture between Conquest Mining and Gold Fields between July 2007 and March 2010. During this time Gold Fields completed extensive reconnaissance work, including approximately 17,400m of drilling, over the Mt Carlton regional tenements and identified numerous targets. All of the data collected by Gold Fields has since been transferred to Conquest Mining. Gold Fields holds a 2.5% net smelter royalty over the Mt Carlton project and is Conquest Mining's largest shareholder.

Recent work has focused on assimilating the exploration data provided by Gold Fields and on developing a comprehensive exploration program to test the known targets and the numerous additional targets identified by Gold Fields. Highest priority is being placed on those targets that have the potential to become satellite deposits.

A new phase of exploration drilling at Mt Carlton commenced in May 2010. The immediate strategy is to add high-grade tonnes to the reserve inventory within the Mt Carlton mining lease application area. A range of grass roots through to advanced targets are also being followed up in the surrounding Mt Carlton tenements where the strategy is to discover satellite deposits which would feed the Mt Carlton plant.

Mineralisation styles across the project range from porphyry associated stockworks and replacement through to high and low sulphidation epithermal veins. The following targets will be drill tested during the current field season:

- Boundary – low sulphidation epithermal vein array that has returned rock chip assay results of 9.9g/t Au, 6.8g/t Au and 5.6 g/t Au.
- Capsize – similar geological characteristics to the Silver Hill deposits.
- Strathmore – possible porphyry copper mineralisation indicated by excellent copper results from surface soil sampling (16 samples above 500 parts per million Cu) and a geophysical (IP chargeability) anomaly at depth.
- Glenking – low sulphidation epithermal vein array that has returned rock chip assay results of 10.8 g/t Au, 9.7 g/t Au and 6.9 g/t Au.

**(c) Regional exploration**

Conquest Mining holds seven granted regional tenements in north Queensland comprising a total area of approximately 1,100km<sup>2</sup>. The tenements occur in prospective geological terrains in an area of historic gold production from mines including Charters Towers, Mt Leyshon and Ravenswood. The tenements were acquired on the basis of similarities with Mt Carlton or previous exploration results.

Reconnaissance exploration programs are planned for the current field season.

**1.3 Summary of financial information**

**(a) Basis of preparation of historical financial information**

The historical financial information below relates to Conquest Mining on a stand-alone basis and accordingly does not reflect any impact of the Offer. It is a summary only



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and does not contain all the disclosures usually provided in an annual report prepared in accordance with Australian accounting standards and the Corporations Act.

The full financial statements for Conquest Mining for the full years ended 30 June 2008 and 30 June 2009, which include notes to the statements, can be found in the annual reports for those periods.

The full financial statements for Conquest Mining for the half-year ended 31 December 2009, which include notes to the statements, can be found in the half-yearly report for that period.

(b) Historical financial information

<b>BALANCE SHEET</b>	<b>Auditor-Reviewed</b>	<b>Audited</b>	<b>Audited</b>
	<b>31 December 2009</b>	<b>30 June 2009</b>	<b>30 June 2008</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	61,082,519	26,661,798	31,525,367
Trade and other receivables	630,546	356,952	502,263
Other current assets	28,662	8,954	9,939
<b>Total Current Assets</b>	<b>61,741,727</b>	<b>27,027,704</b>	<b>32,037,569</b>
<b>Non-Current Assets</b>			
Receivables	72,500	67,500	70,000
Investments	599,325	594,457	2,240,136
Property, plant and equipment	674,916	634,486	712,008
Exploration & evaluation expenditure	31,803,340	20,194,001	14,672,368
<b>Total Non-Current Assets</b>	<b>33,150,081</b>	<b>21,490,444</b>	<b>17,694,512</b>
<b>Total Assets</b>	<b>94,891,808</b>	<b>48,518,148</b>	<b>49,732,081</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	1,555,270	923,353	972,672
Employee benefits	171,941	138,860	95,074
<b>Total Current Liabilities</b>	<b>1,727,211</b>	<b>1,062,213</b>	<b>1,067,746</b>
<b>Total Liabilities</b>	<b>1,727,211</b>	<b>1,062,213</b>	<b>1,067,746</b>
<b>Net Assets</b>	<b>93,164,597</b>	<b>47,455,935</b>	<b>48,664,335</b>
<b>EQUITY</b>			
Share capital	120,816,170	75,256,414	75,216,414
Reserves	685,613	28,985	247,715
Accumulated losses	(28,337,186)	(27,829,464)	(26,799,794)
<b>Total Equity</b>	<b>93,164,597</b>	<b>47,455,935</b>	<b>48,664,335</b>

The directors of Conquest Mining are not aware of any material change to the financial position of Conquest Mining between 31 December 2009 and the date of this Bidder's Statement.

Given that Conquest Mining has not commenced production and is still exploring and completing optimisation studies at Mt Carlton, Conquest Mining does not believe that an historical income statement would accurately reflect the financial performance of Conquest Mining. However, Conquest Mining's audit-reviewed half-year financial report (including income statement) for the period ended 31 December 2009 and

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audited full year financial report for the financial year ended 30 June 2009 are available at [www.asx.com.au](http://www.asx.com.au) and [www.conquestmining.com.au](http://www.conquestmining.com.au).

Given the current pre-development status of Conquest Mining's operations, Conquest Mining believes that it does not have a reasonable basis for the preparation and presentation of forecast financial information in this Bidder's Statement.

**(c) Anticipated future capital requirements**

Optimisation studies and a review of the proposed process flowsheet are underway at the Mt Carlton project and a development decision is expected in the December quarter of 2010. Development will ultimately require Conquest Mining to raise equity or debt funding. A feasibility study finalised in February 2010 estimated upfront capital costs of \$137.8 million (including owners costs and contingency) for a 1Mtpa throughput project producing a high grade enargite concentrate for sale and a separate lower grade pyritic concentrate for on-site treatment. The optimisation studies and process flowsheet review that are currently underway are working towards a lower throughput, of 800,000tpa, and production of a single 'mixed' enargite and pyrite rich concentrate. Accordingly, the upfront capital cost is expected to be less than that estimated by the February 2010 feasibility study however, at this stage, is not able to be estimated.

**1.4 Directors of Conquest Mining**

Brief profiles of the directors of Conquest Mining as at the date of this Bidder's Statement are as follows:

**(a) Jake Klein, BCom Hons, ACA**

**Executive Chairman**

Mr Klein was previously President and CEO of Sino Gold Mining Limited where along with Mr Curtis (founder and Chairman until 2005) and Mr 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 Mining Limited 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 and engaging over 2,000 employees and contractors in China.

Prior to joining Sino Gold (and its predecessor) in 1995, Mr Klein was employed at Macquarie Bank and PricewaterhouseCoopers.

Mr Klein is a non executive director of Lynas Corporation Limited and OceanaGold Corporation, both companies being listed on the ASX. Mr Klein is a past President of the NSW Branch of the Australia China Business Council and currently serves on the NSW Asia Business Council.

Mr Klein has been Executive Chairman since May 2010.

**(b) Jim Askew, B.E.(Mining), M.Eng.Sci, FAusIMM, MCIMM, MSME (AIME)**

**Non-Executive Director**

Mr Askew is a mining engineer with over 30 years' broad international experience as a director/chief executive officer for a wide range of Australian and international publicly

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listed mining, mining finance and other mining related companies. He is a former CEO of seven different public mining companies listed in Australia or North America. He has also served on the boards of numerous resource public companies, which currently include OceanaGold Corporation (Chairman), Ausdrill Ltd, Asian Mineral Resources Ltd and Golden Star Resources Ltd.

Mr Askew has been a Director since May 2010.

**(c) Nicholas Curtis, B.A Hons**

**Non-Executive Director**

Mr Curtis is Executive Chairman of Lynas Corporation Limited and has been involved with the company since mid 2001. Lynas is an Australian public company specialising in Rare Earths.

Mr Curtis is also a Founding Partner of Sino Resources Capital Pty Limited, a corporate advisory firm for the resources industry and which is advising Conquest Mining in relation to the Offer.

Mr Curtis' extensive finance and resources background includes being President and Chief Executive Officer of Sino Mining International Limited, which he established in 1996. Sino Mining International Limited was then a wholly-owned subsidiary of China National Nonferrous Metals Industry Corporation (CNNC), a large Chinese mining company. Following disbandment of CNNC, Mr Curtis established Sino Mining Limited, which became Sino Gold Mining Limited and was the Chairman until November 2005. (Sino Gold was an Australian public company, also listed on the Hong Kong Stock Exchange, with gold assets in China. The company was purchased by Eldorado Gold Corporation of Canada in December 2009.)

Prior to this, Mr Curtis held the positions of Executive Director of Macquarie Bank Limited and Managing Director of Asia Resource Capital Limited, a joint venture between Macquarie Bank Limited and CNNC.

Mr Curtis served as Chairman of the Board of St Vincents & Mater Health Sydney Limited from August 2004 to October 2009 and currently serves as a Director on the Boards of St Vincent's Health Australia Limited and the Garvan Institute of Medical Research.

Mr Curtis has been a Director since May 2010.

**(d) Richard Krasnoff, BA(Econ), MBA (Harvard)**

**Non-Executive Director**

Mr Krasnoff was a previous Group Director of E-Commerce and a member of the Executive Committee at Wesfarmers reporting directly to then Managing Director Michael Chaney. He spent 10 years consulting to top-tier companies in both Australia and Canada for McKinsey & Co (including 4 years as principal/partner). He has an MBA from the Harvard Business School and has extensive experience in developing growth and performance improvement strategies for industrial and resource companies.

Mr Krasnoff has been a Director since October 2004.

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(e) **Douglas Stewart, BSc, FAusIMM, FAIG**

**Non-Executive Director**

Mr Stewart has over 39 years experience in the mining industry in a variety of geological and engineering roles. His experience covers a wide range of commodities. Mr Stewart has had management and technical responsibilities on mining operations in Africa, Canada and New Zealand in both open pit and underground mines.

Mr Stewart was formerly an Associate Director of N M Rothschild & Sons (Australia) performing technical due diligence and valuations for potential investments for Rothschild Golden Arrow Fund as well as raising over \$100 million for the fund. Mr Stewart was most recently the Managing Director of Territory Resources Limited until July 2007 where he played a principal role in managing that company through IPO and into production. His work included undertaking a feasibility study, capital raising, regulatory approvals, construction of port facilities, commercial agreements and appointment of suitable personnel to plan and operate the mine.

Mr Stewart has been a Director since November 2007.

(f) **Paul Marks, BEng(Chem), MAppFin**

**Non-Executive Director**

Mr Marks' has 35 years of experience across a range of industries from foreign exchange and commodities trading, oil and gas downstream production and chemical hydrocarbon processing. Mr Marks commenced his professional career as a Chemical Engineer with Dow Chemicals at the hydrocarbon processing plant in Tsing Yi, Hong Kong – Chinese New Territories. Following a move to Royal Dutch Shell in Australia, Mr Marks gradually transitioned from engineering to finance. Mr Marks has previously held the positions of Vice-President of Foreign Exchange with Prudential-Bache Securities and Senior Foreign Exchange Strategist with National Australia Bank.

Since the mid-1990's Mr Marks has led a number of private ventures ranging from property sub-divisions and developments, listed and unlisted equity investments and proprietary trading in commodities, both physical and derivatives.

Mr Marks has been a Director since December 2009.

## **1.5 Senior management of Conquest Mining**

Brief profiles of the senior management team of Conquest Mining as at the date of this Bidder's Statement are as follows.

(a) **Aaron Colleran – General Manager and Company Secretary**

Originally an exploration geologist, Mr Colleran has worked in the investment banking industry for the last 15 years. Most recently he has provided M&A and strategic advisory services to junior and mid-tier mining companies.

(b) **Ross Jenkins – General Manager Project Optimisation**

Mr Jenkins has 37 years experience in the mining industry, initially as a metallurgist then in operations management, finally in project management. Mr Jenkins worked in the gold and uranium yellowcake industries in South Africa, USA, Russia, China and Australia, in copper in Peru, Chile and Australia. In the period 1997-2008, he directed

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engineering, procurement and construction for three gold projects in China for Sino Gold Mining Limited.

**(c) Charles Wang – Commercial Manager**

Mr Wang has over 15 years of experience working in finance and commercial fields in China and Australia. Most recently worked for Sino Gold Mining Limited as Deputy General Manager at a gold-processing plant in Shandong, China, in charge of concentrates importation and public relations.

**(d) David Hewitt – Senior Exploration Manager**

Mr Hewitt is a geologist with 28 years experience in mineral exploration throughout Australia, with extensive Queensland exploration experience focusing on epithermal, breccia and porphyry gold mineralisation.

**1.6 Competent Person Statement**

Information in this Bidder's Statement that relates to Conquest Mining exploration results, Mineral Resources and Ore Reserves is based on and accurately reflects information compiled by Mr Martin Male, BSc (Hons), MAIG who is an 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 Bidder's Statement of the matters based on his information in the form and context in which it appears.

**1.7 Corporate governance**

Conquest Mining is committed to high standards of corporate governance. Policies and procedures which follow the second edition "Corporate Governance Principles and Recommendations" issued by the ASX Corporate Governance Council, to the extent they are applicable to the company, have been adopted. Details on Conquest Mining's corporate governance policies and procedures can be obtained from its website: [www.conquestmining.com.au](http://www.conquestmining.com.au).

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## 2. Information on Conquest Mining securities

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### 2.1 Capital structure

As at the date of this Bidder's Statement, Conquest Mining has the following securities on issue:

Class of security	Exercise Price	Expiry Date	Total
Conquest Mining Shares (quoted on ASX)	N/A	N/A	353,151,103
Conquest Mining Options (unquoted)	\$0.60	22 June 2011	400,000
Conquest Mining Options (unquoted)	\$0.93	26 February 2013	2,000,000
Conquest Mining Options (unquoted)	\$0.28	1 June 2015	16,000,000
Conquest Mining Options (unquoted)	\$0.32	1 June 2016	16,000,000
Conquest Mining Options (unquoted)	\$0.38	1 June 2015	4,050,000

The Conquest Mining Options expiring on 22 June 2011 were issued to Conquest Mining employees on the terms outlined in section 2.7(a) below.

The Conquest Mining Options expiring on 26 February 2013 were issued to Southern Cross Equities Limited in part consideration for Southern Cross Equities Limited arranging a capital raising. The issue was approved by shareholders at the 2009 Conquest Mining annual general meeting. These Conquest Mining Options are currently exercisable.

The Conquest Mining Options expiring on 1 June 2015 and 1 June 2016 were issued to certain Conquest Mining employees and directors following shareholder approval at a Conquest Mining extraordinary general meeting on 12 May 2010. See section 2.7(b) below.

Each Conquest Mining Option confers on its holder a right to subscribe for one Conquest Mining Share.

### 2.2 Top 20 shareholders

As at 25 June 2010, the top 20 registered holders of Conquest Mining Shares are as follows.

Rank	Shareholder	Number of securities	Percentage of issued share capital
1	ST IVES GOLD MINING COMPANY	50,754,817	14.4%
2	HSBC CUSTODY NOMINEES	32,975,137	9.3%
3	JJ HOLDINGS (VIC) PTY LTD	20,965,098	5.9%
4	LUJETA PTY LTD	19,667,353	5.6%
5	HSBC CUSTODY NOMINEES	9,983,025	2.8%
6	CROFTHILL PTY LTD	8,300,000	2.4%
7	ANZ NOMINEES LIMITED	7,938,045	2.2%
8	SADARAJAK PTY LTD	5,031,141	1.4%
9	K and J GOORJIAN	5,000,000	1.4%
10	VALLEYROSE PTY LTD	4,410,031	1.2%
11	CITICORP NOMINEES PTY LTD	4,273,470	1.2%
12	J P MORGAN NOMINEES	3,559,702	1.0%
13	ARODAM PTY LTD	3,081,000	0.9%
14	VIBRAYE HOLDINGS PTY LTD	2,995,000	0.8%
15	CRYSTAL TRIANGLE PTY LTD	2,585,000	0.7%
16	MR PHILIP RUSSELL HARRIS	2,394,900	0.7%
17	MERRILL LYNCH (AUSTRALIA)	2,070,000	0.6%
18	SPARTA NOMINEES PTY LTD	2,000,000	0.6%
19	NATIONAL NOMINEES LIMITED	1,780,286	0.5%
20	R & S FOUNDATION PTY LTD	1,532,290	0.4%
	<b>TOTAL</b>	<b>191,293,906</b>	<b>54.2%</b>

### 2.3 Substantial shareholders

Based on information lodged with ASX or known to Conquest Mining, as at 28 June 2010 the substantial shareholders of Conquest Mining are as follows.

Substantial Shareholder	Number of securities	Percentage of issued share capital
Gold Fields Ltd (and associated entities)	51,783,388	14.66%
JJ Holdings (Vic) Pty Ltd	20,965,098	5.94%
The Capital Group Companies, Inc	20,000,000	5.66%
Lujeta Pty Ltd	19,667,353	5.57%



## 2.4 Recent share price performance

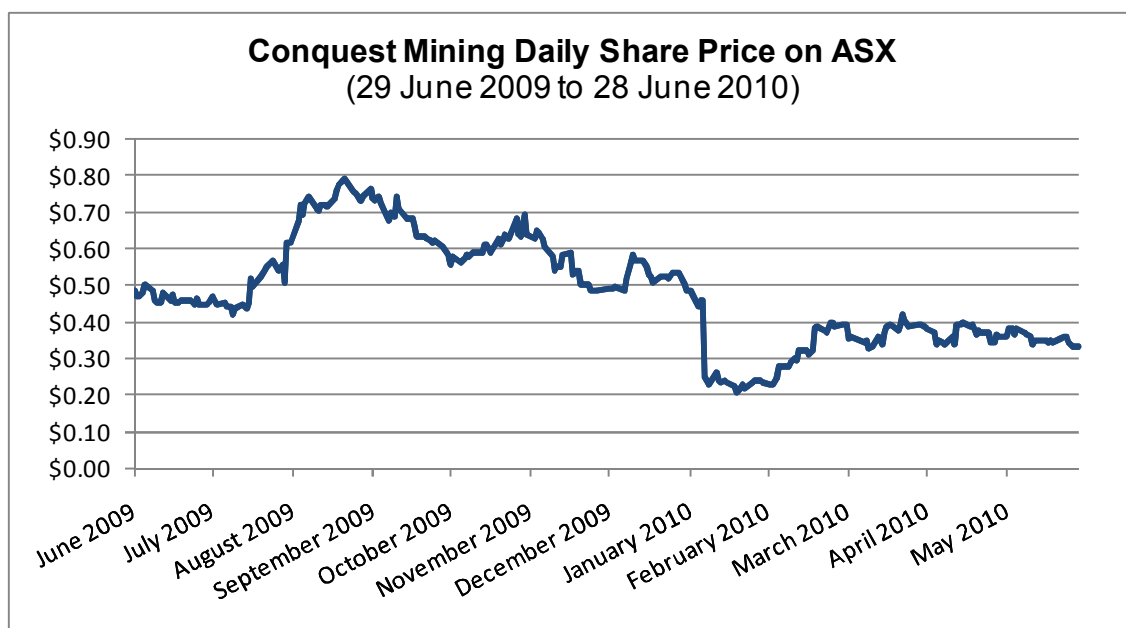
The last recorded sale price of Conquest Mining Shares on ASX on 28 June 2010, being the trading day prior to the date of this Bidder's Statement, was \$0.33.

The last recorded sale price of Conquest Mining Shares on ASX on 2 June 2010, being the date before the Announcement Date, was \$0.38.

During the 3 months ended 28 June 2010 (being the trading day prior to the date of this Bidder's Statement):

- (a) the highest recorded sale price for Conquest Mining Shares on ASX was \$0.43 on 22 April 2010; and
- (b) the lowest recorded sale price for Conquest Mining Shares on ASX was \$0.31 on 5 and 7 May 2010.

The closing prices of Conquest Mining Shares on ASX over the 12 months prior to the date of this Bidder's Statement are shown in the chart below.



None of the above share prices should be taken as a forecast that Conquest Mining Shares will trade at any particular price.

## 2.5 Dividend history

Conquest Mining has not paid any dividends on Conquest Mining Shares since its date of incorporation on 30 April 1987.

## 2.6 Shareholding interests of Conquest Mining's directors

As at the date of this Bidder's Statement, the directors of Conquest Mining have the following relevant interests in Conquest Mining Shares and Conquest Mining Options.

Name of director	Conquest Mining Shares	Conquest Mining Options
J Klein	1,000,000	27,000,000
J Askew	Nil	2,500,000
N Curtis	Nil	2,500,000
R Krasnoff	998,388	Nil
D Stewart	67,194	Nil
P Marks	20,965,098	Nil

## 2.7 Options granted to Conquest Mining employees and directors

### (a) Options granted before 2010

On 23 June 2006, Conquest Mining entered into employment agreements with Mr Paul Szabo and Mr Martin Male pursuant to which, as part of their remuneration package, Mr Szabo and Mr Male would receive 600,000 Conquest Mining Options each to be issued in three tranches. Those options were issued as follows:

Tranche	Employee	Issue date	Options issued	Exercise price	Expiry
Tranche 1*	M Male	22/06/07	200,000	\$0.20	22/06/09
	P Szabo	22/06/07	200,000	\$0.20	22/06/09
Tranche 2*	M Male	22/06/08	200,000	\$0.50	22/06/10
	P Szabo	22/06/08	200,000	\$0.50	22/06/10
Tranche 3	M Male	22/06/09	200,000	\$0.60	22/06/11
	P Szabo	22/06/09	200,000	\$0.60	22/06/11

\* Expired

The 400,000 Conquest Mining Options which remain on issue are not subject to any vesting conditions and are currently exercisable.

### (b) Options granted in 2010

At an Extraordinary General Meeting held on 12 May 2010 ("**EGM**"), Conquest Mining Shareholders approved the establishment of a Directors and Employees Share Option Plan (the "**Option Plan**").

The notice of EGM, which was released to the ASX on 7 April 2010, contained a detailed summary of the Option Plan. In brief, the key terms of the Option Plan are as follows.

- The Option Plan is open to any person who is a full-time or part-time employee or director of Conquest Mining or a related body corporate of Conquest Mining ("**Eligible Persons**").
- The board of Conquest Mining has broad discretions under the Option Plan, including as to:

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- identifying Eligible Persons to whom an offer is to be made to participate in, and to be granted Conquest Mining Options under, the Option Plan;
  - the timing of making such an offer;
  - the terms of issue of Conquest Mining Options (such as vesting conditions); and
  - the periods during which Conquest Mining Options may be exercised, provided that Conquest Mining Options may not be granted to a director unless shareholder approval is given under the ASX Listing Rules.
- Conquest Mining Options are issued to Conquest Mining Option Share Trust, being the trustee of an "**Option Plan Trust**", which will hold the options for the benefit of the relevant Eligible Person (a "**Beneficiary**"). The issue of Conquest Mining Options will involve:
    - Conquest Mining making a contribution to the Option Plan Trust equal to the value of the Conquest Mining Options, and those funds are applied by the trustee of the Option Plan Trust in subscribing for the Conquest Mining Options; and
    - the Option Plan Trust providing the Beneficiary with a non-recourse interest free loan – equivalent to the value of the Conquest Mining Options – in order to enable the Beneficiary to subscribe for units in the trust.
  - After any applicable vesting period in respect of the Conquest Mining Options, the Beneficiary can direct the Option Plan trustee to exercise the options. The exercise price may be funded by Conquest Mining making an advance to the trustee of the Option Plan Trust. If Conquest Mining does provide such an advance, the resulting Conquest Mining Shares will be retained in the Option Plan Trust pending repayment of all loaned funds by the Beneficiary to Conquest Mining over time through a salary sacrifice mechanism or upon the realisation of the sale of the Conquest Mining Shares, or otherwise.

On 1 June 2010, Conquest Mining issued Conquest Mining Options under the Option Plan for the benefit of certain employees and directors.

**(i) Options granted to directors**

The terms upon which Conquest Mining Options were issued on 1 June 2010 to certain directors were set out in the notice of EGM dated 12 May 2010, which was released to the ASX. At the EGM held on 12 May 2010, Conquest Mining Shareholders approved the issue of these Conquest Mining Options. Details of these Conquest Mining Options are summarised below.

Tranche	Director beneficiary	Options issued	Issue date	Exercise price	Any vesting conditions?	Expiry
Tranche 1	J Klein	13,500,000	01/06/10	\$0.28	Yes (see below)	01/06/15
	N Curtis	1,250,000	01/06/10	\$0.28	No	01/06/15
	J Askew	1,250,000	01/06/10	\$0.28	No	01/06/15
Tranche 2	J Klein	13,500,000	01/06/10	\$0.32	Yes (see below)	01/06/16
	N Curtis	1,250,000	01/06/10	\$0.32	No	01/06/16
	J Askew	1,250,000	01/06/10	\$0.32	No	01/06/16

The Conquest Mining Options issued for the benefit of Mr Klein are only exercisable upon the satisfaction of performance thresholds as follows.

- **(Tranche 1 options)** On 8 March in any given year after the grant of the Conquest Mining Options until (but including) 8 March 2015, the Tranche 1 options will vest if, and only if:
  - they have not already vested; and
  - the "**Total Shareholder Return**" of Conquest Mining (ie. share price growth plus all other returns or payments to Conquest Mining Shareholders, including dividends) in the 12 months to that date, when measured by an independent third party against a set of comparable gold-sector companies ("**Comparable Companies**"), is greater than the median Total Shareholder Return for those Comparable Companies.
- **(Tranche 2 options)** On 8 March in any given year following the grant of the Conquest Mining Options until (but including) 8 March 2016, the Tranche 2 options will vest if, and only if:
  - they have not already vested;
  - the Tranche 1 options vested at least 12 months prior to that date; and
  - the Total Shareholder Return of Conquest Mining in the 12 months to that date, when measured by an independent third party against Comparable Companies, is greater than the median Total Shareholder Return for those Comparable Companies.

As a condition of their appointment as Conquest Mining directors, Conquest Mining agreed with each of Mr Klein, Mr Curtis and Mr Askew that in the event of a future issue of Conquest Mining Shares (other than an issue in lieu or in satisfaction of dividends, by way of dividend reinvestment, or upon the exercise of any Conquest Mining Options) ("**Share Issue**"), subject to all necessary regulatory approvals, a number of additional Conquest Mining Options are to be granted for the benefit of each of the 3 directors (at an exercise price 15% above the issue price for the relevant Share Issue), such that the total number of Conquest Mining Shares issuable on the

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exercise of all Conquest Mining Options held for the benefit of each of the 3 directors, when expressed as a percentage of the total Conquest Mining Shares on issue, is the same both before and after the Share Issue ("**Additional Options**").

Any Additional Options granted to a director will be granted on the same terms and conditions as the Tranche 2 options held by the director, except that the exercise price will be 15% higher than the issue price for the relevant Share Issue.

The grant of any Additional Options is subject to the approval of Conquest Mining Shareholders under the ASX Listing Rules and the receipt of any other necessary regulatory approvals. Either before or as soon as practicable after completion of a Share Issue, Conquest Mining will be obliged to seek those approvals. In the case of Mr Klein, if those approvals are not obtained or the Additional Options are not granted for any reason, Mr Klein's executive services contract will terminate and the existing Conquest Mining Options held for the benefit of Mr Klein will vest immediately to the extent they have not already vested.

The issue of Conquest Mining Shares under the Offer will constitute a Share Issue. Accordingly, Conquest Mining will seek shareholder approval for the grant of Additional Options to Mr Klein, Mr Curtis and Mr Askew as a result of such Share Issue. For the purposes of determining the exercise price for those Additional Options, the "issue price" of Conquest Mining Shares issued under the Offer will be the volume-weighted average price of Conquest Mining Shares on the ASX on the relevant day the Conquest Mining Shares are issued.

**(ii) Options granted to employees**

On 1 June 2010, Conquest Mining also issued Conquest Mining Options under the Option Plan for the benefit of certain employees. A total of 4,050,000 Conquest Mining Options were issued to employees, each having an exercise price of \$0.38 and expiring on 1 June 2015. The Conquest Mining Options are subject to vesting conditions substantially the same as those applying to the Tranche 1 options granted to Mr Klein (discussed in sub-paragraph (i) above).

## **2.8 Rights and liabilities attaching to Conquest Mining Shares**

The Conquest Mining Shares issued under the Offer will be issued fully paid and will rank equally for dividends and other rights in all respects with existing Conquest Mining Shares from the date of issue.

Conquest Mining will apply for the Conquest Mining Shares to be issued under the Offer to be quoted on the ASX within seven days after the date of this Bidder's Statement. Quotation of these Conquest Mining Shares will not be automatic but will depend on the ASX exercising its discretion. However, as Conquest Mining is already admitted to the official list of the ASX and Conquest Mining Shares in the same class as to those to be issued under the Offer are already quoted, Conquest Mining believes quotation of the shares will be granted. In accordance with the Corporations Act, the quotation of the Conquest Mining Shares to be issued under the Offer is a condition to the Offer under section 11.14.

Since the Conquest Mining Shares issued as consideration under the Offer will be issued credited as fully paid, no monetary liability attaches to them.

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The rights and restrictions attaching to Conquest Mining Shares are set out in Conquest Mining's constitution and, in certain circumstances, are regulated by the Corporations Act, ASX Listing Rules, ASTC Settlement Rules and general law. Under section 140(1) of the Corporations Act, the constitution of Conquest Mining has effect as a contract between Conquest Mining and each member and between a member of Conquest Mining and each other member. Accordingly, if you accept the Offer and are issued Conquest Mining Shares you will, as a result, become liable to comply with the constitution of Conquest Mining.

The following is a summary of the principal rights attaching to Conquest Mining Shares. It does not purport to be exhaustive or to constitute a definitive statement of the rights and liabilities of shareholders of Conquest Mining. Shareholders should seek their own advice when trying to establish their rights in specific circumstances.

**(a) Voting rights**

Subject to any rights or restrictions for the time being attached to any class of Conquest Mining shares, at meetings of Conquest Mining shareholders or classes of shareholders:

- (i) each Conquest Mining Shareholder who is entitled to vote may vote in person or by proxy, attorney or representative;
- (ii) on a show of hands, every person present who is a Conquest Mining Shareholder or a proxy, attorney or representative of a Conquest Mining Shareholder has one vote; and
- (iii) on a poll, every person present who is a Conquest Mining Shareholder or a proxy, attorney or representative of a shareholder shall, in respect of each fully paid Conquest Mining Share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for the Conquest Mining Share.

**(b) Dividends**

The directors of Conquest Mining may from time to time declare a dividend to be paid to the Conquest Mining shareholders entitled to the dividend. Subject to any differentiation between shareholders made by the directors in respect of the amount and timing of payment of calls and subject to the rights of any preference shareholders and to the rights of the holders of any shares created or raised under any special arrangement as to dividend, the dividend as declared shall be payable on all Conquest Mining shares according to the proportion that the amount paid (not credited) is of the total amounts paid and payable (excluding amounts credited) in respect of such shares in accordance with Part 2H.5 of Chapter 2H of the Corporations Act.

**(c) Minimum Shareholding**

Where a Conquest Mining Shareholder holds less than a "marketable parcel" of Conquest Mining Shares (within the meaning of the ASX Listing Rules), those shares may be sold by Conquest Mining and the sale proceeds provided to the Conquest Mining Shareholder.

**(d) Transfer of shares**

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Subject to Conquest Mining's Constitution, the Corporations Act, the ASX Listing Rules and the ASTC Settlement Rules, Conquest Mining Shares are freely transferable.

**(e) Winding up**

If Conquest Mining is wound up, the liquidator may, with the authority of a special resolution, divide among the Conquest Mining shareholders in kind the whole or any part of the property of Conquest Mining, and may for that purpose set a value as the liquidator considers fair upon any property to be so decided, and may determine how the division is to be carried out as between the shareholders or different classes of shareholders.

The liquidator may, with the authority of a special resolution, vest the whole or any part of any property in trustees upon such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no shareholder is compelled to accept any shares or other securities in respect of which there is any liability.

**(f) Issue of further shares**

Without prejudice to any special rights previously conferred on the holders of any existing Conquest Mining shares, unissued Conquest Mining shares shall be under the control of the Conquest Mining directors and, subject to the Corporations Act, the ASX Listing Rules and the Constitution, the directors may at any time issue such number of Conquest Mining shares either as ordinary shares or shares of a named class or classes (being either an existing class or a new class) and with such preferred, deferred, or other special rights or such restrictions, whether with regard to dividend, return of capital or otherwise, as the directors shall, in their absolute discretion, determine.

**(g) Variation of rights**

If at any time the share capital of the Conquest Mining is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may be varied, whether or not Conquest Mining is being wound up, with the consent in writing of the holders of three quarters of the issued shares of that class, or if authorised by a special resolution passed at a separate meeting of the holders of the shares of the class. Any variation of rights shall be subject to Part 2F.2 of Chapter 2F of the Corporations Act. The provisions of Conquest Mining's constitution relating to general meetings shall apply so far as they are capable of application and with necessary alterations to every such separate meeting except that a quorum is constituted by two persons who together hold or represent by proxy one third of the issued shares of the class.

**(h) Directors**

Conquest Mining must at all times have at least 3 directors. The number of directors must not exceed 9. Conquest Mining may, by ordinary resolution of shareholders, increase or reduce the number of directors and may also determine in what rotation the increased or reduced number is to go out of office.

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### **3. Profile of North Queensland Metals**

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#### **3.1 Disclaimer**

The information in this section 3 concerning North Queensland Metals has been prepared based on a review of publicly available information and a due diligence investigation conducted by Conquest Mining which involved reviewing certain non-public information about North Queensland Metals provided by North Queensland Metals (see section 3.7 in respect of this due diligence investigation). None of that information has been independently verified by Conquest Mining. Accordingly, Conquest Mining does not, subject to the Corporations Act, make any representation or warranty, express or implied, as to the accuracy or completeness of such information.

Further information relating to North Queensland Metals may be included in its Target's Statement in relation to the Offer, which will be sent to you directly by North Queensland Metals.

#### **3.2 Overview**

North Queensland Metals is an Australian-based and ASX-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.

In addition to its gold operation, North Queensland Metals 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.

#### **3.3 Principal assets and activities**

##### **Pajingo Gold Mine**

The Pajingo gold mine is located 53km south of Charters Towers and approximately 130km west of Conquest Mining's Mt Carlton project.

The Pajingo field was discovered by Battle Mountain Gold Company in 1983 with first gold production in 1986. The mine was operated as a joint venture between Battle Mountain Gold Company and Normandy Mining Limited between 1991 and 1996 until Normandy Mining Limited acquired full ownership in 1996. Newmont Mining Corporation acquired 100% of the project in February 2002 at the completion of its merger with Normandy Mining Limited. North Queensland Metals purchased a 60% interest in the Pajingo gold mine along with Heemskirk Consolidated Limited (40%) from Newmont Mining Corporation in December 2007.

The Pajingo field deposits are structurally controlled with several different orientations, however most of the mineralisation is located within the northwest trending Vera-Nancy structural corridor. The epithermal gold mineralisation is located within quartz veins hosted by proximal andesitic volcanic rocks. The veins occur as discrete steeply plunging ore shoots with short strike lengths developed in dilational positions within the Vera-Nancy structural corridor. The fault geometry and the interplay of crosscutting and/or splay faults control these sites. They occur over a strike length of 3.0km and the main structure can be confidently interpreted over a strike length of 6.0 kilometres. The mineralised lodes are generally narrow (1 to 10 m) and extend vertically to approximately 600 meters below surface.



North Queensland Metals last reported the Ore Reserve and Mineral Resource estimates for Pajingo as at 31 March 2009, which can be summarised as:<sup>8</sup>:

- Underground Ore Reserves: 314,700t @ 6.9g/t for 69,600oz
- Open Pit Ore Reserves: 223,600t @ 3.6g/t for 25,800oz
- Underground Mineral Resources: 986,400t @ 8.8g/t for 278,400oz
- Open Pit Mineral Resources: 350,400t @ 3.7g/t for 41,800oz

The Ore Reserves and Mineral Resources are reported on a 100% basis (i.e. only 60% is attributable to North Queensland Metals). Note also that Mineral Resources are additional to Ore Reserves.

Ore is currently mined by underground methods, namely long-hole open-bench stoping, with ore hauled to surface via a decline. The Pajingo ore is processed at a nearby CIP (carbon-in-pulp) plant at a current rate of 300,000tpa to produce gold doré on site.

Recent production results are summarised in the following table.

Pajingo Production (100%)	Quarter ending			
	31 Mar 10	31 Dec 09	30 Sep 09	30 Jun 09
Mine Production (t)	64,339	73,894	91,588	71,681
Mine Grade (g/t)	6.4	6.9	4.8	4.9
Mill Production (dry t)	71,220	72,396	89,813	79,552
Mill Grade (t)	6.6	6.1	4.9	4.4
Recovery (%)	96.9	95.9	95.7	95.0
Gold Produced (oz)	14,622	13,503	13,540	10,801
Silver Produced (oz)	21,703	26,724	18,421	13,191
Cash Cost \$/oz Au	700	741	705	853
Total Cost \$/oz Au	953	985	902	1,141

Note: North Queensland Metals' equity interest in the above production is 60%

North Queensland Metals has recently approved development of the Janet A open pit which is located within 1km of the processing plant. The pit is designed to extract 118,000t @ 2.75g/t for 10,400oz gold. This is the first of a series of pits of similar size that will be sequenced to provide approximately 100,000tpa (i.e. 10,000ozpa) of additional ore to the mill.

### Twin Hills Project

Twin Hills is also owned 60% by North Queensland Metals and 40% by Heemskirk Consolidated Limited. North Queensland Metals and Heemskirk Consolidated Limited acquired the Twin Hills project for \$1.75 million from Gold One International Limited, whose predecessor company, BMA Gold Limited, had unsuccessfully tried underground mining the deposit and trucking high grade ore to a mill at Rishton east of Charters Towers.

<sup>8</sup> Information relating to Pajingo Ore Reserves and Mineral Resources is taken from the North Queensland Metals 2009 Annual Report.

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North Queensland Metals is planning to redevelop the Twin Hills mine as a satellite operation to Pajingo. It is located 190km, by road, south of Pajingo. The development of Twin Hills is being driven by the latent capacity in the Pajingo mill.

North Queensland Metals has defined the following Mineral Resources at Twin Hills<sup>9</sup>:

- 309 Deposit: 1.882Mt @ 2.6g/t Au for 157,000oz Au
- Lone Sister: 1.02Mt @ 3.7g/t Au and 5.3g/t Ag for 120,000oz Au and 174,000oz Ag

North Queensland Metals has defined the following Ore Reserves at Twin Hills<sup>9</sup>:

- 309 Deposit: 0.842Mt @ 3.4g/t Au and 5.0g/t Ag for 92,000oz Au and 136,000oz Ag

The Mineral Resources and Ore Reserves are reported on a 100% basis (i.e. only 60% is attributable to North Queensland Metals).

The open pit is the base case for mining options at the 309 Deposit. A possible scenario involving a combination of open pit and underground mining is currently being evaluated. Subject to approvals, trial underground mining is planned to commence in the second half of the year to confirm metallurgical performance.

The mining optimisation study will evaluate a number of options to determine how the ore from Twin Hills best complements the Pajingo ore sources to boost the gold output from Pajingo to over 100,000oz per year. At this stage Lone Sister deposit will not be included in the optimisation study. Planning is working toward commencing underground development at Twin Hills in the second half of 2010.

### **3.4 Summary of financial information**

#### **(a) Basis of preparation of historical financial information**

The historical financial information below relates to North Queensland Metals on a stand-alone basis and accordingly does not reflect any impact of the Offer. It is a summary only and does not contain all the disclosures usually provided in an annual report prepared in accordance with Australian accounting standards and the Corporations Act.

The full financial statements for North Queensland Metals for the full years ended 30 June 2008 and 30 June 2009, which include notes to the statements, can be found in the annual report for those periods.

The full financial statements for North Queensland Metals for the half-year ended 31 December 2009, which include notes to the statements, can be found in the half-yearly report for that period.

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<sup>9</sup> Information relating to Twin Hills Mineral Resources and Ore Reserves is taken from the North Queensland Metals Quarterly Report for the period ended 31 March 2010 and Update announced on 24 June 2010.

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**(b) Historical financial information**

<b>BALANCE SHEET</b>	<b>Auditor-Reviewed 31 December 2009</b>	<b>Audited 30 June 2009</b>	<b>Audited 30 June 2008</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	11,470,531	2,633,296	2,580,135
Trade and other receivables	2,346,626	1,792,100	2,704,588
Inventories	2,965,670	2,806,015	2,514,679
Held-for-sale assets	15,328,729	-	-
Deferred tax assets	1,687,272	2,470,910	33,950
<b>Total Current Assets</b>	<b>33,798,828</b>	<b>9,702,321</b>	<b>7,833,352</b>
<b>Non-Current Assets</b>			
Cash and cash equivalents	4,101,135	4,101,135	-
Property, plant and equipment	9,080,678	9,001,588	9,395,502
Mine development	6,665,816	5,908,570	4,500,041
Intangible assets	6,606,751	21,962,025	18,784,402
Deferred tax assets	1,898,656	748,003	2,206,638
Other non-current assets	82,878	71,438	36,925
<b>Total Non-Current Assets</b>	<b>28,435,914</b>	<b>41,792,759</b>	<b>34,923,508</b>
<b>Total Assets</b>	<b>62,234,742</b>	<b>51,495,080</b>	<b>42,756,860</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	3,774,112	3,944,494	2,993,572
Deferred tax liabilities	35,885	36,405	49,165
<b>Total Current Liabilities</b>	<b>3,809,997</b>	<b>3,980,899</b>	<b>3,042,737</b>
<b>Non-Current Liabilities</b>			
Deferred tax liabilities	6,595,232	5,800,922	3,059,570
Restoration provision	3,671,200	3,479,810	3,095,790
<b>Total Non-Current Liabilities</b>	<b>10,266,432</b>	<b>9,280,732</b>	<b>6,155,360</b>
<b>Total Liabilities</b>	<b>14,076,429</b>	<b>13,261,631</b>	<b>9,198,097</b>
<b>Net Assets</b>	<b>48,158,313</b>	<b>38,233,449</b>	<b>33,558,763</b>
<b>EQUITY</b>			
Contributed equity	43,926,553	33,562,735	33,124,213
Reserves	402,451	394,968	324,626
Retained earnings	3,829,309	4,275,746	109,924
<b>Total Equity</b>	<b>48,158,313</b>	<b>38,233,449</b>	<b>33,558,763</b>

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### 3.5 Directors of North Queensland Metals

As at the date of this Bidder's Statement, the directors of North Queensland Metals are:

- (a) **Neville Thomas**  
Chairman
- (b) **Mr Bruce Kay**  
Director
- (c) **Mr Michael Tilley**  
Director
- (d) **Mr Donald Walker**  
Director
- (e) **Mr Ian MacLeod-Carey**  
Alternate Director

### 3.6 Senior management of North Queensland Metals

The senior management team of North Queensland Metals as at the date of this Bidder's Statement is as follows.

- (a) **John McKinstry**  
Chief Executive Officer
- (b) **Kylie Anderson**  
Company Secretary
- (c) **Peter Brown**  
General Manager Project Development
- (d) **Tim Benfield**  
General Manager Pajingo

### 3.7 Due diligence investigations

Prior to the date of this Bidder's Statement, North Queensland Metals provided Conquest Mining with certain non-public information about North Queensland Metals, for the purpose of enabling Conquest Mining to conduct a limited due diligence investigation to evaluate the assets of North Queensland Metals relevant to a corporate combination of the two companies.

None of the non-public information provided by North Queensland Metals to Conquest Mining is, in Conquest Mining's opinion, material to a decision by a North Queensland Metals Shareholder whether or not to accept the Offer.

### 3.8 Publicly available information

North Queensland Metals is a company listed on the ASX and is subject to the periodic and continuous disclosure requirements of the Corporations Act and ASX Listing Rules. Copies of announcements made by North Queensland Metals to ASX are available on the ASX website: [www.asx.com.au](http://www.asx.com.au). Further information about North Queensland Metals can be obtained on its website: [www.nqm.com.au](http://www.nqm.com.au).

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## 4. Information about North Queensland Metals securities

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### 4.1 Disclaimer

The information in this section 4 concerning the securities of North Queensland Metals (other than sections 4.7 to 4.10) has been prepared based on a review of publicly available information and a due diligence investigation conducted by Conquest Mining which involved reviewing certain non-public information about North Queensland Metals provided by North Queensland Metals (see section 3.7 in respect of this due diligence investigation). None of that information has been independently verified by Conquest Mining. Accordingly, Conquest Mining does not, subject to the Corporations Act, make any representation or warranty, express or implied, as to the accuracy or completeness of such information.

Further information relating to Conquest Mining may be included in its Target's Statement in relation to the Offer, which will be sent to you directly by North Queensland Metals.

### 4.2 Capital structure

As at the date of this Bidder's Statement, North Queensland Metals has the following securities on issue.

Class of security	Exercise Price	Expiry Date	Total
North Queensland Metals Shares	N/A	N/A	199,621,272
North Queensland Metals Options	\$0.25	17 August 2010	750,000

Each North Queensland Metals Option confers on its holder a right to subscribe for one North Queensland Metals Share. See section 4.6 for further details on the North Queensland Metals Options.

### 4.3 Substantial shareholders

Based on information lodged with ASX or known to Conquest Mining, as at 28 June 2010 the substantial shareholders of North Queensland Metals are as follows.

Substantial shareholder	Number of securities	Percentage of issued share capital
Mr Donald Walker	41,675,753	20.88%
Newmont Capital	15,135,135	7.58%
Acorn Capital Limited	10,050,000	5.03%

### 4.4 Recent share price performance

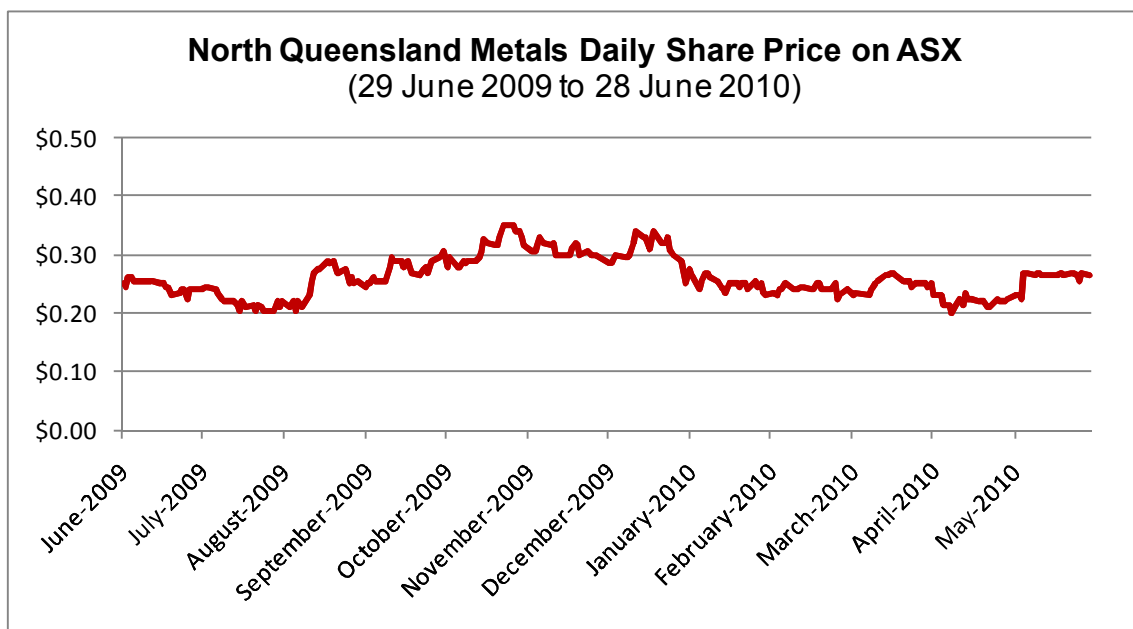
The last recorded sale price of North Queensland Metals Shares on ASX on 28 June 2010, being the trading day prior to the date of this Bidder's Statement, was \$0.265.

The last recorded sale price of North Queensland Metals Shares on ASX on 2 June 2010, being the date before the Announcement Date, was \$0.225.

During the 3 months ended 28 June 2010 (being the trading day prior to the date of this Bidder's Statement):

- (a) the highest recorded sale price for North Queensland Metals Shares on ASX was \$0.29 on 3 June 2010; and
- (b) the lowest recorded sale price for North Queensland Metals Shares on ASX was \$0.20 on 5 and 7 May 2010.

The closing prices of North Queensland Metals Mining Shares on ASX over the 12 months prior to the date of this Bidder's Statement are shown in the chart below.



#### 4.5 Dividend history

North Queensland Metals' dividend history over the last 3 full financial years is summarised below.

- 0.5 cent per share unfranked paid 15 April 2010.
- 0.8 cents per share unfranked paid 15 October 2009.
- 1.0 cents per share unfranked paid 15 April 2009.

A dividend reinvestment plan is in operation.

#### 4.6 Employee option plan

On 31 August 2006 the North Queensland Metals board adopted an Employee Share Option Plan and issued North Queensland Metals Options as disclosed in the table below:

	Grant Date	No. options granted	Exercise price	Expiry
B Kay	31/08/06	500,000	\$0.01	31 August 2011
J D McKinstry	31/08/06	1,000,000	\$0.01	31 August 2011
P A Brown	13/08/07	750,000	\$0.25	17 August 2010

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All of the North Queensland Metals Options granted to B Kay and J D McKinstry have been exercised. None of the North Queensland Metals Options granted to P A Brown have been exercised, though all such options have vested.

#### **4.7 Interests of Conquest Mining and its directors in North Queensland Metals securities**

##### **(a) Interests of Conquest Mining**

As at the date of this Bidder's Statement:

- (i) Conquest Mining's voting power in North Queensland Metals was 19.9% (by reason of the Pre-Bid Acceptance Agreement described in section 4.8);
- (ii) Conquest Mining had a relevant interest in 39,724,630 North Queensland Metals Shares (by reason of the Pre-Bid Acceptance Agreement described in section 4.8); and
- (iii) Conquest Mining did not have a relevant interest in any North Queensland Metals Options.

##### **(b) Interests of Conquest Mining's directors**

As at the date of this Bidder's Statement, none of the directors of Conquest Mining have a relevant interest in any North Queensland Metals Shares or North Queensland Metals Options.

#### **4.8 Dealings by Conquest Mining in North Queensland Metals securities**

Except as referred to below, neither Conquest Mining nor any of its associates has provided (or agreed to provide) consideration for a North Queensland Metals Share under a purchase or agreement to purchase during the four months before the date of this Bidder's Statement.

On 2 June 2010, Conquest Mining and Donald Robin Walker (a major North Queensland Metals shareholder) entered into a Pre-Bid Acceptance Agreement. Under that agreement, Mr Walker agreed that he would accept the Offer in respect of 39,724,630 of his North Queensland Metals Shares (representing 19.9% of all the North Queensland Metals Shares) within 5 business days after the commencement of the Offer. The obligation to accept will cease to be enforceable if, generally speaking, Conquest Mining does not match a higher competing takeover bid for North Queensland Metals. The consideration given by Conquest Mining to Mr Walker in exchange for the obligation to accept was a cash amount of \$10.

A copy of the Pre-Bid Acceptance Agreement has been released to the ASX.

#### **4.9 No collateral benefits**

Neither Conquest Mining nor any of its associates has in the four months before the date of this Bidder's Statement, given, offered to give or agreed to give a benefit which is not offered to all North Queensland Metals Shareholders under the Offer to another person which was likely to induce the other person (or an associate) to accept the Offer or dispose of North Queensland Metals Shares.

#### **4.10 No escalation agreements**

Neither Conquest Mining nor any of its associates has entered into any escalation agreement that is prohibited by section 622 of the Corporations Act.

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## **5. Profile of the Combined Group and effect of the Offer**

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### **5.1 Introduction**

This section 5 provides a profile of the Combined Group and the effect of the Offer on Conquest Mining, assuming that North Queensland Metals becomes a wholly-owned subsidiary of Conquest Mining. If Conquest Mining does not acquire at least 90% of the North Queensland Metals Shares during the Offer Period and therefore does not become entitled to compulsorily acquire the remainder, but the Offer nonetheless is declared unconditional, some of the benefits that would otherwise accrue to Conquest Mining if North Queensland Metals were to become a wholly-owned subsidiary of Conquest Mining may not be fully realised.

### **5.2 Overview of Combined Group**

The Combined Group would have one production asset, a development project and a portfolio of exploration projects across a large landholding in north Queensland.

- Pajingo – steady gold production of approximately 36,000ozpa (attributable) with potential to increase through development of open pits and Twin Hills deposits.
- Mt Carlton – development decision expected in the December quarter of 2010. Project scale is expected to be in the order of 800,000tpa throughput to produce approximately 105,000 ounces per annum gold equivalent in concentrate from the V2 open pit. Mt Carlton will be the major asset of the Combined Group.
- Exploration tenements covering over 3,000km<sup>2</sup> containing grass roots through to advanced exploration targets.
- Available cash of approximately \$50.6 million.<sup>10</sup>
- No debt.
- No hedging.

It is currently intended that the Combined Group would have its head office in Sydney and operational offices in Brisbane and Townsville.

### **5.3 Potential synergies and other benefits**

The Mt Carlton project and Pajingo gold mine are not sufficiently proximal to offer material operational synergies. The increased scale of the Combined Group in north Queensland is nonetheless expected to be beneficial to attracting and retaining high-quality employees and in developing business relationships with local equipment and services providers.

### **5.4 Reserve and resource information**

The information below reflects the current attributable Mineral Resource information as released to the ASX by each company.

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<sup>10</sup> Calculation based on the aggregate of Conquest Mining cash at bank as at 20 May 2010 of \$57 million and North Queensland Metals available cash at bank as at 31 March 2010 of \$13.6 million, less the Offer cash component of \$20 million assuming that Conquest Mining acquires 100% of North Queensland Metals.



Combined Mineral Resources							
	Tonnes	Grade g/t Au	Grade g/t Ag	Grade % Cu	Gold Ounces	Silver Ounces	Copper Tonnes
<b>Conquest Mining</b>							
<b>Silver Hill</b>							
Measured Resources	11,100,000	1.72	70	0.32	610,000	24,764,000	35,600
Indicated Resources	13,200,000	1.60	25	0.25	679,000	10,474,000	32,700
Inferred Resources	1,500,000	1.67	30	0.20	79,000	1,417,000	2,900
<b>Subtotal Silver Hill</b>	<b>25,700,000</b>	<b>1.65</b>	<b>44</b>	<b>0.28</b>	<b>1,368,000</b>	<b>36,655,000</b>	<b>71,200</b>
<b>Mt Carlton</b>							
Measured Resources	0	-	-	-	0	0	0
Indicated Resources	0	-	-	-	0	0	0
Inferred Resources	966,000	1.35	38	0.345	42,000	1,090,000	3,400
<b>Subtotal Mt Carlton</b>	<b>966,000</b>	<b>1.35</b>	<b>38</b>	<b>0.345</b>	<b>42,000</b>	<b>1,090,000</b>	<b>3,400</b>
<b>Western Lodes</b>							
Measured Resources	0	-	-	-	0	0	0
Indicated Resources	0	-	-	-	0	0	0
Inferred Resources	558,000	1.49	120	-	26,700	2,100,000	0
<b>Subtotal Western Lodes</b>	<b>558,000</b>	<b>1.49</b>	<b>120</b>	<b>-</b>	<b>26,700</b>	<b>2,100,000</b>	<b>0</b>
<b>Herbert Creek</b>							
Measured Resources	0	-	-	-	0	0	0
Indicated Resources	0	-	-	-	0	0	0
Inferred Resources	351,000	2.17	4	-	24,500	47,000	0
<b>Subtotal Herbert Creek</b>	<b>351,000</b>	<b>2.17</b>	<b>4</b>	<b>-</b>	<b>24,500</b>	<b>47,000</b>	<b>0</b>
<b>Subtotal</b>	<b>27,575,000</b>	<b>1.7</b>	<b>45</b>	<b>0.27</b>	<b>1,461,200</b>	<b>39,892,000</b>	<b>74,600</b>
<b>North Queensland Metals</b>							
<b>Pajingo</b>							
Measured Resources	0	-	-	-	0	0	0
Indicated Resources	48,600	10.0	-	-	15,600	0	0
Inferred Resources	753,480	7.3	-	-	176,520	0	0
<b>Subtotal Pajingo</b>	<b>802,080</b>	<b>7.5</b>	<b>-</b>	<b>-</b>	<b>192,120</b>	<b>0</b>	<b>0</b>
<b>309 Deposit</b>							
Measured Resources	0	-	-	-	0	0	0
Indicated Resources	639,600	2.0	-	-	40,800	0	0
Inferred Resources	489,600	3.4	-	-	53,400	0	0
<b>Subtotal 309 Deposit</b>	<b>1,129,200</b>	<b>2.6</b>	<b>-</b>	<b>-</b>	<b>94,200</b>	<b>0</b>	<b>0</b>
<b>Lone Sister</b>							
Measured Resources	324,000	4.1	6.1	-	42,600	63,000	0
Indicated Resources	168,000	3.4	5.0	-	18,600	27,000	0
Inferred Resources	120,000	2.8	3.6	-	10,800	13,800	0
<b>Subtotal Lone Sister</b>	<b>612,000</b>	<b>3.7</b>	<b>5.3</b>	<b>-</b>	<b>72,000</b>	<b>103,800</b>	<b>0</b>
<b>Subtotal</b>	<b>2,543,280</b>	<b>4.4</b>	<b>1.3</b>	<b>-</b>	<b>358,320</b>	<b>103,800</b>	<b>0</b>
<b>TOTAL</b>	<b>30,118,280</b>	<b>1.9</b>	<b>41</b>	<b>0.29</b>	<b>1,819,520</b>	<b>39,995,800</b>	<b>74,600</b>

Note: Rounding may introduce minor computational errors.

The information below reflects the current attributable Ore Reserve information as released to the ASX by each company.

Combined Ore Reserves							
	Tonnes	Grade g/t Au	Grade g/t Ag	Grade % Cu	Gold Ounces	Silver Ounces	Copper Tonnes
<b>Conquest Mining</b>							
<b>Area 39</b>							
Proved Reserves	392,000	0.18	640	0.76	2,000	8,066,000	3,000
Probable Reserves	0	-	-	-	0	0	0
<b>Subtotal Area 39</b>	<b>392,000</b>	<b>0.18</b>	<b>640</b>	<b>0.76</b>	<b>2,000</b>	<b>8,066,000</b>	<b>3,000</b>
<b>V2</b>							
Proved Reserves	4,004,000	3.44	42	0.47	443,000	5,407,000	18,800
Probable Reserves	2,985,000	3.08	26	0.29	295,588	2,495,219	8,700
<b>Subtotal V2</b>	<b>6,988,000</b>	<b>3.29</b>	<b>35</b>	<b>0.39</b>	<b>738,588</b>	<b>7,902,219</b>	<b>27,500</b>
<b>Subtotal</b>	<b>7,380,000</b>	<b>3.12</b>	<b>67</b>	<b>0.41</b>	<b>740,588</b>	<b>15,919,219</b>	<b>30,200</b>
<b>North Queensland Metals</b>							
<b>Pajingo</b>							
Proved Reserves	42,000	5.9	-	-	7,980	0	0
Probable Reserves	280,980	5.5	-	-	49,260	0	0
<b>Subtotal Pajingo</b>	<b>322,980</b>	<b>5.5</b>	<b>-</b>	<b>-</b>	<b>57,240</b>	<b>0</b>	<b>0</b>
<b>309 Deposit</b>							
Proved Reserves	0	-	-	-	0	0	0
Probable Reserves	505,200	3.4	5.0	-	55,200	81,600	0
<b>Subtotal 309 Deposit</b>	<b>505,200</b>	<b>3.4</b>	<b>5.0</b>	<b>-</b>	<b>55,200</b>	<b>81,600</b>	<b>0</b>
<b>Subtotal</b>	<b>828,180</b>	<b>4.2</b>	<b>3.1</b>	<b>-</b>	<b>112,440</b>	<b>81,600</b>	<b>0</b>
<b>TOTAL</b>	<b>8,208,180</b>	<b>3.2</b>	<b>61</b>	<b>0.37</b>	<b>853,028</b>	<b>16,000,819</b>	<b>30,200</b>

Note: Rounding may introduce minor computational errors.

More detailed information relating to Mineral Resources and Ore Reserves for the Mt Carlton project is set out in section 1.2. Information relating to North Queensland Metals' Ore Reserves and Mineral Resources is taken from the North Queensland Metals 2009 Annual Report, the Quarterly Report for the period ended 31 March 2010 and Update announced on 24 June 2010.

## 5.5 Capital structure

Set out below is the current capital structure of Conquest Mining, and the immediate post-Offer capital structure if Conquest Mining is successful in acquiring 100% of the North Queensland Metals Shares. It is assumed that all of the North Queensland Metals Options are exercised during the Offer Period and that all the resulting North Queensland Metals Shares are accepted into the Offer.

	(1) Number of issued securities as at date of this Bidder's Statement	(2) Maximum number of securities to be issued under the Offer	(3) Number of issued securities immediately following completion of the Offer (i.e. (1) + (2))
<b>Conquest Mining Shares</b>	353,151,103	100,185,636	453,336,739
<b>Conquest Mining Options</b>	38,450,000	Nil	38,450,000
<b>Total</b>	391,601,103	100,185,636	491,786,739

If Conquest Mining is successful in acquiring 100% of the North Queensland Metals Shares:

- (a) the current Conquest Mining Shareholders will in aggregate own approximately 78% of the Conquest Mining Shares and the current North Queensland Metals Shareholders will in aggregate own approximately 22% of the Conquest Mining Shares; and
- (b) based on the current holdings of the known substantial shareholders of Conquest Mining Shares and North Queensland Metals Shares, the only substantial shareholder (i.e. greater than 5% interest) of Conquest Mining would be Gold Fields Ltd (and associated entities) with an 11.4% interest.

In addition, the issue of Conquest Mining Shares will trigger the requirement for Conquest Mining to seek shareholder approval to issue additional Conquest Mining Options to 3 of the Conquest Mining directors. See section 2.7(b)(ii).

## 5.6 Dividend policy

Conquest Mining has not, since the date of its incorporation, declared or paid any dividends on its shares and does not currently have a policy with respect to the payment of dividends. For the foreseeable future, Conquest Mining anticipates that it will retain future earnings and other cash resources for the operation and development of its business. The payment of dividends in the future will depend on earnings, if any, and Conquest Mining's financial condition and such other factors as the directors of Conquest Mining consider appropriate.

## 5.7 Pro forma financial information

To illustrate the financial impact of Conquest Mining acquiring 100% of North Queensland Metals, an unaudited pro forma balance sheet has been prepared, based on the auditor-reviewed balance sheets of Conquest Mining and North Queensland Metals as at 31 December 2009, adjusted for the impact of material post-balance date events as if those events had occurred on 31 December 2009. The unaudited pro forma balance sheet has been prepared in accordance with the measurement and recognition principles of International Financial Reporting Standards (IFRS). The unaudited pro forma balance sheet is illustrative only and may not represent the financial position of the Combined Group if Conquest Mining is successful in acquiring 100% of North Queensland Metals.

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The following adjustments and assumptions have been used in preparing the unaudited pro forma balance sheet:

Notes:

- (a)** North Queensland Metals made payments to Gold One International (formerly BMA Gold Ltd) of the remaining two instalments of deferred consideration of \$300,000 and \$450,000 payable on 27 February 2010 and 27 May 2010 respectively related to the acquisition of the Twin Hills project. The total of these payments, \$750,000, had been included in trade and other payables balance as at 31 December 2009.
- (b)** North Queensland Metals paid an unfranked interim dividend of 0.5 cents per share (\$994,077 in total) on 15 April 2010. North Queensland Metals operates a dividend reinvestment plan such that the actual dividend payment consisted of a cash payment of \$814,385 and an issue of 805,796 North Queensland Metals Shares valued at \$179,692.
- (c)** Conquest Mining issued 5,000,000 Conquest Mining Options on 1 June 2010 that were valued at \$1,177,500 and vested immediately.
- (d)** Both Conquest Mining and North Queensland Metals will incur transaction costs as a result of the Offer. These transaction costs have been estimated at a combined \$1,500,000, after tax, and assumed to be expensed immediately.
- (e)** It is assumed that all of the 750,000 North Queensland Metals Options are exercised during the Offer Period and that all the resulting North Queensland Metals Shares are accepted into the Offer. The North Queensland Metals Options have a strike price of \$0.25 each, resulting in cash inflow of \$187,500.
- (f)** The difference between the fair value of the consideration and the carrying value of the identifiable assets, liabilities and contingent liabilities acquired has been allocated against Exploration and Evaluation Expenditure, Property, Plant and Equipment and Mine Development. The fair value of consideration has been calculated using the number of Conquest Mining Shares to be issued to North Queensland Metals Shareholders, 100,185,636 shares, valued at an assumed Conquest Mining Share price of \$0.38 per share (i.e. \$38,070,542), together with \$20,037,127 representing the cash component of the Offer. The acquisition consideration is subject to change as the final number of North Queensland Metals Shares on issue and the value of Conquest Mining Shares to be issued to effect the acquisition will be determined at the actual date of acquisition.

The unaudited pro forma balance sheet is indicative only. The Conquest Mining directors will undertake a comprehensive assessment of fair value of the assets and liabilities acquired after the transaction has been completed. The Conquest Mining directors have drawn their conclusions based on the known facts and other information publicly available as at the date of this Bidder's Statement. If the facts, circumstances, assumptions or other information should prove different to that described, the conclusions may change accordingly.

BALANCE SHEET	Conquest Mining  Auditor- Reviewed 31 Dec 2009 \$	North Queensland Metals  Auditor- Reviewed 31 Dec 2009 \$	Note	Pro Forma Adjustments  Unaudited \$	Combined Group  Unaudited \$
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash and cash equivalents	61,082,519	11,470,531	a,b,d,e,f	(22,914,012)	49,639,038
Trade and other receivables	630,546	2,346,626		-	2,977,172
Other current assets	28,662	-		-	28,662
Inventories	-	2,965,670		-	2,965,670
Held-for-sale assets	-	15,328,729		-	15,328,729
Deferred tax assets	-	1,687,272		-	1,687,272
<b>Total Current Assets</b>	<b>61,741,727</b>	<b>33,798,828</b>		<b>(22,914,012)</b>	<b>72,626,543</b>
<b>Non-Current Assets</b>					
Receivables	72,500	-		-	72,500
Investments	599,325	-		-	599,325
Exploration & evaluation expenditure	31,803,340	-	f	3,316,452	35,119,792
Cash and cash equivalents	-	4,101,135		-	4,101,135
Property, plant and equipment	674,916	9,080,678	f	3,316,452	13,072,046
Mine development	-	6,665,816	f	3,316,452	9,982,268
Intangible assets	-	6,606,751		-	6,606,751
Deferred tax assets	-	1,898,656		-	1,898,656
Other non-current assets	-	82,878		-	82,878
<b>Total Non-Current Assets</b>	<b>33,150,081</b>	<b>28,435,914</b>		<b>9,949,356</b>	<b>71,535,351</b>
<b>Total Assets</b>	<b>94,891,808</b>	<b>62,234,742</b>		<b>(12,964,656)</b>	<b>144,161,894</b>
<b>LIABILITIES</b>					
<b>Current Liabilities</b>					
Trade and other payables	1,555,270	3,774,112	a	(750,000)	4,579,382
Employee benefits	171,941	-		-	171,941
Deferred tax liabilities	-	35,885		-	35,885
<b>Total Current Liabilities</b>	<b>1,727,211</b>	<b>3,809,997</b>		<b>(750,000)</b>	<b>4,787,208</b>
<b>Non-Current Liabilities</b>					
Deferred tax liabilities	-	6,595,232		-	6,595,232
Restoration provision	-	3,671,200		-	3,671,200
<b>Total Non-Current Liabilities</b>	<b>-</b>	<b>10,266,432</b>		<b>-</b>	<b>10,266,432</b>
<b>Total Liabilities</b>	<b>1,727,211</b>	<b>14,076,429</b>		<b>(750,000)</b>	<b>15,053,640</b>
<b>Net Assets</b>	<b>93,164,597</b>	<b>48,158,313</b>		<b>(12,214,656)</b>	<b>129,108,254</b>
<b>EQUITY</b>					
Share capital	120,816,170	43,926,553	b, e, f	(7,232,896)	157,509,827
Reserves	685,613	402,451	c, f	775,049	1,863,113
Accumulated profits/(losses)	(28,337,186)	3,829,309	b, c, d, f	(5,756,809)	(30,264,686)
<b>Total Equity</b>	<b>93,164,597</b>	<b>48,158,313</b>		<b>(12,214,656)</b>	<b>129,108,254</b>

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## **5.8 Forecast financial information**

Conquest Mining has given careful consideration as to whether a reasonable basis exists to produce reliable and meaningful information in relation to the Combined Group. The Conquest Mining board has concluded that forecast financial information would be misleading to provide, as a reasonable basis does not exist for producing forecasts that would be sufficiently meaningful and reliable, particularly considering that operating and capital costs for the Mt Carlton project have not yet been finalised. Mt Carlton will be the major asset of the Combined Group.

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## 6. Intentions

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### 6.1 Introduction

This section 6 sets out Conquest Mining's intentions in relation to:

- (a) the continuation of the business of North Queensland Metals;
- (b) any major changes to the business of North Queensland Metals, including any redeployment of the fixed assets of North Queensland Metals; and
- (c) the future employment of the present employees of North Queensland Metals.

These intentions are based on the information concerning North Queensland Metals, its business and the general business environment which is known to Conquest Mining at the time of preparation of this Bidder's Statement, which is limited to publicly available information and a due diligence review of certain non-public material provided by North Queensland Metals as noted in section 3.7.

Despite such information, Conquest Mining does not currently have full knowledge of all material information, facts and circumstances that are necessary to assess the operational, commercial, tax and financial implications of its current intentions. Final decisions regarding these matters will only be made by Conquest Mining in light of material information and circumstances at the relevant time. Accordingly, the statements set out in this section 6 are statements of current intention only, which may change as new information becomes available to Conquest Mining or as circumstances change.

### 6.2 Intentions upon acquisition of 90% or more of the North Queensland Metals Shares

This section 6.2 sets out Conquest Mining's current intentions if it acquires relevant interests in 90% or more of the North Queensland Metals Shares and it is entitled to proceed to compulsory acquisition of the remaining North Queensland Metals Shares under the Corporations Act.

#### (a) Corporate matters

It is intended that Conquest Mining would:

- (i) proceed with compulsory acquisition of the outstanding North Queensland Metals Shares in accordance with the provisions of Chapter 6A of the Corporations Act;
- (ii) arrange for North Queensland Metals to be removed from the Official List of ASX; and
- (iii) replace all members of the North Queensland Metals Board with nominees of Conquest Mining. Those nominees have not yet been identified by Conquest Mining. Final decisions on the selection of Conquest Mining's nominees will be made in light of the circumstances at the relevant time.

Conquest Mining may also proceed to compulsory acquisition of the North Queensland Metals Options which have not been exercised and that have not lapsed, or alternatively pursue other arrangements in relation to those North Queensland Metals Options (see section 10.1).

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**(b) Assets and operations**

Conquest Mining has not had access to all the information relevant to making a final decision regarding what changes, if any, will be made to North Queensland Metals' operations. Conquest Mining's current expectation is that it will increase exploration expenditure at Pajingo and, depending on the outcome of recent discussions with Heemskirk Consolidated Limited, consider acquiring the 40% interest in Pajingo and Twin Hills currently owned by Heemskirk Consolidated Limited.

**(c) Head office and employees**

It is Conquest Mining's intention that North Queensland Metals' head office remain in Brisbane. Conquest Mining currently intends to retain all existing employees based at North Queensland Metals' head office as well as all operational staff based at Pajingo.

**(d) General operational review**

As at the date of this Bidder's Statement, Conquest Mining has conducted a due diligence investigation reviewing certain non-public information about North Queensland Metals provided by North Queensland Metals (see section 3.7).

Consequently, Conquest Mining's knowledge of the assets and operations of North Queensland Metals is limited to public information and that non-public information.

Accordingly, if Conquest Mining acquires all of the North Queensland Metals Shares, Conquest Mining intends to conduct a thorough and broad-based general review of North Queensland Metals' corporate structure, assets, businesses, personnel and operations. This review will apply quantitative and qualitative factors to measure performance and areas for improvement.

While Conquest Mining does not have any specific intentions in relation to this review or its outcomes, its current expectation is that the review will focus on all or some of the following:

- (i) evaluating the status of the Twin Hills project, including a detailed assessment of the existing development plans and timeframes; and
- (ii) identifying and assessing the exploration potential of North Queensland Metals' assets and how best to assign resources to undertake detailed exploration.

**6.3 Intentions upon acquisition of less than 90% of the North Queensland Metals Shares**

The Offer includes a 90% minimum acceptance condition (see section 11.12(a)). While Conquest Mining has no present intention to waive that condition, it reserves its right to declare the Offer free of that condition (or any other Defeating Condition of the Offer).

This section 6.3 sets out Conquest Mining intentions if the Offer is declared free from the 90% minimum acceptance condition (without Conquest Mining becoming entitled to compulsorily acquire the outstanding North Queensland Metals Shares) but, by virtue of acceptances of the Offer, Conquest Mining nevertheless gains effective control of North Queensland Metals.

In those circumstances, Conquest Mining's current intentions are as follows.



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**(a) Corporate matters**

It is intended that Conquest Mining would:

- (i) maintain North Queensland Metals' listing on ASX, subject to the requirements for listing (including a sufficient spread of investors) continuing to be satisfied (although in this event the liquidity of North Queensland Metals Shares on ASX is likely to be materially diminished); and
- (ii) subject to the Corporations Act and North Queensland Metals' constitution, seek to replace all of the members of the North Queensland Metals Board with nominees of Conquest Mining, provided that minority shareholders would be represented by at least one independent director. Conquest Mining has not made any decision as to who would be nominated or selected for appointment to the North Queensland Metals' Board in this case.

**(b) Other intentions**

It is intended that Conquest Mining would seek to implement such of the intentions as are detailed in sections 6.2(b), 6.2(c) and 6.2(d) as are consistent with North Queensland Metals being a controlled entity of Conquest Mining but not a wholly-owned subsidiary.

**(c) Further acquisition of North Queensland Metals Shares**

Conquest Mining may, at some later time, acquire further North Queensland Metals Shares in a manner consistent with the Corporations Act.

**(d) Compulsory acquisition at a later time**

If Conquest Mining becomes entitled at some later time to exercise general compulsory acquisition rights under the Corporations Act, it may exercise those rights.

**6.4 Other intentions**

Other than as set out in this section 6, it is the present intention of Conquest Mining to procure that North Queensland Metals will:

- (a) generally continue the business of North Queensland Metals;
- (b) not make any major changes to the business of North Queensland Metals nor to redeploy any of the fixed assets of North Queensland Metals; and
- (c) continue the employment of North Queensland Metals' present employees.

**6.5 Limitations on intentions**

The intentions and statements of future conduct set out in this section 6 must be read as being subject to:

- (a) the law (including the Corporations Act) and the ASX Listing Rules, including in particular the requirements of the Corporations Act and the ASX Listing Rules in relation to conflicts of interest and 'related party' transactions given that, if Conquest Mining obtains control of North Queensland Metals but does not acquire all of the North Queensland Metals Shares, Conquest Mining will be treated as a related party of North Queensland Metals for these purposes;

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- (b)** the legal obligation of the North Queensland Metals directors at the time, including any nominees of Conquest Mining, to act in good faith in the best interests of North Queensland Metals and for proper purposes and to have regard to the interests of all North Queensland Metals Shareholders; and
  - (c)** the outcome of the review referred to in section 6.2(d).

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## 7. Investment Risks

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### 7.1 Introduction

If the Offer becomes unconditional, North Queensland Metals Shareholders (other than Ineligible Foreign Shareholders and Unmarketable Parcel Shareholders) who accept the Offer will become holders of Conquest Mining Shares. The value of Conquest Mining Shares and, as a result, the value of the Offer to those North Queensland Metals Shareholders, will depend on the future performance of the Combined Group and the market price of Conquest Mining Shares.

The financial performance and operations of the Combined Group's business, the value of Conquest Mining Shares and the amount and timing of any future dividends paid on Conquest Mining Shares will be influenced by a range of factors including:

- (a) risk factors that are common to the existing businesses of Conquest Mining and North Queensland Metals, and which will therefore be risks to which the Combined Group will be exposed (see section 7.2 below) – North Queensland Metals Shareholders should note that they are already exposed to these risks in relation to North Queensland Metals;
- (b) risk factors that are specific to Conquest Mining's existing businesses, and which will therefore be risks to which the Combined Group will be exposed (see section 7.3 below) – North Queensland Metals Shareholders should note that they would become exposed to these additional risks if they are issued Conquest Mining Shares under the Offer;
- (c) risk factors that are specific to North Queensland Metals' existing businesses, and which will therefore be risks to which the Combined Group will be exposed (see section 7.4) – North Queensland Metals Shareholders should note that they are already exposed to these risks in relation to North Queensland Metals; and
- (d) risk factors arising from the Offer - North Queensland Metals Shareholders should note that they would become exposed to these additional risks if they are issued Conquest Mining Shares under the Offer (see section 7.5 below).

While many of these factors are beyond the control of Conquest Mining, and will remain beyond the control of the Combined Group, Conquest Mining will seek to mitigate the risks where possible and economically viable (e.g. by obtaining appropriate insurances).

Although Conquest Mining has undertaken limited due diligence on North Queensland Metals as described in section 3.7, Conquest Mining does not currently control, nor have any involvement in, North Queensland Metals' operations and has relied primarily on North Queensland Metals having complied with its continuous disclosure obligations. Consequently, Conquest Mining is not in a position to identify all of the material risks of North Queensland Metals nor, consequently, all of the material risks of the Combined Group. Despite this, Conquest Mining has considered the current risks of the Conquest Mining Group and the current risks of North Queensland Metals identified from Conquest Mining's limited due diligence including North Queensland Metals' announcements to the ASX to prepare this summary of material risks of the Combined Group currently known to Conquest Mining.

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The outline of risks in this section 7 is a summary only and should not be considered exhaustive. You should carefully consider the following risks as well as the other information contained in this Bidder's Statement before deciding whether to accept the Offer. This section 7 does not take into account the investment objectives, financial situation, taxation position or particular needs of North Queensland Metals Shareholders.

## **7.2 Risk factors common to Conquest Mining and North Queensland Metals**

Given that Conquest Mining and North Queensland Metals both operate in the precious metals mining industries, there are a number of risk factors which are common to their respective operations. Accordingly, these will be risks to which the Combined Group will be exposed. North Queensland Metals Shareholders are currently exposed to these types of risks, and will continue to be if they accept the Offer and are issued Conquest Mining Shares. However, it is possible that the degree to which the Combined Group will be exposed to a particular risk is greater than, or less than, the degree to which each of Conquest Mining and North Queensland Metals is currently exposed on a respectively stand-alone basis.

In addition to the usual risks relating to economic conditions and share market fluctuations, and general business and investments risks involved in investing in a listed company, the risk factors which are common to Conquest Mining and North Queensland Metals – and which the Combined Group will therefore be exposed to - are as follows.

### **(a) Mining and exploration risks**

The business of mining exploration, mineral development and production is subject to risk by its nature. The success of the business depends on successful exploration and/or acquisition of reserves, securing and maintaining title to tenements and consents, successful design, construction, commissioning and operating of mining and processing facilities, successful development and production in accordance with forecasts and successful management of the operations. Exploration and mining are speculative undertakings which may be hampered by force majeure circumstances, land claims and unforeseen mining problems. Increased development costs, lower output or high operating costs may all contribute to make a project less profitable than expected at the time of the development decision. There is no assurance that the Combined Group's attempts to develop and exploit its exploration activities will be successful or that production will remain profitable in the long term.

### **(b) Ore Reserve and Mineral Resource estimates**

Ore Reserve and Mineral Resource estimates are expressions of judgment based on drilling results, past experience with mining properties, knowledge, experience, industry practice and many other factors. Estimates which are valid when made may change substantially when new information becomes available. Ore estimation is an interpretive process based on available data and interpretations and, thus, estimations may prove to be inaccurate.

The actual quality and characteristics of ore deposits cannot be known until mining takes place, and will almost always certainly differ from the assumptions used to develop reserves. Further, ore reserves are valued based on future costs and future prices and, consequently, the actual ore reserves and mineral resources of the Combined Group may differ from those estimated, which may result in either a positive or negative effect on the Combined Group's operations.

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No assurance can be given that the anticipated tonnages and grades of ore will be achieved during production or that the indicated level of gold recovery will be realised. Gold price fluctuations, as well as increased production costs or reduced recovery rates, may render ore reserves containing relatively lower grades uneconomic and may ultimately result in a restatement of such Ore Reserves. Moreover, short-term operating factors relating to Ore Reserves, such as the need for sequential development of ore bodies and the processing of new or different ore types or grades, may cause a mining operation to be unprofitable in any particular accounting period.

Inferred Mineral Resources do not have demonstrated economic viability. Due to the uncertainty which may attach to Inferred Mineral Resources, there is no assurance that Inferred Mineral Resources will be upgraded to Measured or Indicated Mineral Resources or Proven or Probable Ore Reserves as a result of continued exploration.

**(c) Operational risks**

The operations of the Combined Group may be affected by various factors not within its control, including operational and technical difficulties encountered in production, sourcing difficulties, commissioning, operating and maintaining plant and equipment, mechanical failure, industrial accidents, processing deficiencies, labour shortages, industrial and environmental disputes, obtaining government approvals, flooding or other adverse weather conditions, fire, explosions, rock falls, unusual or unexpected rock formations and unexpected shortages or increases in the costs of consumables, spare parts, plant equipment or labour. These risks and hazards could also result in damage to or destruction of production facilities, personal injury, environmental damage, business interruption, monetary losses and possible legal liability. The Combined Group may become subject to liability for accidents, pollution or other hazards against which it cannot insure or against which it may elect not to insure because of premium costs or for other reasons, or in amounts which exceed policy limits.

**(d) Commodity price fluctuations**

The revenues of the Combined Group may be materially impacted by fluctuations in the global prices of gold, silver and copper, which are in turn affected by many factors beyond the control of the Combined Group, such as macro-economic factors and consumer sentiment. In particular, the exchange rate between Australian dollars and US dollars, in which the global prices of gold, silver and copper are set, affects the revenue received by the Combined Group.

**(e) Geological and geotechnical**

There is a risk that unforeseen geological and geotechnical difficulties may be encountered when developing and mining Ore Reserves. In this event, a loss of revenue may be caused due to the lower than expected production and/or higher than anticipated operation and maintenance costs and/or on-going unplanned capital expenditure in order to meet production targets.

**(f) Environmental risks**

Mining and exploration involves a risk of environmental damage. The Combined Group may be required to comply with certain environmental management issues from time to time. The potential for liability is an ever-present risk. Conquest Mining

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intends to ensure that the Combined Group conducts its operations to the highest standard of environmental obligation, including complying with all relevant applicable environmental legislation. Despite this endeavour, certain environmental risks are inherent in the Combined Group's operations.

**(g) General legal and taxation matters**

Future earnings, asset values and the relative attractiveness of Conquest Mining Shares may be affected by changes in law and government policy in the jurisdictions in which the Combined Group will operate, in particular, changes to taxation law (including, for example, the Australian Government's proposed resource super profits tax). In addition, accepting the Offer may involve tax considerations that may differ for each North Queensland Metals Shareholder. Each North Queensland Metals Shareholder is encouraged to seek professional tax advice in connection with accepting the Offer (see also section 9 of this Bidder's Statement in respect of Australian tax considerations).

**(h) Government policy**

Industry profitability can be affected by changes in government, both within Australia and externally, which are not within the control of the Combined Group. Each of Conquest Mining's and North Queensland Metals' activities are subject to extensive laws and regulations controlling not only the mining of and exploration for mineral properties, but also the possible effects of such activities upon the environment and upon interests of native and/or indigenous peoples. Permits from a variety of regulatory authorities are required for many aspects of mine operation and reclamation. There is no assurance that permits will be obtained when sought or that unfavourable conditions will not be imposed. Future legislation and regulations could cause additional expense, capital expenditures, restrictions and delays in the development of the Combined Group's tenements, the extent of which cannot be predicted.

**(i) Weather and climatic conditions**

The current and future operations of both Conquest Mining and North Queensland Metals, including production and exploration operation, may be affected by limitations on activities due to seasonal weather patterns and heavy rain.

**(j) Future financing requirements**

At some point in time, Conquest Mining and/or North Queensland Metals may require further financing to develop projects or to meet future objectives. There is no assurance that Conquest Mining and/or North Queensland Metals will be successful in obtaining the financing required as and when needed. Volatile markets for mineral commodities may make it difficult or impossible for Conquest Mining to obtain debt financing or equity financing on favourable terms or at all. Failure to obtain additional financing on a timely basis may cause Conquest Mining or the Combined Group to postpone future development plans, forfeit rights in some or all of its properties or joint ventures or reduce or terminate some or all of its operations.

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**(k) Land and resource tenure**

Conquest Mining and/or North Queensland Metals' land and resource tenure may be disputed resulting in disruption and/or impediment in the operation or development of a resource. Any new mine development or expansion of existing operations will require landholder, native title and cultural heritage issues to be addressed, which can have significant timing and cost implications.

**7.3 Risk factors specific to Conquest Mining**

There are also a number of risks which are specific to Conquest Mining and its current operations. North Queensland Metals Shareholders are not currently exposed to these types of risks, but they will be if they accept the Offer and are issued Conquest Mining Shares. However, it is possible that the degree to which the Combined Group will be exposed to a particular risk is greater than, or less than, the degree to which Conquest Mining is currently exposed on a stand-alone basis.

A non-exhaustive list of some of the more important of these risks is set out below.

**(a) Development funding requirement risk**

Optimisation studies and a review of the proposed process flowsheet are underway at the Mt Carlton project and a development decision is expected in the December quarter of 2010. Development would ultimately require Conquest Mining to raise equity or debt funding. A feasibility study finalised in February 2010 estimated upfront capital costs of \$137.8 million (including owners costs and contingency) for a 1Mtpa throughput project producing a high-grade enargite concentrate for sale and a separate lower-grade pyritic concentrate for on-site treatment. The optimisation studies and process flowsheet review that are currently underway are working towards a lower throughput, of 800,000tpa, and production of a single 'mixed' enargite and pyrite-rich concentrate. Accordingly, the upfront capital cost is expected to be less than that estimated by the February 2010 feasibility study however, at this stage, is not able to be estimated.

External financial and credit markets are subject to numerous influences so there can be no assurance that equity or debt funding will be available to Conquest Mining, whether credit approvals for the Mt Carlton project development will be forthcoming, or whether any funding will be on acceptable terms. Any additional equity financing may be dilutive to shareholders and debt financing, if available, may involve restrictions on financing and operating activities. There is no assurance that development funding will be available on terms acceptable to Conquest Mining. If Conquest Mining is unable to obtain development funding as needed, it may be required to reduce or terminate its operations or scale back its development programs.

**(b) Uncertainty of exploration, optimisation and development programs**

Conquest Mining's future profitability will be significantly affected by the costs and results of its exploration, optimisation and development programs at Mt Carlton.

Exploration for minerals is highly speculative in nature, involves many risks and is frequently unsuccessful. Among the many uncertainties inherent in any gold exploration and development program are the location of economic ore bodies, the development of appropriate metallurgical processes, the receipt of necessary

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governmental permits, access to land and the construction of mining and processing facilities. Assuming the discovery of an economic deposit, several years may elapse from the initial phases of drilling until commercial operations are commenced and, during such time, the economic feasibility of production may change.

There is a risk that optimisation and feasibility studies may not return positive results on Mt Carlton mining or processing and even if they do, there is the risk that the development of the project will not be economic, completed on schedule, or that the construction cost may exceed the budget, or that significant problems in commissioning the project may arise.

Accordingly, Conquest Mining's exploration, optimisation and development programs at Mt Carlton may not result in an economically viable operation.

**(c) Product final market risk**

The proposed product from Mt Carlton is a mixed gold-silver-copper concentrate. Lead, zinc, and arsenic are also present as potential penalty elements. Due to their polymetallic nature, the concentrates are best treated at specialised smelters which recover such elements. The treatment of this product has been discussed with various smelters, which currently have excess capacity and are interested in agreeing terms to acquire the concentrates, however, if there should be a downturn in the market, there may be a more limited final market for this product than expected and the product could be sold at a discounted rate. While the adoption of long term contracts may mitigate this position the reduction in revenue from the product could have a serious impact on the financial performance of the Conquest Mining Group.

**(d) Permitting risk**

There is a risk that the necessary land acquisitions, permits, consents, authorisations and agreements required to implement planned exploration, project development, or mining at the Mt Carlton project may not be obtained under conditions or within time frames that make such plans economic, that applicable laws, regulations or the governing authorities will change or that such changes will result in additional material expenditures or time delays.

**(e) Risks of acquisitions**

Conquest Mining undertakes evaluations of opportunities to acquire additional precious and base-metals mining assets and businesses. Any successful acquisition may be significant in size, may change the scale of Conquest Mining's business, and may expose Conquest Mining to new geographic, political, operating, financial and geological risks. In addition, Conquest Mining may need additional capital to finance an acquisition. Debt financing related to any acquisition will expose Conquest Mining to the risk of leverage, while equity financing may cause existing shareholders to suffer dilution.

#### **7.4 Risk factors specific to North Queensland Metals**

There are also a number of risks which are specific to North Queensland Metals and its current operations. North Queensland Metals Shareholders are currently exposed to these types of risks, and will continue to be if they accept the Offer and are issued Conquest Mining Shares. However, it is possible that the degree to which the Combined Group will be exposed



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to a particular risk is greater than, or less than, the degree to which North Queensland Metals is currently exposed on a stand-alone basis.

**(a) Replacement of Ore Reserves at Pajingo**

The Pajingo mine has a very short life based on published Ore Reserves. North Queensland Metals must continually replace Ore Reserves depleted by production in order to be able to maintain and grow its current production into the future. Replacing Ore Reserves requires performing work necessary to reclassify Mineral Resources to Ore Reserves, expanding known ore bodies or locating new deposits.

Success in exploration for gold is uncertain and there is a risk that future depletion of Ore Reserves will not be offset by discoveries. As a result, the Ore Reserve base of North Queensland Metals may decline as gold is produced without adequate replacement, eventually leading to mine closure.

**(b) Uncertainty of exploration, feasibility and development programs at Twin Hills**

North Queensland Metals' future profitability will be significantly affected by the costs and results of its exploration, feasibility and development programs at Twin Hills.

Exploration for minerals is highly speculative in nature, involves many risks and is frequently unsuccessful. Among the many uncertainties inherent in any gold exploration and development program are the location of economic ore bodies, the development of appropriate metallurgical processes, the receipt of necessary governmental permits, access to land and the construction of mining and processing facilities. Assuming the discovery of an economic deposit, several years may elapse from the initial phases of drilling until commercial operations are commenced and, during such time, the economic feasibility of production may change.

There is a risk that feasibility studies may not return positive results on Twin Hills mining and even if they do, there is the risk that the development of the project will not be economic, completed on schedule, or that the construction cost may exceed the budget, or that significant problems in commissioning the project may arise.

Accordingly, North Queensland Metals' exploration, feasibility and development programs at Twin Hills may not result in an economically viable operation.

## **7.5 Risk factors arising from the Offer**

There are a number of risks which independently arise in relation to the Offer. North Queensland Metals Shareholders are not currently exposed to these types of risks, but they will be if they accept the Offer and are issued Conquest Mining Shares.

**(a) Acquisition of less than 90% of North Queensland Metals**

The Offer includes a 90% minimum acceptance condition (see section 11.12(a)).

While Conquest Mining has no present intention to waive that condition, it reserves its right to declare the Offer free of that condition (or any other Defeating Condition of the Offer). If Conquest Mining does waive that condition and the Offer becomes unconditional, it is possible that Conquest Mining does not obtain ownership of 100% of the North Queensland Metals Shares.

The impact on Conquest Mining of acquiring less than 100% of the North Queensland Metals Shares will depend on the ultimate level of ownership acquired but, in any

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event, the existence of a minority interest in North Queensland Metals may have an impact on Conquest Mining's capacity to realise operational benefits from the acquisition of North Queensland Metals Shares.

**(b) Capital gains tax rollover relief**

If, after the Offer, Conquest Mining does not own at least 80% of the North Queensland Metals Shares, North Queensland Metals Shareholders who are Australian residents for income tax purposes and who would make a capital gain from their disposal of North Queensland Metals Shares will be unable to elect capital gains tax rollover relief in respect of the "share" component of the Offer Consideration. See section 9 for further details.

**(c) Trading price of Conquest Mining Shares**

Under the Offer, Conquest Mining Shares will issue a significant number of Conquest Mining Shares. Some North Queensland Metals Shareholders may not intend to continue to hold their newly issued Conquest Mining Shares and may wish to sell them on ASX shortly after issue. This may adversely impact the trading price of Conquest Mining Shares for a period of time.

In addition, there are risks associated with any stock market investment. It is important to recognise that share prices and dividends might fall or rise. Factors affecting the operating and financial performance of Conquest Mining and the ASX trading price of Conquest Mining Shares include domestic and international economic conditions and outlook, changes in government fiscal, monetary and regulatory policies, changes in interest rates and inflation rates, the announcement of new technologies and variations in general market conditions and/or market conditions which are specific to a particular industry.

Furthermore, share prices of many companies are affected by factors which might be unrelated to the operating performance of the relevant company. Such factors might adversely affect the market price of Conquest Mining Shares.

**(d) Unknown risks**

In respect of information relating to North Queensland Metals presented in, or omitted from, this Bidder's Statement, including all North Queensland Metals financial information, Conquest Mining has relied upon publicly available information. As only limited due diligence was carried out on North Queensland Metals, risks may exist of which Conquest Mining is unaware.

**(e) Change of control provisions**

Conquest Mining is not aware of any pre-emptive rights or significant change of control provisions affecting North Queensland Metals' assets or agreements that would be triggered by Conquest Mining obtaining control of North Queensland Metals ("**Change of Control Provisions**"). However, North Queensland Metals may be a party to agreements that contain Change of Control Provisions that may be triggered as a result of Conquest Mining making the Offer or if Conquest Mining acquires North Queensland Metals Shares representing a majority of the voting rights of North Queensland Metals. The operation of these Change of Control Provisions, if triggered, could have negative consequences including requiring North Queensland Metals to

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dispose of assets or the counter-party terminating the relevant agreement. If these Change of Control Provisions can be waived by the relevant counter-party, Conquest Mining would consider seeking such waivers. The Offer condition in section 11.12(f) is likely to be breached by the existence of any such counter-party rights under the Change of Control Provisions, but Conquest Mining retains discretion to waive that Offer condition. If that Offer condition is waived and waivers of counter-party rights under the Change of Control Provisions cannot be obtained, then this could adversely affect the profile of the Combined Group.

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## 8. Sources of Offer Consideration

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### 8.1 Form of Offer Consideration

North Queensland Metals Shareholders are being offered 0.5 Conquest Mining Shares plus \$0.10 cash for each North Queensland Metals Share.

Based on the number of North Queensland Metals Shares on issue at the date of this Bidder's Statement (see section 4.2):

- (a) the maximum number of Conquest Mining Shares which would be required to be issued as a result of North Queensland Metals Shareholders accepting the Offer is 99,810,636 Conquest Mining Shares; and
- (b) the maximum amount of cash that would be payable by Conquest Mining as a result of North Queensland Metals Shareholders accepting the Offer is approximately \$19.96 million.

In addition, if the holders of all North Queensland Metals Options exercise those options and accept the Offer in respect of the North Queensland Metals Shares issued to them, an additional 375,000 Conquest Mining Shares would need to be issued and an additional \$75,000 in cash would be payable by Conquest Mining.

### 8.2 Issue of Conquest Mining Shares

Conquest Mining has the capacity to issue the maximum number of Conquest Mining Shares which it may be required to issue under the Offer.

### 8.3 Cash funding arrangements

The maximum cash amount which Conquest Mining may be required to pay as a result of acceptances of the Offer is \$20.04 million (the "**Maximum Amount**").

The amount required by Conquest Mining to pay the Maximum Amount will be sourced from Conquest Mining's existing cash reserves (namely, cash at bank). Conquest Mining's existing cash reserves are in excess of that required to pay the Maximum Amount. Funds of an amount equal to at least the Maximum Amount are immediately available and not subject to security interests, rights of set off nor required for other arrangements. Although Conquest Mining has not reserved particular cash resources to fund the Maximum Amount, it is not aware of any reason why it will not maintain a level of cash reserves which are available on terms which will maintain Conquest Mining's ability to pay the Maximum Amount if and when required under the terms of the Offer.

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## **9. Australian Tax Considerations**

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### **9.1 Introduction**

The following is a general description of the Australian income and capital gains tax (**CGT**) consequences for North Queensland Metals Shareholders who dispose of their North Queensland Metals Shares as a result of accepting the Offer (or where Conquest Mining compulsorily acquires North Queensland Metals Shares in accordance with the Corporations Act). The Australian taxation consequences for North Queensland Metals Shareholders will depend upon their individual circumstances. North Queensland Metals Shareholders should make their own enquiries and seek independent professional advice concerning their particular circumstances.

The comments set out below regarding the consideration for the disposal of the North Queensland Metals Shares are relevant only to those North Queensland Metals Shareholders who hold their North Queensland Metals Shares as capital assets for the purpose of investment and who do not hold North Queensland Metals shares in connection with the conduct of a business, or on revenue account or as part of a profit making undertaking or scheme or under an employee share plan.

Certain North Queensland Metals Shareholders (such as those engaged in a business of trading or investment, those who acquired their North Queensland Metals Shares for the purpose of resale at a profit or those which are banks, insurance companies, tax exempt organisations, superannuation funds or persons who acquired North Queensland Metals Shares in respect of their employment with North Queensland Metals) will or may be subject to special or different taxation consequences peculiar to their circumstances (including whether they have made an election available to them to apply the CGT provisions as the primary code for assessing gains and losses on certain of their assets such as any North Queensland Metals Shares held by them).

North Queensland Metals Shareholders who are not resident in Australia for tax purposes should also take into account the tax consequences under the laws of their country of residence, as well as under Australian law, in respect of their disposal of North Queensland Metals Shares pursuant to the Offer.

The following description is based upon Australian taxation law and practice in effect as at the date of this Bidder's Statement, but this law and practice is subject to change. It is not intended to be an authoritative or complete statement or analysis of the taxation laws applicable to the particular circumstances of every North Queensland Metals Shareholder. It is important that North Queensland Metals Shareholders seek independent professional advice regarding the taxation consequences of disposing of North Queensland Metals Shares in light of their own particular circumstances.

### **9.2 Australian resident North Queensland Metals Shareholders**

#### **(a) Capital gains tax**

If a North Queensland Metals Shareholder disposes of its North Queensland Metals Shares pursuant to the Offer that disposal will constitute a CGT event for Australian income tax purposes. Where a North Queensland Metals Shareholder accepts the

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Offer the date of disposal of their North Queensland Metals Shares will be the date on which they accept the Offer. Where a North Queensland Metals Shareholder does not accept the Offer but has their North Queensland Metals Shares compulsorily acquired by Conquest Mining, the date of disposal of their North Queensland Metals Shares will be the date that Conquest Mining becomes the owner of those shares.

Subject to the operation of the scrip for scrip roll-over provisions (discussed in (b) below), North Queensland Metals Shareholders will:

- (i) make a capital gain if the capital proceeds from the transfer of their North Queensland Metals Shares to Conquest Mining are greater than the cost base of those North Queensland Metals Shares; and
- (ii) make a capital loss if the reduced cost base of their North Queensland Metals Shares is greater than the capital proceeds from the transfer of their North Queensland Metals Shares to Conquest Mining.

Any capital gain realised in respect of the disposal of the North Queensland Metals Shares will be included in the calculation of the North Queensland Metals Shareholder's net capital gain. Any net capital gain is included in the North Queensland Metals Shareholder's assessable income for the income tax year in which the Offer is accepted. A capital loss may not be deducted against other income for income tax purposes but may be offset against capital gains realised in the same income year in the calculation of any net capital gain (or the losses can be carried forward to offset against future capital gains).

The capital proceeds in respect of the disposal of the North Queensland Metals Shares will be the total of:

- the cash component of the Offer Consideration; and
- the market value of the Conquest Mining Shares received in respect of the disposal of the North Queensland Mining Shares. The market value of a Conquest Mining Share will be its closing price on the ASX on the date the Offer is accepted (unless the closing price varies by more than 5% from either the minimum or maximum traded price of a Conquest Mining Share over the course of that day in which case the market value will be the volume weighted average price for Conquest Mining Shares over that day);

The cost base and reduced cost base of North Queensland Metals Shares will generally equal the amount of cash paid, or the market value of property given, by North Queensland Metals Shareholders for those North Queensland Metals Shares plus certain incidental costs incurred.

Certain North Queensland Metals Shareholders that have held their North Queensland Metals Shares for at least 12 months when they dispose of the North Queensland Metals Shares to Conquest Mining pursuant to the Offer, will be eligible to claim the 'CGT discount' in respect of this disposal. If they are eligible and choose to apply the CGT discount, this will mean that:

- (i) in the case of an individual (and, generally speaking, a trustee of a trust), only one half ( $\frac{1}{2}$ ) of their net capital gain on those North Queensland Metals Shares (after deducting available capital losses) will be taxable; and

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- (ii) in the case of a complying superannuation entity, only two thirds ( $\frac{2}{3}$ ) of the net capital gain on those North Queensland Metals Shares (after deducting available capital losses) will be taxable.

The CGT discount is not available to companies. The CGT discount methodology for trustees is complex and any such North Queensland Metals Shareholders should obtain specific advice. North Queensland Metals Shareholders should also note that any available capital losses will be deducted from the gross capital gain before the CGT discount is applied.

**(b) Scrip for scrip roll-over relief**

CGT scrip for scrip roll-over relief in respect of any capital gain made by a North Queensland Metals Shareholder as a result of disposing of their North Queensland Metals Shares to Conquest Mining pursuant to the Offer may be available where:

- (i) North Queensland Metals Shareholders exchange their North Queensland Metals Shares for shares in another company (i.e. Conquest Mining Shares);
- (ii) that company (i.e. Conquest Mining) becomes the holder of 80% or more of the North Queensland Metals Shares in consequence of a single arrangement;
- (iii) the arrangement is one in which all North Queensland Metals Shareholders could participate and where participation was available on substantially the same terms;
- (iv) the North Queensland Metals Shareholder is an Australian resident (or otherwise holds their North Queensland Metals Shares and will hold the Conquest Mining Shares as taxable Australian property); and
- (v) the North Queensland Metals Shareholder chooses to apply the CGT roll-over to its capital gain (this choice is not available if a capital loss is made).

North Queensland Metals Shareholders will not be entitled to scrip for scrip roll-over relief for the portion of the capital gain attributable to the cash component of the Offer Consideration received by them for their North Queensland Metals Shares as this consideration represents 'ineligible proceeds'.

Broadly, if a North Queensland Metals Shareholder elects for scrip for scrip roll-over relief to apply, the effect is that:

- (i) any capital gain resulting from the disposal of their North Queensland Metals Shares to Conquest Mining pursuant to the Offer may be disregarded to the extent that the capital proceeds comprise the Conquest Mining Shares;
- (ii) the cost base and reduced cost base of the Conquest Mining Shares acquired as a result of the North Queensland Metals Shareholders accepting the Offer will be determined based upon that part of the cost base or reduced cost base of their original North Queensland Metals Shares (plus any other incidental costs that can be included in the cost base) reasonably attributable to the Conquest Mining Shares;
- (iii) the part of the cost base or reduced cost base of the North Queensland Metals Shares that is reasonably attributable to the cash component of the

Offer Consideration will be used to calculate the capital gain in respect of the cash consideration which comprises the ineligible proceeds;

- (iv) any CGT implications (other than in relation to the cash component of the Offer Consideration) will be deferred until the relevant North Queensland Metals Shareholder disposes of their Conquest Mining Shares acquired pursuant to the Offer (or upon the happening of another CGT event in respect of their Conquest Mining Shares); and
- (v) Conquest Mining Shares acquired as a result of the Offer are treated as having been acquired at the same time that the North Queensland Metals Shares were acquired by the relevant North Queensland Metals Shareholder.

North Queensland Metals Shareholders should be aware that should Conquest Mining waive the 90% minimum acceptance condition it may not become the owner of 80% or more of the voting shares in North Queensland Metals as a result of the Offer. Accordingly, North Queensland Metals Shareholders who accept the Offer, and receive Conquest Mining Shares (in addition to cash consideration) for the disposal of their North Queensland Metals Shares should be aware of the risk that scrip for scrip roll-over relief may not be available and that they may not know at the time they accept the Offer whether or not scrip for scrip roll-over relief will be available.

**(c) Cash component of the Offer Consideration**

The capital gain for North Queensland Metals Shareholders for which the cash component of the Offer Consideration is the ineligible proceeds will be calculated as the difference between the cash amount received and the portion of the cost base of the North Queensland Metals Shares reasonably attributed to that share of the total consideration (as noted in (b) above). This gain must be included in the North Queensland Metals Shareholder's calculation of net capital gain for the income tax year in which the Offer is accepted.

**(d) Worked example – scrip for scrip roll-over relief**

***Capital gain on cash consideration received***

Assume for the purposes of this example that you acquired 20,000 North Queensland Metals Shares (***NQM Shares***) on 28 June 2007 at \$0.21 per share. On the basis that you do not incur any further incidental costs referable to your NQM Shares, the cost base of your NQM shares would be \$4,200 (20,000 x \$0.21 = \$4,200). Furthermore assume for the purposes of this example that at the date you accept the Offer, the value of the Conquest Mining Shares (***CM Shares***) is 36.5 cents per share.

Upon acceptance of the Offer, if scrip for scrip roll-over relief is available, your capital gain and the cost base for the CM Shares you would receive under the Offer would be calculated as follows:

$$\begin{aligned}
 \text{Capital gain on cash consideration received} &= \left( \text{cash consideration received} - \left( \frac{\text{cash consideration}}{\text{(cash consideration + market value of CM Shares received)}} \times \text{cost base of your NQM Shares} \right) \right) \times 50\% * \\
 &= \left( (\$0.10 \times 20,000) - \left( \frac{\$2,000}{(\$2,000 + ((0.5 \times 20,000) \times \$0.365 **))} \times \$4,200 \right) \right) \times 50\%
 \end{aligned}$$



$$= (\$2,000 - (\$2,000/\$5,650 \times \$4,200)) \times 50\%$$

$$= (\$2,000 - \$1,486.73) \times 50\%$$

Your discounted capital gain on disposal of your NQM Shares for cash would be \$256.64.

**Cost base of CM Shares received**

$$\begin{aligned} \text{Cost base of CM shares received} &= \left( \frac{\text{market value of CM Shares received}}{\text{cash consideration} + \text{market value of CM Shares received}} \right) \times \text{cost base of your NQM Shares} \\ &= \left( \frac{[(0.5 \times 20,000) \times \$0.365^{**}]}{[\$2,000 + (0.5 \times 20,000) \times \$0.365^{**}]} \right) \times \$4,200 \\ &= \left( \frac{\$3,650}{\$5,650} \right) \times \$4,200 \end{aligned}$$

The cost base of the CM Shares you receive would be \$2,713.27 (the proportion of the cost base of your NQM Shares referable to the CM Shares received as consideration).

\* This calculation assumes that you are an individual or a trust and are eligible to utilise the discount capital gains concession and you have no additional capital gains or losses to be included against the capital gain before the application of 50% discount.

\*\* For illustrative purposes, this calculation is based on the closing ASX price of CM Shares on 8 June 2010. The actual market value of the CM Shares you acquire should be determined at the time you dispose of your NQM Shares.

**(e) Worked example – scrip for scrip roll-over relief unavailable or unelected**

**Capital gain on disposal of your NQM Shares**

For the purposes of this example, make the same assumptions as in 9.2(d) above. If scrip for scrip roll-over relief is not available (because, for example, Conquest Mining did not become the owner of 80% or more of the voting shares in North Queensland Metals under the Offer), your capital gain would be calculated as follows:

$$\begin{aligned} \text{Capital gain on disposal of your NQM Shares} &= (\text{market value of CM Shares received} + \text{cash consideration} - \text{cost base of your NQM Shares}) \times 50\%^* \\ &= ([(0.5 \times 20,000) \times \$0.365^{**}] + (\$0.10 \times 20,000) - \$4,200) \times 50\% \\ &= (\$3,650 + \$2,000 - \$4,200) \times 50\%^* \end{aligned}$$

In this case, the discounted capital gain on disposal of your NQM Shares would be \$725.

**Cost base of CM Shares received**

$$\text{Cost base of CM Shares received} = \left( \frac{\text{market value of CM Shares received}}{\text{Total Consideration received (ie, cash consideration} + \text{market value of CM Shares received)}} \right) \times \text{market value of your NQM Shares at the time of disposal}$$

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$$= \left( \frac{\$3,650}{\$5,650} \right) \times (20,000 \times 0.27^{***})$$

$$= 0.646 \times \$5,400$$

In the absence of roll-over relief, the CM Shares you receive under the Offer would have a cost base of \$3,488.50, equating to the market value of that portion of the NQM Shares disposed of in exchange for the CM Shares.

\* This calculation assumes that you are an individual or a trust and are eligible to utilise the discount capital gains concession and you have no additional capital gains or losses to be included against the capital gain before the application of 50% discount.

\*\* For illustrative purposes, this calculation is based on the closing ASX price of CM Shares on 8 June 2010. The actual market value of the CM Shares you acquire should be determined at the time you dispose of your NQM Shares.

\*\*\* For illustrative purposes, this calculation is based on the closing price of NQM Shares on 8 June 2010. The actual market value of the NQM Shares should be determined at the time you dispose of your NQM Shares.

**(f) Dividends**

If Conquest Mining pays dividends to its shareholders then, subject to the 'holding period' rules (see below), a Conquest Mining Shareholder who is a resident of Australia for taxation purposes must include in their assessable income the dividends and the accompanying franking credits (if any).

Australian income tax will be payable on the sum of the dividends and the franking credits at the applicable tax rate for each Conquest Mining Shareholder. However, those Conquest Mining Shareholders are entitled to a tax offset equal to the amount of the franking credits which are included in their assessable income. Individuals and complying superannuation entities should be entitled to a tax refund if a tax offset for a franked distribution exceeds their tax liabilities. Special rules apply for trusts, partnerships and companies.

To qualify for franking credits and the tax offset, the holding period rules must be satisfied. Basically, this means Conquest Mining Shareholders must hold their shares 'at risk' for at least 45 clear days (not including the date of acquisition or date of disposal) and free of any 'related payment' obligations.

An exemption from the holding period rule (but not the related payment rule) is available for a Conquest Mining Shareholder who is an individual and whose total franking credit entitlement is \$5,000 or less (aggregating all franked dividends from all companies) for the relevant income year.

These rules are complex and Conquest Mining Shareholders should obtain their own advice on how the rules apply in their individual circumstances.

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**(g) Subsequent disposal of Conquest Mining Shares**

Any subsequent disposal by former North Queensland Metals Shareholders of their Conquest Mining Shares will generally have the same CGT consequences as for the disposal of their North Queensland Metals Shares (as described in (a) above). Whether a capital gain will be made and whether the CGT discount will be available to those shareholders who are eligible for it will depend upon the cost base of the Conquest Mining Shares and the capital proceeds received in respect of their disposal, as well as on whether the 12 month holding period rule is satisfied.

If roll-over relief is applied to the disposal of the North Queensland Metals Shares under the Offer, then the cost base of the Conquest Mining Shares will be as set out in (b) above. If roll-over relief is not so applied, the cost base of the Conquest Mining Shares acquired by a North Queensland Metals Shareholder will be based upon the market value of the North Queensland Metals Shares provided as consideration.

As noted in (b) above, for CGT discount purposes the 12 month period will be calculated by reference to the original date of acquisition of the North Queensland Metals Shares if the North Queensland Metals Shareholder elects to apply scrip for scrip roll-over relief in respect of the disposal of the North Queensland Metals Shares to Conquest Mining pursuant to the Offer. However, if scrip for scrip roll-over is not applied, the 12 month period will be calculated from the date of acquisition of the Conquest Mining Shares, not the date of acquisition of the North Queensland Metals Shares.

Generally, the date of acquisition will be the date on which a North Queensland Metals Shareholder sends back to Conquest Mining by mail an Acceptance Form signed and completed in accordance with the Offer and which is received by Conquest Mining before the end of the Offer Period.

**9.3 Non-resident Shareholders**

North Queensland Metals Shareholders who are not residents of Australia for taxation purposes will not make a taxable capital gain on the disposal of North Queensland Metals Shares unless their North Queensland Metals Shares are taxable Australian property.

North Queensland Metals Shares will not be taxable Australian property of North Queensland Metals Shareholders who do not carry on business through any permanent establishment in Australia unless they pass the 'non-portfolio interest test'. This basically requires that a North Queensland Metals Shareholder (either alone or together with their associates) has held 10% or more of North Queensland Metals Shares on issue throughout a twelve month period during the 2 years prior to the disposal of the North Queensland Metals Shares, or at the time of that disposal.

If the North Queensland Metals Shares pass the non-portfolio interest test, they are only taxable Australian property if the market value of the taxable Australian real property of North Queensland Metals (including any mining rights) constitutes more than 50% of the total market value of North Queensland Metals' assets. Subject to the terms of any double tax treaty between Australia and the North Queensland Metals Shareholder's country of residence, the CGT payable on the disposal of the North Queensland Metals Shares in this situation would be calculated broadly in accordance with the principles in 9.2(a).

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Any North Queensland Metals Shareholder that is not an Australian resident and who passes the non-portfolio interest test should seek their own advice as to the tax consequences, both in Australia and in their country of residence, of disposing of their North Queensland Metals Shares (and in respect of any future disposal of Conquest Mining Shares). This includes the possibility of choosing scrip for scrip roll-over relief in relation to Australian CGT if both the North Queensland Metals Shares and the Conquest Mining Shares are taxable Australian property.

Any dividends received by a non-resident in relation to Conquest Mining Shares will not be subject to Australian income tax provided the non-resident does not hold their Conquest Mining Shares through a permanent establishment in Australia. Any dividend that is fully franked will not be subject to dividend withholding tax, but dividend withholding tax will be imposed to the extent that a dividend paid to a non-resident shareholder is not franked and is not declared as conduit foreign income. The rate of dividend withholding tax is 30%, unless it is reduced by an applicable double tax treaty, in which case it is generally reduced to 15%.

#### **9.4 GST**

Apart from any fees that you may be charged by your stock broker if it accepts the Offer on your behalf, Australian goods and services tax (**GST**) will not apply to any of the following share dealings either because the dealing will be a 'financial supply' that is exempt from GST or an 'out of scope' supply (a supply which cannot generate a GST liability as it does not meet the definition of 'taxable supply'):

- (a) the transfer of North Queensland Metals Shares to Conquest Mining; and
- (b) the issue of Conquest Mining Shares and any future disposal of Conquest Mining Shares.

#### **9.5 Stamp Duty**

No Australian stamp duty will be payable by North Queensland Metals Shareholders in respect of the disposal of their North Queensland Metals Shares or acquisition of Conquest Mining Shares pursuant to the Offer.

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## 10. Additional Information

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### 10.1 North Queensland Metals Options

Conquest Mining may, subject to any consent required under the ASX Listing Rules being obtained, seek to enter into private arrangements with holders of the outstanding North Queensland Metals Options to effect the cancellation of those options for the payment of a cancellation fee. Any such arrangements would be conditional on all the Defeating Conditions of the Offer being satisfied or waived by Conquest Mining and would comply with the Corporations Act.

If North Queensland Metals Options are not cancelled pursuant to arrangements as described above, Conquest Mining may seek to compulsorily acquire the outstanding options under the Corporations Act after the close of the Offer, assuming that Conquest Mining becomes entitled to do so.

### 10.2 ASIC modifications and exemptions

ASIC has published various 'Class Order' instruments providing for modifications and exemptions that apply generally to all persons, including Conquest Mining, in relation to the operation of Chapter 6 of the Corporations Act.

### 10.3 Interests of, and benefits to, directors and advisers

#### (a) Interests

Except as set out in this Bidder's Statement, no:

- (i) director or proposed director of Conquest Mining;
- (ii) person named in this Bidder's Statement as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Bidder's Statement; or
- (iii) promoter of Conquest Mining,

(together the "**Interested Persons**") holds, or held at any time during the two years before the date of this Bidder's Statement, any interest in:

- (i) the formation or promotion of Conquest Mining;
- (ii) property acquired or proposed to be acquired by Conquest Mining in connection with:
  - (A) its formation or promotion; or
  - (B) the offer of Conquest Mining Shares under the Offer; or
- (iii) the offer of Conquest Mining Shares under the Offer.

#### (b) Benefits

Except as set out in this Bidder's Statement, no person has paid or agreed to pay any fees, or provided or agreed to provide any benefit, to:

- (i) a director or proposed director of Conquest Mining to induce them to become or to qualify as a director of Conquest Mining; or

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- (ii) any Interested Person for services provided by that person in connection with:
- (A) the formation or promotion of Conquest Mining; or
  - (B) the offer of Conquest Mining Shares under the Offer.

Allens Arthur Robinson has acted as legal adviser to Conquest Mining in relation to the Offer. Allens will be entitled to receive professional fees charged in accordance with their normal time-based basis of charging.

Sino Resources Capital Pty Limited is acting as financial adviser to Conquest Mining in relation to the Offer, and will in certain circumstances be entitled to a success fee. Conquest Mining Director Nicholas Curtis is also a Partner of Sino Resources Capital Pty Limited.

**(c) Fees for directors**

The non-executive directors of Conquest Mining are entitled to remuneration for their role as directors. The remuneration comprises payments for directors' fees and superannuation contributions. The amounts payable to individual non-executive directors are set by the Conquest Mining board and may change subject to the total fees and superannuation contributions payable to or on behalf of, all non-executive directors not exceeding the maximum amount approved by Conquest Mining Shareholders. The maximum amount (presently \$500,000 per annum) applies to the aggregate fees payable by Conquest Mining to all non-executive directors).

The Executive Chairman of Conquest Mining, Mr Klein, is employed under an executive service agreement (the terms of which were summarised in Conquest Mining's notice of extraordinary general meeting dated 7 April 2010, which was released to the ASX). Mr Klein's current total fixed salary ("**TFR**") is \$400,000 per annum (inclusive of superannuation and other ancillary entitlements). The TFR may be increased at the Conquest Mining board's discretion with effect from 1 July each year from and including 1 July 2011 to take into account general market movements and Mr Klein's performance. The executive service agreement contains certain benefits payable on termination of employment, all of which were approved by Conquest Mining Shareholders at an extraordinary general meeting held on 12 May 2010.

**(d) Indemnities and insurance**

Conquest Mining has entered into a deed with each of its directors ("**Director's Deed**") under which:

- Conquest Mining provides an ongoing indemnity (to the extent permitted by law and subject to section 199A of the Corporations Act) to the director against liability incurred as an officer of a Conquest Mining Group entity;
- Conquest Mining will maintain (to the extent permitted by law and subject to sections 199B and 199C of the Corporations Act) an insurance policy for the benefit of the director which insures the director against liability incurred as an officer of a Conquest Mining Group entity for the period (the "**Relevant Period**") during which the director holds office and for a period of 7 years thereafter or, if a proceeding is brought within the 7 years after he ceases to be a director, until that proceeding is determined; and

- 
- the director has a limited right to access and take copies of Conquest Mining Group board papers during the Relevant Period.

In accordance with the Director's Deeds, Conquest Mining maintains an insurance policy for the benefit of its directors ("**D&O Insurance Policy**").

The entry into the Director's Deeds and the maintenance of D&O Insurance Policy are permitted by the constitution of Conquest Mining.

#### **10.4 Potential for waiver of Defeating Conditions**

The Offer is subject to a number of conditions set out in section 11.12. Under the terms of the Offer and the Corporations Act, any or all of those Defeating Conditions may be waived by Conquest Mining.

If an event occurs which results (or would result) in the non-fulfilment of a Defeating Condition, Conquest Mining might not make a decision as to whether it will either rely on that occurrence, or instead waive the Defeating Condition in respect of that occurrence, until the date for giving notice as to the status of the conditions of the Offer under section 630(3) of the Corporations Act (see section 11.13(d)). If Conquest Mining decides that it will waive a Defeating Condition it will announce that decision to ASX in accordance with section 650F of the Corporations Act.

If any of the Defeating Conditions is not fulfilled, and Conquest Mining decides to rely on that non-fulfilment, then any contract resulting from acceptance of the Offer will become void at (or, in some cases, shortly after) the end of the Offer Period, and the relevant North Queensland Metals Shares will be returned to the holder.

#### **10.5 Status and effect of Defeating Conditions**

As at the date of this Bidder's Statement, Conquest Mining is not aware of any events or circumstances which would result in the non-fulfilment of any of the Defeating Conditions.

#### **10.6 Consents**

The following firms and companies have given, and have not at the date of this Bidder's Statement withdrawn, their written consent to being named in this Bidder's Statement. None of the following firms and companies has caused or authorised the issue of this Bidder's Statement. The Offer is made by Conquest Mining.

- Allens Arthur Robinson (legal adviser to Conquest Mining) has consented to being named in this Bidder's Statement in the form and context in which it is named, and has not withdrawn that consent.
- Sino Resources Capital Pty Limited (financial adviser to Conquest Mining) has consented to being named in this Bidder's Statement in the form and context in which it is named, and has not withdrawn that consent.
- Link Market Services Limited (share registry services provider to Conquest Mining) has consented to being named in this Bidder's Statement in the form and context in which it is named, and has not withdrawn that consent.
- Information in this Bidder's Statement 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 an employee of the Company. Mr Male has sufficient experience which is relevant to the style of mineralisation and

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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 Bidder's Statement of the matters based on his information in the form and context in which it appears.

In addition, this Bidder's Statement includes statements which are made in, or based on statements made in, documents lodged with ASIC or given to ASX. 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).

#### **10.7 Approvals for payment of consideration**

Conquest Mining is not currently aware of any North Queensland Metals Shareholders who require any approval referred to in section 11.10(d) in order to be entitled to receive any consideration under the Offer.

#### **10.8 Withholding of consideration**

Conquest Mining is not currently aware of any amounts that are or would be treated as withholding amounts under section 11.10(e).

#### **10.9 Date for determining holders of securities**

For the purposes of section 633 of the Corporations Act, the date for determining the people to whom information is to be sent under items 6 and 12 of section 633(1) for each Offer is the Register Date.

#### **10.10 Information about Conquest Mining in this Bidder's Statement**

Due to the fact that Conquest Mining is offering Conquest Mining Shares as consideration for the acquisition of North Queensland Metals Shares, the Corporations Act requires that this Bidder's Statement include all information that would be required for a prospectus for an offer of Conquest Mining Shares under sections 710 to 713 of the Corporations Act. Conquest Mining does not need to issue a prospectus for the offer of the Conquest Mining Shares as the offer is occurring under a takeover bid.

Conquest Mining is a 'disclosing entity' for the purposes of the Corporations Act and it is subject to regular reporting and disclosure obligations under the Corporations Act and the ASX Listing Rules. These obligations require Conquest Mining to notify the ASX of information about specified events and matters as they arise for the purposes of the ASX making that information available to the financial market operated by the ASX. In particular, Conquest Mining has an obligation under the ASX Listing Rules (subject to certain exceptions) to notify the ASX immediately of any information of which it becomes aware concerning Conquest Mining which a reasonable person would expect to have a material effect on the price or value



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of Conquest Mining Shares. Conquest Mining Shares have been quoted on the ASX during the 3 months prior to the date of this Bidder's Statement.

For this reason, Conquest Mining is only required to disclose information in this Bidder's Statement that would usually be required where its shares have been continuously quoted securities.

In general terms, where Conquest Mining Shares are continuously quoted securities the prospectus is only required to contain information in relation to the effect of the Offer on Conquest Mining and the rights and liabilities attaching to the Conquest Mining Shares. It is not necessary to include general information in relation to all of the assets and liabilities, financial position and performance, profits and losses or prospects of Conquest Mining unless such information has been excluded from a continuous disclosure notice in accordance with the ASX Listing Rules and it is information that investors and their professional advisers would reasonably require for the purpose of making an informed assessment of such matters and the rights and liabilities attaching to Conquest Mining Shares.

Information that is already in the public domain has not been reported in this Bidder's Statement other than that which is considered necessary to make this Bidder's Statement complete.

Conquest Mining, as a disclosing entity under the Corporations Act, states that:

- (a)** it is subject to regular reporting and disclosure obligations;
- (b)** copies of documents lodged with ASIC in relation to Conquest Mining may be obtained from, or inspected at, an ASIC office; and
- (c)** it will provide a copy of each of the following documents, free of charge, to any person on request during the Offer Period:
  - (i) the Constitution of Conquest Mining;
  - (ii) the annual financial report of Conquest Mining for the year ended 30 June 2009;
  - (iii) the half year financial report of Conquest Mining for the half year ended 31 December 2009;
  - (iv) any continuous disclosure notice given by Conquest Mining to the ASX since its annual financial report for the year ended 30 June 2009 was lodged with ASIC (ie. since 25 September 2009) and before the date of this Bidder's Statement.

The ASX announcements made in relation to Conquest Mining between 25 September 2009 and the date of this Bidder's Statement are listed in Annexure B. Copies of announcements made by Conquest Mining to the ASX are available from the ASX website.

To obtain a copy of any of the above documents during the Offer Period, interested persons may call the Offer enquiry line on 1800 131 904 (toll free) from within Australia or +61 2 8280 7735 (not toll free) from outside Australia.

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**10.11 Expiry date**

No Conquest Mining Share will be issued on the basis of this Bidder's Statement after the date that is 13 months after the date of this Bidder's Statement.

**10.12 Other material information**

Except as disclosed in this Bidder's Statement, there is no other information that:

- (a) is material to the making of the decision by a North Queensland Metals Shareholder whether or not to accept the Offer;
- (b) is known to Conquest Mining; and
- (c) does not relate to the value of Conquest Mining Shares;

which has not previously been disclosed to North Queensland Metals Shareholders.

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## 11. Offer Terms

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### 11.1 The Offer

- (a) Conquest Mining offers to acquire all of your North Queensland Metals Shares on the terms set out in this section 11.
- (b) The consideration offered for each of your North Queensland Metals Shares is 0.5 Conquest Mining Shares plus \$0.10 cash.
- (c) Any Conquest Mining Shares issued to you under this Offer will be issued fully paid and will rank equally for dividends and other rights in all respects with existing Conquest Mining Shares from the date of issue.
- (d) If you are an Ineligible Foreign Shareholder or Unmarketable Parcel Shareholder then, despite any other provision of this Offer, you will only be entitled to receive a cash amount in Australian dollars for your North Queensland Metals Shares as determined in accordance with section 11.9.
- (e) This Offer is dated [\*] 2010.

### 11.2 Rounding

If you would otherwise become entitled to a fraction of a Conquest Mining Share as a result of your acceptance of the Offer, in addition to the number of whole Conquest Mining Shares to which you become entitled as a result of that acceptance, any such fractional entitlement of:

- (a) less than 0.5 will be rounded down to zero; or
- (b) equal to or more than 0.5 will be rounded up to 1 Conquest Mining Share.

However, if Conquest Mining reasonably believes that any parcel or parcels of North Queensland Metals Shares has or have been created or manipulated to take advantage of rounding, then any fractional entitlement to a Conquest Mining Share arising in relation to that parcel, or those parcels, will be rounded down so that the entitlement to Conquest Mining Shares arising in relation to each parcel consists of the nearest whole number of Conquest Mining Shares only and the fractional entitlement will be disregarded.

### 11.3 Offer Period

- (a) This Offer will be open for acceptance during the period that commences on the date of the Offer and ends at 7.00pm (Sydney time) on [\*] 2010, unless it is withdrawn or extended in accordance with the Corporations Act.
- (b) Conquest Mining may, in accordance with the Corporations Act, extend the period during which the Offer remains open for acceptance.

### 11.4 Offerees

#### (a) Registered holders

Conquest Mining is making an offer in the form of this Offer to:

- (i) each person registered as the holder of North Queensland Metals Shares in the register of shareholders of North Queensland Metals as at the Register Date; and

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- (ii) each person who, during the period from the Register Date to the end of the Offer Period, becomes registered or entitled to be registered as the holder of North Queensland Metals Shares (whether or not they are registered or entitled to be registered as the holder of other North Queensland Metals Shares) due to the conversion of, or exercise of rights attached to, North Queensland Metals Options that are on issue at the Register Date.

**(b) Transferees**

If at any time during the Offer Period another person is able to give good title to some or all of your North Queensland Metals Shares, and that person has not already accepted an offer in the form of this Offer for those North Queensland Metals Shares, then that person may accept as if an offer in the form of this Offer had been made to them in respect of those North Queensland Metals Shares.

**(c) Trustees and nominees**

If at any time during the Offer Period and before you accept this Offer your North Queensland Metals Shares consist of two or more separate parcels within the meaning of section 653B of the Corporations Act (for example, because you hold your North Queensland Metals Shares as trustee or nominee for, or otherwise on account of, several distinct beneficial owners), then you may accept as if a separate offer in the form of this Offer had been made in relation to each of those parcels (including any parcel you hold in your own right). Acceptance for any parcel of North Queensland Metals Shares (including any parcel consisting of two or more parcels) is ineffective unless:

- (i) you give Conquest Mining notice stating that the North Queensland Metals Shares consist of a separate and distinct parcel, such notice being:
  - (A) in the case of North Queensland Metals Shares in an Issuer Sponsored Holding, in writing; or
  - (B) in the case of North Queensland Metals Shares in a CHESSE Holding, in an electronic form approved by the ASTC Settlement Rules; and
- (ii) your acceptance specifies the number of North Queensland Metals Shares in the distinct parcel.

If, for this purpose, you require additional copies of this Bidder's Statement and the Acceptance Form, please call the Offer enquiry line on 1800 131 904 (toll free) from within Australia or +61 2 8280 7735 (not toll free) from outside Australia to request those additional copies.

## **11.5 How to accept this Offer**

**(a) General matters**

- (i) You may accept this Offer at any time during the Offer Period, in the manner provided in this section 11.5.
- (ii) You may only accept this Offer for all, and not some only, of your North Queensland Metals Shares.

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- (iii) The manner in which you accept this Offer will depend on whether your North Queensland Metals Shares are in an Issuer Sponsored Holding (see section 11.5(b)) or in a CHES Holding (see section 11.5(c)).
  - (iv) If some of your North Queensland Metals Shares are in an Issuer Sponsored Holding, and some of your North Queensland Metals Shares are in a CHES Holding, your acceptance of this Offer will require separate action in relation to the separate portions of your North Queensland Metals Shares.

**(b) Issuer Sponsored Holdings**

- (i) If your North Queensland Metals Shares are held in an Issuer Sponsored Holding (in which case your Securityholder Reference Number is prefixed with 'I'), to accept the Offer in respect of those North Queensland Metals Shares you must:
  - (A) complete and sign the enclosed Acceptance Form in accordance with the instructions on it; and
  - (B) return the enclosed Acceptance Form, together with all other documents required by the instructions on it, so that they are received before the end of the Offer Period at one of the addresses given on the Acceptance Form.

A reply paid envelope is enclosed for your convenience. North Queensland Metals Shareholders who post their acceptance from outside Australia will need to affix their own postage stamp.

- (ii) Acceptance will be deemed to have been effected when, subject to this section 11, the duly completed Acceptance Form and all required documents has been received at one of the addresses given on the Acceptance Form.

**(c) CHES Holdings**

- (i) If your North Queensland Metals Shares are held in a CHES Holding, then acceptance of this Offer can only be made in accordance with the ASTC Settlement Rules by:
  - (A) instructing your Controlling Participant to initiate acceptance of this Offer in accordance with Rule 14.14 of the ASTC Settlement Rules before the end of the Offer Period;
  - (B) completing and signing the enclosed Acceptance Form in accordance with the instructions on it and returning it, together with any other documents required by those instructions, to one of the addresses given on the Acceptance Form; or
  - (C) if you are a Participant (within the meaning of the ASTC Settlement Rules), initiating acceptance of this Offer in accordance with Rule 14.14 of the ASTC Settlement Rules before the end of the Offer Period.
- (ii) Notwithstanding any other term or condition to the contrary, acceptance of this Offer in accordance with section 11.5(c)(i) is not effective unless, prior to the end of the Offer Period, the Controlling Participant of the shareholding has

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initiated an acceptance of this Offer in accordance with Rule 14.14 of the ASTC Settlement Rules.

- (iii) Notwithstanding any other term or condition to the contrary, if you choose to accept this Offer in the manner described in section 11.5(c)(i)(B):
- (A) you irrevocably authorise Conquest Mining (and its agents and nominees) to:
- (1) instruct your Controlling Participant to initiate acceptance of the Offer in respect of all such North Queensland Metals Shares in accordance with the ASTC Settlement Rules; and
  - (2) give any other instructions in relation to those North Queensland Metals Shares to your Controlling Participant on your behalf under the sponsorship agreement between you and the Controlling Participant, as determined by Conquest Mining acting in its own interests as a beneficial owner and intended registered holder of your North Queensland Metals Shares;
- (B) you acknowledge that:
- (1) with respect to sub-paragraph (A)(1) above, Conquest Mining (or its agents or nominees) will merely forward your Acceptance Form to your Controlling Participant (being the only person who can accept this Offer on your behalf) and that it is your responsibility to allow sufficient time for your Controlling Participant to initiate acceptance of this Offer;
  - (2) Conquest Mining (or its agents or nominees) is not responsible for any delays incurred by the process described in sub-paragraph (B)(1) above or any losses whatsoever you incur by the fact that your acceptance is not processed before the end of the Offer Period; and
- (C) you must promptly give any further instructions or take any further actions necessary concerning your North Queensland Metals Shares to your Controlling Participant to initiate acceptance of this Offer on your behalf in accordance with Rule 14.14 of the ASTC Settlement Rules prior to the end of the Offer Period.

## **11.6 Acceptance Form**

### **(a) Status of Acceptance Form**

The Acceptance Form which accompanies this Bidder's Statement forms part of this Offer, and the instructions on the Acceptance Form must be followed in using it to accept this Offer.

### **(b) Rectification of errors**

By signing and returning the Acceptance Form in accordance with section 11.5, you irrevocably authorise Conquest Mining (and its agents and nominees) to rectify any errors in, or omissions from, the Acceptance Form that are necessary to make it an

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effective acceptance of this Offer or to enable registration of the transfer to Conquest Mining of your North Queensland Metals Shares which have been accepted into this Offer.

**(c) Validation of Acceptance Form**

Notwithstanding any other term or condition to the contrary, Conquest Mining may (except in relation to North Queensland Metals Shares in a CHESS Holding) treat the receipt by it of a signed Acceptance Form as valid even though it does not receive the other documents required by the instructions on the Acceptance Form or there is not compliance with any one or more of the other requirements for acceptance. If Conquest Mining does treat such an Acceptance Form as valid, subject to section 11.10, Conquest Mining will not be obliged to give the Offer Consideration to you until Conquest Mining receives all those documents and all of the requirements for acceptance referred to in section 11.5 and in the Acceptance Form have been met.

**11.7 Power of attorney or deceased estate**

When accepting this Offer, you should also forward for inspection:

- (a)** if the Acceptance Form is executed by an attorney, a certified copy of the power of attorney; and
- (b)** if the Acceptance Form is executed by the executor of a will or the administrator of the estate of a deceased North Queensland Metals Shareholder, the relevant grant of probate or letters of administration.

**11.8 Effect of acceptance**

By signing and returning the Acceptance Form or initiating or causing acceptance of this Offer under the ASTC Settlement Rules in accordance with section 11.5, you will have:

- (a)** been deemed to have accepted this Offer in respect of all of your North Queensland Metals Shares, and agreed to the terms of this Offer;
- (b)** subject to all of the Defeating Conditions being fulfilled or waived, assigned all of your beneficial interest in your North Queensland Metals Shares to Conquest Mining, conveyed beneficial title to your North Queensland Metals Shares to Conquest Mining and agreed to transfer legal title to your North Queensland Metals Shares to Conquest Mining;
- (c)** represented and warranted to Conquest Mining that, both at the time of your acceptance of this Offer and at the date of the transfer of them to Conquest Mining:
  - (i)** your North Queensland Metals Shares are fully paid and free from all mortgages, charges, liens, Encumbrances and interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind; and
  - (ii)** you have full power and capacity to accept the Offer and to sell and transfer the legal and beneficial ownership of your North Queensland Metals Shares to Conquest Mining;
- (d)** authorised Conquest Mining to issue to you any Conquest Mining Shares that you are entitled to receive under this Offer and to register your name in the Conquest Mining register of shareholders in respect of those Conquest Mining Shares, agreed to

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become a member of Conquest Mining and agreed that you will be bound by the Constitution of Conquest Mining;

- (e)** irrevocably authorised Conquest Mining (severally by its officers, agents or nominees) to complete the Acceptance Form by inserting such details as are omitted in respect of your North Queensland Metals Shares and to rectify any errors in or omissions from the Acceptance Form (including altering the number of North Queensland Metals Shares stated to be held by you if it is otherwise than as set out in the Acceptance Form) as may be necessary to make the Acceptance Form an effective acceptance of this Offer to enable registration of the transfer of your North Queensland Metals Shares to Conquest Mining;
- (f)** if some of your North Queensland Metals Shares are in an Issuer Sponsored Holding, and some of your North Queensland Metals Shares are in a CHESS Holding, and your acceptance was made only in respect of one type of holding, agreed, on request from Conquest Mining or its agents, to promptly take any actions necessary and have authorised Conquest Mining to take any actions necessary concerning the unaccepted holding of your North Queensland Metals Shares to ensure those shares are validly accepted in accordance with section 11.5 prior to the end of the Offer Period;
- (g)** in respect of any of your North Queensland Metals Shares which are held in a CHESS Holding, irrevocably authorised and directed Conquest Mining severally by its officers, nominees and agents to:

  - (i)** instruct your Controlling Participant to initiate acceptance of this Offer in respect of those North Queensland Metals Shares in accordance with the ASTC Settlement Rules; and
  - (ii)** give any other instructions in relation to those North Queensland Metals Shares to your Controlling Participant on your behalf under the sponsorship agreement between you and the Controlling Participant, as determined by Conquest Mining acting in its own interests as a beneficial owner and intended registered holder of your North Queensland Metals Shares;
- (h)** subject to all of the Defeating Conditions being fulfilled or waived, you irrevocably authorise Conquest Mining severally by its officers, nominees and agents to do all things necessary to transfer your North Queensland Metals Shares to Conquest Mining (including to cause a message to be transmitted in accordance with ASTC Settlement Rule 14.17.1 so as to transfer your North Queensland Metals Shares, if held in a CHESS Holding, to the Takeover Transferee Holding), even if Conquest Mining has not at that time paid or provided the consideration due to you under this Offer;
- (i)** represented and warranted to Conquest Mining that, if you are the legal owner but not the beneficial owner of your North Queensland Metals Shares:

  - (i)** the beneficial holder has not sent a separate acceptance of this Offer in respect of your North Queensland Metals Shares;
  - (ii)** the number of North Queensland Metals Shares you have specified as being the entire holding of North Queensland Metals Shares you hold on behalf of the particular beneficial holder is in fact such entire holding; and



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- (iii) that you are irrevocably and unconditionally entitled to transfer your North Queensland Metals Shares, and to assign all of the beneficial interest therein to Conquest Mining;
- (j) represented and warranted to Conquest Mining that you are not an Ineligible Foreign Shareholder, unless otherwise indicated on the Acceptance Form;
- (k) acknowledged and agreed that if you are an Ineligible Foreign Shareholder, Conquest Mining will arrange for any Conquest Mining Shares otherwise issuable to you to be issued and sold, and for the net proceeds to be remitted to you, as described in section 11.9;
- (l) acknowledged and agreed that if you are an Unmarketable Parcel Shareholder, or Conquest Mining believes that you are an Unmarketable Parcel Shareholder, Conquest Mining will arrange for any Conquest Mining Shares otherwise issuable to you to be issued and sold, and for the net proceeds to be remitted to you, as described in section 11.9;
- (m) acknowledged and agreed that, except as permitted by and in accordance with the applicable law (including in accordance with an exemption from the registration requirements of the Securities Act), you will not offer or resell in, or to persons in, the United States of America any Conquest Mining Shares which you acquired at any time, although that does not prohibit any sale on the ASX if neither you nor any person acting on your behalf knows, or has reason to know, that the sale has been prearranged with, or that purchaser is, a person in the United States of America;
- (n) unless Conquest Mining has waived its entitlement to the relevant Rights (as contemplated in section 11.11), irrevocably authorised and directed North Queensland Metals to pay to Conquest Mining, or to account to Conquest Mining for, all Rights in respect of your North Queensland Metals Shares subject, however, to any such Rights received by Conquest Mining being accounted for by Conquest Mining to you if the Offer is withdrawn or the contract formed by your acceptance of the Offer is rescinded or rendered void;
- (o) irrevocably appointed Conquest Mining and each of its directors, secretaries and officers severally as your true and lawful attorney, with effect from the date that this Offer, or any contract resulting from acceptance of this Offer, becomes free from its Defeating Conditions or such Defeating Conditions are satisfied or waived, with power to do all things which you could lawfully do concerning your North Queensland Metals Shares or in exercise of any right derived from the holding of your North Queensland Metals Shares, including (without limiting the generality of the foregoing):
- (i) attending and voting at any meeting of North Queensland Metals;
  - (ii) demanding a poll for any vote to be taken at any meeting of North Queensland Metals;
  - (iii) proposing or seconding any resolution to be considered at any meeting of North Queensland Metals;
  - (iv) requisitioning the convening of any meeting of North Queensland Metals and convening a meeting pursuant to any such requisition;

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- (v) notifying North Queensland Metals that your address in the records of North Queensland Metals for all purposes, including the despatch of notices of meeting, annual reports and dividends, should be altered to an address nominated by Conquest Mining; and
  - (vi) doing all things incidental or ancillary to any of the foregoing, and to have agreed that in exercising the powers conferred by that power of attorney, the attorney may act in the interests of Conquest Mining as the intended registered holder and beneficial holder of your North Queensland Metals Shares. Such appointment will terminate on the earlier of the withdrawal of your acceptance of this Offer (either in accordance with its terms or under section 650E of the Corporations Act) and the end of the Offer Period or, if all Defeating Conditions of the Offer have been fulfilled or waived, the registration of Conquest Mining as the holder of your North Queensland Metals Shares;
  - (p) whilst the appointment in paragraph (o) above continues, you agree not to attend or vote in person or by proxy, attorney or corporate representative at any meeting of North Queensland Metals, or to exercise or purport to exercise (in person or by proxy, attorney, or corporate representative or otherwise) any of the powers conferred by the power of attorney in paragraph (o) above;
  - (q) agreed to indemnify Conquest Mining and each of its officers and agents in respect of any claim or action against it or any loss, damage or liability whatsoever incurred by it as a result of you not producing your Holder Identification Number or your Securityholder Reference Number or in consequence of the transfer of your North Queensland Metals Shares to Conquest Mining being registered by North Queensland Metals without production of your Holder Identification Number or your Securityholder Reference Number.

The representations, warranties, authorities and indemnity referred to in this section 11.8 will (unless otherwise stated) remain in force after you receive the Offer Consideration for your North Queensland Metals Shares and after Conquest Mining becomes the registered holder of them.

## 11.9 Ineligible Foreign Shareholders and Unmarketable Parcel Shareholders

### (a) Who is an Ineligible Foreign Shareholder?

- (i) If you are (or are acting as a nominee or trustee on behalf of) a citizen or a resident of a jurisdiction other than Australia (and its external territories) or New Zealand, ("**Permitted Jurisdictions**") or your address as shown in the register of members of North Queensland Metals is a place outside the Permitted Jurisdictions (or you are acting on behalf of such a person), then you are considered a "**Foreign Shareholder**".
- (ii) If you are a Foreign Shareholder you are an "**Ineligible Foreign Shareholder**" unless Conquest Mining otherwise determines in its absolute discretion.

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**(b) Who is an Unmarketable Parcel Shareholder?**

- (i) You will be an **"Unmarketable Parcel Shareholder"** if the total number of Conquest Mining Shares to which you would be entitled to receive as consideration under the Offer is an Unmarketable Parcel.
- (ii) An **"Unmarketable Parcel"** means a number of Conquest Mining Shares which is less than a "marketable parcel" under the market rules of the ASX (currently a parcel of less than \$500), calculated based on the highest closing price for Conquest Mining Shares published during the Bid Period (or, in relation to Conquest Mining Shares issued in respect of accepting North Queensland Metals Shareholders during the Bid Period, based on the highest closing price for Conquest Mining Shares published between the start of the Bid Period until the last trading day before Conquest Mining issues those Conquest Mining Shares).

**(c) Sale by nominee**

- (i) If you are an Ineligible Foreign Shareholder or Unmarketable Parcel Shareholder you will not be entitled to receive Conquest Mining Shares as a result of acceptance of this Offer. Instead, Conquest Mining will:
- (A) arrange for the issue to a nominee approved by ASIC (the **"Sale Nominee"**) of the number of Conquest Mining Shares to which you and other Ineligible Foreign Shareholders and Unmarketable Parcel Shareholders would otherwise have been entitled but for this section 11.9;
- (B) cause the Conquest Mining Shares so issued to be offered for sale by the Sale Nominee on ASX:
- (1) as soon as practicable after they have been issued to the Sale Nominee; and
- (2) otherwise in the manner, at the price and on such other terms and conditions as are determined by the Sale Nominee in good faith (and at the risk of the Ineligible Foreign Shareholders and Unmarketable Parcel Shareholders);
- (C) pay or cause to be paid to you, within 20 Business Days after the Conquest Mining Shares have been issued to the Sale Nominee under this section 11.9, the amount ascertained in accordance with the formula below (**"Your Net Sale Proceeds"**):

$P \times N / T$

where:

- P is the amount (if any) remaining after deducting the expenses of sale from the proceeds of sale of the Conquest Mining Shares issued to the Sale Nominee under this section 11.9;

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- N is the number of Conquest Mining Shares which would, but for this section 11.9, otherwise have been issued to you as consideration under this Offer; and
  - T is the total number of Conquest Mining Shares issued to the Sale Nominee under this section 11.9.
- (ii) Neither Conquest Mining nor the Sale Nominee gives any undertaking, representation, warranty or assurance as to the price that will be achieved for the sale of Conquest Mining Shares described in this section 11.9.
- (iii) If you are an Ineligible Foreign Shareholder or an Unmarketable Parcel Shareholder and you validly accept this Offer, and the Defeating Conditions are fulfilled or waived, you will receive 2 separate payments. You will receive one payment comprising \$0.10 cash for each of your North Queensland Metals Shares. You will receive a separate payment at a later time for Your Net Sale Proceeds.
- (iv) Payment of Your Net Sale Proceeds will be made by cheque drawn in Australian currency in your favour. The cheque will be sent to you, at your risk, by ordinary mail (or, in the case of North Queensland Metals Shareholders with addresses outside Australia, by airmail) to your address as recorded in the register of members of North Queensland Metals on the Register Date or the address shown in the Acceptance Form or the address for you last notified to Conquest Mining by North Queensland Metals. Payment will be deemed to have been made at the time the cheque is delivered to Australia Post for delivery or placed in an Australia Post postal box.
- (v) Under no circumstances will interest be paid on Your Net Sale Proceeds, regardless of any delay in remitting Your Net Sale Proceeds to you.
- (vi) Certain Ineligible Foreign Shareholders and Unmarketable Parcel Shareholders may not be entitled to receive payment of the amounts referred to in this section 11.9 unless and until all requisite authorities or clearances have been obtained from Public Authorities (see section 11.10(d)). In addition, certain amounts may need to be withheld (see section 11.10(e)).

## **11.10 Provision of Offer Consideration**

### **(a) Timing**

- (i) Subject to section 11.9, this section 11.10 and the Corporations Act, if you accept the Offer and the Defeating Conditions are fulfilled or waived, Conquest Mining will provide you the consideration for your North Queensland Metals Shares under this Offer on or before the earlier of:
- (A) 1 month after the date of your acceptance or, if at the time of your acceptance this Offer is subject to a Defeating Condition, 1 month after any contract resulting from your acceptance of this Offer becomes, or is declared, unconditional; and
  - (B) 21 days after the end of the Offer Period.

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- (ii) Where additional documents are required, either by the Acceptance Form or otherwise, to be given to Conquest Mining with your acceptance to enable Conquest Mining to become the holder of your North Queensland Metals Shares (such as a power of attorney):
- (A) if those documents are given to Conquest Mining with your acceptance, Conquest Mining will provide you the consideration for your North Queensland Metals Shares in accordance with section 11.10(a)(i);
  - (B) if those documents are given to Conquest Mining after your acceptance and before the end of the Offer Period, and this Offer is subject to a Defeating Condition at the time those documents are given, Conquest Mining will provide you the consideration for your North Queensland Metals Shares by the earlier of:
    - (1) 1 month after any contract resulting from your acceptance of this Offer becomes, or is declared, unconditional; and
    - (2) 21 days after the end of the Offer Period;
  - (C) if those documents are given to Conquest Mining after your acceptance and before the end of the Offer Period, and this Offer is not subject to a Defeating Condition at the time those documents are given, Conquest Mining will provide you the consideration for your North Queensland Metals Shares by the earlier of:
    - (1) 1 month after Conquest Mining is given those documents; and
    - (2) 21 days after the end of the Offer Period; and
  - (D) if those documents are given to Conquest Mining after your acceptance and after the end of the Offer Period, Conquest Mining will provide you the consideration for your North Queensland Metals Shares within 21 days after those documents are given. However, if, at the time those documents are given to Conquest Mining, the contract resulting from your acceptance of this Offer is still subject to a Defeating Condition, Conquest Mining will provide you the consideration for your North Queensland Metals Shares within 21 days after the contract becomes, or is declared, unconditional.

**(b) Payment of cash**

Payment of any cash amount to which you are entitled to receive as Offer Consideration will be made by cheque drawn in Australian currency in your favour. The cheque will be sent to you, at your risk, by ordinary mail (or, in the case of North Queensland Metals Shareholders with addresses outside Australia, by airmail) to your address as recorded in the register of members of North Queensland Metals on the Register Date or the address shown in the Acceptance Form or the address for you last notified to Conquest Mining by North Queensland Metals. Payment will be deemed to have been made at the time the cheque is delivered to Australia Post for delivery or placed in an Australia Post postal box.

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**(c) Issue of Conquest Mining Shares**

Subject to section 11.9, the obligation of Conquest Mining to issue Conquest Mining Shares to which are you entitled under this Offer will be satisfied by Conquest Mining:

- (i) entering your name on the register of shareholders of Conquest Mining in respect of those Conquest Mining Shares; and
- (ii) despatching or procuring the despatch to you of uncertificated holding statements in your name by ordinary mail to your address as recorded in the register of members of North Queensland Metals on the Register Date or the address shown in the Acceptance Form or the address for you last notified to Conquest Mining by North Queensland Metals. If your North Queensland Metals Shares are held in a joint name, uncertificated holding statements will be issued in the name of the joint holders and forwarded to the address that appears first in the copy of the register of members of North Queensland Metals which Conquest Mining maintains.

**(d) Clearances for certain shareholders**

If, at the time of acceptance of this Offer, any authority or clearance of a Public Authority is required for you to receive any Offer Consideration or you are resident in or a resident of a place to which, or you are a person to whom:

- (i) the Banking (Foreign Exchange) Regulations 1959 (Cth);
- (ii) Part 4 of the Charter of the United Nations Act 1945 (Cth);
- (iii) the Charter of the United Nations (Dealing with Assets) Regulations 2008 (Cth);
- (iv) Charter of the United Nations (Sanctions - Iraq) Regulations 2008 (Cth);
- (v) Charter of the United Nations (Sanctions - Al-Qaida and the Taliban) Regulations 2008 (Cth);
- (vi) any other regulations made under Part 4 of the Charter of the United Nations Act 1945 (Cth); or
- (vii) any other law of Australia that would make it unlawful for Conquest Mining to provide consideration for your North Queensland Metals Shares,

applies, then acceptance of this Offer will not create or transfer to you any right (contractual or contingent) to receive the Offer Consideration unless and until all requisite authorities or clearances have been obtained.

**(e) Withholding of Offer Consideration**

If any amount (the "**withholding amount**") is required, under any Australian law or by any Public Authority, to be:

- (i) withheld from any consideration otherwise due to you under this Offer and paid to a Public Authority; or
- (ii) retained by Conquest Mining out of any consideration otherwise due to you under this Offer,

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the payment or retention by Conquest Mining of the withholding amount (as applicable) will constitute full discharge of Conquest Mining's obligation to pay or provide the Offer Consideration to you to the extent of the withholding amount.

#### **11.11 Rights**

If Conquest Mining becomes entitled to any Rights as a result of your acceptance of this Offer, it may require you to give to Conquest Mining all documents necessary to vest title to those Rights in Conquest Mining, or otherwise to give Conquest Mining the benefit or value of those Rights. If you do not do so, or if you have received or are entitled to receive (or any previous holder of your North Queensland Metals Shares has received or is entitled to receive) the benefit of those Rights, Conquest Mining will be entitled to deduct the amount (or an amount equal to the value, as reasonably assessed by Conquest Mining) of those Rights, together with an amount equal to the value (as reasonably assessed by Conquest Mining) of any franking credits attached to those Rights, from any consideration otherwise due to you under this Offer. If Conquest Mining does not, or cannot, make such a deduction, you must pay that amount to Conquest Mining, except to the extent that Conquest Mining elects to waive its entitlement to those Rights.

#### **11.12 Defeating Conditions**

This Offer, and any contract that results from your acceptance of this Offer, is subject to the fulfilment of the following conditions.

**(a) Minimum relevant interest**

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

**(b) No regulatory actions**

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

- (i) there is not in effect any preliminary or final decision, order or decree issued by a Public Authority;
- (ii) no action or investigation is announced, commenced or threatened by any Public Authority; and
- (iii) no application is made to any Public Authority (other than by Conquest Mining 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 North Queensland Metals Shares under the Offer or the completion of any transaction contemplated by this Bidder's Statement, or which seeks to require the divestiture by Conquest Mining of any North Queensland Metals Shares or of any material assets of the North Queensland Metals Group or the Conquest Mining Group.

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**(c) No material adverse change**

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

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

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

**(d) 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:

- (i) any member of the North Queensland Metals 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;
- (ii) any member of the North Queensland Metals Group disposes, offers to dispose or agrees to dispose of:
  - (A) all or part of the interest which the North Queensland Metals Group holds in the joint ventures for the Pajingo gold mine or the Twin Hills gold project; or
  - (B) 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 North Queensland Metals' balance sheet as at 31 December 2009) exceeds \$1,000,000; or
- (iii) any member of the North Queensland Metals 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 North Queensland Metals Group which when aggregated with all other such agreements and offers exceeds \$2,500,000.

**(e) No dividends**

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



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**(f) No change of control rights**

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

- (i) acquire, or require the disposal of, or require any member of the North Queensland Metals Group to offer to dispose of, any material asset of any member of the North Queensland Metals Group; or
- (ii) terminate, or vary the terms or performance of, any material agreement with any member of the North Queensland Metals Group.

**(g) No prescribed occurrences**

During the period from the date of this Bidder's Statement to the end of the Offer Period, none of the following occurrences happens:

- (i) North Queensland Metals converts all or any of its shares into a larger or smaller number of shares under section 254H of the Corporations Act;
- (ii) North Queensland Metals or a subsidiary of North Queensland Metals resolves to reduce its share capital in any way;
- (iii) North Queensland Metals or a subsidiary of North Queensland Metals 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;
- (iv) North Queensland Metals or a subsidiary of North Queensland Metals issues shares (other than as a result of the exercise of North Queensland Metals Options) or grants an option over its shares, or agrees to make such an issue or grant such an option;
- (v) North Queensland Metals or a subsidiary of North Queensland Metals issues, or agrees to issue, convertible notes;
- (vi) North Queensland Metals or a subsidiary of North Queensland Metals disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property;
- (vii) North Queensland Metals or a subsidiary of North Queensland Metals charges, or agrees to charge, the whole, or a substantial part, of its business or property;
- (viii) North Queensland Metals or a subsidiary of North Queensland Metals resolves to be wound up;
- (ix) a liquidator or provisional liquidator of North Queensland Metals or of a subsidiary of North Queensland Metals is appointed;
- (x) a court makes an order for the winding up of North Queensland Metals or of a subsidiary of North Queensland Metals;
- (xi) an administrator of North Queensland Metals or of a subsidiary of North Queensland Metals is appointed under section 436A, 436B or 436C of the Corporations Act;

- 
- (xii) North Queensland Metals or a subsidiary of North Queensland Metals executes a deed of company arrangement; or
  - (xiii) a receiver, or a receiver and manager, is appointed in relation to the whole, or a substantial part, of the property of North Queensland Metals or a subsidiary of North Queensland Metals.

**(h) No prescribed occurrences between the Announcement Date and date of service**

None of the events listed in sub-paragraphs (i) to (xiii) of paragraph (g) above happens during the period beginning on the Announcement Date and ending on the day before the date of this Bidder's Statement.

**11.13 Nature and operation of Defeating Conditions**

**(a) Nature of Defeating Conditions**

Each of the Defeating Conditions in section 11.12 is a condition subsequent to the formation of a binding contract upon your acceptance of this Offer. None of those Defeating Conditions prevents a contract to sell your North Queensland Metals Shares resulting from your acceptance of this Offer, but non-fulfilment of any of those Defeating Conditions at the end of the Offer Period will have the consequences set out in section 11.13(e).

**(b) Separate Defeating Conditions for benefit of Conquest Mining**

- (i) Each paragraph and each sub-paragraph of section 11.12 constitutes, and is to be construed as, a separate, several and distinct Defeating Condition. No Defeating Condition will be taken to limit the meaning or effect of any other Defeating Condition.
- (ii) Conquest Mining alone is entitled to the benefit of the Defeating Conditions and to rely on breach or non-fulfilment of, or to waive compliance with, any of those conditions.

**(c) Waiver of Defeating Conditions**

Subject to the Corporations Act, Conquest Mining may free this Offer and any contract resulting from your acceptance of this Offer from all or any of the Defeating Conditions generally or in relation to a specific occurrence by giving written notice to North Queensland Metals:

- (i) in the case of the Defeating Conditions in section 11.12(g) – not later than 3 business days after the end of the Offer Period; and
- (ii) in the case of the other Defeating Conditions – not less than 7 days before the last day of the Offer Period.

**(d) Notice on status of Defeating Conditions**

The date for giving the notice as to the status of the Defeating Conditions required by section 630(1) of the Corporations Act is [\*] 2010 (subject to variation in accordance with section 630(2) of the Corporations Act if the Offer Period is extended).

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**(e) Contract void if Defeating Conditions not fulfilled**

Your acceptance of this Offer, and any contract resulting from your acceptance of this Offer, will be automatically void if:

- (i) at the end of the Offer Period, any of the Defeating Conditions is not fulfilled; and
- (ii) Conquest Mining has not declared this Offer and any contract resulting from your acceptance of it free from that Defeating Condition in accordance with section 11.13(c).

**11.14 Statutory condition**

This Offer and any contract that results from your acceptance of it are subject to the further condition that:

- (a) an application is made to the ASX within 7 days of the start of the Bid Period for admission to official quotation by the ASX of the Conquest Mining Shares to be issued under the Offers; and
- (b) permission for admission to official quotation by the ASX of the Conquest Mining Shares to be issued under the Offers which are accepted, is granted no later than 7 days after the end of the Bid Period.

This condition is not a defeating condition for the purposes of the Corporations Act and is not of the same nature as the Defeating Conditions set out in section 11.12. This Offer cannot be freed of this condition and subsequently no statements made by Conquest Mining can be taken to waive this condition. If this condition is not fulfilled, any contract resulting from the acceptance of this Offer will be automatically void.

**11.15 Variation and withdrawal of Offer**

**(a) Variation**

Conquest Mining may vary this Offer in accordance with the Corporations Act.

**(b) Withdrawal**

This Offer may be withdrawn with the written consent of ASIC, which consent may be subject to conditions. If so, Conquest Mining will give notice of the withdrawal to ASX and to North Queensland Metals and will comply with any other conditions imposed by ASIC.

**11.16 Costs and stamp duty**

- (a) All costs and expenses of the preparation and circulation of this Bidder's Statement and this Offer will be paid by Conquest Mining. No stamp duty is payable by the transferor of listed shares. No brokerage is payable by you if you accept this Offer (unless you are an Ineligible Foreign Shareholder or an Unmarketable Parcel Shareholder, in which case the proceeds you will receive will be net of sale expenses as described in section 11.9).
- (b) If you hold your North Queensland Metals Shares through a CHESS Holding, you should ask your Controlling Participant or nominee whether it will charge any transaction fees or service charges in connection with acceptance of this Offer.

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**11.17 Notices**

Any notice to be given by Conquest Mining to you in connection with this Offer may be given to you by leaving it at or sending it by pre-paid ordinary mail, or in the case of any address outside Australia, by pre-paid airmail to you at your address as recorded in the register of members of North Queensland Metals on the Register Date or the address shown in the Acceptance Form or the address for you last notified to Conquest Mining by North Queensland Metals.

**11.18 Governing law**

This Offer and any contract resulting from your acceptance of this Offer are governed by the laws in force in the state of New South Wales. On acceptance of the Offer, you irrevocably and unconditionally submit to the non-exclusive jurisdiction of the courts exercising jurisdiction in New South Wales and any courts which have jurisdiction to hear appeals from any of those courts, and you waive any right to object to any proceedings being brought in those courts.

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## 12. Definitions and Interpretation

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### 12.1 General definitions

The following definitions apply in this Bidder's Statement and in the Acceptance Form, unless the context requires otherwise.

**Acceptance Form** means the transfer and acceptance form enclosed with this Bidder's Statement or, as the context requires, any replacement or substitute acceptance form provided by or on behalf of Conquest Mining.

**Announcement Date** means 3 June 2010, being the date on which the Offer was announced. A copy of the announcement is attached as Annexure A.

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

**ASTC** means ASX Settlement and Transfer Corporation Pty Ltd (ABN 49 008 504 532).

**ASTC Settlement Rules** means the operating rules of the settlement facility provided by ASTC.

**ASX** means the Australian Securities Exchange.

**ASX Listing Rules** means the Listing Rules of ASX.

**Bid Period** means the period commencing on the date of this Bidder's Statement and ending at the end of the Offer Period.

**Bidder's Statement** means this document, being the statement of Conquest Mining under Part 6.5 of the Corporations Act relating to the Offer.

**Business Day** means a week day on which trading banks are open for business in Sydney, Australia.

**CGT** means Australian capital gains tax.

**CHES** means the Clearing House Electronic Subregister System, which provides for the electronic transfer, settlement and registration of securities in Australia.

**CHES Holding** means a holding of North Queensland Metals Shares on the CHES Subregister of North Queensland Metals.

**CHES Subregister** has the meaning given in the ASTC Settlement Rules.

**Combined Group** means the Conquest Mining Group (including the North Queensland Metals Group) which will exist following the Offer, should the Offer be successful and North Queensland Metals becomes a subsidiary of Conquest Mining.

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

**Conquest Mining Group** means Conquest Mining and its subsidiaries.

**Conquest Mining Option** means an option to subscribe for a Conquest Mining Share.

**Conquest Mining Share** means a fully paid ordinary share issued in the capital of Conquest Mining.

**Conquest Mining Shareholder** means a person registered in the register of members of Conquest Mining as a holder of one or more Conquest Mining Share(s).

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**Controlling Participant** has the meaning given in the ASTC Settlement Rules. Usually a person's Controlling Participant is another person, such as a broker, with whom the first person has a sponsorship agreement (within the meaning of the ASTC Settlement Rules).

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

**Defeating Condition** means each condition set out in section 11.12.

**Encumbrance** means an interest or power (whether existing or agreed to be granted or created):

- (a) reserved in or over any interest in any property, including any retention of title; or
- (b) created or otherwise arising in or over any interest in any property under a bill of sale, mortgage, charge, lien, pledge, hypothecation, trust or power,

and any other restriction on the use of or exercise of a right over property, or on the registration of an interest in or dealing with (including a transfer of) property.

**g/t** means grams per tonne.

**Gold Fields** means Gold Fields Australasia Pty Ltd (ACN 087 624 600), a wholly-owned subsidiary of Gold Fields Ltd.

**GST** means the goods and services tax imposed under the *A New Tax System (Goods and Services Tax) Act 1999* (Cth) and the related imposition acts of the Commonwealth of Australia.

**Holder Identification Number** means the number used to identify a North Queensland Metals Shareholder on the CHESS Subregister of North Queensland Metals.

**Indicated Resource** or **Indicated Mineral Resource** has the meaning given to Inferred Mineral Resource in the JORC Code.

**Ineligible Foreign Shareholder** has the meaning given in section 11.9(a).

**Inferred Resource** or **Inferred Mineral Resource** has the meaning given to Inferred Mineral Resource in the JORC Code.

**Issuer Sponsored Holding** means a holding of North Queensland Metals Shares on the Issuer Sponsored Subregister of North Queensland Metals.

**Issuer Sponsored Subregister** has the meaning given in the ASTC Settlement Rules.

**JORC Code** means the 2004 Edition of the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, which is available at [www.jorc.org](http://www.jorc.org).

**Measured Resource** or **Measured Mineral Resource** has the meaning given to Measured Mineral Resource in the JORC Code.

**Mineral Resource** has the meaning given to Mineral Resource in the JORC Code.

**Mt** means millions of tonnes.

**Mtpa** means millions of tonnes per annum.

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

**North Queensland Metals Group** means North Queensland Metals and its subsidiaries.

**North Queensland Metals Option** means an option issued by North Queensland Metals prior to the Announcement Date to subscribe for a North Queensland Metals Share.

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**North Queensland Metals Share** means a fully paid ordinary share issued in the capital of North Queensland Metals.

**North Queensland Metals Shareholder** means a person registered in the register of members of North Queensland Metals as a holder of one or more North Queensland Metals Share(s).

**Offer** or **Conquest Mining's Offer** means, as the context requires, the offer for North Queensland Metals Shares contained in section 11, or the off-market takeover bid constituted by that offer and each other offer by Conquest Mining for North Queensland Metals Shares in the form of that offer, including in each case as varied in accordance with the Corporations Act.

**Offer Consideration** means 0.5 Conquest Mining Shares and \$0.10 cash for each North Queensland Metals Share.

**Offer Period** means the period during which the Offer will remain open for acceptance in accordance with section 11.3.

**Ore Reserve** has the meaning given to Ore Reserve in the JORC Code.

**oz** means ounce.

**ozpa** means ounces per annum.

**Probable Ore Reserve** has the meaning given to that term in the JORC Code.

**Proved Ore Reserve** has the meaning given to that term in the JORC Code.

**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 includes any national central or reserve bank, and any self-regulatory organisation established under statute and any stock exchange.

**Register Date** means 7.00pm (Sydney time) on 21 June 2010, being the time and date set by Conquest Mining under section 633(2) of the Corporations Act.

**Rights** means all accretions, rights and benefits of whatever kind attaching to or arising from the North Queensland Metals Shares directly or indirectly at or after the Announcement Date (including all dividends and all rights to receive them and rights to receive or subscribe for shares, notes, bonds, options or other securities or entitlements declared, paid or issued by North Queensland Metals or any subsidiary of North Queensland Metals).

**Securityholder Reference Number** means the number allocated by North Queensland Metals to identify a North Queensland Metals Shareholder on the Issuer Sponsored Subregister of North Queensland Metals.

**subsidiary** has the meaning given in the Corporations Act.

**Takeover Transferee Holding** has the meaning given in the ASTC Settlement Rules, being the CHESS Holding to which North Queensland Metals Shares are to be transferred pursuant to acceptances of the Offer.

**tpa** means tonnes per annum.

**Unmarketable Parcel Shareholder** has the meaning given in section 11.9(b).

**VWAP** means volume weighted average price.

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***your North Queensland Metals Shares*** means, subject to section 11.4:

- (a) the North Queensland Metals Shares in respect of which you are registered or entitled to be registered as a holder in the register of members of North Queensland Metals at the Register Date, and in respect of which no other person becomes registered or entitled to be registered as a holder before you accept the Offer; and
- (b) any other North Queensland Metals Shares to which you are able to give good title at the time you accept the Offer (including any North Queensland Metals Shares in respect of which you become registered or entitled to be registered as a holder due to the exercise of rights attached to North Queensland Metals Options that are on issue at the Register Date).

## 12.2 Interpretation

The following rules of interpretation apply in this Bidder's Statement and in the Acceptance Form, unless the context requires otherwise.

- (a) Headings are for convenience only and do not affect interpretation.
- (b) The singular includes the plural and conversely.
- (c) A reference to a section or Annexure is to a section of, or annexure to, this Bidder's Statement.
- (d) A gender includes all genders.
- (e) Where a word or phrase is defined, its other grammatical forms have a corresponding meaning.
- (f) A reference to a person, corporation, trust, partnership, unincorporated body or association or other entity includes any of them.
- (g) A reference to a person includes a reference to the person's executors, administrators, successors, substitutes (including persons taking by novation) and assigns.
- (h) A reference to any legislation or to any provision of any legislation includes any modification or re-enactment of it, any legislative provision substituted for it and all regulations and statutory instruments issued under it.
- (i) A reference to any instrument or document includes any variation or replacement of it.
- (j) A term not specifically defined in this Bidder's Statement has the meaning given to it in the Corporations Act (being, if any special meaning is given for the purposes of Chapter 6 or 6A of the Corporations Act or a provision of those chapters, that special meaning).
- (k) A reference to time is a reference to time in Sydney, Australia.
- (l) Mentioning anything after ***includes, including, for example***, or similar expressions, does not limit what else might be included.
- (m) A reference to **\$** is a reference to the lawful currency of Australia.
- (n) A reference to **you** is to a person to whom the Offer under section 11 is (or is deemed to be) made.



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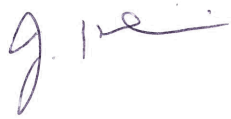
### 13. Approval of Bidder's Statement

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This Bidder's Statement has been approved by a unanimous resolution of the directors of Conquest Mining Limited.

**Dated 29 June 2010**

**Signed** on behalf of Conquest Mining Limited.

A handwritten signature in blue ink, appearing to read 'J. Klein', is written over a horizontal line.

**Jake Klein, Executive Chairman**

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**Annexure A – Announcement of Offer**

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## **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.

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<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.

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## Annexure B – List of ASX announcements by Conquest Mining

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Below is a list of the announcements which have been made by Conquest Mining to the ASX between 25 September 2009 and the date of this Bidder's Statement.

<u>Date</u>	<u>Headline</u>
28/06/2010	Change of Director's Interest Notice
18/06/2010	Register Request Notification
16/06/2010	Appendix 3B Takeover Offer Consideration
16/06/2010	Register Request Notification
11/06/2010	Change in substantial holding NQM
11/06/2010	Bidder's Statement as Lodged
08/06/2010	Conquest Mining Appoints Senior Exploration Manager
07/06/2010	Change of Director's Interest Notice
04/06/2010	Change of Director's Interest Notice
04/06/2010	Change of Director's Interest Notice
04/06/2010	Change of Director's Interest Notice
03/06/2010	NQM Takeover Offer Teleconference
03/06/2010	Becoming a substantial holder for NQM
03/06/2010	Conquest Takeover Offer for North Queensland Metals
02/06/2010	Appendix 3B
31/05/2010	Becoming a substantial holder
20/05/2010	Conquest Mining signs Native Title Agreement
18/05/2010	Initial Director's Interest Notice
18/05/2010	Initial Director's Interest Notice
18/05/2010	Initial Director's Interest Notice
14/05/2010	Company Secretary Appointment/Resignation
13/05/2010	Final Director's Interest Notice
13/05/2010	Final Director's Interest Notice
13/05/2010	Final Director's Interest Notice
12/05/2010	Jake Klein and New Team to Drive Conquest Mining
12/05/2010	Investor Presentation
12/05/2010	Results of Extraordinary General Meeting
07/05/2010	Change of Director's Interest Notice
27/04/2010	Third Quarter Activities and Cashflow Report
16/04/2010	Change of Director's Interest Notice
12/04/2010	Conquest Receives Encouraging Metallurgical Results
07/04/2010	Notice of Extraordinary General Meeting/Proxy Form

<b>Date</b>	<b>Headline</b>
24/03/2010	Change of Director's Interest Notice
22/03/2010	Conquest and Gold Fields Settle Dispute
10/03/2010	Half Year Accounts
09/03/2010	Conquest Appoints Jake Kleinas Executive Chairman
05/03/2010	Trading Halt
04/03/2010	Appendix 3B
15/02/2010	Letter to Shareholders
04/02/2010	DFS Results Lead To Strategic Review
21/01/2010	Second Quarter Activities and Cashflow Report Amended
21/01/2010	Second Quarter Activities and Cashflow Report
21/12/2009	Initial Director's Interest Notice
18/12/2009	New Director Appointment
15/12/2009	Market Update on Silver Hill DFS
07/12/2009	Maiden Ore Reserves for Silver Hill Deposit
03/12/2009	Change in substantial holding
01/12/2009	Appendix 3B
01/12/2009	Becoming a substantial holder
26/11/2009	Chairman's Address
26/11/2009	Results of Annual General Meeting
20/11/2009	Change of Director's Interest Notice
20/11/2009	Change of Director's Interest Notice
20/11/2009	Change of Director's Interest Notice
20/11/2009	Change in substantial holding
19/11/2009	Cleansing Statement
18/11/2009	Appendix 3B
18/11/2009	Subscriptions for Shareholder Share Purchase Plan
30/10/2009	First Quarter Activities and Cashflow Reports
28/10/2009	Change in substantial holding
28/10/2009	Change in substantial holding
22/10/2009	Cleansing Statement
22/10/2009	Update on Mt Carlton JV dispute with Gold Fields
22/10/2009	Resource Upgrade for Silver Hill Deposit at Mt Carlton
21/10/2009	Appendix 3B
20/10/2009	Drilling Update on Silver Hill Deposit - Area 39
19/10/2009	Share Purchase Plan
16/10/2009	Chairman's letter
16/10/2009	Notice of Annual General Meeting/Proxy Form

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<b><u>Date</u></b>	<b><u>Headline</u></b>
14/10/2009	\$65m Capital Raising to Fund Silver Hill Project
13/10/2009	Trading Halt
12/10/2009	Environmental Assessment for High Grade Concentrate
08/10/2009	Silver hill definitive feasibility study update
25/09/2009	Annual report to shareholders

[Inside back cover]

## **Corporate Directory**

### **Bidder**

Conquest Mining Limited (ACN 009 232 277)

Head Office:

Suite 7

282 Oxford Street

Bondi Junction NSW 2022

Registered Office:

4/213 Balcatta Road

Balcatta WA 6021

### **Legal Adviser**

Allens Arthur Robinson

Level 28, Deutsche Bank Place

Corner of Hunter and Phillip Streets

Sydney NSW 2000

### **Registry for the Offer**

Link Market Services

Level 9, 333 Collins Street

Melbourne Vic 3000

### **Offer Enquiry Line**

If you have any questions in relation to the Offer or how to accept it, or if you have lost your Acceptance Form and require a replacement, please contact the Offer enquiry line on 1800 131 904 (or +61 2 8280 7735 for international callers).

## A Your name

SAMPLE NAME 1  
SAMPLE NAME 2  
<SAMPLE A/C>  
SAMPLE ADDRESS 1  
SAMPLE ADDRESS 2

## Your holding

Securityholder Reference Number: 112345678910  
North Queensland Metals Shares held as at [Register Date] 99,999,9999

**This is an important document. If you are in doubt as to how to complete this form, please consult your financial or other professional adviser immediately.**

## Transfer and Acceptance Form – Issuer Sponsored Subregister

This is a personalised form for the sole use of the holder and holding recorded above. This form relates to an offer by Conquest Mining Limited ("Conquest Mining") to purchase all of your North Queensland Metals Shares (the "Offer") pursuant to Conquest Mining's replacement bidder's statement dated 29 June 2010 and any replacement or supplements (the "Bidder's Statement"). Terms defined in the Bidder's Statement but not in this form have the meanings given in the Bidder's Statement. The Bidder's Statement shall prevail over this form, to the extent of any inconsistency.

## B You must give your instructions to accept the Offer

If you correctly sign and return this form you will be deemed to have accepted the Offer in respect of **ALL** of your North Queensland Metals Shares. Your form must be received by the end of the Offer Period.

**Offer Consideration – If you accept the Offer you will receive 0.5 Conquest Mining Shares and \$0.10 cash for each North Queensland Metals Share you hold** (subject to rounding and the treatment of Ineligible Foreign Shareholders and Unmarketable Parcel Shareholders, as described in the Bidder's Statement).

## C Contact details

Please provide your contact name and telephone number in case we need to speak to you about this Acceptance Form.

Telephone Number where you can be contacted during business hours

Contact Name (PRINT)



## D You must sign this form for your instructions in this Acceptance Form to be executed

I/We, the person(s) named above, accept the Offer in respect of all my/our North Queensland Metals Shares and hereby agree to transfer to Conquest Mining all my/our North Queensland Metals Shares for the consideration specified in the Offer, and on the terms and conditions of the Offer as set out in the Bidder's Statement. I/we note that I/we will be deemed to have accepted the Offer in respect of all my/our North Queensland Metals Shares if I/we sign and return this form (even if that differs to the number of North Queensland Metals Shares stated on this form).

Shareholder 1 (Individual)

Sole Director & Sole Company Secretary

Shareholder 2 (Individual)

Secretary/Director (delete one)

Shareholder 3 (Individual)

Director

**Please refer overleaf for further important instructions**

REGISTRY USE ONLY



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Holding

NQMT TKO001



## Further Important Instructions

Your North Queensland Metals Shares are in an Issuer Sponsored Holding. To accept the Offer, you must complete and return this Acceptance Form in accordance with the instructions below.

### Completion instructions

- A**
- **Please check the front page** to ensure that your name and address are correct. If incorrect, please write your correct details and initial the amendments. Amendments to your name can only be processed by your North Queensland Metals Registry.
  - **Please note** your consideration will be issued in the names as they appear on the North Queensland Metals register.
- D**
- **Please sign this Acceptance Form** in the places for signature(s) out on the front page and in accordance with the following instructions:
    - **Joint Shareholders:** If your North Queensland Metals Shares are held in the names of more than one person, all of those persons must sign this Acceptance Form.
    - **Corporations:** This Acceptance Form must be signed by either two directors or a director and a company secretary. Alternatively, where the company has a sole director and, pursuant to the Corporations Act, there is no company secretary, or where the sole director is also the sole company secretary, that director may sign alone. Alternatively, a duly appointed attorney may sign.
    - **Powers of attorney:** If this Acceptance Form is signed under a power of attorney, please attach a certified copy of the power of attorney to this Acceptance Form when you return it. If this Acceptance Form is signed under Power of Attorney, the attorney declares that he/she has no notice of revocation of the Power of Attorney.
    - **Deceased Estates:** All the executors and administrators must sign this Acceptance Form. When you return this Acceptance Form, please attach it to a certified copy of probate, letters of administration or certificate of grant accompanied (where required by law for the purpose of transfer) by a certificate of payment of death or succession duties and (if necessary) a statement in terms of Section 1071B(9)(b)(iii) of the Corporations Act.

Information you supply on this Acceptance Form will be used by Conquest Mining and Link Market Services Limited for the primary purpose of processing your acceptance of the Offer and to provide you with the consideration payable under the Offer. This information may be disclosed to Conquest Mining's professional advisers, securities brokers, printing and mailing providers and other third parties in connection with the Offer. If you fail to supply this information, your acceptance may not be processed and you may not receive the consideration payable. You have rights to obtain access to the personal information which you have supplied. Please see Link Market Services Limited's privacy policy on its website [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au).

### Lodgement instructions

- Mail or deliver completed Acceptance Form(s) and any other documents required by the above instructions to:

**Mailing Address**

Link Market Services Limited  
North Queensland Metals Takeover  
Locked Bag A14  
SYDNEY SOUTH NSW 1235

or

**Hand Delivery**

Link Market Services Limited  
North Queensland Metals Takeover  
Level 12, 680 George Street  
SYDNEY NSW 2000

- A reply paid envelope is enclosed for use within Australia.

**Your acceptance must be received by no later than the end of the Offer Period, which is 7:00pm (Sydney Time) on the last day of the Offer Period.**

**If you have any questions about the terms of the Offer or how to accept, please call the Conquest Mining Offer Information Line on the following numbers:**

**within Australia: 1800 131 904  
outside Australia: +61 2 8280 7735**

**A Your name**

SAMPLE NAME 1  
SAMPLE NAME 2  
<SAMPLE A/C>  
SAMPLE ADDRESS 1  
SAMPLE ADDRESS 2

**Your holding**

Holder Identification Number: X12345678910  
North Queensland Metals Shares held as at [Register Date] 99,999,999

**This is an important document. If you are in doubt as to how to complete this form, please consult your financial or other professional adviser immediately.**

Controlling Participant's Name *Broker's Name and telephone printed here*

Advisor Name:	Contact Number:
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**Transfer and Acceptance Form – CHES Subregister**

This is a personalised form for the sole use of the holder and holding recorded above. This form relates to an offer by Conquest Mining Limited ("Conquest Mining") to purchase all of your North Queensland Metals Shares (the "Offer") pursuant to Conquest Mining's replacement bidder's statement dated 29 June 2010 and any replacement or supplements (the "Bidder's Statement"). Terms defined in the Bidder's Statement but not in this form have the meanings given in the Bidder's Statement. The Bidder's Statement shall prevail over this form, to the extent of any inconsistency.

**B You must give your instructions to your controlling participant to accept the Offer**

If you correctly sign and return this form you will be deemed to have accepted the Offer in respect of **ALL** of your North Queensland Metals Shares.

**Offer Consideration – If you accept the Offer you will receive 0.5 Conquest Mining Shares and \$0.10 cash for each North Queensland Metals Share you hold** (subject to rounding and the treatment of Ineligible Foreign Shareholders and Unmarketable Parcel Shareholders, as described in the Bidder's Statement).

To accept the Offer you may either:

- directly instruct your Controlling Participant (normally your stockbroker) to accept the Offer on your behalf; or
- sign and return this Acceptance Form to the address shown overleaf so the Bidder can contact your Controlling Participant on your behalf and relay your instructions.

If your Controlling Participant acts on your instruction CHES will send you a confirmation notice. See overleaf for information regarding the timing for submitting your acceptance.

**C Contact details**

Please provide your contact name and telephone number in case we need to speak to you about this Acceptance Form.

Telephone Number where you can be contacted during business hours

Contact Name (PRINT)



**D You must sign this form for your instructions in this Acceptance Form to be executed**

I/We, the person(s) named above, accept the Offer in respect of all my/our North Queensland Metals Shares and hereby agree to transfer to Conquest Mining all my/our North Queensland Metals Shares for the consideration specified in the Offer, and on the terms and conditions of the Offer as set out in the Bidder's Statement. I/we note that I/we will be deemed to have accepted the Offer in respect of all my/our North Queensland Metals Shares if I/we sign and return this form (even if that differs to the number of North Queensland Metals Shares stated on this form).

Shareholder 1 (Individual)

Sole Director & Sole Company Secretary

Shareholder 2 (Individual)

Secretary/Director (delete one)

Shareholder 3 (Individual)

Director

**Please refer overleaf for further important instructions**

REGISTRY USE ONLY



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## Further Important Instructions

As your North Queensland Metals Shares are in a CHESS Holding, you do not need to complete and return this Acceptance Form to the registry to accept the Offer. You can instead contact your Controlling Participant and instruct them to accept the Offer on your behalf in sufficient time to enable your Controlling Participant to give effect to your acceptance of the Offer on CHESS before the end of the Offer Period. If you decide to use this Acceptance Form to authorise us to contact your Controlling Participant on your behalf, follow the instructions below. You should allow Link Market Services Limited ("Link") sufficient time for the delivery of the Acceptance Form to your Controlling Participant on your behalf so that the Controlling Participant can give effect to your acceptance on CHESS before the end of the Offer Period. Neither Conquest Mining nor Link will be responsible for any delays incurred by this process.

### Completion instructions

- A**
- **Please check the front page** to ensure that your name and address are correct. If incorrect, please write your correct details and initial the amendments. Amendments to your name or address can only be processed by your Controlling Participant.
  - **Please note** your consideration will be issued in the names as they appear on the North Queensland Metals register.
- D**
- **Please sign this Acceptance Form** in the places for signature(s) out on the front page and in accordance with the following instructions:
    - **Joint Shareholders:** If your North Queensland Metals Shares are held in the names of more than one person, all of those persons must sign this Acceptance Form.
    - **Corporations:** This Acceptance Form must be signed by either two directors or a director and a company secretary. Alternatively, where the company has a sole director and, pursuant to the Corporations Act, there is no company secretary, or where the sole director is also the sole company secretary, that director may sign alone. Alternatively, a duly appointed attorney may sign.
    - **Powers of attorney:** If this Acceptance Form is signed under a power of attorney, please attach a certified copy of the power of attorney to this Acceptance Form when you return it. If this Acceptance Form is signed under Power of Attorney, the attorney declares that he/she has no notice of revocation of the Power of Attorney.
    - **Deceased Estates:** All the executors and administrators must sign this Acceptance Form. When you return this Acceptance Form, please attach it to a certified copy of probate, letters of administration or certificate of grant accompanied (where required by law for the purpose of transfer) by a certificate of payment of death or succession duties and (if necessary) a statement in terms of Section 1071B(9)(b)(iii) of the Corporations Act.

Information you supply on this Acceptance Form will be used by Conquest Mining and Link Market Services Limited for the primary purpose of processing your acceptance of the Offer and to provide you with the consideration payable under the Offer. This information may be disclosed to Conquest Mining's professional advisers, securities brokers, printing and mailing providers and other third parties in connection with the Offer. If you fail to supply this information, your acceptance may not be processed and you may not receive the consideration payable. You have rights to obtain access to the personal information which you have supplied. Please see Link Market Services Limited's privacy policy on its website [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au).

### Lodgement instructions

- Mail or deliver completed Acceptance Form(s) and any other documents required by the above instructions to:

**Mailing Address**

Link Market Services Limited  
North Queensland Metals Takeover  
Locked Bag A14  
SYDNEY SOUTH NSW 1235

or

**Hand Delivery**

Link Market Services Limited  
North Queensland Metals Takeover  
Level 12, 680 George Street  
SYDNEY NSW 2000

- A reply paid envelope is enclosed for use within Australia.

**Your acceptance must be initiated by your Controlling Participant by no later than the end of the Offer Period, which is 7:00pm (Sydney Time) on the last day of the Offer Period.**

**If you have any questions about the terms of the Offer or how to accept, please call the Conquest Mining Offer Information Line on the following numbers:**

**within Australia: 1800 131 904**  
**outside Australia: +61 2 8280 7735**

**Copy of the Replacement Bidder's Statement of Conquest marked to show all changes from the original Bidder's Statement.**

THIS IS AN IMPORTANT DOCUMENT AND CONTAINS AN OFFER BY CONQUEST MINING LIMITED TO PURCHASE ALL OF YOUR SHARES IN NORTH QUEENSLAND METALS LIMITED. THIS DOCUMENT REQUIRES YOUR IMMEDIATE ATTENTION. IF YOU ARE IN ANY DOUBT AS TO HOW TO ACT, YOU SHOULD CONSULT YOUR FINANCIAL OR LEGAL ADVISER AS SOON AS POSSIBLE.

## Bidder's Statement

# ACCEPT THE OFFER

by

## **CONQUEST MINING LIMITED**

(ACN 009 232 277)

to acquire all of your shares in

## **NORTH QUEENSLAND METALS LIMITED**

(ACN 115 279 653)

**If you accept the Offer you will receive 0.5 Conquest Mining shares and \$0.10 cash for every 1 of your North Queensland Metals shares**

Financial Adviser:



Legal Adviser:

Allens Arthur Robinson 

## IMPORTANT DATES

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Announcement Date	3 June 2010
<a href="#">Original Bidder's Statement</a> lodged with ASIC	11 June 2010
<a href="#">Replacement Bidder's Statement (this document)</a> lodged with ASIC	<a href="#">29 June 2010</a>
Date of Offer	[*] 2010
Offer scheduled to close (unless extended in accordance with the Corporations Act)	7.00pm (Sydney time) on [*] 2010

## IMPORTANT NOTICES

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### Bidder's Statement

This Bidder's Statement is [a replacement bidder's statement](#) given by Conquest Mining Limited to North Queensland Metals Limited under Part 6.5 of the Corporations Act and [ASIC Class Order 00/344 and](#) relates to the Offer.

This Bidder's Statement is dated ~~11 June 2010 and~~ [29 June 2010 and replaces the original Bidder's Statement dated 11 June 2010. It incorporates the original Bidder's Statement dated 11 June 2010 and changes made in the Supplementary Bidder's Statement dated 29 June 2010. It](#) includes an Offer dated [\*] 2010 in section 11.

A copy of ~~this~~ [the original Bidder's Statement was lodged with ASIC on 11 June 2010 and this replacement](#) Bidder's Statement was lodged with ASIC on ~~11~~ [29](#) June 2010. Neither ASIC nor any of its officers takes any responsibility for the contents of this Bidder's Statement.

You should read this Bidder's Statement in its entirety.

### Investment decisions

This Bidder's Statement does not take into account your individual investment objectives, financial situation or particular needs. You may wish to seek independent financial and taxation advice before deciding whether or not to accept the Offer and whether Conquest Mining Shares are an appropriate investment for you.

### Defined terms

A number of defined terms are used in this Bidder's Statement. These terms are explained in section 12 along with certain rules of interpretation which apply to this Bidder's Statement.

### Forward-looking statements

This Bidder's Statement includes information that is historical in character and forward looking statements. The forward looking statements relate to future matters and are subject to various inherent risks and uncertainties.

These risks and uncertainties include the risks described in section 7, as well as other matters not yet known to Conquest Mining or not currently considered material by Conquest Mining.

Actual events or results may differ materially from the events or results expressed or implied by any forward looking statements. The past performance of Conquest and North Queensland Metals is no guarantee of future performance. None of Conquest Mining, any of the directors or officers of Conquest Mining, any other person named in this Bidder's Statement with their consent or any person involved in the preparation of this Bidder's Statement makes any representation or warranty (either express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, or any events or results expressed or implied in any forward looking statement, except to the extent required by law. The forward looking statements in this Bidder's Statement reflect views held only as at the date of this Bidder's Statement.

### Information regarding ~~North Queensland~~ **North Queensland Metals**

The information contained in this Bidder's Statement on:

- North Queensland Metals, North Queensland Metals Shares and the North Queensland Metals Group; and
- the Combined Group, to the extent that it incorporates or reflects information on North Queensland Metals or the North Queensland Metals Group,

has been prepared by Conquest Mining using publicly available information and certain non-public information provided by North Queensland Metals. None of that information has been independently verified by Conquest Mining. Accordingly, Conquest Mining does not, subject to the Corporations Act, make any representation or warranty, express or implied, as to the accuracy or completeness of such information.

### Foreign jurisdictions

The distribution of this Bidder's Statement and the making of the Offer may be restricted by the laws of jurisdictions outside of Australia, and persons who come into possession of it should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities law. The Offer is not being made, directly or indirectly, in or into and will not be capable of acceptance from within any jurisdiction, if to do so would not be in compliance with the laws of that jurisdiction.

This Bidder's Statement is not a New Zealand prospectus or an investment statement and has not been registered, filed with or approved by any New Zealand regulatory authority under or in accordance with the *Securities Act 1978* (or any other relevant New Zealand law). This Bidder's Statement may not contain all the information that a prospectus or an investment statement under New Zealand law is required to contain. Conquest Mining Shares are being offered to the public in New Zealand

under the Offer in reliance on the *Securities Act (Overseas Companies) Exemption Notice 2002* (New Zealand). New Zealand investors should seek their own advice and satisfy themselves as to the Australian and New Zealand tax implications of participating in the Offer. Conquest Mining is not, and will not be, listed on the New Zealand Exchange, and investors may not have access to information on it in the same way as they would if it were so listed.

No action has been taken to register this Bidder's Statement or qualify Conquest Mining or to otherwise permit a public offering of Conquest Mining Shares outside Australia or New Zealand. In particular, Conquest Mining Shares have not been, and will not be, registered under the *Securities Act 1933* of the United States of America ("**Securities Act**") and may not be offered or sold in the United States or to, or for the account or benefit of, a US person (as defined in Regulation S under the Securities Act), except in a transaction exempt from the registration requirements of the Securities Act and applicable United States state securities laws.

The entitlements of North Queensland Metals Shareholders who are located in jurisdictions outside Australia and its external territories or New Zealand are set out in section 11.9.

## **Privacy statement**

Conquest Mining has collected your information from the North Queensland Metals register of members for the purpose of making the Offer and, if accepted, administering your holding of North Queensland Metals Shares. The type of information Conquest Mining has collected about you includes your name, address, contact details and information on your shareholding in North Queensland Metals. Without this information, Conquest Mining will be hindered in its ability to carry out the Offer. The Corporations Act requires the name and address of shareholders to be held in a public register. Your information may be disclosed on a confidential basis to Conquest Mining's Related Bodies Corporate and external service providers (such as Link Market Services Limited and providers of print and mail services), and may be required to be disclosed to regulators such as ASIC. If you would like details of information about you held by Conquest Mining or Link Market Services Limited please contact them at the addresses set out in the corporate directory.

## **How to accept**

The manner by which you accept the Offer will depend on the nature and type of your holding. Full details of how to accept the Offer are set out in section 11.5 and a summary is set out on page 4. Acceptances must be received by the end of the Offer Period.

## **Queries**

If you have any questions about this Bidder's Statement, please contact the Offer enquiry line on Offer enquiry line

on 1800 131 904 (or +61 2 8280 7735 for international callers) or your stockbroker, legal or financial adviser.

## **Implied value of Offer**

As you are being offered Conquest Mining Shares as part of the consideration for your North Queensland Metals Shares, the implied value to you of the Offer will vary with the ASX trading price of Conquest Mining Shares.

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# Letter from the Chairman of Conquest Mining

4429 June 2010

Dear North Queensland Metals Shareholder,

I am pleased to enclose an Offer by Conquest Mining Limited ("**Conquest Mining**") to acquire all of your shares in North Queensland Metals Limited ("**North Queensland Metals**").

Conquest Mining is offering you 0.5 Conquest Mining Shares and \$0.10 cash for every 1 of your North Queensland Metals Shares. We believe this is an attractive Offer for your North Queensland Metals Shares. As at 2 June 2010 (the last ASX trading day before the announcement of the Offer), the implied value of the Offer Consideration was \$0.29 per North Queensland Metals Share (based on the closing price of Conquest Mining Shares on 2 June 2010 of \$0.38). This represents:

- a 29% premium to the closing price of North Queensland Metals Shares on 2 June 2010 of \$0.225; and
- a substantial premium to the 1 month and 3 month volume weighted average prices of North Queensland Metals Shares up to and including 2 June 2010.<sup>1</sup>

Further, the Offer allows you to monetise a substantial portion of the value of your shareholding in North Queensland Metals in cash, and also provides you with an opportunity to participate in the potential value of the combined company. By accepting the Offer, you will become a shareholder 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 gold-silver-copper project.<sup>2</sup>
- Increased share liquidity and likely better access to capital markets.
- A strong platform for growth.
- Asset and risk diversification.

The major shareholder, founder and director of North Queensland Metals, Donald Walker has entered into an agreement with Conquest Mining to accept the Offer for a 19.9% shareholding in North Queensland Metals, in the absence of a higher offer.

While the North Queensland Metals board has not recommended the Offer, the background to the Offer is that in February 2010 I was contacted by John McKinstry, the Chief Executive Officer of North Queensland Metals, in relation to a possible business combination between North Queensland Metals and Conquest Mining. The present Offer is a culmination of high-level discussions and due diligence between our respective management teams.

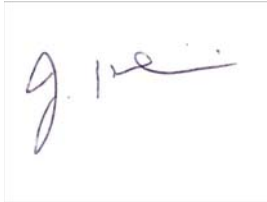
**The Offer is now open and is scheduled to close at 7.00pm (Sydney time) on [\*] 2010 (unless extended). See page 4 for details on how to accept the Offer.**

<sup>1</sup> In this Bidder's Statement, the trading prices of North Queensland Metals Shares prior to the Announcement Date have been used as bases for comparison to the implied value of the Offer Consideration because such prices are unaffected by the Offer. The implied value of the Offer Consideration during the Offer Period will change according to changes in the ASX trading price of Conquest Mining Shares. As at 4028 June 2010 (the last ASX trading day prior to the date of this Bidder's Statement), the closing price of Conquest Mining Shares was ~~\$0.34~~ 0.33. This implies an Offer Consideration value of ~~\$0.270~~ 265 for each North Queensland Metals Share. The value of the Offer Consideration is dependent on the ~~post-Offer~~ trading price of Conquest Mining Shares once they are issued to you.

<sup>2</sup> See section 1.2 for a description of the Mt Carlton project. There are a number of risks associated with the development of the Mt Carlton project, which are described in section 1.2 and section 7.

Further details in relation to the Offer are provided in this Bidder's Statement. You should read this document in its entirety, including the conditions to the Offer.

Yours sincerely,

A handwritten signature in black ink, appearing to read "J. Klein", enclosed within a thin black rectangular border.

**Jake Klein**  
Executive Chairman  
Conquest Mining Limited



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## How to accept the Offer

The Offer may only be accepted for all of your North Queensland Metals Shares. Below is a summary on how to accept the Offer – full details are in section 11.5 of this Bidder's Statement.

### 1. ISSUER SPONSORED HOLDINGS

If your North Queensland Metals Shares are held in an Issuer Sponsored Holding (such holdings will have Securityholder Reference Numbers beginning with an "I"), to accept the Offer you must complete and sign the enclosed Acceptance Form in accordance with the instructions on it and return it, together with any other documents required by those instructions, to one of the addresses indicated on the form so that it is received before the end of the Offer Period.

**Acceptance Forms must be received by 7.00 pm (Sydney time) on [\*] 2010, unless the Offer is extended.**

### 2. CHESS HOLDINGS

If your North Queensland Metals Shares are held in a CHESS Holding (such holdings will have Holder Identification Numbers beginning with an "X"), you must instruct your Controlling Participant (usually your stockbroker) to initiate an acceptance of the Offer on your behalf in sufficient time for the Offer to be accepted before the end of the Offer Period.

You could also complete and sign the enclosed Acceptance Form in accordance with the instructions on it and return it, together with any other documents required by those instructions, to one of the addresses listed on the form. However, Conquest Mining will merely send the instruction carried on this form onto your Controlling Participant who is the only person who can accept the Offer on your behalf.

**Your Controlling Participant must accept the Offer on your behalf by 7.00 pm (Sydney time) on [\*] 2010, unless the Offer is extended.**

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## Summary of the Offer

The following is a summary only of the Offer and is qualified by the detailed information contained in the rest of this Bidder's Statement. You should read this Bidder's Statement in full before deciding how to deal with your North Queensland Metals Shares.

The terms of the Offer are contained in section 11.

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- |    |   |  |
|----|---|--|
| 1. | <b>What is the Offer?</b>                         | <p>Conquest Mining is offering to purchase all of your North Queensland Metals Shares.</p> <p>For each of your shares you are being offered 0.5 Conquest Mining Shares and \$0.10 cash.<sup>23</sup> This is known as the "<b>Offer Consideration</b>".</p>  |
| 2. | <b>Who is Conquest Mining?</b>                    | <p>Conquest Mining is a growth-oriented Australian mining company, which is focused on the discovery and development of high-quality precious metals resources. Conquest Mining's main asset is the Mt Carlton project in north Queensland, which has substantial gold, silver and copper resources.</p> <p>Conquest Mining is listed on the ASX, trading as "CQT".</p>  |
| 3. | <b>What is the value of the Offer?</b>            | <p>Based on the closing price of Conquest Mining Shares on the day immediately before the date of this Bidder's Statement, the implied value of the Offer is <del>\$0.27</del><u>0.265</u> per North Queensland Metals Share.<sup>34</sup></p> <p>The implied value of the Offer will change as a consequence of changes in the market price of Conquest Mining Shares from time to time. See page 9 for further information.</p>  |
| 4. | <b>How do I accept the Offer?</b>                 | <p>See page 4 of this Bidder's Statement.</p>  |
| 5. | <b>What happens if I do not accept the Offer?</b> | <p>If you do not accept the Offer and Conquest Mining acquires a relevant interest in at least 90% of the North Queensland Metals Shares and the Offer becomes unconditional, Conquest Mining intends to compulsorily acquire your North Queensland Metals Shares.</p> <p>If your North Queensland Metals Shares are compulsorily acquired by Conquest Mining, it will be for the Offer Consideration and you will receive it later than the North Queensland Metals Shareholders who accepted the Offer before the end of the Offer Period.</p> |
| 6. | <b>When does the Offer close?</b>                 | <p>The <del>offer</del><u>Offer</u> closes at 7.00pm (Sydney time) on [*] 2010, unless extended in accordance with the Corporations Act.</p> <p>The Offer can be extended for up to a maximum Offer Period of 12 months.</p>   |
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<sup>23</sup> If you are entitled to a fraction of a Conquest Mining Share upon acceptance of the Offer, your entitlement to Conquest Mining Shares will be rounded up to the nearest whole number (if equal to a fraction of 0.5 or greater) or rounded down (if equal to a fraction of less than 0.5).

<sup>34</sup> The closing price of Conquest Mining Shares as traded on the ASX on ~~1028~~ June 2010 was ~~\$0.34~~0.33.

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7.	<b>Are there any conditions to the Offer?</b>	<p>Yes. The Offer is subject to a number of conditions (set out in section 11.12) which include requirements that:</p> <ul style="list-style-type: none"> <li>• at or before the end of the Offer Period, Conquest Mining obtains a relevant interest in at least 90% of the North Queensland Metals Shares;</li> <li>• certain regulatory actions are not taken to restrain, prohibit or impede the Offer;</li> <li>• no material adverse change occurs in relation to North Queensland Metals before the end of the Offer Period;</li> <li>• North Queensland Metals does not undertake any new material acquisitions, disposals or new commitments during the period from the Announcement Date until the end of the Offer Period;</li> <li>• North Queensland Metals does not declare or pay any dividends during the period from the Announcement Date to the end of the Offer Period;</li> <li>• no person has any rights to acquire any material asset of the North Queensland Metals Group or terminate any material agreement with the North Queensland Metals Group, in each case as a result of the Offer; and</li> <li>• no "prescribed occurrences" occur in relation to North Queensland Metals during the period from the Announcement Date until the end of the Offer Period.</li> </ul> <p>If any of these conditions, known as "<b>Defeating Conditions</b>" are not satisfied or waived by Conquest Mining by the end of the Offer Period, then the Offer will lapse and not proceed (ie. you will retain your North Queensland Metals Shares).</p> <p>In addition, there is a statutory condition (see section 11.14) relating to the ASX quotation of Conquest Mining Shares to be issued under the Offer. If this condition is not satisfied the Offer will lapse and not proceed (ie. you will retain your North Queensland Metals Shares).</p>
8.	<b>Will my new Conquest Mining Shares be quoted on the ASX?</b>	<p>Conquest Mining will apply for the Conquest Mining Shares to be issued under the Offer to be quoted on the ASX within seven days after the date of this Bidder's Statement. Quotation of these Conquest Mining Shares will not be automatic but will depend on the ASX exercising its discretion. However, as Conquest Mining is already admitted to the official list of the ASX and Conquest Mining Shares in the same class as to those to be issued under the Offer are already quoted, Conquest Mining believes quotation of the shares will be granted.</p>

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9. <b>Can I withdraw my acceptance?</b>	<p>You cannot withdraw your acceptance unless a withdrawal right arises under the Corporations Act. Such a right will arise if, after you have accepted the Offer and whilst the Offer remains conditional, Conquest Mining varies the Offer (eg. by extending the Offer Period) in a way that postpones for more than 1 month the time when Conquest Mining has to meet its obligations under the Offer (eg. the obligation to provide Offer Consideration to accepting shareholders).</p>
10. <b>If I accept the Offer, when will I receive my Offer Consideration?</b>	<p>If you validly accept the Offer and the Offer becomes unconditional, then generally speaking the Offer Consideration will be provided to you on or before the earlier of:</p> <ul style="list-style-type: none"> <li>• 1 month after the date of your acceptance or, if at the time of your acceptance the Offer is subject to a Defeating Condition, 1 month after the Offer becomes, or is declared, unconditional; and</li> <li>• 21 days after the end of the Offer Period.</li> </ul>
11. <b>Can I sell my North Queensland <a href="#">Metals</a> Shares on market?</b>	<p>Yes, but you may incur brokerage and other transaction costs if you do.</p> <p>However, if you accept the Offer, you agree not to sell your North Queensland <a href="#">Metals</a> Shares to anyone else. So if you accept the Offer and then seek to sell your North Queensland <a href="#">Metals</a> Shares on-market you will be unable to settle that on-market trade.</p>
12. <b>What if I am a foreign North Queensland Metals shareholder?</b>	<p>Generally speaking, if your address on North Queensland Metals' register of members is in a jurisdiction other than Australia or New Zealand you will be considered an Ineligible Foreign Shareholder.</p> <p>If you are an Ineligible Foreign Shareholder you are entitled to accept the Offer just like any other North Queensland Metals Shareholder. However, you will not be entitled to receive Conquest Mining Shares as a result of acceptance. Instead, the Conquest Mining Shares to which you would otherwise be entitled will be issued to a sale nominee who will sell those shares on the ASX and provide you with the net sale proceeds. See section 11.9 for further details.</p>

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<p>13. <b>Are there any other circumstances in which I will not be entitled to receive Conquest Mining Shares?</b></p>	<p>Yes. If the value of the Conquest Mining Shares to which you would be entitled under the Offer has a market value of less than \$500 (based on the highest trading price of Conquest Mining Shares from the date of this Bidder's Statement until the end of the Offer Period), then:</p> <ul style="list-style-type: none"> <li>• you will be considered an Unmarketable Parcel Shareholder; and</li> <li>• the Conquest Mining Shares to which you would otherwise be entitled will be issued to a sale nominee who will sell those shares on the ASX and provide you with the net sale proceeds.</li> </ul>
<p>See section 11.9 for further details.</p>	
<p>14. <b>What are the tax implications of acceptance?</b></p>	<p>You should consult your financial, tax or other professional adviser on the tax implications of acceptance, in light of your own particular circumstances.</p> <p>However, section 9 contains a general summary of the major likely Australian tax consequences for North Queensland Metals Shareholders who accept the Offer. If, after the Offer, Conquest Mining does not own at least 80% of the North Queensland Metals Shares, North Queensland Metals Shareholders who are Australian residents for income tax purposes and who would make a capital gain from their disposal of North Queensland Metals Shares will be unable to elect capital gains tax rollover relief in respect of the component of the Offer Consideration that comprises Conquest Mining Shares.</p>
<p>15. <b>Are there any risks in accepting the Offer?</b></p>	<p>If you accept the Offer you will be issued with Conquest Mining Shares (unless you are an Ineligible Foreign Shareholder or an Unmarketable Parcel Shareholder). There are a number of risk factors associated with an investment in Conquest Mining Shares and with the Offer itself. These risks are described in section 7. In deciding whether or not to accept the Offer, you should carefully consider these risks.</p>
<p>16. <b>Will I need to pay brokerage if I accept the Offer?</b></p>	<p>No brokerage, stamp duty or GST is payable by you if you accept the Offer (unless you are an Ineligible Foreign Shareholder or an Unmarketable Parcel Shareholder, in which case the proceeds you will receive will be net of sale expenses). However, if you hold your North Queensland Metals Shares through a CHESS Holding, you should ask your Controlling Participant (normally your stockbroker) or nominee whether it will charge any transaction fees or service charges in connection with acceptance of the Offer.</p>

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# Why You Should Accept the Offer

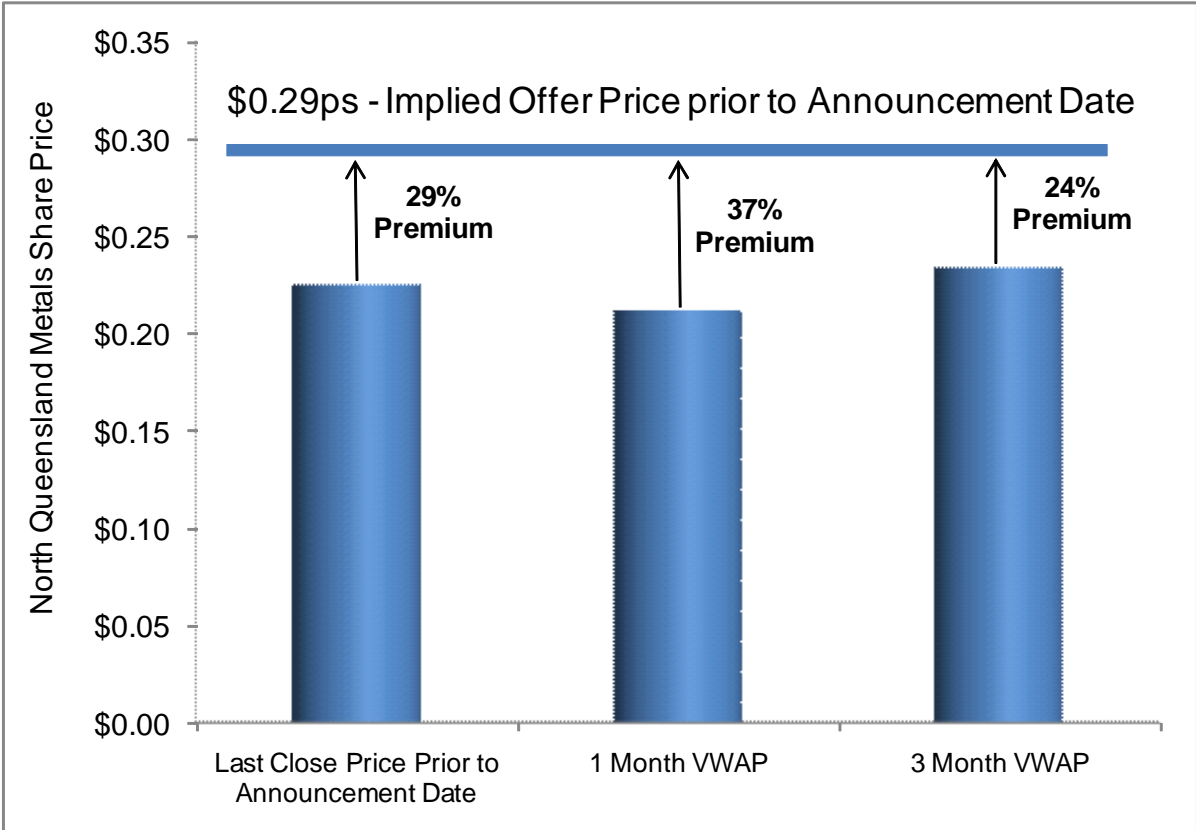
**1. YOU ARE BEING OFFERED A SUBSTANTIAL AND ATTRACTIVE UPFRONT PREMIUM**

The Offer was announced on 3 June 2010 ("**Announcement Date**"). The Offer Consideration for each North Queensland Metals Share is 0.5 Conquest Mining Shares plus \$0.10 cash.

As at 2 June 2010 (the last ASX trading day before the Announcement Date), the implied value of the Offer Consideration was \$0.29 per North Queensland Metals Share (based on the closing price of Conquest Mining Shares on 2 June 2010 of \$0.38).

As indicated in the chart below, this represents:

- A 29% premium to the closing price of North Queensland Metals Shares on 2 June 2010 of \$0.225; and
- A substantial premium to the 1 month and 3 month VWAPs of North Queensland Metals Shares up to and including 2 June 2010.<sup>45</sup>

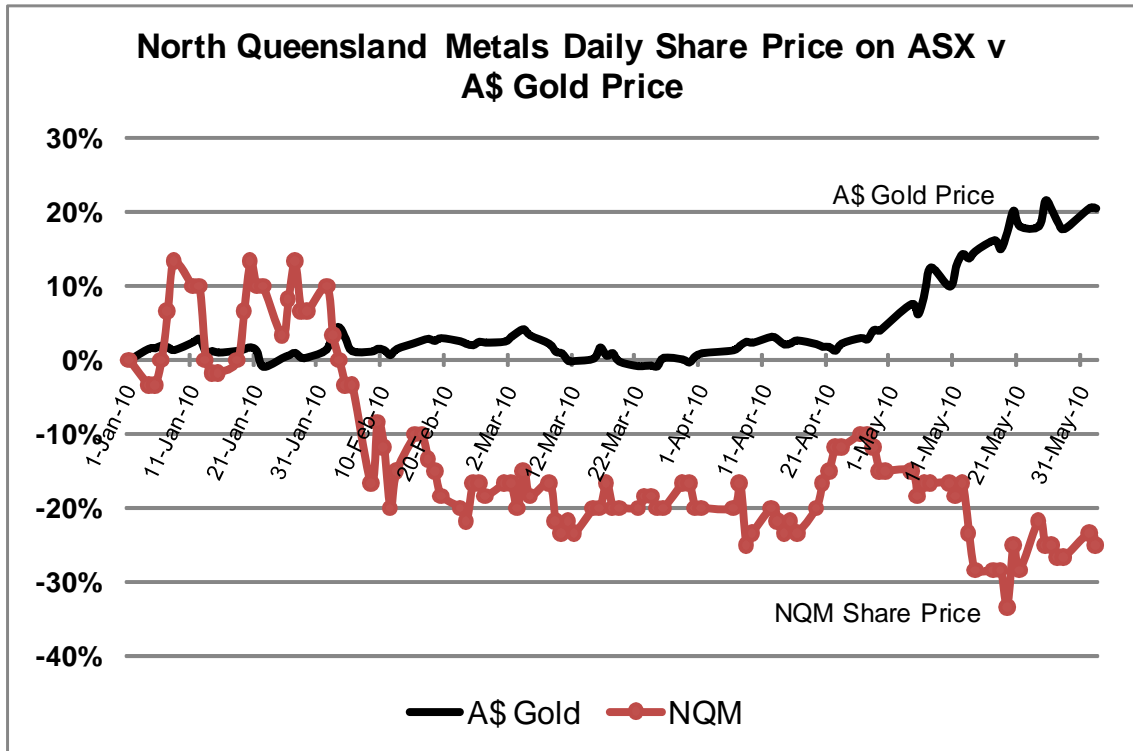


The implied value of the Offer Consideration during the Offer Period will change according to changes in the ASX trading price of Conquest Mining Shares. As at 4 June 2010 (the last ASX trading day prior to the date of this Bidder's Statement), the closing price of Conquest Mining Shares was ~~\$0.34~~ \$0.33. This implies an Offer Consideration value of ~~\$0.27~~ \$0.265 for each North Queensland Metals Share.

<sup>45</sup> In this Bidder's Statement, the trading prices of North Queensland Metals Shares prior to the Announcement Date have been used as bases for comparison to the implied value of the Offer Consideration because such prices are unaffected by the Offer.

The value of the Offer Consideration is dependent on the ~~post-Offer~~ trading price of Conquest Mining Shares once they are issued to you.

In addition, you should note that the spot gold price, measured in Australian dollars, has increased by approximately 20% since the beginning of 2010. This increase has not been mirrored by the North Queensland Metals share price; in fact the North Queensland Metals share price had fallen by approximately 25% since the beginning of 2010 to prior to the Announcement Date, as shown in the chart below.



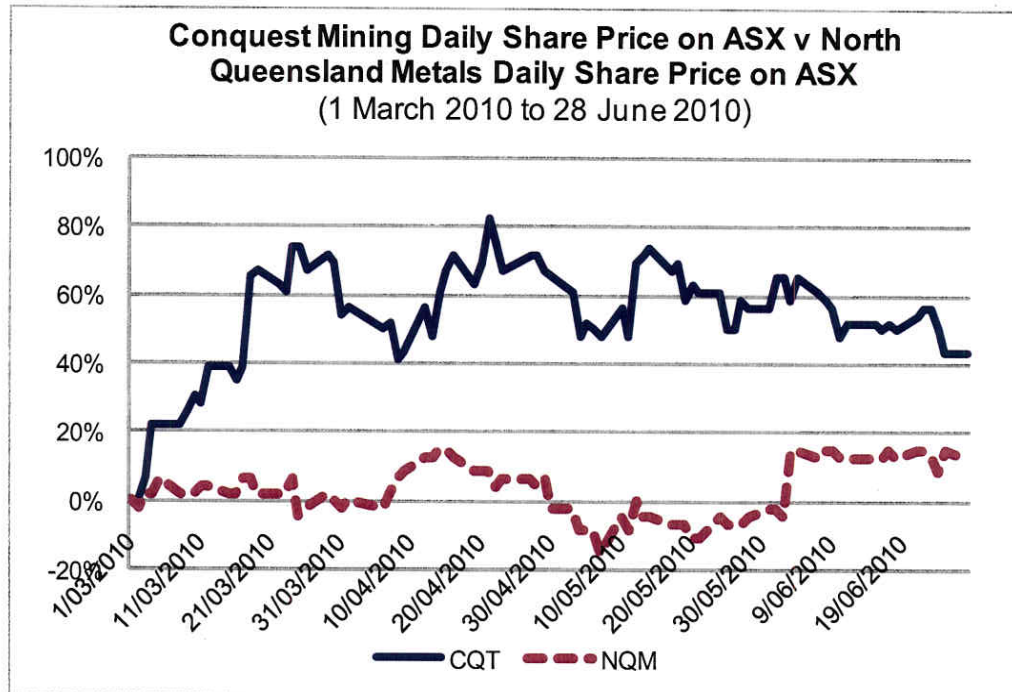
## 2. CONQUEST MINING HAS A BOARD WITH A SUCCESSFUL TRACK RECORD OF INCREASING SHAREHOLDER VALUE

The current Executive Chairman of Conquest Mining, Jake Klein, was previously President and CEO of Sino Gold Mining Limited where, along with current Conquest Mining directors 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 consideration valued at over \$2 billion. Sino Gold became an ASX/S&P 100 Company, operating two award-winning gold mines in China. Jake Klein, Nick Curtis and Jim Askew joined the board of Conquest on 12 May 2010.

The Conquest Mining Board is focused on applying its significant expertise and experience to seek to create a genuine mid-tier gold producer with significant production scale and upside.

While it is a relatively short period, the Conquest Mining Share price has dramatically outperformed the North Queensland Metals share price since the beginning of March 2010

when the new executive and management team, led by Jake Klein, first became involved with Conquest Mining as consultants, as shown in the chart below.



3. **YOU WILL GAIN EXPOSURE TO CONQUEST MINING'S MT CARLTON PROJECT AND RETAIN EXPOSURE TO THE PAJINGO GOLD MINE**

Conquest Mining has 100% ownership of the prospective Mt Carlton Project, located 150km south of Townsville. Development studies at Mt Carlton are centred on the Silver Hill gold-silver-copper deposit, which was discovered by Conquest Mining in 2006.

The Mineral Resources at Mt Carlton are substantial, containing a total of 1.5 million ounces of gold, 40 million ounces of silver and 74,600 tonnes of copper.

The Ore Reserves at Mt Carlton contain a total of 0.7 million ounces of gold, 16 million ounces of silver and 30,200 tonnes of copper.

Feasibility investigations have shown that the Mt Carlton project is mineable as two separate open pits and can be processed by conventional crush-grind-float processing to produce a polymetallic concentrate.

Optimisation studies and a review of the proposed process flowsheet are underway and a development decision is expected in the December quarter of 2010. [OptimisationAs explained further in section 1.2. optimisation](#) work is focussed on:

- Exploration – the immediate strategy is to add high-grade tonnes to the reserve inventory.
- Mine planning – trial grade control drilling has provided assurance that the Mineral Resources estimated by the Silver Hill model can be used with confidence for mine planning.
- Processing – flotation test work results (announced on 12 April 2010) indicate recovery to concentrate of 90% for gold, 91% for silver and 96% for copper; which compare favourably with the definitive feasibility study estimates of 70% for gold, 64% for silver and 91% for copper.

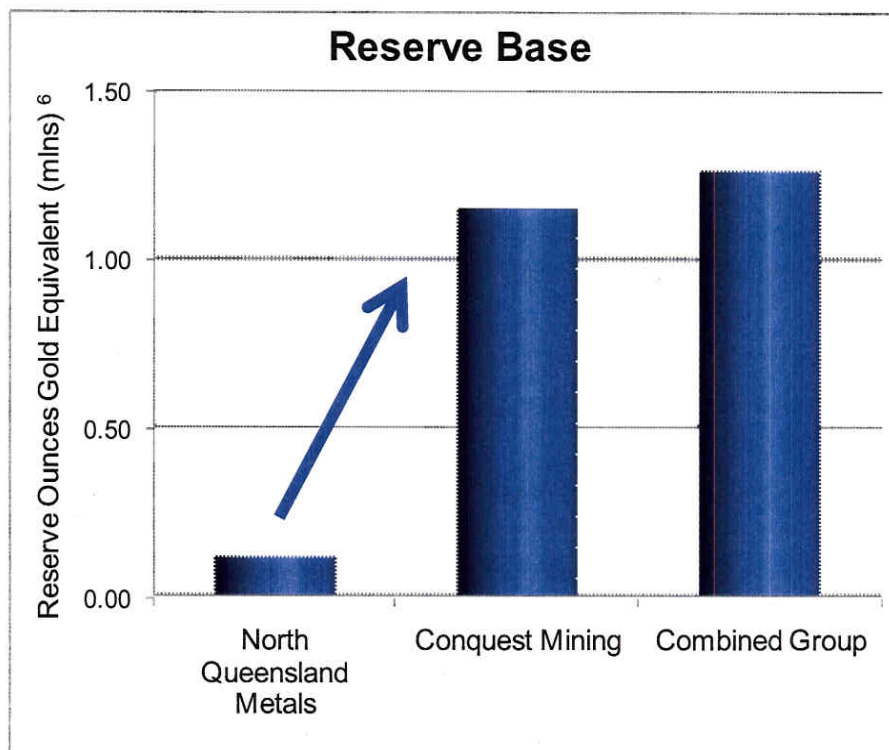


- Capital costs – work has commenced, and is currently ongoing, to identify areas of potential savings including optimising the plant throughput, reviewing the development sequencing, procuring second hand items and identifying suitable items that can be procured at lower cost in China.
- Offtake – ~~A~~ total of 6 precious metal smelter companies have been shortlisted and discussions are underway regarding purchasing Mt Carlton concentrate and providing development funding for the project.

The Combined Group would have one production asset, a development project and a portfolio of exploration projects across a large landholding in north Queensland, comprising combined Ore Reserves of ~~1.28~~1.26 million gold equivalent ounces.<sup>56</sup>

4. **YOU WILL GAIN EXPOSURE TO A COMPANY WITH A SUBSTANTIALLY INCREASED RESERVE BASE**

The Combined Group will have combined Ore Reserves of ~~1.28~~1.26 million gold equivalent ounces<sup>5,6</sup> a substantial uplift compared to North Queensland Metals' current position of ~~just over 129,000~~approximately 114,000 attributable gold equivalent ounces.



North Queensland Metals' Pajingo mine has a very short life based on published Ore Reserves. The currently published underground and open pit Ore Reserve at Pajingo is sufficient for just over 12 months of mill feed. Additional Ore Reserves may be able to be sourced from the Twin Hills project, 190km by road south of the Pajingo operations, however optimisation studies and underground mining trials are still to be completed at Twin Hills.

<sup>56</sup> Based on Reserves and Resources as reported in the North Queensland Metals Annual Report ~~2009 and 2009~~, Quarterly Report March ~~2010 and Update announced on 24 June~~ 2010. 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.

North Queensland Metals must continually replace Ore Reserves depleted by production in order to be able to maintain and grow its current production into the future. Success in exploration for gold is uncertain and there is a risk that future depletion of Ore Reserves will not be offset by discoveries. As a result, the Ore Reserve base of North Queensland Metals may decline as gold is produced without adequate replacement, eventually leading to mine closure.

Conquest Mining's Mt Carlton project has 7.38Mt of material classified as Ore Reserves. This is equivalent to a 9-year mine life at the expected project scale of 800,000tpa throughput.

5. **YOUR INVESTMENT WILL BE MORE LIQUID**

Accepting the Offer will allow North Queensland Metals Shareholders to exchange their North Queensland Metals Shares for a more liquid stock. For example, in the year to the Announcement Date over \$44 million of Conquest Mining Shares have traded on the ASX compared to just \$8 million of North Queensland Metals Shares.

Liquidity attracts institutional and professional investors as it provides them with the ability to efficiently trade large parcels of shares.

Shareholders of the Combined Group will be exposed to an entity of greater market scale and share trading liquidity which will likely have an enhanced ability to access debt and capital markets to fund development and acquisition opportunities.

6. **YOU WILL PARTICIPATE IN A GROWTH-ORIENTED COMPANY**

Conquest Mining 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. Through a combination of organic growth and future acquisitions, Conquest Mining's long-term goal is to become an Australian-based company with assets that are capable of producing 500,000 ounces per annum.

With a recently rejuvenated management and Board, Conquest Mining has the focus and ability to deliver these growth ambitions.

7. **CAPITAL GAINS TAX ROLLOVER RELIEF MAY BE AVAILABLE**

If Conquest Mining acquires ownership of at least 80% of the North Queensland Metals Shares as a result of the Offer, capital gains tax roll-over relief may be available to Australian resident North Queensland Metals Shareholders in respect of that part of the Offer consideration which comprises Conquest Mining Shares.

See section 9 for a general overview of the tax consequences which will arise if the Offer is declared unconditional and Conquest Mining does not acquire ownership of at least 80% of the North Queensland Metals Shares.

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## **1. Profile of Conquest Mining**

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### **1.1 Overview**

Conquest Mining is an Australian-based growth-oriented mining company that owns 100% of the Mt Carlton gold-silver-copper project in north Queensland. Mt Carlton is being advanced towards development and Conquest Mining is actively exploring its substantial tenement package in the surrounding region.

Conquest Mining manages its exploration programs from a regional office in Townsville and has recently re-located its head office to Sydney.

Conquest Mining is listed on the ASX, trading as "CQT".

### **1.2 Principal assets and activities**

The focus of Conquest Mining is on the following activities in north Queensland:

- advancing the Mt Carlton gold-silver-copper project towards development; and
- exploring the company's large (approximately 2,125km<sup>2</sup>) tenement holding at Mt Carlton and the surrounding region.

Conquest Mining has a 100% interest in all of its projects.

#### **(a) Mt Carlton project**

The Mt Carlton Project is located 150-km south of Townsville and is centred on the Silver Hill gold-silver-copper deposit, which was discovered by Conquest Mining in 2006. The mineralisation occurs within felsic volcanic rocks on the northern margin of the Permian Bowen Basin.

The Mineral Resources for the Mt Carlton Project contain a total of 1.5 million ounces of gold, 40 million ounces of silver and 74,600 tonnes of copper. The Silver Hill deposit accounts for approximately 93% of the total resource.

Mt Carlton Project <del>Total</del> Resource – December 2009							
	Tonnes	Grade g/t Au	Grade g/t Ag	Grade % Cu	Gold Ounces	Silver Ounces	Copper Tonnes
<b>Silver Hill</b>	<b>25,700,000</b>	<b>1.7</b>	<b>44</b>	<b>0.28</b>	<b>1,405,000</b>	<b>36,356,000</b>	<b>71,960</b>
<u>Measured Resources</u>	<u>11,100,000</u>	<u>1.72</u>	<u>70</u>	<u>0.32</u>	<u>610,000</u>	<u>24,764,000</u>	<u>35,600</u>
<u>Indicated Resources</u>	<u>13,200,000</u>	<u>1.60</u>	<u>25</u>	<u>0.25</u>	<u>679,000</u>	<u>10,474,000</u>	<u>32,700</u>
<u>Inferred Resources</u>	<u>1,500,000</u>	<u>1.67</u>	<u>30</u>	<u>0.20</u>	<u>79,000</u>	<u>1,417,000</u>	<u>2,900</u>
<b>Subtotal Silver Hill</b>	<b>25,700,000</b>	<b>1.65</b>	<b>44</b>	<b>0.28</b>	<b>1,368,000</b>	<b>36,655,000</b>	<b>71,200</b>
<b>Mt Carlton</b>							
<u>Measured Resources</u>	<u>0</u>	<u>=</u>	<u>=</u>	<u>=</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>Indicated Resources</u>	<u>0</u>	<u>=</u>	<u>=</u>	<u>=</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>Inferred Resources</u>	<u>966,000</u>	<u>1.35</u>	<u>38</u>	<u>0.345</u>	<u>42,000</u>	<u>1,090,000</u>	<u>3,400</u>
<b>Subtotal Mt Carlton</b>	<b>966,000</b>	<b>1.35</b>	<b>38</b>	<b>0.345</b>	<b>42,000</b>	<b>1,090,000</b>	<b>3,400</b>
<b>Western Lodes</b>	<b>558,000</b>	<b>1.49</b>	<b>120</b>	<b>-</b>	<b>26,700</b>	<b>2,100,000</b>	<b>0</b>
<u>Measured Resources</u>	<u>0</u>	<u>=</u>	<u>=</u>	<u>=</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>Indicated Resources</u>	<u>0</u>	<u>=</u>	<u>=</u>	<u>=</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>Inferred Resources</u>	<u>558,000</u>	<u>1.49</u>	<u>120</u>	<u>=</u>	<u>26,700</u>	<u>2,100,000</u>	<u>0</u>
<b>Subtotal Western Lodes</b>	<b>558,000</b>	<b>1.49</b>	<b>120</b>	<b>=</b>	<b>26,700</b>	<b>2,100,000</b>	<b>0</b>
<b>Herbert Creek</b>	<b>351,000</b>	<b>2.17</b>	<b>4</b>	<b>-</b>	<b>24,500</b>	<b>47,000</b>	<b>0</b>
<u>Measured Resources</u>	<u>0</u>	<u>=</u>	<u>=</u>	<u>=</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>Indicated Resources</u>	<u>0</u>	<u>=</u>	<u>=</u>	<u>=</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>Inferred Resources</u>	<u>351,000</u>	<u>2.17</u>	<u>4</u>	<u>=</u>	<u>24,500</u>	<u>47,000</u>	<u>0</u>
<b>Subtotal Herbert Creek</b>	<b>351,000</b>	<b>2.17</b>	<b>4</b>	<b>=</b>	<b>24,500</b>	<b>47,000</b>	<b>0</b>
<b>Total</b>	<b>27,575,000</b>	<b>1.71.65</b>	<b>45</b>	<b>0.27</b>	<b>1,498,000</b> <b>1,461,200</b>	<b>39,734,000</b> <b>039,892,000</b>	<b>75,29074,600</b>

Notes: The Silver Hill resource was estimated using multiple indicator kriging. The Mt Carlton and Herbert Creek resources were estimated using ordinary kriging. The Western Lodes resource was estimated by sectional polygonal method. Rounding may introduce minor computational errors.

The Ore Reserves for the Mt Carlton project contain a total of 0.7 million ounces of gold, 16 million ounces of silver and 30,200 tonnes of copper; which can be expressed as 1.15 million ounces gold equivalent<sup>67</sup>.

<sup>67</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.

Mt Carlton Project Ore Reserves – December 2009							
	Tonnes	Grade g/t Au	Grade g/t Ag	Grade % Cu	Gold Ounces	Silver Ounces	Copper Tonnes
<b>Area 39</b>							
Proved	392,000	0.18	640	0.76	2,000	8,066,000	3,000
Probable	0	-	-	-	0	0	0
<del>Total</del> Subtotal Area 39	392,000	0.18	640	0.76	2,000	8,066,000	3,000
<b>V2</b>							
Proved	4,004,000	3.44	42	0.47	443,000	5,407,000	18,800
Probable	2,985,000	3.08	26	0.29	295,588	2,495,219	8,700
<del>Total</del> Subtotal V2	6,988,000	3.29	35	0.39	738,588	7,902,219	27,500
<b>Total</b>	<b>7,380,000</b>	<b>3.12</b>	<b>67</b>	<b>0.41</b>	<b>740,588</b>	<b>15,919,219</b>	<b>30,200</b>

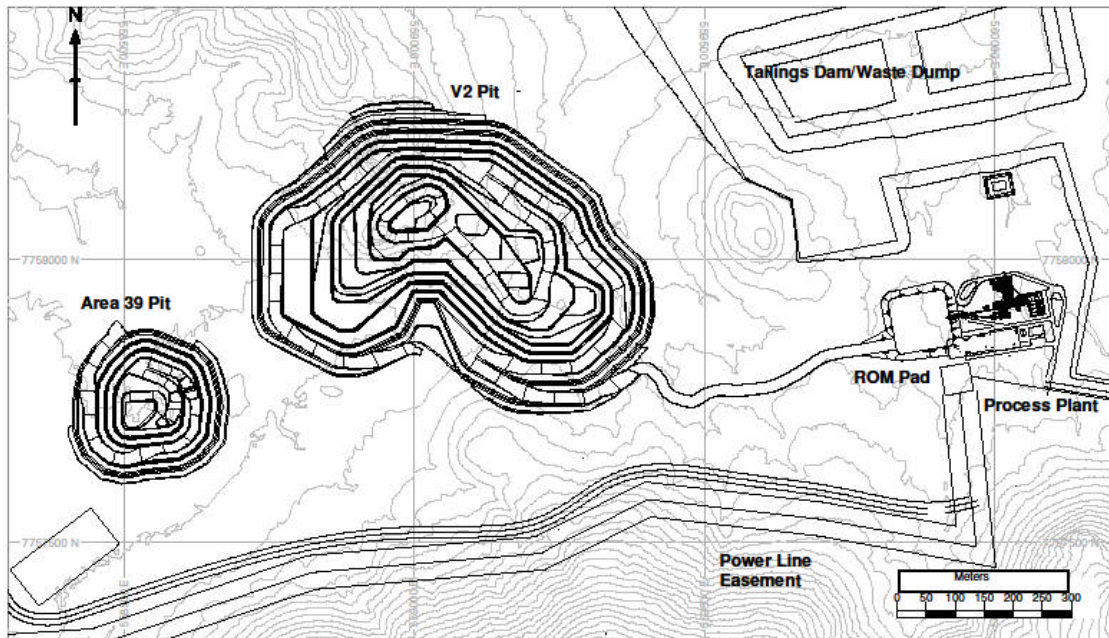
Note: Rounding may introduce minor computational errors.

### Feasibility studies

[Feasibility studies](#) have confirmed that the Silver Hill deposit is mineable as two separate open pits (V2 and Area 39) and can be processed via conventional crush-grind-float processing to produce a ~~polymetallic~~ concentrate. The relative location of the two pits is shown in the following diagram.

~~Optimisation studies and a review of the proposed process flowsheet are underway and a development decision is expected in the December quarter of 2010. Optimisation work is focussed~~

en:



The Mt Carlton ore is characterised as a multi-metal refractory sulphide ore. The potential value elements are gold, silver, and copper. Lead, zinc, and arsenic are also present as potential penalty elements. Due to the polymetallic nature of the ore, concentrates are best treated at specialised smelters which recover such elements or through oxidation processes such as pressure oxidation or bacterial oxidation. A Pre-Feasibility Study (“PFS”), completed in April 2009, was based on a two-stream processing route:

- producing a high-grade gold-silver-copper concentrate for sale to smelters; and
- producing a low-grade gold-silver-copper concentrate for further processing by the GEOCOAT® bioleaching process to produce gold and silver doré and copper cathode at site.

A Definitive Feasibility Study (“DFS”), which commenced in April 2009, found that the GEOCOAT® bioleaching process was not economically viable and as such the study was completed based only on producing a high-grade gold-silver-copper concentrate for sale to smelters and leaving the low-grade concentrate untreated. The results of the DFS were publicly released on 4 February 2010. At that time, the Board of Conquest Mining considered that although the DFS outcomes identified the project as profitable (based only on producing a high-grade concentrate) it was not sufficiently robust to develop prior to completing project optimisation studies and finalising long-term concentrate offtake arrangements.

At the time of release of the DFS findings, Mr Jake Klein and a number of his associates were brought in as consultants by Conquest Mining with the specific goal of conducting a strategic review of the project to determine alternative and optimal routes to production. Shortly thereafter, Mr Klein and his associates joined the management team at Conquest Mining. Since that time, the focus of the management team has been on progressing optimisation studies; a related review of the proposed

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[process flowsheet and low-grade concentrate stream; and information exchange with potential concentrate offtake parties.](#)

### **Subsequent optimisation program and process improvements**

[Following the DFS, as part of the optimisation studies and related review of the proposed process flowsheet and low-grade concentrate stream, work was undertaken to determine whether a single 'mixed' concentrate could be produced, rather than the previous strategy of producing a high-grade concentrate for sale and a separate low-grade concentrate for further on-site treatment. Here, the initial flotation test work results \(announced to ASX on 12 April 2010\) were encouraging. Highlights of these results were recovery of 90% for gold, 91% for silver and 96% for copper to cleaner concentrate; which compare favourably with the DFS estimates of 70% for gold, 64% for silver and 91% for copper. These recoveries translated into a concentrate grade of 46g/t gold, 246 g/t silver, 6.2% copper and 2.16% arsenic. These grades are not materially different to the high-grade concentrate produced in the DFS. In Conquest Mining's view, this was a very positive development for the project. Alternative process routes, namely bacterial oxidation and pressure oxidation, are applicable and were also being investigated however these investigations have been curtailed following the success of the flotation test work.](#)

[The focus of the optimisation work and related review of the proposed process flowsheet, since the DFS and leading up to a development decision \(expected in the December 2010 quarter – see below\), is as follows:](#)

- [•](#) Exploration – the immediate strategy is to add high-grade tonnes to the reserve inventory. [See section 1.2\(b\) for a description of this exploration drilling program.](#)
- [•](#) Mine planning – trial grade control drilling has provided assurance that the Mineral Resources estimated by the Silver Hill model can be used with confidence for mine planning.
- [•](#) Processing – [as discussed above](#), flotation test work results ~~(announced on 12 April 2010)~~ indicate recovery to concentrate of 90% for gold, 91% for silver and 96% for copper; ~~which compare favourably with the definitive feasibility study estimates of 70% for gold, 64% for silver and 91% for copper.~~ [Further test work is underway to determine whether the bulk sample result is representative of the entire ore body and to understand variability across the ore body.](#)
- [•](#) Capital costs – work has commenced, and is currently ongoing, to identify areas of potential savings including optimising the plant throughput, reviewing the development sequencing, procuring second hand items and identifying suitable items that can be procured at lower cost in China. [\(see below for further discussion on capital costs\).](#)
- [•](#) Offtake ~~– a total of 6 –~~ [the ability to produce a single "mixed" concentrate, as described above, has meant that Conquest Mining has now started to re-engage with potential offtake parties \(precious metal smelter companies ~~have been shortlisted and discussions are underway regarding purchasing Mt Carlton concentrate and providing development funding for the project\)~~ and provide them](#)

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[with new concentrate specifications. See the discussion below in relation to status of discussions with offtake parties.](#)

Project scale is [now](#) expected to be in the order of 800,000tpa throughput to produce approximately 105,000 ounces per annum gold equivalent in concentrate from the V2 open pit. Concentrate production from the Area 39 pit will consist predominantly of silver.

### **[Capital costs](#)**

[As discussed above, the DFS estimated costs of \\$137.8 million \(including owners costs and contingency\) for the project as then envisaged \(a 1Mtpa throughput project producing a high-grade concentrate for sale and a separate low-grade concentrate for later on-site treatment\). The optimisation studies and process review referred to above assume a lower throughput, of 800,000tpa, and production of a single 'mixed' concentrate. Accordingly, the upfront capital cost is expected to be less than that estimated by the DFS however, at this stage, is not able to be estimated.](#)

### **[Concentrate offtake arrangements](#)**

[Following the optimisation studies referred to above which indicated that the project had the ability to produce a single 'mixed' concentrate, Conquest Mining has now started to re-engage with potential offtake parties to provide them with the new concentrate specifications. Detailed concentrate specifications were supplied to 14 interested parties and meetings have been completed with all of these parties. Conquest Mining has now short-listed 6 interested parties and discussions are underway with those parties regarding purchasing Mt Carlton concentrate and providing development funding for the Mt Carlton project. Two of the parties have already scheduled due diligence visits to Australia.](#)

[Each of the short-listed parties has experience in treating concentrate similar to the Mt Carlton concentrate and all have confirmed that they can treat that concentrate. The relatively high arsenic content of the Mt Carlton concentrates \(currently expected to average 2.2% for V2 concentrate and 2.5% for A39 concentrate\) may mean that payment penalties will be applied but in Conquest Mining's opinion will not otherwise impact on the marketability of the concentrates.](#)

[All of the short-listed parties are China based smelter companies. The Mt Carlton concentrates could also be sold to traders and an African based smelter company however Conquest Mining has restricted its focus to China given the current management team's network and previous experience in China. Charles Wang, Conquest Mining's Commercial Manager was previously Deputy General Manager at the Sino Gold Mining Limited "Biogold" plant in Shandong Province in China, a plant that purchased and processed concentrates, similar to Mt Carlton concentrates, from both domestic and international customers. Given this intimate knowledge of the Chinese market, Conquest Mining is confident that it will be able to sell its concentrates into China at better terms than would be available through traders or smelters elsewhere in the world.](#)

### **[Financing](#)**



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Given the early-stage status of the optimisation studies referred to above, project financing options are not currently being progressed. At this stage, no decisions have been made in relation to the optimal methods and structure of financing for the project. Conquest Mining currently has approximately \$57 million cash equivalent to 16 cents per Conquest Mining Share (less the \$20.4 million required to fund the cash component of the Offer Consideration if all North Queensland Metals Shareholders accept the Offer). This cash is more than sufficient to complete all of the optimisation studies and exploration programs that Conquest Mining has underway and to commence pre-development work at Mt Carlton. Development of the Mt Carlton project would ultimately require Conquest Mining to raise equity or debt funding. A key criteria in short-listing the concentrate offtake parties that Conquest Mining is now in discussions with was the credit worthiness and reputation of the offtake party and the capacity of the offtake party to provide financial support, in the form of equity or debt contributions, for the development of the Mt Carlton project.

There are a number of risks associated with obtaining equity and debt funding to fund the project, and your attention is specifically drawn to section 7.3 (Risk factors specific to Conquest Mining), and in particular section 7.3(a) (Development funding requirement risk).

**Timing of development decision and risks that the project may not proceed**

Conquest Mining currently expects to make a development decision in relation to the project in the December quarter of 2010. Factors which will be relevant to that decision include return on capital employed, gross profit margin, availability of funding and the ability to secure long-term concentrate offtake agreements on acceptable terms.

There are a number of risks in relation to the development of the Mt Carlton project. In this respect, your attention is specifically drawn to section 7.3 (Risk factors specific to Conquest Mining) and in particular section 7.3(a) (Development funding requirement risk); section 7.3(b) (Uncertainty of exploration, optimisation and development programs); and section 7.3(c) (Product final market risk).

**(b) Mt Carlton exploration**

The Mt Carlton regional tenement area was subject to a joint venture between Conquest Mining and Gold Fields between July 2007 and March 2010. During this time Gold Fields completed extensive reconnaissance work, including approximately 17,400m of drilling, over the Mt Carlton regional tenements and identified numerous targets. All of the data collected by Gold Fields has since been transferred to Conquest Mining. Gold Fields holds a 2.5% net smelter royalty over the Mt Carlton project and is Conquest Mining's largest shareholder.

Recent work has focused on assimilating the exploration data provided by Gold Fields and on developing a comprehensive exploration program to test the known targets and the numerous additional targets identified by Gold Fields. Highest priority is being placed on those targets that have the potential to become satellite deposits.

A new phase of exploration drilling at Mt Carlton commenced in May 2010. The immediate strategy is to add high-grade tonnes to the reserve inventory within the Mt

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Carlton mining lease application area. A range of grass roots through to advanced targets are also being followed up in the surrounding Mt Carlton tenements where the strategy is to discover satellite deposits which would feed the Mt Carlton plant.

Mineralisation styles across the project range from porphyry associated stockworks and replacement through to high and low sulphidation epithermal veins. The following targets will be drill tested during the current field season:

- Boundary – low sulphidation epithermal vein array that has returned rock chip assay results of 9.9g/t Au, 6.8g/t Au and 5.6 g/t Au.
- Capsize – similar geological characteristics to the Silver Hill deposits.
- Strathmore – possible porphyry copper mineralisation indicated by excellent copper results from surface soil sampling (16 samples above 500 parts per million Cu) and a geophysical (IP chargeability) anomaly at depth.
- Glenking – low sulphidation epithermal vein array that has returned rock chip assay results of 10.8 g/t Au, 9.7 g/t Au and 6.9 g/t Au.

(c) **Regional exploration**

Conquest Mining holds seven granted regional tenements in north Queensland comprising a total area of approximately 1,100km<sup>2</sup>. The tenements occur in prospective geological terrains in an area of historic gold production from mines including Charters Towers, Mt Leyshon and Ravenswood. The tenements were acquired on the basis of similarities with Mt Carlton or previous exploration results.

Reconnaissance exploration programs are planned for the current field season.

### **1.3 Summary of financial information**

(a) **Basis of preparation of historical financial information**

The historical financial information below relates to Conquest Mining on a stand-alone basis and accordingly does not reflect any impact of the Offer. It is a summary only and does not contain all the disclosures usually provided in an annual report prepared in accordance with Australian accounting standards and the Corporations Act.

The full financial statements for Conquest Mining for the full years ended 30 June 2008 and 30 June 2009, which include notes to the statements, can be found in the annual reports for those periods.

The full financial statements for Conquest Mining for the half-year ended 31 December 2009, which include notes to the statements, can be found in the half-yearly report for that period.

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(b) Historical financial information

<b>BALANCE SHEET</b>	<b>Auditor-Reviewed</b>	<b>Audited</b>	<b>Audited</b>
	<b>31 December 2009</b>	<b>30 June 2009</b>	<b>30 June 2008</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	61,082,519	26,661,798	31,525,367
Trade and other receivables	630,546	356,952	502,263
Other current assets	28,662	8,954	9,939
<b>Total Current Assets</b>	<b>61,741,727</b>	<b>27,027,704</b>	<b>32,037,569</b>
<b>Non-Current Assets</b>			
Receivables	72,500	67,500	70,000
Investments	599,325	594,457	2,240,136
Property, plant and equipment	674,916	634,486	712,008
Exploration & evaluation expenditure	31,803,340	20,194,001	14,672,368
<b>Total Non-Current Assets</b>	<b>33,150,081</b>	<b>21,490,444</b>	<b>17,694,512</b>
<b>Total Assets</b>	<b>94,891,808</b>	<b>48,518,148</b>	<b>49,732,081</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	1,555,270	923,353	972,672
Employee benefits	171,941	138,860	95,074
<b>Total Current Liabilities</b>	<b>1,727,211</b>	<b>1,062,213</b>	<b>1,067,746</b>
<b>Total Liabilities</b>	<b>1,727,211</b>	<b>1,062,213</b>	<b>1,067,746</b>
<b>Net Assets</b>	<b>93,164,597</b>	<b>47,455,935</b>	<b>48,664,335</b>
<b>EQUITY</b>			
Share capital	120,816,170	75,256,414	75,216,414
Reserves	685,613	28,985	247,715
Accumulated losses	(28,337,186)	(27,829,464)	(26,799,794)
<b>Total Equity</b>	<b>93,164,597</b>	<b>47,455,935</b>	<b>48,664,335</b>

The directors of Conquest Mining are not aware of any material change to the financial position of Conquest Mining between 31 December 2009 and the date of this Bidder's Statement.

Given that Conquest Mining has not commenced production and is still exploring and completing optimisation studies at Mt Carlton, Conquest Mining does not believe that an historical income statement would accurately reflect the financial performance of Conquest Mining. However, Conquest Mining's audit-reviewed half-year financial report (including income statement) for the period ended 31 December 2009 and

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audited full year financial report for the financial year ended 30 June 2009 are available at [www.asx.com.au](http://www.asx.com.au) and [www.conquestmining.com.au](http://www.conquestmining.com.au).

Given the current pre-development status of Conquest Mining's operations, Conquest Mining believes that it does not have a reasonable basis for the preparation and presentation of forecast financial information in this Bidder's Statement.

**(c) Anticipated future capital requirements**

Optimisation studies and a review of the proposed process flowsheet are underway at the Mt Carlton project and a development decision is expected in the December quarter of 2010. Development will ultimately require Conquest Mining to raise equity or debt funding. A feasibility study finalised in February 2010 estimated upfront capital costs of \$137.8 million (including owners costs and contingency) for a 1Mtpa throughput project producing a high grade enargite concentrate for sale and a separate lower grade pyritic concentrate for on-site treatment. The optimisation studies and process flowsheet review that are currently underway are working towards a lower throughput, of 800,000tpa, and production of a single 'mixed' enargite and pyrite rich concentrate. Accordingly, the upfront capital cost is expected to be less than that estimated by the February 2010 feasibility study however, at this stage, is not able to be estimated.

**1.4 Directors of Conquest Mining**

Brief profiles of the directors of Conquest Mining as at the date of this Bidder's Statement are as follows:

**(a) Jake Klein, BCom Hons, ACA**

**Executive Chairman**

Mr Klein was previously President and CEO of Sino Gold Mining Limited where along with Mr Curtis (founder and Chairman until 2005) and Mr 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 Mining Limited 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 and engaging over 2,000 employees and contractors in China.

Prior to joining Sino Gold (and its predecessor) in 1995, Mr Klein was employed at Macquarie Bank and PricewaterhouseCoopers.

Mr Klein is a non executive director of Lynas Corporation Limited and OceanaGold Corporation, both companies being listed on the ASX. Mr Klein is a past President of the NSW Branch of the Australia China Business Council and currently serves on the NSW Asia Business Council.

Mr Klein has been Executive Chairman since May 2010.

**(b) Jim Askew, B.E.(Mining), M.Eng.Sci, FAusIMM, MCIMM, MSME (AIME)**

**Non-Executive Director**

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Mr Askew is a mining engineer with over 30 years' broad international experience as a director/chief executive officer for a wide range of Australian and international publicly listed mining, mining finance and other mining related companies. He is a former CEO of seven different public mining companies listed in Australia or North America. He has also served on the boards of numerous resource public companies, which currently include OceanaGold Corporation (Chairman), Ausdrill Ltd, Asian Mineral Resources Ltd and Golden Star Resources Ltd.

Mr Askew has been a Director since May 2010.

**(c) Nicholas Curtis, B.A Hons**

**Non-Executive Director**

Mr Curtis is Executive Chairman of Lynas Corporation Limited and has been involved with the company since mid 2001. Lynas is an Australian public company specialising in Rare Earths.

Mr Curtis is also a Founding Partner of Sino Resources Capital Pty Limited, a corporate advisory firm for the resources industry and which is advising Conquest Mining in relation to the Offer.

Mr Curtis' extensive finance and resources background includes being President and Chief Executive Officer of Sino Mining International Limited, which he established in 1996. Sino Mining International Limited was then a wholly-owned subsidiary of China National Nonferrous Metals Industry Corporation (CNNC), a large Chinese mining company. Following disbandment of CNNC, Mr Curtis established Sino Mining Limited, which became Sino Gold Mining Limited and was the Chairman until November 2005. (Sino Gold was an Australian public company, also listed on the Hong Kong Stock Exchange, with gold assets in China. The company was purchased by Eldorado Gold Corporation of Canada in December 2009.)

Prior to this, Mr Curtis held the positions of Executive Director of Macquarie Bank Limited and Managing Director of Asia Resource Capital Limited, a joint venture between Macquarie Bank Limited and CNNC.

Mr Curtis served as Chairman of the Board of St Vincents & Mater Health Sydney Limited from August 2004 to October 2009 and currently serves as a Director on the Boards of St Vincent's Health Australia Limited and the Garvan Institute of Medical Research.

Mr Curtis has been a Director since May 2010.

**(d) Richard Krasnoff, BA(Econ), MBA (Harvard)**

**Non-Executive Director**

Mr Krasnoff was a previous Group Director of E-Commerce and a member of the Executive Committee at Wesfarmers reporting directly to then Managing Director Michael Chaney. He spent 10 years consulting to top-tier companies in both Australia and Canada for McKinsey & Co (including 4 years as principal/partner). He has an MBA from the Harvard Business School and has extensive experience in developing growth and performance improvement strategies for industrial and resource companies.

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Mr Krasnoff has been a Director since October 2004.

**(e) Douglas Stewart, BSc, FAusIMM, FAIG**

**Non-Executive Director**

Mr Stewart has over 39 years experience in the mining industry in a variety of geological and engineering roles. His experience covers a wide range of commodities. Mr Stewart has had management and technical responsibilities on mining operations in Africa, Canada and New Zealand in both open pit and underground mines.

Mr Stewart was formerly an Associate Director of N M Rothschild & Sons (Australia) performing technical due diligence and valuations for potential investments for Rothschild Golden Arrow Fund as well as raising over \$100 million for the fund. Mr Stewart was most recently the Managing Director of Territory Resources Limited until July 2007 where he played a principal role in managing that company through IPO and into production. His work included undertaking a feasibility study, capital raising, regulatory approvals, construction of port facilities, commercial agreements and appointment of suitable personnel to plan and operate the mine.

Mr Stewart has been a Director since November 2007.

**(f) Paul Marks, BEng(Chem), MAppFin**

**Non-Executive Director**

Mr Marks' has 35 years of experience across a range of industries from foreign exchange and commodities trading, oil and gas downstream production and chemical hydrocarbon processing. Mr Marks commenced his professional career as a Chemical Engineer with Dow Chemicals at the hydrocarbon processing plant in Tsing Yi, Hong Kong – Chinese New Territories. Following a move to Royal Dutch Shell in Australia, Mr Marks gradually transitioned from engineering to finance. Mr Marks has previously held the positions of Vice-President of Foreign Exchange with Prudential-Bache Securities and Senior Foreign Exchange Strategist with National Australia Bank.

Since the mid-1990's Mr Marks has led a number of private ventures ranging from property sub-divisions and developments, listed and unlisted equity investments and proprietary trading in commodities, both physical and derivatives.

Mr Marks has been a Director since December 2009.

## **1.5 Senior management of Conquest Mining**

Brief profiles of the senior management team of Conquest Mining as at the date of this Bidder's Statement are as follows.

**(a) Aaron Colleran – General Manager and Company Secretary**

Originally an exploration geologist, Mr Colleran has worked in the investment banking industry for the last 15 years. Most recently he has provided M&A and strategic advisory services to junior and mid-tier mining companies.

**(b) Ross Jenkins – General Manager Project Optimisation**

Mr Jenkins has 37 years experience in the mining industry, initially as a metallurgist then in operations management, finally in project management. Mr Jenkins worked in

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the gold and uranium yellowcake industries in South Africa, USA, Russia, China and Australia, in copper in Peru, Chile and Australia. In the period 1997-2008, he directed engineering, procurement and construction for three gold projects in China for Sino Gold Mining Limited.

**(c) Charles Wang – Commercial Manager**

Mr Wang has over 15 years of experience working in finance and commercial fields in China and Australia. Most recently worked for Sino Gold Mining Limited as Deputy General Manager at a gold-processing plant in Shandong, China, in charge of concentrates importation and public relations.

**(d) David Hewitt – Senior Exploration Manager**

Mr Hewitt is a geologist with 28 years experience in mineral exploration throughout Australia, with extensive Queensland exploration experience focusing on epithermal, breccia and porphyry gold mineralisation.

**1.6 Competent Person Statement**

Information in this Bidder's Statement that relates to Conquest Mining exploration results, Mineral Resources and Ore Reserves is based on and accurately reflects information compiled by Mr Martin Male, BSc (Hons), MAIG who is an 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 Bidder's Statement of the matters based on his information in the form and context in which it appears.

**1.7 Corporate governance**

Conquest Mining is committed to high standards of corporate governance. Policies and procedures which follow the second edition "Corporate Governance Principles and Recommendations" issued by the ASX Corporate Governance Council, to the extent they are applicable to the company, have been adopted. Details on Conquest Mining's corporate governance policies and procedures can be obtained from its website:

[www.conquestmining.com.au](http://www.conquestmining.com.au).

## 2. Information on Conquest Mining securities

### 2.1 Capital structure

As at the date of this Bidder's Statement, Conquest Mining has the following securities on issue:

Class of security	Exercise Price	Expiry Date	Total
Conquest Mining Shares (quoted on ASX)	N/A	N/A	353,151,103
<del>Conquest Mining Options (unquoted)</del>	<del>\$0.50</del>	<del>22 June 2010</del>	<del>400,000</del>
Conquest Mining Options (unquoted)	\$0.60	22 June 2011	400,000
Conquest Mining Options (unquoted)	\$0.93	26 February 2013	2,000,000
Conquest Mining Options (unquoted)	\$0.28	1 June 2015	16,000,000
Conquest Mining Options (unquoted)	\$0.32	1 June 2016	16,000,000
Conquest Mining Options (unquoted)	\$0.38	1 June 2015	4,050,000

The Conquest Mining Options expiring on ~~22 June 2010 and~~ 22 June 2011 were issued to Conquest Mining employees on the terms outlined in section 2.7(a) below.

The Conquest Mining Options expiring on 26 February 2013 were issued to Southern Cross Equities Limited in part consideration for Southern Cross Equities Limited arranging a capital raising. The issue was approved by shareholders at the 2009 Conquest Mining annual general meeting. These Conquest Mining Options are currently exercisable.

The Conquest Mining Options expiring on 1 June 2015 and 1 June 2016 were issued to certain Conquest Mining employees and directors following shareholder approval at a Conquest Mining extraordinary general meeting on 12 May 2010. See section 2.7(b) below.

Each Conquest Mining Option confers on its holder a right to subscribe for one Conquest Mining Share.

### 2.2 Top 20 shareholders

As at [25](#) June 2010, the top 20 registered holders of Conquest Mining Shares are as follows.



Rank	Shareholder	Number of securities	Percentage of issued share capital
1	ST IVES GOLD MINING COMPANY	50,754,817	14.4%
2	HSBC CUSTODY NOMINEES	<del>32,955,034</del> <u>32,975,137</u>	9.3%
3	JJ HOLDINGS (VIC) PTY LTD	<del>20,375,098</del> <u>20,965,098</u>	<del>5.8</del> <u>5.9</u> %
4	LUJETA PTY LTD	<del>19,000,000</del> <u>19,667,353</u>	<del>5.4</del> <u>5.6</u> %
5	HSBC CUSTODY NOMINEES	<del>9,993,954</del> <u>9,993,954</u> <u>3,025</u>	2.8%
6	CROFTHILL PTY LTD	8,300,000	2.4%
7	ANZ NOMINEES LIMITED	<del>7,471,640</del> <u>7,471,640</u> <u>7,938,045</u>	<del>2.1</del> <u>2.2</u> %
<del>8</del>	<del>CITICORP NOMINEES PTY LIMITED</del>	<del>5,180,246</del>	<del>1.5</del> %
<del>9</del> <u>98</u>	<del>J P MORGAN NOMINEES- AUSTRALIA</del> <u>SADARAJAK PTY LTD</u>	<del>5,069,164</del> <u>5,069,164</u> <u>5,031,141</u>	1.4%
<del>10</del> <u>109</u>	K and J GOORJIAN	5,000,000	1.4%
<del>11</del> <u>110</u>	VALLEYROSE PTY LTD	4,410,031	1.2%
<del>12</del> <u>121</u>	<del>SADARAJAK</del> <u>CITICORP NOMINEES</u> PTY LTD	<del>4,231,144</del> <u>4,231,144</u> <u>4,273,470</u>	1.2%
<del>13</del> <u>12</u>	<u>J P MORGAN NOMINEES</u>	<u>3,559,702</u>	<u>1.0</u> %
<del>14</del> <u>13</u>	<u>ARODAM PTY LTD</u>	<u>3,081,000</u>	<u>0.9</u> %
<del>15</del> <u>14</u>	VIBRAYE HOLDINGS PTY LTD	2,995,000	0.8%
<del>16</del> <u>15</u>	CRYSTAL TRIANGLE PTY LTD	2,585,000	0.7%
<del>17</del> <u>16</u>	MR PHILIP RUSSELL HARRIS	2,394,900	0.7%
<del>18</del> <u>17</u>	MERRILL LYNCH (AUSTRALIA)	2,070,000	0.6%
<del>19</del> <u>18</u>	SPARTA NOMINEES PTY LTD	2,000,000	0.6%
<del>20</del> <u>18</u>	<del>ARODAM PTY LTD</del>	<del>1,926,000</del>	<del>0.5</del> %
19	NATIONAL NOMINEES LIMITED	<del>1,695,392</del> <u>1,695,392</u> <u>1,780,286</u>	0.5%
20	R & S FOUNDATION PTY LTD	1,532,290	0.4%
	<b>TOTAL</b>	<del>189,939,704</del> <u>189,939,704</u> <u>91,293,906</u>	<del>53.8</del> <u>54.2</u> %

### 2.3 Substantial shareholders

Based on information lodged with ASX or known to Conquest Mining, as at ~~10~~28 June 2010 the substantial shareholders of Conquest Mining are as follows.

Substantial Shareholder	Number of securities	Percentage of issued share capital
Gold Fields Ltd (and associated entities)	51,783,388	14.66%
JJ Holdings (Vic) Pty Ltd	<del>20,500,098</del> <u>20,965,098</u>	<del>5.77</del> <u>5.94</u> %
The Capital Group Companies, Inc	20,000,000	5.66%
Lujeta Pty Ltd	<del>18,000,000</del> <u>19,667,353</u>	<del>5.10</del> <u>5.57</u> %

## 2.4 Recent share price performance

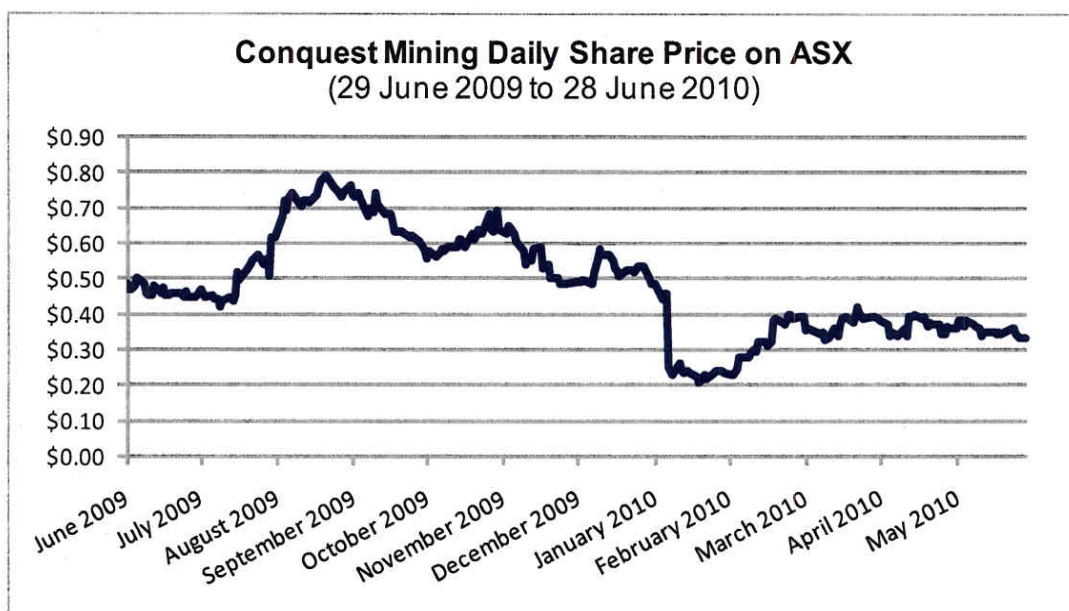
The last recorded sale price of Conquest Mining Shares on ASX on ~~10~~ 28 June 2010, being the trading day prior to the date of this Bidder's Statement, was ~~\$0.34~~ \$0.33.

The last recorded sale price of Conquest Mining Shares on ASX on 2 June 2010, being the date before the Announcement Date, was \$0.38.

During the 3 months ended ~~10~~ 28 June 2010 (being the trading day prior to the date of this Bidder's Statement):

- (a) the highest recorded sale price for Conquest Mining Shares on ASX was \$0.43 on 22 April 2010; and
- (b) the lowest recorded sale price for Conquest Mining Shares on ASX was ~~\$0.29~~ \$0.31 on ~~11 March~~ 5 and 7 May 2010.

The closing prices of Conquest Mining Shares on ASX over the 12 months prior to the date of this Bidder's Statement are shown in the chart below.



None of the above share prices should be taken as a forecast that Conquest Mining Shares will trade at any particular price.

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## **2.5 Dividend history**

Conquest Mining has not paid any dividends on Conquest Mining Shares since its date of incorporation on 30 April 1987.

## **2.6 Shareholding interests of Conquest Mining's directors**

As at the date of this Bidder's Statement, the directors of Conquest Mining have the following relevant interests in Conquest Mining Shares and Conquest Mining Options.

Name of director	Conquest Mining Shares	Conquest Mining Options
J Klein	1,000,000	27,000,000
J Askew	Nil	2,500,000
N Curtis	Nil	2,500,000
R Krasnoff	998,388	Nil
D Stewart	67,194	Nil
P Marks	<del>20,500,098</del> 20,965,098	Nil

## 2.7 Options granted to Conquest Mining employees and directors

### (a) Options granted before 2010

On 23 June 2006, Conquest Mining entered into employment agreements with Mr Paul ~~Sazabe~~Szabo and Mr Martin Male pursuant to which, as part of their remuneration package, Mr ~~Sazabe~~Szabo and Mr Male would receive 600,000 Conquest Mining Options each to be issued in three tranches. Those options were issued as follows:

Tranche	Employee	Issue date	Options issued	Exercise price	Expiry
Tranche 1*	M Male	22/06/07	200,000	\$0.20	22/06/09
	P <del>Sazabe</del> Szabo	22/06/07	200,000	\$0.20	22/06/09
Tranche 2*	M Male	22/06/08	200,000	\$0.50	22/06/10
	P <del>Sazabe</del> Szabo	22/06/08	200,000	\$0.50	22/06/10
Tranche 3	M Male	22/06/09	200,000	\$0.60	22/06/11
	P <del>Sazabe</del> Szabo	22/06/09	200,000	\$0.60	22/06/11

\* Expired

The ~~800,000~~400,000 Conquest Mining Options which remain on issue are not subject to any vesting conditions and are currently exercisable.

### (b) Options granted in 2010

At an Extraordinary General Meeting held on 12 May 2010 ("**EGM**"), Conquest Mining Shareholders approved the establishment of a Directors and Employees Share Option Plan (the "**Option Plan**").

The notice of EGM, which was released to the ASX on 7 April 2010, contained a detailed summary of the Option Plan. In brief, the key terms of the Option Plan are as follows.

- 
- The Option Plan is open to any person who is a full-time or part-time employee or director of Conquest Mining or a related body corporate of Conquest Mining ("**Eligible Persons**").
  - The board of Conquest Mining has broad discretions under the Option Plan, including as to:
    - identifying Eligible Persons to whom an offer is to be made to participate in, and to be granted Conquest Mining Options under, the Option Plan;
    - the timing of making such an offer;
    - the terms of issue of Conquest Mining Options (such as vesting conditions); and
    - the periods during which Conquest Mining Options may be exercised, provided that Conquest Mining Options may not be granted to a director unless shareholder approval is given under the ASX Listing Rules.
  - Conquest Mining Options are issued to Conquest Mining Option Share Trust, being the trustee of an "**Option Plan Trust**", which will hold the options for the benefit of the relevant Eligible Person (a "**Beneficiary**"). The issue of Conquest Mining Options will involve:
    - Conquest Mining making a contribution to the Option Plan Trust equal to the value of the Conquest Mining Options, and those funds are applied by the trustee of the Option Plan Trust in subscribing for the Conquest Mining Options; and
    - the Option Plan Trust providing the Beneficiary with a non-recourse interest free loan – equivalent to the value of the Conquest Mining Options – in order to enable the Beneficiary to subscribe for units in the trust.
  - After any applicable vesting period in respect of the Conquest Mining Options, the Beneficiary can direct the Option Plan trustee to exercise the options. The exercise price may be funded by Conquest Mining making an advance to the trustee of the Option Plan Trust. If Conquest Mining does provide such an advance, the resulting Conquest Mining Shares will be retained in the Option Plan Trust pending repayment of all loaned funds by the Beneficiary to Conquest Mining over time through a salary sacrifice mechanism or upon the realisation of the sale of the Conquest Mining Shares, or otherwise.

On [21](#) June 2010, Conquest Mining issued Conquest Mining Options under the Option Plan for the benefit of certain employees and directors.

**(i) Options granted to directors**

The terms upon which Conquest Mining Options were issued on [21](#) June 2010 to certain directors were set out in the notice of EGM dated 12 May 2010, which was released to the ASX. At the EGM held on 12 May 2010, Conquest Mining

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Shareholders approved the issue of these Conquest Mining Options. Details of these Conquest Mining Options are summarised below.

Tranche	Director beneficiary	Options issued	Issue date	Exercise price	Any vesting conditions?	Expiry
Tranche 1	J Klein	13,500,000	<del>02</del> 01/06/10	\$0.28	Yes (see below)	01/06/15
	N Curtis	1,250,000	<del>02</del> 01/06/10	\$0.28	No	01/06/15
	J Askew	1,250,000	<del>02</del> 01/06/10	\$0.28	No	01/06/15
Tranche 2	J Klein	13,500,000	<del>02</del> 01/06/10	\$0.32	Yes (see below)	01/06/16
	N Curtis	1,250,000	<del>02</del> 01/06/10	\$0.32	No	01/06/16
	J Askew	1,250,000	<del>02</del> 01/06/10	\$0.32	No	01/06/16

The Conquest Mining Options issued for the benefit of Mr Klein are only exercisable upon the satisfaction of performance thresholds as follows.

- **(Tranche 1 options)** On 8 March in any given year after the grant of the Conquest Mining Options until (but including) 8 March 2015, the Tranche 1 options will vest if, and only if:
  - they have not already vested; and
  - the "**Total Shareholder Return**" of Conquest Mining (ie. share price growth plus all other returns or payments to Conquest Mining Shareholders, including dividends) in the 12 months to that date, when measured by an independent third party against a set of comparable gold-sector companies ("**Comparable Companies**"), is greater than the median Total Shareholder Return for those Comparable Companies.
- **(Tranche 2 options)** On 8 March in any given year following the grant of the Conquest Mining Options until (but including) 8 March 2016, the Tranche 2 options will vest if, and only if:
  - they have not already vested;
  - the Tranche 1 options vested at least 12 months prior to that date; and
  - the Total Shareholder Return of Conquest Mining in the 12 months to that date, when measured by an independent third party against Comparable Companies, is greater than the median Total Shareholder Return for those Comparable Companies.

As a condition of their appointment as Conquest Mining directors, Conquest Mining agreed with each of Mr Klein, Mr Curtis and Mr Askew that in the event of a future issue of Conquest Mining Shares (other than an issue in lieu or in satisfaction of dividends, by way of dividend reinvestment, or upon the exercise of any Conquest Mining Options) ("**Share Issue**"), subject to all necessary regulatory approvals, a number of additional Conquest Mining Options are to be granted for the benefit of each of the 3 directors (at an exercise price 15% above the issue price for the relevant Share Issue), such that the total number of Conquest Mining Shares issuable on the

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exercise of all Conquest Mining Options held for the benefit of each of the 3 directors, when expressed as a percentage of the total Conquest Mining Shares on issue, is the same both before and after the Share Issue ("**Additional Options**").

Any Additional Options granted to a director will be granted on the same terms and conditions as the Tranche 2 options held by the director, except that the exercise price will be 15% higher [than the issue price for the relevant Share Issue](#).

The grant of any Additional Options is subject to the approval of Conquest Mining Shareholders under the ASX Listing Rules and the receipt of any other necessary regulatory approvals. Either before or as soon as practicable after completion of a Share Issue, Conquest Mining will be obliged to seek those approvals. In the case of Mr Klein, if those approvals are not obtained or the Additional Options are not granted for any reason, Mr Klein's executive services contract will terminate and the existing Conquest Mining Options held for the benefit of Mr Klein will vest immediately to the extent they have not already vested.

The issue of Conquest Mining Shares under the Offer will constitute a Share Issue. Accordingly, Conquest Mining will seek shareholder approval for the grant of Additional Options to Mr Klein, Mr Curtis and Mr Askew as a result of such Share Issue. [For the purposes of determining the exercise price for those Additional Options, the "issue price" of Conquest Mining Shares issued under the Offer will be the volume-weighted average price of Conquest Mining Shares on the ASX on the relevant day the Conquest Mining Shares are issued.](#)

**(ii) Options granted to employees**

On ~~2~~<sup>1</sup> June 2010, Conquest Mining also issued Conquest Mining Options under the Option Plan for the benefit of certain employees. A total of 4,050,000 Conquest Mining Options were issued to employees, each having an exercise price of \$0.38 and expiring on 1 June 2015. The Conquest Mining Options are subject to vesting conditions substantially the same as those applying to the Tranche 1 options granted to Mr Klein (discussed in sub-paragraph (i) above).

## **2.8 Rights and liabilities attaching to Conquest Mining Shares**

The Conquest Mining Shares issued under the Offer will be issued fully paid and will rank equally for dividends and other rights in all respects with existing Conquest Mining Shares from the date of issue.

Conquest Mining will apply for the Conquest Mining Shares to be issued under the Offer to be quoted on the ASX within seven days after the date of this Bidder's Statement. Quotation of these Conquest Mining Shares will not be automatic but will depend on the ASX exercising its discretion. However, as Conquest Mining is already admitted to the official list of the ASX and Conquest Mining Shares in the same class as to those to be issued under the Offer are already quoted, Conquest Mining believes quotation of the shares will be granted. In accordance with the Corporations Act, the quotation of the Conquest Mining Shares to be issued under the Offer is a condition to the Offer under section 11.14.

Since the Conquest Mining Shares issued as consideration under the Offer will be issued credited as fully paid, no monetary liability attaches to them.



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The rights and restrictions attaching to Conquest Mining Shares are set out in Conquest Mining's constitution and, in certain circumstances, are regulated by the Corporations Act, ASX Listing Rules, ASTC Settlement Rules and general law. Under section 140(1) of the Corporations Act, the constitution of Conquest Mining has effect as a contract between Conquest Mining and each member and between a member of Conquest Mining and each other member. Accordingly, if you accept the Offer and are issued Conquest Mining Shares you will, as a result, become liable to comply with the constitution of Conquest Mining.

The following is a summary of the principal rights attaching to Conquest Mining Shares. It does not purport to be exhaustive or to constitute a definitive statement of the rights and liabilities of shareholders of Conquest Mining. Shareholders should seek their own advice when trying to establish their rights in specific circumstances.

**(a) Voting rights**

Subject to any rights or restrictions for the time being attached to any class of Conquest Mining shares, at meetings of Conquest Mining shareholders or classes of shareholders:

- (i) each Conquest Mining Shareholder who is entitled to vote may vote in person or by proxy, attorney or representative;
- (ii) on a show of hands, every person present who is a Conquest Mining Shareholder or a proxy, attorney or representative of a Conquest Mining Shareholder has one vote; and
- (iii) on a poll, every person present who is a Conquest Mining Shareholder or a proxy, attorney or representative of a shareholder shall, in respect of each fully paid Conquest Mining Share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for the Conquest Mining Share.

**(b) Dividends**

The directors of Conquest Mining may from time to time declare a dividend to be paid to the Conquest Mining shareholders entitled to the dividend. Subject to any differentiation between shareholders made by the directors in respect of the amount and timing of payment of calls and subject to the rights of any preference shareholders and to the rights of the holders of any shares created or raised under any special arrangement as to dividend, the dividend as declared shall be payable on all Conquest Mining shares according to the proportion that the amount paid (not credited) is of the total amounts paid and payable (excluding amounts credited) in respect of such shares in accordance with Part 2H.5 of Chapter 2H of the Corporations Act.

**(c) Minimum Shareholding**

Where a Conquest Mining Shareholder holds less than a "marketable parcel" of Conquest Mining Shares (within the meaning of the ASX Listing Rules), those shares may be sold by Conquest Mining and the sale proceeds provided to the Conquest Mining Shareholder.

**(d) Transfer of shares**

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Subject to Conquest Mining's Constitution, the Corporations Act, the ASX Listing Rules and the ASTC Settlement Rules, Conquest Mining Shares are freely transferable.

**(e) Winding up**

If Conquest Mining is wound up, the liquidator may, with the authority of a special resolution, divide among the Conquest Mining shareholders in kind the whole or any part of the property of Conquest Mining, and may for that purpose set a value as the liquidator considers fair upon any property to be so decided, and may determine how the division is to be carried out as between the shareholders or different classes of shareholders.

The liquidator may, with the authority of a special resolution, vest the whole or any part of any property in trustees upon such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no shareholder is compelled to accept any shares or other securities in respect of which there is any liability.

**(f) Issue of further shares**

Without prejudice to any special rights previously conferred on the holders of any existing Conquest Mining shares, unissued Conquest Mining shares shall be under the control of the Conquest Mining directors and, subject to the Corporations Act, the ASX Listing Rules and the Constitution, the directors may at any time issue such number of Conquest Mining shares either as ordinary shares or shares of a named class or classes (being either an existing class or a new class) and with such preferred, deferred, or other special rights or such restrictions, whether with regard to dividend, return of capital or otherwise, as the directors shall, in their absolute discretion, determine.

**(g) Variation of rights**

If at any time the share capital of the Conquest Mining is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may be varied, whether or not Conquest Mining is being wound up, with the consent in writing of the holders of three quarters of the issued shares of that class, or if authorised by a special resolution passed at a separate meeting of the holders of the shares of the class. Any variation of rights shall be subject to Part 2F.2 of Chapter 2F of the Corporations Act. The provisions of Conquest Mining's constitution relating to general meetings shall apply so far as they are capable of application and with necessary alterations to every such separate meeting except that a quorum is constituted by two persons who together hold or represent by proxy one third of the issued shares of the class.

**(h) Directors**

Conquest Mining must at all times have at least 3 directors. The number of directors must not exceed 9. Conquest Mining may, by ordinary resolution of shareholders, increase or reduce the number of directors and may also determine in what rotation the increased or reduced number is to go out of office.

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### **3. Profile of North Queensland Metals**

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#### **3.1 Disclaimer**

The information in this section 3 concerning North Queensland Metals has been prepared based on a review of publicly available information and a due diligence investigation conducted by Conquest Mining which involved reviewing certain non-public information about North Queensland Metals provided by North Queensland Metals (see section 3.7 in respect of this due diligence investigation). None of that information has been independently verified by Conquest Mining. Accordingly, Conquest Mining does not, subject to the Corporations Act, make any representation or warranty, express or implied, as to the accuracy or completeness of such information.

Further information relating to North Queensland Metals may be included in its Target's Statement in relation to the Offer, which will be sent to you directly by North Queensland Metals.

#### **3.2 Overview**

North Queensland Metals is an Australian-based and ASX-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.

In addition to its gold operation, North Queensland Metals 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.

#### **3.3 Principal assets and activities**

##### **Pajingo Gold Mine**

The Pajingo gold mine is located 53km south of Charters Towers and approximately 130km west of Conquest Mining's Mt Carlton project.

The Pajingo field was discovered by Battle Mountain Gold Company in 1983 with first gold production in 1986. The mine was operated as a joint venture between Battle Mountain Gold Company and Normandy Mining Limited between 1991 and 1996 until Normandy Mining Limited acquired full ownership in 1996. Newmont Mining Corporation acquired 100% of the project in February 2002 at the completion of its merger with Normandy Mining Limited. North Queensland Metals purchased a 60% interest in the Pajingo gold mine along with Heemskirk Consolidated Limited (40%) from Newmont Mining Corporation in December 2007.

The Pajingo field deposits are structurally controlled with several different orientations, however most of the mineralisation is located within the northwest trending Vera-Nancy structural corridor. The epithermal gold mineralisation is located within quartz veins hosted by proximal andesitic volcanic rocks. The veins occur as discrete steeply plunging ore shoots with short strike lengths developed in dilational positions within the Vera-Nancy structural corridor. The fault geometry and the interplay of crosscutting and/or splay faults control these sites. They occur over a strike length of 3.0km and the main structure can be confidently interpreted over a strike length of 6.0 kilometres. The mineralised lodes are generally narrow (1 to 10 m) and extend vertically to approximately 600 meters below surface.

North Queensland Metals last reported the Ore Reserve and Mineral Resource estimates for Pajingo as at 31 March 2009, which can be summarised as:<sup>78</sup>

- Underground Ore Reserves: 314,700t @ 6.9g/t for 69,600oz
- Open Pit Ore Reserves: 223,600t @ 3.6g/t for 25,800oz
- Underground Mineral Resources: 986,400t @ 8.8g/t for 278,400oz
- Open Pit Mineral Resources: 350,400t @ 3.7g/t for 41,800oz

The Ore Reserves and Mineral Resources are reported on a 100% basis (i.e. only 60% is attributable to North Queensland Metals). Note also that Mineral Resources are additional to Ore Reserves.

Ore is currently mined by underground methods, namely long-hole open-bench stoping, with ore hauled to surface via a decline. The Pajingo ore is processed at a nearby CIP (carbon-in-pulp) plant at a current rate of 300,000tpa to produce gold doré on site.

Recent production results are summarised in the following table.

Pajingo Production (100%)	Quarter ending			
	31 Mar 10	31 Dec 09	30 Sep 09	30 Jun 09
Mine Production (t)	64,339	73,894	91,588	71,681
Mine Grade (g/t)	6.4	6.9	4.8	4.9
Mill Production (dry t)	71,220	72,396	89,813	79,552
Mill Grade (t)	6.6	6.1	4.9	4.4
Recovery (%)	96.9	95.9	95.7	95.0
Gold Produced (oz)	14,622	13,503	13,540	10,801
Silver Produced (oz)	21,703	26,724	18,421	13,191
Cash Cost \$/oz Au	700	741	705	853
Total Cost \$/oz Au	953	985	902	1,141

Note: North Queensland Metals' equity interest in the above production is 60%

North Queensland Metals has recently approved development of the Janet A open pit which is located within 1km of the processing plant. The pit is designed to extract 118,000t @ 2.75g/t for 10,400oz gold. This is the first of a series of pits of similar size that will be sequenced to provide approximately 100,000tpa (i.e. 10,000ozpa) of additional ore to the mill.

### Twin Hills Project

Twin Hills is also owned 60% by North Queensland Metals and 40% by Heemskirk Consolidated Limited. North Queensland Metals and Heemskirk Consolidated Limited acquired the Twin Hills project for \$1.75 million from Gold One International Limited, whose predecessor company, BMA Gold Limited, had unsuccessfully tried underground mining the deposit and trucking high grade ore to a mill at Rishton east of Charters Towers.

<sup>78</sup> Information relating to Pajingo Ore Reserves and Mineral Resources is taken from the North Queensland Metals 2009 Annual Report.

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North Queensland Metals is planning to redevelop the Twin Hills mine as a satellite operation to Pajingo. It is located 190km, by road, south of Pajingo. The development of Twin Hills is being driven by the latent capacity in the Pajingo mill.

North Queensland Metals has defined the following Mineral Resources at Twin Hills<sup>89</sup>:

- 309 Deposit: ~~2.724~~1.882Mt @ ~~2.82~~2.6g/t Au ~~and 3.3g/t Ag~~ for ~~242,000~~157,000oz Au ~~and 288,000oz Ag~~
- Lone Sister: 1.02Mt @ 3.7g/t Au and 5.3g/t Ag for 120,000oz Au and 174,000oz Ag

North Queensland Metals has defined the following Ore Reserves at Twin Hills<sup>89</sup>:

- 309 Deposit: ~~1.687~~0.842Mt @ ~~2.13~~1.4g/t Au and ~~3.65~~0g/t Ag for ~~117,000~~92,000oz Au and ~~196,000~~136,000oz Ag

The Mineral Resources and Ore Reserves are reported on a 100% basis (i.e. only 60% is attributable to North Queensland Metals).

The open pit is the base case for mining options at the 309 Deposit. A possible scenario involving a combination of open pit and underground mining is currently being evaluated. Subject to approvals, trial underground mining is planned to commence in the second half of the year to confirm metallurgical performance.

The mining optimisation study will evaluate a number of options to determine how the ore from Twin Hills best complements the Pajingo ore sources to boost the gold output from Pajingo to over 100,000oz per year. At this stage Lone Sister deposit will not be included in the optimisation study. Planning is working toward commencing underground development at Twin Hills in the second half of 2010.

### 3.4 Summary of financial information

#### (a) Basis of preparation of historical financial information

The historical financial information below relates to North Queensland Metals on a stand-alone basis and accordingly does not reflect any impact of the Offer. It is a summary only and does not contain all the disclosures usually provided in an annual report prepared in accordance with Australian accounting standards and the Corporations Act.

The full financial statements for North Queensland Metals for the full years ended 30 June 2008 and 30 June 2009, which include notes to the statements, can be found in the annual report for those periods.

The full financial statements for North Queensland Metals for the half-year ended 31 December 2009, which include notes to the statements, can be found in the half-yearly report for that period.

<sup>89</sup> Information relating to Twin Hills Mineral Resources and Ore Reserves is taken from the North Queensland Metals Quarterly Report for the period ended 31 March [2010 and Update announced on 24 June](#) 2010.

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**(b) Historical financial information**

<b>BALANCE SHEET</b>	<b>Auditor-Reviewed 31 December 2009</b>	<b>Audited 30 June 2009</b>	<b>Audited 30 June 2008</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	11,470,531	2,633,296	2,580,135
Trade and other receivables	2,346,626	1,792,100	2,704,588
Inventories	2,965,670	2,806,015	2,514,679
Held-for-sale assets	15,328,729	-	-
Deferred tax assets	1,687,272	2,470,910	33,950
<b>Total Current Assets</b>	<b>33,798,828</b>	<b>9,702,321</b>	<b>7,833,352</b>
<b>Non-Current Assets</b>			
Cash and cash equivalents	4,101,135	4,101,135	-
Property, plant and equipment	9,080,678	9,001,588	9,395,502
Mine development	6,665,816	5,908,570	4,500,041
Intangible assets	6,606,751	21,962,025	18,784,402
Deferred tax assets	1,898,656	748,003	2,206,638
Other non-current assets	82,878	71,438	36,925
<b>Total Non-Current Assets</b>	<b>28,435,914</b>	<b>41,792,759</b>	<b>34,923,508</b>
<b>Total Assets</b>	<b>62,234,742</b>	<b>51,495,080</b>	<b>42,756,860</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	3,774,112	3,944,494	2,993,572
Deferred tax liabilities	35,885	36,405	49,165
<b>Total Current Liabilities</b>	<b>3,809,997</b>	<b>3,980,899</b>	<b>3,042,737</b>
<b>Non-Current Liabilities</b>			
Deferred tax liabilities	6,595,232	5,800,922	3,059,570
Restoration provision	3,671,200	3,479,810	3,095,790
<b>Total Non-Current Liabilities</b>	<b>10,266,432</b>	<b>9,280,732</b>	<b>6,155,360</b>
<b>Total Liabilities</b>	<b>14,076,429</b>	<b>13,261,631</b>	<b>9,198,097</b>
<b>Net Assets</b>	<b>48,158,313</b>	<b>38,233,449</b>	<b>33,558,763</b>
<b>EQUITY</b>			
Contributed equity	43,926,553	33,562,735	33,124,213
Reserves	402,451	394,968	324,626
Retained earnings	3,829,309	4,275,746	109,924
<b>Total Equity</b>	<b>48,158,313</b>	<b>38,233,449</b>	<b>33,558,763</b>

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### 3.5 Directors of North Queensland Metals

As at the date of this Bidder's Statement, the directors of North Queensland Metals are:

- (a) **Neville Thomas**  
Chairman
- (b) **Mr Bruce Kay**  
Director
- (c) **Mr Michael Tilley**  
Director
- (d) **Mr Donald Walker**  
Director
- (e) **Mr Ian MacLeod-Carey**  
Alternate Director

### 3.6 Senior management of North Queensland Metals

The senior management team of North Queensland Metals as at the date of this Bidder's Statement is as follows.

- (a) **John McKinstry**  
Chief Executive Officer
- (b) **Kylie Anderson**  
Company Secretary
- (c) **Peter Brown**  
General Manager Project Development
- (d) **Tim Benfield**  
General Manager Pajingo

### 3.7 Due diligence investigations

Prior to the date of this Bidder's Statement, North Queensland Metals provided Conquest Mining with certain non-public information about North Queensland Metals, for the purpose of enabling Conquest Mining to conduct a limited due diligence investigation to evaluate the assets of North Queensland Metals relevant to a corporate combination of the two companies.

None of the non-public information provided by North Queensland Metals to Conquest Mining is, in Conquest Mining's opinion, material to a decision by a North Queensland Metals Shareholder whether or not to accept the Offer.

### 3.8 Publicly available information

North Queensland Metals is a company listed on the ASX and is subject to the periodic and continuous disclosure requirements of the Corporations Act and ASX Listing Rules. Copies of announcements made by North Queensland Metals to ASX are available on the ASX website:

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[www.asx.com.au](http://www.asx.com.au). Further information about North Queensland Metals can be obtained on its website: [www.nqm.com.au](http://www.nqm.com.au).



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## 4. Information about North Queensland Metals securities

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### 4.1 Disclaimer

The information in this section 4 concerning the securities of North Queensland Metals (other than sections 4.7 to 4.10) has been prepared based on a review of publicly available information and a due diligence investigation conducted by Conquest Mining which involved reviewing certain non-public information about North Queensland Metals provided by North Queensland Metals (see section 3.7 in respect of this due diligence investigation). None of that information has been independently verified by Conquest Mining. Accordingly, Conquest Mining does not, subject to the Corporations Act, make any representation or warranty, express or implied, as to the accuracy or completeness of such information.

Further information relating to Conquest Mining may be included in its Target's Statement in relation to the Offer, which will be sent to you directly by North Queensland Metals.

### 4.2 Capital structure

As at the date of this Bidder's Statement, North Queensland Metals has the following securities on issue.

Class of security	Exercise Price	Expiry Date	Total
North Queensland Metals Shares	N/A	N/A	199,621,272
North Queensland Metals Options	\$0.25	17 August 2010	750,000

Each North Queensland Metals Option confers on its holder a right to subscribe for one North Queensland Metals Share. See section 4.6 for further details on the North Queensland Metals Options.

### 4.3 Substantial shareholders

Based on information lodged with ASX or known to Conquest Mining, as at [4028](#) June 2010 the substantial shareholders of North Queensland Metals are as follows.

Substantial shareholder	Number of securities	Percentage of issued share capital
Mr Donald Walker	41,675,753	20.88%
Newmont Capital	15,135,135	7.58%
Acorn Capital Limited	10,050,000	5.03%

### 4.4 Recent share price performance

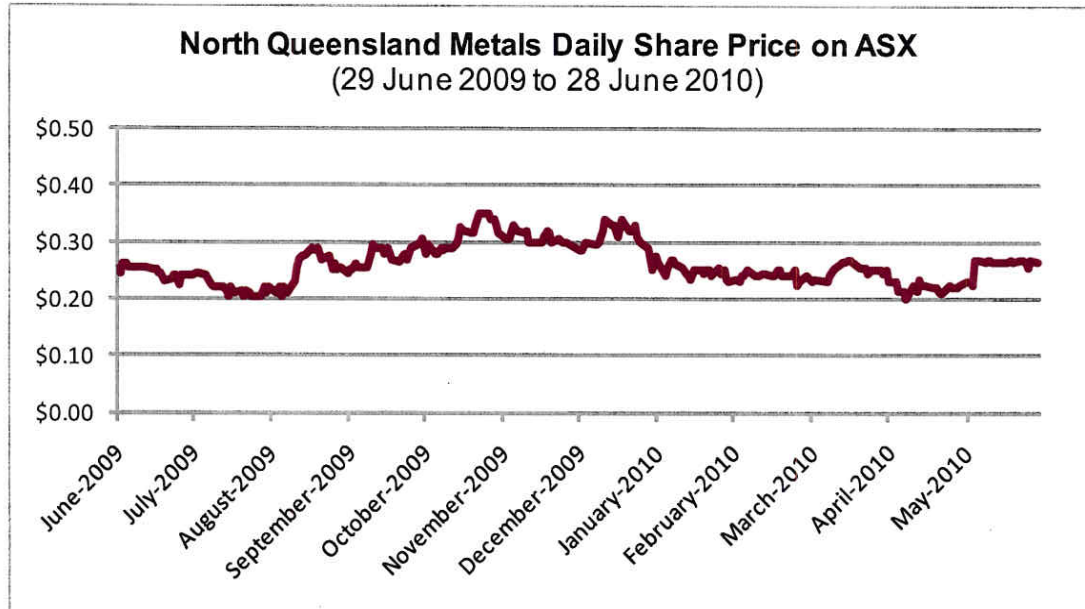
The last recorded sale price of North Queensland Metals Shares on ASX on [4028](#) June 2010, being the trading day prior to the date of this Bidder's Statement, was \$0.265.

The last recorded sale price of North Queensland Metals Shares on ASX on 2 June 2010, being the date before the Announcement Date, was \$0.225.

During the 3 months ended ~~4028~~ June 2010 (being the trading day prior to the date of this Bidder's Statement):

- (a) the highest recorded sale price for North Queensland Metals Shares on ASX was \$0.29 on 3 June 2010; and
- (b) the lowest recorded sale price for North Queensland Metals Shares on ASX was \$0.20 on 5 and 7 May 2010.

The closing prices of North Queensland Metals Mining Shares on ASX over the 12 months prior to the date of this Bidder's Statement are shown in the chart below.



#### 4.5 Dividend history

North Queensland Metals' dividend history over the last 3 full financial years is summarised below.

- 0.5 cent per share unfranked paid 15 April 2010.
- 0.8 cents per share unfranked paid 15 October 2009.
- 1.0 cents per share unfranked paid 15 April 2009.

A dividend reinvestment plan is in operation.

#### 4.6 Employee option plan

On 31 August 2006 the North Queensland Metals board adopted an Employee Share Option Plan and issued North Queensland Metals Options as disclosed in the table below:

	Grant Date	No. options granted	Exercise price	Expiry
B Kay	31/08/06	500,000	\$0.01	31 August 2011
J D McKinstry	31/08/06	1,000,000	\$0.01	31 August 2011
P A Brown	13/08/07	750,000	\$0.25	17 August 2010

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All of the North Queensland Metals Options granted to B Kay and J D McKinstry have been exercised. None of the North Queensland Metals Options granted to P A Brown have been exercised, though all such options have vested.

#### **4.7 Interests of Conquest Mining and its directors in North Queensland Metals securities**

##### **(a) Interests of Conquest Mining**

As at the date of this Bidder's Statement:

- (i) Conquest Mining's voting power in North Queensland Metals was 19.9% (by reason of the Pre-Bid Acceptance Agreement described in section 4.8);
- (ii) Conquest Mining had a relevant interest in 39,724,630 North Queensland Metals Shares (by reason of the Pre-Bid Acceptance Agreement described in section 4.8); and
- (iii) Conquest Mining did not have a relevant interest in any North Queensland Metals Options.

##### **(b) Interests of Conquest Mining's directors**

As at the date of this Bidder's Statement, none of the directors of Conquest Mining have a relevant interest in any North Queensland Metals Shares or North Queensland Metals Options.

#### **4.8 Dealings by Conquest Mining in North Queensland Metals securities**

Except as referred to below, neither Conquest Mining nor any of its associates has provided (or agreed to provide) consideration for a North Queensland Metals Share under a purchase or agreement to purchase during the four months before the date of this Bidder's Statement.

On 2 June 2010, Conquest Mining and Donald Robin Walker (a major North Queensland Metals shareholder) entered into a Pre-Bid Acceptance Agreement. Under that agreement, Mr Walker agreed that he would accept the Offer in respect of 39,724,630 of his North Queensland Metals Shares (representing 19.9% of all the North Queensland Metals Shares) within 5 business days after the commencement of the Offer. The obligation to accept will cease to be enforceable if, generally speaking, Conquest Mining does not match a higher competing takeover bid for North Queensland Metals. The consideration given by Conquest Mining to Mr Walker in exchange for the obligation to accept was a cash amount of \$10.

A copy of the Pre-Bid Acceptance Agreement has been released to the ASX.

#### **4.9 No collateral benefits**

Neither Conquest Mining nor any of its associates has in the four months before the date of this Bidder's Statement, given, offered to give or agreed to give a benefit which is not offered to all North Queensland Metals Shareholders under the Offer to another person which was likely to induce the other person (or an associate) to accept the Offer or dispose of North Queensland Metals Shares.

#### **4.10 No escalation agreements**

Neither Conquest Mining nor any of its associates has entered into any escalation agreement that is prohibited by section 622 of the Corporations Act.

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## 5. Profile of the Combined Group and effect of the Offer

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### 5.1 Introduction

This section 5 provides a profile of the Combined Group and the effect of the Offer on Conquest Mining, assuming that North Queensland Metals becomes a wholly-owned subsidiary of Conquest Mining. If Conquest Mining does not acquire at least 90% of the North Queensland Metals Shares during the Offer Period and therefore does not become entitled to compulsorily acquire the remainder, but the Offer nonetheless is declared unconditional, some of the benefits that would otherwise accrue to Conquest Mining if North Queensland Metals were to become a wholly-owned subsidiary of Conquest Mining may not be fully realised.

### 5.2 Overview of Combined Group

The Combined Group would have one production asset, a development project and a portfolio of exploration projects across a large landholding in north Queensland.

- Pajingo – steady gold production of approximately 36,000ozpa (attributable) with potential to increase through development of open pits and Twin Hills deposits.
- Mt Carlton – development decision expected in the December quarter of 2010. Project scale is expected to be in the order of 800,000tpa throughput to produce approximately 105,000 ounces per annum gold equivalent in concentrate from the V2 open pit. Mt Carlton will be the major asset of the Combined Group.
- Exploration tenements covering over 3,000km<sup>2</sup> containing grass roots through to advanced exploration targets.
- Available cash of approximately \$50.6 million.<sup>910</sup>
- No debt.
- No hedging.

It is currently intended that the Combined Group would have its head office in Sydney and operational offices in Brisbane and Townsville.

### 5.3 Potential synergies and other benefits

The Mt Carlton project and Pajingo gold mine are not sufficiently proximal to offer material operational synergies. The increased scale of the Combined Group in north Queensland is nonetheless expected to be beneficial to attracting and retaining high-quality employees and in developing business relationships with local equipment and services providers.

### 5.4 Reserve and resource information

The information below reflects the current attributable Mineral Resource information as released to the ASX by each company.

<b>Combined Mineral Resources</b>
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<sup>910</sup> Calculation based on the aggregate of Conquest Mining cash at bank as at 20 May 2010 of \$57 million and North Queensland Metals available cash at bank as at 31 March 2010 of \$13.6 million, less the Offer cash component of \$20 million assuming that Conquest Mining acquires 100% of North Queensland Metals.

	Tonnes	Grade g/t Au	Grade g/t Ag	Grade % Cu	Gold Ounces	Silver Ounces	Copper Tonnes
<b>Conquest Mining</b>							
<b>Silver Hill</b>	<b>25,700,000</b>	<b>1.7</b>	<b>44</b>	<b>0.28</b>	<b>1,405,000</b>	<b>36,356,000</b>	<b>71,960</b>
<u>Measured Resources</u>	<u>11,100,000</u>	<u>1.72</u>	<u>70</u>	<u>0.32</u>	<u>610,000</u>	<u>24,764,000</u>	<u>35,600</u>
<u>Indicated Resources</u>	<u>13,200,000</u>	<u>1.60</u>	<u>25</u>	<u>0.25</u>	<u>679,000</u>	<u>10,474,000</u>	<u>32,700</u>
<u>Inferred Resources</u>	<u>1,500,000</u>	<u>1.67</u>	<u>30</u>	<u>0.20</u>	<u>79,000</u>	<u>1,417,000</u>	<u>2,900</u>
<b>Subtotal Silver Hill</b>	<b>25,700,000</b>	<b>1.65</b>	<b>44</b>	<b>0.28</b>	<b>1,368,000</b>	<b>36,655,000</b>	<b>71,200</b>
<b>Mt Carlton</b>							
<u>Measured Resources</u>	<u>0</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>Indicated Resources</u>	<u>0</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>Inferred Resources</u>	<u>966,000</u>	<u>1.35</u>	<u>38</u>	<u>0.345</u>	<u>42,000</u>	<u>1,090,000</u>	<u>3,400</u>
<b>Subtotal Mt Carlton</b>	<b>966,000</b>	<b>1.35</b>	<b>38</b>	<b>0.345</b>	<b>42,000</b>	<b>1,090,000</b>	<b>3,400</b>
<b>Western Lodes</b>							
<u>Measured Resources</u>	<u>0</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>Indicated Resources</u>	<u>0</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>Inferred Resources</u>	<u>558,000</u>	<u>1.49</u>	<u>120</u>	<u>-</u>	<u>26,700</u>	<u>2,100,000</u>	<u>0</u>
<b>Subtotal Western Lodes</b>	<b>558,000</b>	<b>1.49</b>	<b>120</b>	<b>-</b>	<b>26,700</b>	<b>2,100,000</b>	<b>0</b>
<b>Herbert Creek</b>							
<u>Measured Resources</u>	<u>0</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>Indicated Resources</u>	<u>0</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>Inferred Resources</u>	<u>351,000</u>	<u>2.17</u>	<u>4</u>	<u>-</u>	<u>24,500</u>	<u>47,000</u>	<u>0</u>
<b>Subtotal Herbert Creek</b>	<b>351,000</b>	<b>2.17</b>	<b>4</b>	<b>-</b>	<b>24,500</b>	<b>47,000</b>	<b>0</b>
<b>Subtotal</b>	<b>27,575,000</b>	<b>1.7</b>	<b>45</b>	<b>0.27</b>	<b>1,498,000</b>	<b>39,734,000</b>	<b>75,290</b>
					<b>1,461,200</b>	<b>39,892,000</b>	<b>74,600</b>
<b>North Queensland Metals</b>							
<b>Pajingo</b>							
<u>Measured Resources</u>	<u>0</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>Indicated Resources</u>	<u>48,600</u>	<u>10.0</u>	<u>-</u>	<u>-</u>	<u>15,600</u>	<u>0</u>	<u>0</u>
<u>Inferred Resources</u>	<u>753,480</u>	<u>7.3</u>	<u>-</u>	<u>-</u>	<u>176,520</u>	<u>0</u>	<u>0</u>
<b>Subtotal Pajingo</b>	<b>802,080</b>	<b>7.5</b>	<b>-</b>	<b>-</b>	<b>192,120</b>	<b>0</b>	<b>0</b>
<b>309 Deposit</b>							
<u>Measured Resources</u>	<u>0</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>Indicated Resources</u>	<u>639,600</u>	<u>2.0</u>	<u>-</u>	<u>-</u>	<u>40,800</u>	<u>0</u>	<u>0</u>
<u>Inferred Resources</u>	<u>489,600</u>	<u>3.4</u>	<u>-</u>	<u>-</u>	<u>53,400</u>	<u>0</u>	<u>0</u>
<b>Subtotal 309 Deposit</b>	<b>1,129,200</b>	<b>2.6</b>	<b>-</b>	<b>-</b>	<b>94,200</b>	<b>0</b>	<b>0</b>
<b>Lone Sister</b>							
<u>Measured Resources</u>	<u>324,000</u>	<u>4.1</u>	<u>6.1</u>	<u>-</u>	<u>42,600</u>	<u>63,000</u>	<u>0</u>
<u>Indicated Resources</u>	<u>168,000</u>	<u>3.4</u>	<u>5.0</u>	<u>-</u>	<u>18,600</u>	<u>27,000</u>	<u>0</u>
<u>Inferred Resources</u>	<u>120,000</u>	<u>2.8</u>	<u>3.6</u>	<u>-</u>	<u>10,800</u>	<u>13,800</u>	<u>0</u>
<b>Subtotal Lone Sister</b>	<b>612,000</b>	<b>3.7</b>	<b>5.3</b>	<b>-</b>	<b>72,000</b>	<b>104,400</b>	<b>0</b>
						<b>3,800</b>	
<b>Subtotal</b>	<b>3,048,480</b>	<b>4.24</b>	<b>2.81</b>	<b>-</b>	<b>409,320</b>	<b>277,200</b>	<b>0</b>
	<b>543,280</b>				<b>8,320</b>	<b>3,800</b>	
<b>TOTAL</b>	<b>30,623,480</b>	<b>1.9</b>	<b>41</b>	<b>0.24</b>	<b>1,907,320</b>	<b>40,011,200</b>	<b>75,290</b>
	<b>30,118,280</b>			<b>0.29</b>	<b>819,520</b>	<b>39,995,800</b>	<b>74,600</b>

Note: Rounding may introduce minor computational errors.

The information below reflects the current attributable Ore Reserve information as released to the ASX by each company.

Combined Ore Reserves							
	Tonnes	Grade g/t Au	Grade g/t Ag	Grade % Cu	Gold Ounces	Silver Ounces	Copper Tonnes
<b>Conquest Mining</b>							
<b>Area 39</b>							
<u>Proved Reserves</u>	<u>392,000</u>	<u>0.18</u>	<u>640</u>	<u>0.76</u>	<u>2,000</u>	<u>8,066,000</u>	<u>3,000</u>
<u>Probable Reserves</u>	<u>0</u>	<u>=</u>	<u>=</u>	<u>=</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Subtotal Area 39</b>	<b>392,000</b>	<b>0.18</b>	<b>640</b>	<b>0.76</b>	<b>2,000</b>	<b>8,066,000</b>	<b>3,000</b>
<b>V2</b>							
<u>Proved Reserves</u>	<u>4,004,000</u>	<u>3.44</u>	<u>42</u>	<u>0.47</u>	<u>443,000</u>	<u>5,407,000</u>	<u>18,800</u>
<u>Probable Reserves</u>	<u>2,985,000</u>	<u>3.08</u>	<u>26</u>	<u>0.29</u>	<u>295,588</u>	<u>2,495,219</u>	<u>8,700</u>
<b>Subtotal V2</b>	<b>6,988,000</b>	<b>3.29</b>	<b>35</b>	<b>0.39</b>	<b>738,588</b>	<b>7,902,219</b>	<b>27,500</b>
<b>Subtotal</b>	<b>7,380,000</b>	<b>3.12</b>	<b>67</b>	<b>0.41</b>	<b>740,588</b>	<b>15,919,219</b>	<b>30,200</b>
<b>North Queensland Metals</b>							
<b>Pajingo</b>							
<u>Proved Reserves</u>	<u>42,000</u>	<u>5.9</u>	<u>=</u>	<u>=</u>	<u>7,980</u>	<u>0</u>	<u>0</u>
<u>Probable Reserves</u>	<u>280,980</u>	<u>5.5</u>	<u>=</u>	<u>=</u>	<u>49,260</u>	<u>0</u>	<u>0</u>
<b>Subtotal Pajingo</b>	<b>322,980</b>	<b>5.5</b>	<b>-</b>	<b>-</b>	<b>57,240</b>	<b>-0</b>	<b>0</b>
<b>309 Deposit</b>	<b>1,012,200</b>	<b>2.4</b>	<b>3.6</b>	<b>-</b>	<b>70,200</b>	<b>117,600</b>	<b>0</b>
<u>Proved Reserves</u>	<u>0</u>	<u>=</u>	<u>=</u>	<u>=</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>Probable Reserves</u>	<u>505,200</u>	<u>3.4</u>	<u>5.0</u>	<u>=</u>	<u>55,200</u>	<u>81,600</u>	<u>0</u>
<b>Subtotal 309 Deposit</b>	<b>505,200</b>	<b>3.4</b>	<b>5.0</b>	<b>=</b>	<b>55,200</b>	<b>81,600</b>	<b>0</b>
<b>Subtotal</b>	<b>1,335,180</b> <b>28,180</b>	<b>2.9</b> <b>4.2</b>	<b>2.7</b> <b>3.1</b>	<b>-</b>	<b>127,440</b> <b>112,440</b>	<b>117,600</b> <b>81,600</b>	<b>0</b>
<b>TOTAL</b>	<b>8,715,180</b> <b>208,180</b>	<b>3.1</b> <b>3.2</b>	<b>57</b> <b>61</b>	<b>0.35</b> <b>0.37</b>	<b>868,028</b> <b>853,028</b>	<b>16,036,819</b> <b>16,000,819</b>	<b>30,200</b>

Note: Rounding may introduce minor computational errors.

More detailed information relating to Mineral Resources and Ore Reserves for the Mt Carlton project is set out in section 1.2. Information relating to North Queensland Metals' Ore Reserves and Mineral Resources is taken from the North Queensland Metals 2009 Annual Report and the Quarterly Report for the period ended 31 March [2010 and Update announced on 24 June](#) 2010.

## 5.5 Capital structure

Set out below is the current capital structure of Conquest Mining, and the immediate post-Offer capital structure if Conquest Mining is successful in acquiring 100% of the North Queensland Metals Shares. It is assumed that all of the North Queensland Metals Options are exercised during the Offer Period and that all the resulting North Queensland Metals Shares are accepted into the Offer.

	(1) Number of issued securities as at date of this Bidder's Statement	(2) Maximum number of securities to be issued under the Offer	(3) Number of issued securities immediately following completion of the Offer (i.e. (1) + (2))
<b>Conquest Mining Shares</b>	353,151,103	100,185,636	453,336,739
<b>Conquest Mining Options</b>	<del>38,850,000</del> <u>38,450,000</u>	Nil	<del>38,850,000</del> <u>38,450,000</u>
<b>Total</b>	<del>392,001,103</del> <u>391,601,103</u>	100,185,636	<del>492,186,739</del> <u>491,786,739</u>

If Conquest Mining is successful in acquiring 100% of the North Queensland Metals Shares:

- (a) the current Conquest Mining Shareholders will in aggregate own approximately 78% of the Conquest Mining Shares and the current North Queensland Metals Shareholders will in aggregate own approximately 22% of the Conquest Mining Shares; and
- (b) based on the current holdings of the known substantial shareholders of Conquest Mining Shares and North Queensland Metals Shares, the only substantial shareholder (i.e. greater than 5% interest) of Conquest Mining would be Gold Fields Ltd (and associated entities) with an 11.4% interest.

In addition, the issue of Conquest Mining Shares will trigger the requirement for Conquest Mining to seek shareholder approval to issue additional Conquest Mining Options to 3 of the Conquest Mining directors. See section 2.7(b)(ii).

## 5.6 Dividend policy

Conquest Mining has not, since the date of its incorporation, declared or paid any dividends on its shares and does not currently have a policy with respect to the payment of dividends. For the foreseeable future, Conquest Mining anticipates that it will retain future earnings and other cash resources for the operation and development of its business. The payment of dividends in the future will depend on earnings, if any, and Conquest Mining's financial condition and such other factors as the directors of Conquest Mining consider appropriate.

## 5.7 Pro forma financial information

To illustrate the financial impact of Conquest Mining acquiring 100% of North Queensland Metals, an unaudited pro forma balance sheet has been prepared, based on the auditor-reviewed balance sheets of Conquest Mining and North Queensland Metals as at 31 December 2009, adjusted for the impact of material post-balance date events as if those events had occurred on 31 December 2009. The unaudited pro forma balance sheet has been prepared in accordance with the measurement and recognition principles of International Financial Reporting Standards (IFRS). The unaudited pro forma balance sheet is illustrative only and may not represent the financial position of the Combined Group if Conquest Mining is successful in acquiring 100% of North Queensland Metals.

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The following adjustments and assumptions have been used in preparing the unaudited pro forma balance sheet:

Notes:

- (a)** North Queensland Metals made payments to Gold One International (formerly BMA Gold Ltd) of the remaining two instalments of deferred consideration of \$300,000 and \$450,000 payable on 27 February 2010 and 27 May 2010 respectively related to the acquisition of the Twin Hills project. The total of these payments, \$750,000, had been included in trade and other payables balance as at 31 December 2009.
- (b)** North Queensland Metals paid an unfranked interim dividend of 0.5 cents per share (\$994,077 in total) on 15 April 2010. North Queensland Metals operates a dividend reinvestment plan such that the actual dividend payment consisted of a cash payment of \$814,385 and an issue of 805,796 North Queensland Metals Shares valued at \$179,692.
- (c)** Conquest Mining issued 5,000,000 Conquest Mining Options on 1 June 2010 that were valued at \$1,177,500 and vested immediately.
- (d)** Both Conquest Mining and North Queensland Metals will incur transaction costs as a result of the Offer. These transaction costs have been estimated at a combined \$1,500,000, after tax, and assumed to be expensed immediately.
- (e)** It is assumed that all of the 750,000 North Queensland Metals Options are exercised during the Offer Period and that all the resulting North Queensland Metals Shares are accepted into the Offer. The North Queensland Metals Options have a strike price of \$0.25 each, resulting in cash inflow of \$187,500.
- (f)** The difference between the fair value of the consideration and the carrying value of the identifiable assets, liabilities and contingent liabilities acquired has been allocated against Exploration and Evaluation Expenditure, Property, Plant and Equipment and Mine Development. The fair value of consideration has been calculated using the number of Conquest Mining Shares to be issued to North Queensland Metals Shareholders, 100,185,636 shares, valued at an assumed Conquest Mining Share price of \$0.38 per share (i.e. \$38,070,542), together with \$20,037,127 representing the cash component of the Offer. The acquisition consideration is subject to change as the final number of North Queensland Metals Shares on issue and the value of Conquest Mining Shares to be issued to effect the acquisition will be determined at the actual date of acquisition.

The unaudited pro forma balance sheet is indicative only. The Conquest Mining directors will undertake a comprehensive assessment of fair value of the assets and liabilities acquired after the transaction has been completed. The Conquest Mining directors have drawn their conclusions based on the known facts and other information publicly available as at the date of this Bidder's Statement. If the facts, circumstances, assumptions or other information should prove different to that described, the conclusions may change accordingly.



BALANCE SHEET	Conquest Mining  Auditor- Reviewed 31 Dec 2009 \$	North Queensland Metals  Auditor- Reviewed 31 Dec 2009 \$	Note	Pro Forma Adjustments  Unaudited  \$	Combined Group  Unaudited  \$
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash and cash equivalents	61,082,519	11,470,531	a,b,d,e,f	(22,914,012)	49,639,038
Trade and other receivables	630,546	2,346,626		-	2,977,172
Other current assets	28,662	-		-	28,662
Inventories	-	2,965,670		-	2,965,670
Held-for-sale assets	-	15,328,729		-	15,328,729
Deferred tax assets	-	1,687,272		-	1,687,272
<b>Total Current Assets</b>	<b>61,741,727</b>	<b>33,798,828</b>		<b>(22,914,012)</b>	<b>72,626,543</b>
<b>Non-Current Assets</b>					
Receivables	72,500	-		-	72,500
Investments	599,325	-		-	599,325
Exploration & evaluation expenditure	31,803,340	-	f	3,316,452	35,119,792
Cash and cash equivalents	-	4,101,135		-	4,101,135
Property, plant and equipment	674,916	9,080,678	f	3,316,452	13,072,046
Mine development	-	6,665,816	f	3,316,452	9,982,268
Intangible assets	-	6,606,751		-	6,606,751
Deferred tax assets	-	1,898,656		-	1,898,656
Other non-current assets	-	82,878		-	82,878
<b>Total Non-Current Assets</b>	<b>33,150,081</b>	<b>28,435,914</b>		<b>9,949,356</b>	<b>71,535,351</b>
<b>Total Assets</b>	<b>94,891,808</b>	<b>62,234,742</b>		<b>(12,964,656)</b>	<b>144,161,894</b>
<b>LIABILITIES</b>					
<b>Current Liabilities</b>					
Trade and other payables	1,555,270	3,774,112	a	(750,000)	4,579,382
Employee benefits	171,941	-		-	171,941
Deferred tax liabilities	-	35,885		-	35,885
<b>Total Current Liabilities</b>	<b>1,727,211</b>	<b>3,809,997</b>		<b>(750,000)</b>	<b>4,787,208</b>
<b>Non-Current Liabilities</b>					
Deferred tax liabilities	-	6,595,232		-	6,595,232
Restoration provision	-	3,671,200		-	3,671,200
<b>Total Non-Current Liabilities</b>	<b>-</b>	<b>10,266,432</b>		<b>-</b>	<b>10,266,432</b>
<b>Total Liabilities</b>	<b>1,727,211</b>	<b>14,076,429</b>		<b>(750,000)</b>	<b>15,053,640</b>
<b>Net Assets</b>	<b>93,164,597</b>	<b>48,158,313</b>		<b>(12,214,656)</b>	<b>129,108,254</b>
<b>EQUITY</b>					
Share capital	120,816,170	43,926,553	b, e, f	(7,232,896)	157,509,827
Reserves	685,613	402,451	c, f	775,049	1,863,113
Accumulated profits/(losses)	(28,337,186)	3,829,309	b, c, d, f	(5,756,809)	(30,264,686)
<b>Total Equity</b>	<b>93,164,597</b>	<b>48,158,313</b>		<b>(12,214,656)</b>	<b>129,108,254</b>

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## **5.8 Forecast financial information**

Conquest Mining has given careful consideration as to whether a reasonable basis exists to produce reliable and meaningful information in relation to the Combined Group. The Conquest Mining board has concluded that forecast financial information would be misleading to provide, as a reasonable basis does not exist for producing forecasts that would be sufficiently meaningful and reliable, particularly considering that operating and capital costs for the Mt Carlton project have not yet been finalised. Mt Carlton will be the major asset of the Combined Group.

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## 6. Intentions

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### 6.1 Introduction

This section 6 sets out Conquest Mining's intentions in relation to:

- (a) the continuation of the business of North Queensland Metals;
- (b) any major changes to the business of North Queensland Metals, including any redeployment of the fixed assets of North Queensland Metals; and
- (c) the future employment of the present employees of North Queensland Metals.

These intentions are based on the information concerning North Queensland Metals, its business and the general business environment which is known to Conquest Mining at the time of preparation of this Bidder's Statement, which is limited to publicly available information and a due diligence review of certain non-public material provided by North Queensland Metals as noted in section 3.7.

Despite such information, Conquest Mining does not currently have full knowledge of all material information, facts and circumstances that are necessary to assess the operational, commercial, tax and financial implications of its current intentions. Final decisions regarding these matters will only be made by Conquest Mining in light of material information and circumstances at the relevant time. Accordingly, the statements set out in this section 6 are statements of current intention only, which may change as new information becomes available to Conquest Mining or as circumstances change.

### 6.2 Intentions upon acquisition of 90% or more of the North Queensland Metals Shares

This section 6.2 sets out Conquest Mining's current intentions if it acquires relevant interests in 90% or more of the North Queensland Metals Shares and it is entitled to proceed to compulsory acquisition of the remaining North Queensland Metals Shares under the Corporations Act.

#### (a) Corporate matters

It is intended that Conquest Mining would:

- (i) proceed with compulsory acquisition of the outstanding North Queensland Metals Shares in accordance with the provisions of Chapter 6A of the Corporations Act;
- (ii) arrange for North Queensland Metals to be removed from the Official List of ASX; and
- (iii) replace all members of the North Queensland Metals Board with nominees of Conquest Mining. Those nominees have not yet been identified by Conquest Mining. Final decisions on the selection of Conquest Mining's nominees will be made in light of the circumstances at the relevant time.

Conquest Mining may also proceed to compulsory acquisition of the North Queensland Metals Options which have not been exercised and that have not lapsed, or alternatively pursue other arrangements in relation to those North Queensland Metals Options (see section 10.1).

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**(b) Assets and operations**

Conquest Mining has not had access to all the information relevant to making a final decision regarding what changes, if any, will be made to North Queensland Metals' operations. Conquest Mining's current expectation is that it will increase exploration expenditure at Pajingo and, depending on the outcome of recent discussions with Heemskirk Consolidated Limited, consider acquiring the 40% interest in Pajingo and Twin Hills currently owned by Heemskirk Consolidated Limited.

**(c) Head office and employees**

It is Conquest Mining's intention that North Queensland Metals' head office remain in Brisbane. Conquest Mining currently intends to retain all existing employees based at North Queensland Metals' head office as well as all operational staff based at Pajingo.

**(d) General operational review**

As at the date of this Bidder's Statement, Conquest Mining has conducted a due diligence investigation reviewing certain non-public information about North Queensland Metals provided by North Queensland Metals (see section 3.7). Consequently, Conquest Mining's knowledge of the assets and operations of North Queensland Metals is limited to public information and that non-public information.

Accordingly, if Conquest Mining acquires all of the North Queensland Metals Shares, Conquest Mining intends to conduct a thorough and broad-based general review of North Queensland Metals' corporate structure, assets, businesses, personnel and operations. This review will apply quantitative and qualitative factors to measure performance and areas for improvement.

While Conquest Mining does not have any specific intentions in relation to this review or its outcomes, its current expectation is that the review will focus on all or some of the following:

- (i) evaluating the status of the Twin Hills project, including a detailed assessment of the existing development plans and timeframes; and
- (ii) identifying and assessing the exploration potential of North Queensland Metals' assets and how best to assign resources to undertake detailed exploration.

**6.3 Intentions upon acquisition of less than 90% of the North Queensland Metals Shares**

The Offer includes a 90% minimum acceptance condition (see section 11.12(a)). While Conquest Mining has no present intention to waive that condition, it reserves its right to declare the Offer free of that condition (or any other Defeating Condition of the Offer).

This section 6.3 sets out Conquest Mining intentions if the Offer is declared free from the 90% minimum acceptance condition (without Conquest Mining becoming entitled to compulsorily acquire the outstanding North Queensland Metals Shares) but, by virtue of acceptances of the Offer, Conquest Mining nevertheless gains effective control of North Queensland Metals.

In those circumstances, Conquest Mining's current intentions are as follows.

**(a) Corporate matters**

It is intended that Conquest Mining would:

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- (i) maintain North Queensland Metals' listing on ASX, subject to the requirements for listing (including a sufficient spread of investors) continuing to be satisfied (although in this event the liquidity of North Queensland Metals Shares on ASX is likely to be materially diminished); and
  - (ii) subject to the Corporations Act and North Queensland Metals' constitution, seek to replace all of the members of the North Queensland Metals Board with nominees of Conquest Mining, provided that minority shareholders would be represented by at least one independent director. Conquest Mining has not made any decision as to who would be nominated or selected for appointment to the North Queensland Metals' Board in this case.

**(b) Other intentions**

It is intended that Conquest Mining would seek to implement such of the intentions as are detailed in sections 6.2(b), 6.2(c) and 6.2(d) as are consistent with North Queensland Metals being a controlled entity of Conquest Mining but not a wholly-owned subsidiary.

**(c) Further acquisition of North Queensland Metals Shares**

Conquest Mining may, at some later time, acquire further North Queensland Metals Shares in a manner consistent with the Corporations Act.

**(d) Compulsory acquisition at a later time**

If Conquest Mining becomes entitled at some later time to exercise general compulsory acquisition rights under the Corporations Act, it may exercise those rights.

**6.4 Other intentions**

Other than as set out in this section 6, it is the present intention of Conquest Mining to procure that North Queensland Metals will:

- (a) generally continue the business of North Queensland Metals;
- (b) not make any major changes to the business of North Queensland Metals nor to redeploy any of the fixed assets of North Queensland Metals; and
- (c) continue the employment of North Queensland Metals' present employees.

**6.5 Limitations on intentions**

The intentions and statements of future conduct set out in this section 6 must be read as being subject to:

- (a) the law (including the Corporations Act) and the ASX Listing Rules, including in particular the requirements of the Corporations Act and the ASX Listing Rules in relation to conflicts of interest and 'related party' transactions given that, if Conquest Mining obtains control of North Queensland Metals but does not acquire all of the North Queensland Metals Shares, Conquest Mining will be treated as a related party of North Queensland Metals for these purposes;
- (b) the legal obligation of the North Queensland Metals directors at the time, including any nominees of Conquest Mining, to act in good faith in the best interests of North

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Queensland Metals and for proper purposes and to have regard to the interests of all North Queensland Metals Shareholders; and

- (c)** the outcome of the review referred to in section 6.2(d).

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## 7. Investment Risks

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### 7.1 Introduction

If the Offer becomes unconditional, North Queensland Metals Shareholders (other than Ineligible Foreign Shareholders and Unmarketable Parcel Shareholders) who accept the Offer will become holders of Conquest Mining Shares. The value of Conquest Mining Shares and, as a result, the value of the Offer to those North Queensland Metals Shareholders, will depend on the future performance of the Combined Group and the market price of Conquest Mining Shares.

The financial performance and operations of the Combined Group's business, the value of Conquest Mining Shares and the amount and timing of any future dividends paid on Conquest Mining Shares will be influenced by a range of factors including:

- (a) risk factors that are common to the existing businesses of Conquest Mining and North Queensland Metals, and which will therefore be risks to which the Combined Group will be exposed (see section 7.2 below) – North Queensland Metals Shareholders should note that they are already exposed to these risks in relation to North Queensland Metals;
- (b) risk factors that are specific to Conquest Mining's existing businesses, and which will therefore be risks to which the Combined Group will be exposed (see section 7.3 below) – North Queensland Metals Shareholders should note that they would become exposed to these additional risks if they are issued Conquest Mining Shares under the Offer;
- (c) risk factors that are specific to North Queensland Metals' existing businesses, and which will therefore be risks to which the Combined Group will be exposed (see section 7.4) – North Queensland Metals Shareholders should note that they are already exposed to these risks in relation to North Queensland Metals; and
- (d) risk factors arising from the Offer - North Queensland Metals Shareholders should note that they would become exposed to these additional risks if they are issued Conquest Mining Shares under the Offer (see section 7.5 below).

While many of these factors are beyond the control of Conquest Mining, and will remain beyond the control of the Combined Group, Conquest Mining will seek to mitigate the risks where possible and economically viable (e.g. by obtaining appropriate insurances).

Although Conquest Mining has undertaken limited due diligence on North Queensland Metals as described in section 3.7, Conquest Mining does not currently control, nor have any involvement in, North Queensland Metals' operations and has relied primarily on North Queensland Metals having complied with its continuous disclosure obligations. Consequently, Conquest Mining is not in a position to identify all of the material risks of North Queensland Metals nor, consequently, all of the material risks of the Combined Group. Despite this, Conquest Mining has considered the current risks of the Conquest Mining Group and the current risks of North Queensland Metals identified from Conquest Mining's limited due diligence including North Queensland's [Metals](#) announcements to the ASX to prepare this summary of material risks of the Combined Group currently known to Conquest Mining.

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The outline of risks in this section 7 is a summary only and should not be considered exhaustive. You should carefully consider the following risks as well as the other information contained in this Bidder's Statement before deciding whether to accept the Offer. This section 7 does not take into account the investment objectives, financial situation, taxation position or particular needs of North Queensland Metals Shareholders.

## **7.2 Risk factors common to Conquest Mining and North Queensland Metals**

Given that Conquest Mining and North Queensland Metals both operate in the precious metals mining industries, there are a number of risk factors which are common to their respective operations. Accordingly, these will be risks to which the Combined Group will be exposed. North Queensland Metals Shareholders are currently exposed to these types of risks, and will continue to be if they accept the Offer and are issued Conquest Mining Shares. However, it is possible that the degree to which the Combined Group will be exposed to a particular risk is greater than, or less than, the degree to which each of Conquest Mining and North Queensland Metals is currently exposed on a respectively stand-alone basis.

In addition to the usual risks relating to economic conditions and share market fluctuations, and general business and investments risks involved in investing in a listed company, the risk factors which are common to Conquest Mining and North Queensland [Metals](#) – and which the Combined Group will therefore be exposed to - are as follows.

### **(a) Mining and exploration risks**

The business of mining exploration, mineral development and production is subject to risk by its nature. The success of the business depends on successful exploration and/or acquisition of reserves, securing and maintaining title to tenements and consents, successful design, construction, commissioning and operating of mining and processing facilities, successful development and production in accordance with forecasts and successful management of the operations. Exploration and mining are speculative undertakings which may be hampered by force majeure circumstances, land claims and unforeseen mining problems. Increased development costs, lower output or high operating costs may all contribute to make a project less profitable than expected at the time of the development decision. There is no assurance that the Combined Group's attempts to develop and exploit its exploration activities will be successful or that production will remain profitable in the long term.

### **(b) Ore Reserve and Mineral Resource estimates**

Ore Reserve and Mineral Resource estimates are expressions of judgment based on drilling results, past experience with mining properties, knowledge, experience, industry practice and many other factors. Estimates which are valid when made may change substantially when new information becomes available. Ore estimation is an interpretive process based on available data and interpretations and, thus, estimations may prove to be inaccurate.

The actual quality and characteristics of ore deposits cannot be known until mining takes place, and will almost always certainly differ from the assumptions used to develop reserves. Further, ore reserves are valued based on future costs and future prices and, consequently, the actual ore reserves and mineral resources of the



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Combined Group may differ from those estimated, which may result in either a positive or negative effect on the Combined Group's operations.

No assurance can be given that the anticipated tonnages and grades of ore will be achieved during production or that the indicated level of gold recovery will be realised. Gold price fluctuations, as well as increased production costs or reduced recovery rates, may render ore reserves containing relatively lower grades uneconomic and may ultimately result in a restatement of such Ore Reserves. Moreover, short-term operating factors relating to Ore Reserves, such as the need for sequential development of ore bodies and the processing of new or different ore types or grades, may cause a mining operation to be unprofitable in any particular accounting period.

Inferred Mineral Resources do not have demonstrated economic viability. Due to the uncertainty which may attach to Inferred Mineral Resources, there is no assurance that Inferred Mineral Resources will be upgraded to Measured or Indicated Mineral Resources or Proven or Probable Ore Reserves as a result of continued exploration.

**(c) Operational risks**

The operations of the Combined Group may be affected by various factors not within its control, including operational and technical difficulties encountered in production, sourcing difficulties, commissioning, operating and maintaining plant and equipment, mechanical failure, industrial accidents, processing deficiencies, labour shortages, industrial and environmental disputes, obtaining government approvals, flooding or other adverse weather conditions, fire, explosions, rock falls, unusual or unexpected rock formations and unexpected shortages or increases in the costs of consumables, spare parts, plant equipment or labour. These risks and hazards could also result in damage to or destruction of production facilities, personal injury, environmental damage, business interruption, monetary losses and possible legal liability. The Combined Group may become subject to liability for accidents, pollution or other hazards against which it cannot insure or against which it may elect not to insure because of premium costs or for other reasons, or in amounts which exceed policy limits.

**(d) Commodity price fluctuations**

The revenues of the Combined Group may be materially impacted by fluctuations in the global prices of gold, silver and copper, which are in turn affected by many factors beyond the control of the Combined Group, such as macro-economic factors and consumer sentiment. In particular, the exchange rate between Australian dollars and US dollars, in which the global prices of gold, silver and copper are set, affects the revenue received by the Combined Group.

**(e) Geological and geotechnical**

There is a risk that unforeseen geological and geotechnical difficulties may be encountered when developing and mining Ore Reserves. In this event, a loss of revenue may be caused due to the lower than expected production and/or higher than anticipated operation and maintenance costs and/or on-going unplanned capital expenditure in order to meet production targets.

**(f) Environmental risks**

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Mining and exploration involves a risk of environmental damage. The Combined Group may be required to comply with certain environmental management issues from time to time. The potential for liability is an ever-present risk. Conquest Mining intends to ensure that the Combined Group conducts its operations to the highest standard of environmental obligation, including complying with all relevant applicable environmental legislation. Despite this endeavour, certain environmental risks are inherent in the Combined Group's operations.

**(g) General legal and taxation matters**

Future earnings, asset values and the relative attractiveness of Conquest Mining Shares may be affected by changes in law and government policy in the jurisdictions in which the Combined Group will operate, in particular, changes to taxation law (including, for example, the Australian Government's proposed resource super profits tax). In addition, accepting the Offer may involve tax considerations that may differ for each North Queensland Metals Shareholder. Each North Queensland Metals Shareholder is encouraged to seek professional tax advice in connection with accepting the Offer (see also section 9 of this Bidder's Statement in respect of Australian tax considerations).

**(h) Government policy**

Industry profitability can be affected by changes in government, both within Australia and externally, which are not within the control of the Combined Group. Each of Conquest Mining's and North Queensland Metals' activities are subject to extensive laws and regulations controlling not only the mining of and exploration for mineral properties, but also the possible effects of such activities upon the environment and upon interests of native and/or indigenous peoples. Permits from a variety of regulatory authorities are required for many aspects of mine operation and reclamation. There is no assurance that permits will be obtained when sought or that unfavourable conditions will not be imposed. Future legislation and regulations could cause additional expense, capital expenditures, restrictions and delays in the development of the Combined Group's tenements, the extent of which cannot be predicted.

**(i) Weather and climatic conditions**

The current and future operations of both Conquest Mining and North Queensland Metals, including production and exploration operation, may be affected by limitations on activities due to seasonal weather patterns and heavy rain.

**(j) Future financing requirements**

At some point in time, Conquest Mining and/or North Queensland Metals may require further financing to develop projects or to meet future objectives. There is no assurance that Conquest Mining and/or North Queensland Metals will be successful in obtaining the financing required as and when needed. Volatile markets for mineral commodities may make it difficult or impossible for Conquest Mining to obtain debt financing or equity financing on favourable terms or at all. Failure to obtain additional financing on a timely basis may cause Conquest Mining or the Combined Group to

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postpone future development plans, forfeit rights in some or all of its properties or joint ventures or reduce or terminate some or all of its operations.

**(k) Land and resource tenure**

Conquest Mining and/or North Queensland Metals' land and resource tenure may be disputed resulting in disruption and/or impediment in the operation or development of a resource. Any new mine development or expansion of existing operations will require landholder, native title and cultural heritage issues to be addressed, which can have significant timing and cost implications.

**7.3 Risk factors specific to Conquest Mining**

There are also a number of risks which are specific to Conquest Mining and its current operations. North Queensland Metals Shareholders are not currently exposed to these types of risks, but they will be if they accept the Offer and are issued Conquest Mining Shares. However, it is possible that the degree to which the Combined Group will be exposed to a particular risk is greater than, or less than, the degree to which Conquest Mining is currently exposed on a stand-alone basis.

A non-exhaustive list of some of the more important of these risks is set out below.

**(a) Development funding requirement risk**

Optimisation studies and a review of the proposed process flowsheet are underway at the Mt Carlton project and a development decision is expected in the December quarter of 2010. Development ~~will~~would ultimately require Conquest Mining to raise equity or debt funding. A feasibility study finalised in February 2010 estimated upfront capital costs of \$137.8 million (including owners costs and contingency) for a 1Mtpa throughput project producing a high-grade enargite concentrate for sale and a separate lower-grade pyritic concentrate for on-site treatment. The optimisation studies and process flowsheet review that are currently underway are working towards a lower throughput, of 800,000tpa, and production of a single 'mixed' enargite and pyrite-rich concentrate. Accordingly, the upfront capital cost is expected to be less than that estimated by the February 2010 feasibility study however, at this stage, is not able to be estimated.

External financial and credit markets are subject to numerous influences so there can be no assurance that equity or debt funding will be available to Conquest Mining, whether credit approvals for the Mt Carlton project development will be forthcoming, or whether any funding will be on acceptable terms. Any additional equity financing may be dilutive to shareholders and debt financing, if available, may involve restrictions on financing and operating activities. There is no assurance that development funding will be available on terms acceptable to Conquest Mining. If Conquest Mining is unable to obtain development funding as needed, it may be required to reduce or terminate its operations or scale back its development programs.

**(b) Uncertainty of exploration, optimisation and development programs**

Conquest Mining's future profitability will be significantly affected by the costs and results of its exploration, optimisation and development programs at Mt Carlton.

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Exploration for minerals is highly speculative in nature, involves many risks and is frequently unsuccessful. Among the many uncertainties inherent in any gold exploration and development program are the location of economic ore bodies, the development of appropriate metallurgical processes, the receipt of necessary governmental permits, access to land and the construction of mining and processing facilities. Assuming the discovery of an economic deposit, several years may elapse from the initial phases of drilling until commercial operations are commenced and, during such time, the economic feasibility of production may change.

There is a risk that optimisation and feasibility studies may not return positive results on Mt Carlton mining or processing and even if they do, there is the risk that the development of the project will not be economic, completed on schedule, or that the construction cost may exceed the budget, or that significant problems in commissioning the project may arise.

Accordingly, Conquest Mining's exploration, optimisation and development programs at Mt Carlton may not result in an economically viable operation.

**(c) Product final market risk**

The proposed product from Mt Carlton is a mixed gold-silver-copper concentrate. Lead, zinc, and arsenic are also present as potential penalty elements. Due to their polymetallic nature, the concentrates are best treated at specialised smelters which recover such elements. The treatment of this product has been discussed with various smelters, which currently have excess capacity and are [willing interested in agreeing terms](#) to acquire the concentrates, however, if there should be a downturn in the market, there may be a more limited final market for this product than expected and the product could be sold at a discounted rate. While the adoption of long term contracts may mitigate this position the reduction in revenue from the product could have a serious impact on the financial performance of the Conquest Mining Group.

**(d) Permitting risk**

There is a risk that the necessary land acquisitions, permits, consents, authorisations and agreements required to implement planned exploration, project development, or mining at the Mt Carlton project may not be obtained under conditions or within time frames that make such plans economic, that applicable laws, regulations or the governing authorities will change or that such changes will result in additional material expenditures or time delays.

**(e) Risks of acquisitions**

Conquest Mining undertakes evaluations of opportunities to acquire additional precious and base-metals mining assets and businesses. Any successful acquisition may be significant in size, may change the scale of Conquest Mining's business, and may expose Conquest Mining to new geographic, political, operating, financial and geological risks. In addition, Conquest Mining may need additional capital to finance an acquisition. Debt financing related to any acquisition will expose Conquest Mining to the risk of leverage, while equity financing may cause existing shareholders to suffer dilution.

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#### **7.4 Risk factors specific to North Queensland Metals**

There are also a number of risks which are specific to North Queensland Metals and its current operations. North Queensland Metals Shareholders are currently exposed to these types of risks, and will continue to be if they accept the Offer and are issued Conquest Mining Shares. However, it is possible that the degree to which the Combined Group will be exposed to a particular risk is greater than, or less than, the degree to which North Queensland Metals is currently exposed on a stand-alone basis.

##### **(a) Replacement of Ore Reserves at Pajingo**

The Pajingo mine has a very short life based on published Ore Reserves. North Queensland Metals must continually replace Ore Reserves depleted by production in order to be able to maintain and grow its current production into the future. Replacing Ore Reserves requires performing work necessary to reclassify Mineral Resources to Ore Reserves, expanding known ore bodies or locating new deposits.

Success in exploration for gold is uncertain and there is a risk that future depletion of Ore Reserves will not be offset by discoveries. As a result, the Ore Reserve base of North Queensland Metals may decline as gold is produced without adequate replacement, eventually leading to mine closure.

##### **(b) Uncertainty of exploration, feasibility and development programs at Twin Hills**

North Queensland Metals' future profitability will be significantly affected by the costs and results of its exploration, feasibility and development programs at Twin Hills.

Exploration for minerals is highly speculative in nature, involves many risks and is frequently unsuccessful. Among the many uncertainties inherent in any gold exploration and development program are the location of economic ore bodies, the development of appropriate metallurgical processes, the receipt of necessary governmental permits, access to land and the construction of mining and processing facilities. Assuming the discovery of an economic deposit, several years may elapse from the initial phases of drilling until commercial operations are commenced and, during such time, the economic feasibility of production may change.

There is a risk that feasibility studies may not return positive results on Twin Hills mining and even if they do, there is the risk that the development of the project will not be economic, completed on schedule, or that the construction cost may exceed the budget, or that significant problems in commissioning the project may arise.

Accordingly, North Queensland Metals' exploration, feasibility and development programs at Twin Hills may not result in an economically viable operation.

#### **7.5 Risk factors arising from the Offer**

There are a number of risks which independently arise in relation to the Offer. North Queensland Metals Shareholders are not currently exposed to these types of risks, but they will be if they accept the Offer and are issued Conquest Mining Shares.

##### **(a) Acquisition of less than 90% of North Queensland Metals**

The Offer includes a 90% minimum acceptance condition (see section 11.12(a)).

While Conquest Mining has no present intention to waive that condition, it reserves its

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right to declare the Offer free of that condition (or any other Defeating Condition of the Offer). If Conquest Mining does waive that condition and the Offer becomes unconditional, it is possible that Conquest Mining does not obtain ownership of 100% of the North Queensland Metals Shares.

The impact on Conquest Mining of acquiring less than 100% of the North Queensland Metals Shares will depend on the ultimate level of ownership acquired but, in any event, the existence of a minority interest in North Queensland Metals may have an impact on Conquest Mining's capacity to realise operational benefits from the acquisition of North Queensland Metals Shares.

**(b) Capital gains tax rollover relief**

If, after the Offer, Conquest Mining does not own at least 80% of the North Queensland Metals Shares, North Queensland Metals Shareholders who are Australian residents for income tax purposes and who would make a capital gain from their disposal of North Queensland Metals Shares will be unable to elect capital gains tax rollover relief in respect of the "share" component of the Offer Consideration. See section 9 for further details.

**(c) Trading price of Conquest Mining Shares**

Under the Offer, Conquest Mining Shares will issue a significant number of Conquest Mining Shares. Some North Queensland Metals Shareholders may not intend to continue to hold their newly issued Conquest Mining Shares and may wish to sell them on ASX shortly after issue. This may adversely impact the trading price of Conquest Mining Shares for a period of time.

In addition, there are risks associated with any stock market investment. It is important to recognise that share prices and dividends might fall or rise. Factors affecting the operating and financial performance of Conquest Mining and the ASX trading price of Conquest Mining Shares include domestic and international economic conditions and outlook, changes in government fiscal, monetary and regulatory policies, changes in interest rates and inflation rates, the announcement of new technologies and variations in general market conditions and/or market conditions which are specific to a particular industry.

Furthermore, share prices of many companies are affected by factors which might be unrelated to the operating performance of the relevant company. Such factors might adversely affect the market price of Conquest Mining Shares.

**(d) Unknown risks**

In respect of information relating to North Queensland Metals presented in, or omitted from, this Bidder's Statement, including all North Queensland Metals financial information, Conquest Mining has relied upon publicly available information. As only limited due diligence was carried out on North Queensland Metals, risks may exist of which Conquest Mining is unaware.

**(e) Change of control provisions**

Conquest Mining is not aware of any pre-emptive rights or significant change of control provisions affecting North Queensland Metals' assets or agreements that would be triggered by Conquest Mining obtaining control of North Queensland Metals

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("Change of Control Provisions"). However, North Queensland Metals may be a party to agreements that contain Change of Control Provisions that may be triggered as a result of Conquest Mining making the Offer or if Conquest Mining acquires North Queensland Metals Shares representing a majority of the voting rights of North Queensland Metals. The operation of these Change of Control Provisions, if triggered, could have negative consequences including requiring North Queensland Metals to dispose of assets or the counter-party terminating the relevant agreement. If these Change of Control Provisions can be waived by the relevant counter-party, Conquest Mining would consider seeking such waivers. The Offer condition in section 11.12(f) is likely to be breached by the existence of any such counter-party rights under the Change of Control Provisions, but Conquest Mining retains discretion to waive that Offer condition. If that Offer condition is waived and waivers of counter-party rights under the Change of Control Provisions cannot be obtained, then this could adversely affect the profile of the Combined Group.

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## 8. Sources of Offer Consideration

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### 8.1 Form of Offer Consideration

North Queensland Metals Shareholders are being offered 0.5 Conquest Mining Shares plus \$0.10 cash for each North Queensland Metals Share.

Based on the number of North Queensland Metals Shares on issue at the date of this Bidder's Statement (see section 4.2):

- (a) the maximum number of Conquest Mining Shares which would be required to be issued as a result of North Queensland Metals Shareholders accepting the Offer is 99,810,636 Conquest Mining Shares; and
- (b) the maximum amount of cash that would be payable by Conquest Mining as a result of North Queensland Metals Shareholders accepting the Offer is approximately \$19.96 million.

In addition, if the holders of all North Queensland Metals Options exercise those options and accept the Offer in respect of the North Queensland Metals Shares issued to them, an additional 375,000 Conquest Mining Shares would need to be issued and an additional \$75,000 in cash would be payable by Conquest Mining.

### 8.2 Issue of Conquest Mining Shares

Conquest Mining has the capacity to issue the maximum number of Conquest Mining Shares which it may be required to issue under the Offer.

### 8.3 Cash funding arrangements

The maximum cash amount which Conquest Mining may be required to pay as a result of acceptances of the Offer is \$20.04 million (the "**Maximum Amount**").

The amount required by Conquest Mining to pay the Maximum Amount will be sourced from Conquest Mining's existing cash reserves (namely, cash at bank). Conquest Mining's existing cash reserves are in excess of that required to pay the Maximum Amount. Funds of an amount equal to at least the Maximum Amount are immediately available and not subject to security interests, rights of set off nor required for other arrangements. Although Conquest Mining has not reserved particular cash resources to fund the Maximum Amount, it is not aware of any reason why it will not maintain a level of cash reserves which are available on terms which will maintain Conquest Mining's ability to pay the Maximum Amount if and when required under the terms of the Offer.



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## **9. Australian Tax Considerations**

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### **9.1 Introduction**

The following is a general description of the Australian income and capital gains tax (**CGT**) consequences for North Queensland Metals Shareholders who dispose of their North Queensland Metals Shares as a result of accepting the Offer (or where Conquest Mining compulsorily acquires North Queensland Metals Shares in accordance with the Corporations Act). The Australian taxation consequences for North Queensland Metals Shareholders will depend upon their individual circumstances. North Queensland Metals Shareholders should make their own enquiries and seek independent professional advice concerning their particular circumstances.

The comments set out below regarding the consideration for the disposal of the North Queensland Metals Shares are relevant only to those North Queensland Metals Shareholders who hold their North Queensland Metals Shares as capital assets for the purpose of investment and who do not hold North Queensland Metals shares in connection with the conduct of a business, or on revenue account or as part of a profit making undertaking or scheme or under an employee share plan.

Certain North Queensland Metals Shareholders (such as those engaged in a business of trading or investment, those who acquired their North Queensland Metals Shares for the purpose of resale at a profit or those which are banks, insurance companies, tax exempt organisations, superannuation funds or persons who acquired North Queensland Metals Shares in respect of their employment with North Queensland Metals) will or may be subject to special or different taxation consequences peculiar to their circumstances (including whether they have made an election available to them to apply the CGT provisions as the primary code for assessing gains and losses on certain of their assets such as any North Queensland Metals Shares held by them).

North Queensland Metals Shareholders who are not resident in Australia for tax purposes should also take into account the tax consequences under the laws of their country of residence, as well as under Australian law, in respect of their disposal of North Queensland Metals Shares pursuant to the Offer.

The following description is based upon Australian taxation law and practice in effect as at the date of this Bidder's Statement, but this law and practice is subject to change. It is not intended to be an authoritative or complete statement or analysis of the taxation laws applicable to the particular circumstances of every North Queensland Metals Shareholder. It is important that North Queensland Metals Shareholders seek independent professional advice regarding the taxation consequences of disposing of North Queensland Metals Shares in light of their own particular circumstances.

### **9.2 Australian resident North Queensland Metals Shareholders**

#### **(a) Capital gains tax**

If a North Queensland Metals Shareholder disposes of its North Queensland Metals Shares pursuant to the Offer that disposal will constitute a CGT event for Australian income tax purposes. Where a North Queensland Metals Shareholder accepts the

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Offer the date of disposal of their North Queensland Metals Shares will be the date on which they accept the Offer. Where a North Queensland Metals Shareholder does not accept the Offer but has their North Queensland Metals Shares compulsorily acquired by Conquest Mining, the date of disposal of their North Queensland Metals Shares will be the date that Conquest Mining becomes the owner of those shares.

Subject to the operation of the scrip for scrip roll-over provisions (discussed in (b) below), North Queensland Metals Shareholders will:

- (i) make a capital gain if the capital proceeds from the transfer of their North Queensland Metals Shares to Conquest Mining are greater than the cost base of those North Queensland Metals Shares; and
- (ii) make a capital loss if the reduced cost base of their North Queensland Metals Shares is greater than the capital proceeds from the transfer of their North Queensland Metals Shares to Conquest Mining.

Any capital gain realised in respect of the disposal of the North Queensland Metals Shares will be included in the calculation of the North Queensland Metals Shareholder's net capital gain. Any net capital gain is included in the North Queensland Metals Shareholder's assessable income for the income tax year in which the Offer is accepted. A capital loss may not be deducted against other income for income tax purposes but may be offset against capital gains realised in the same income year in the calculation of any net capital gain (or the losses can be carried forward to offset against future capital gains).

The capital proceeds in respect of the disposal of the North Queensland Metals Shares will be the total of:

- the cash component of the Offer Consideration; and
- the market value of the Conquest Mining Shares received in respect of the disposal of the North Queensland Mining Shares. The market value of a Conquest Mining Share will be its closing price on the ASX on the date the Offer is accepted (unless the closing price varies by more than 5% from either the minimum or maximum traded price of a Conquest Mining Share over the course of that day in which case the market value will be the volume weighted average price for Conquest Mining Shares over that day);

The cost base and reduced cost base of North Queensland Metals Shares will generally equal the amount of cash paid, or the market value of property given, by North Queensland Metals Shareholders for those North Queensland Metals Shares plus certain incidental costs incurred.

Certain North Queensland Metals Shareholders that have held their North Queensland Metals Shares for at least 12 months when they dispose of the North Queensland Metals Shares to Conquest Mining pursuant to the Offer, will be eligible to claim the 'CGT discount' in respect of this disposal. If they are eligible and choose to apply the CGT discount, this will mean that:

- (i) in the case of an individual (and, generally speaking, a trustee of a trust), only one half ( $\frac{1}{2}$ ) of their net capital gain on those North Queensland Metals Shares (after deducting available capital losses) will be taxable; and

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- (ii) in the case of a complying superannuation entity, only two thirds ( $\frac{2}{3}$ ) of the net capital gain on those North Queensland Metals Shares (after deducting available capital losses) will be taxable.

The CGT discount is not available to companies. The CGT discount methodology for trustees is complex and any such North Queensland Metals Shareholders should obtain specific advice. North Queensland Metals Shareholders should also note that any available capital losses will be deducted from the gross capital gain before the CGT discount is applied.

**(b) Scrip for scrip roll-over relief**

CGT scrip for scrip roll-over relief in respect of any capital gain made by a North Queensland Metals Shareholder as a result of disposing of their North Queensland Metals Shares to Conquest Mining pursuant to the Offer may be available where:

- (i) North Queensland Metals Shareholders exchange their North Queensland Metals Shares for shares in another company (i.e. Conquest Mining Shares);
- (ii) that company (i.e. Conquest Mining) becomes the holder of 80% or more of the North Queensland Metals Shares in consequence of a single arrangement;
- (iii) the arrangement is one in which all North Queensland Metals Shareholders could participate and where participation was available on substantially the same terms;
- (iv) the North Queensland Metals Shareholder is an Australian resident (or otherwise holds their North Queensland Metals Shares and will hold the Conquest Mining Shares as taxable Australian property); and
- (v) the North Queensland Metals Shareholder chooses to apply the CGT roll-over to its capital gain (this choice is not available if a capital loss is made).

North Queensland Metals Shareholders will not be entitled to scrip for scrip roll-over relief for the portion of the capital gain attributable to the cash component of the Offer Consideration received by them for their North Queensland Metals Shares as this consideration represents 'ineligible proceeds'.

Broadly, if a North Queensland Metals Shareholder elects for scrip for scrip roll-over relief to apply, the effect is that:

- (i) any capital gain resulting from the disposal of their North Queensland Metals Shares to Conquest Mining pursuant to the Offer may be disregarded to the extent that the capital proceeds comprise the Conquest Mining Shares;
- (ii) the cost base and reduced cost base of the Conquest Mining Shares acquired as a result of the North Queensland Metals Shareholders accepting the Offer will be determined based upon that part of the cost base or reduced cost base of their original North Queensland Metals Shares (plus any other incidental costs that can be included in the cost base) reasonably attributable to the Conquest Mining Shares;
- (iii) the part of the cost base or reduced cost base of the North Queensland Metals Shares that is reasonably attributable to the cash component of the

Offer Consideration will be used to calculate the capital gain in respect of the cash consideration which comprises the ineligible proceeds;

- (iv) any CGT implications (other than in relation to the cash component of the Offer Consideration) will be deferred until the relevant North Queensland Metals Shareholder disposes of their Conquest Mining Shares acquired pursuant to the Offer (or upon the happening of another CGT event in respect of their Conquest Mining Shares); and
- (v) Conquest Mining Shares acquired as a result of the Offer are treated as having been acquired at the same time that the North Queensland Metals Shares were acquired by the relevant North Queensland Metals Shareholder.

North Queensland Metals Shareholders should be aware that should Conquest Mining waive the 90% minimum acceptance condition it may not become the owner of 80% or more of the voting shares in North Queensland Metals as a result of the Offer. Accordingly, North Queensland Metals Shareholders who accept the Offer, and receive Conquest Mining Shares (in addition to cash consideration) for the disposal of their North Queensland Metals Shares should be aware of the risk that scrip for scrip roll-over relief may not be available and that they may not know at the time they accept the Offer whether or not scrip for scrip roll-over relief will be available.

**(c) Cash component of the Offer Consideration**

The capital gain for North Queensland Metals Shareholders for which the cash component of the Offer Consideration is the ineligible proceeds will be calculated as the difference between the cash amount received and the portion of the cost base of the North Queensland Metals Shares reasonably attributed to that share of the total consideration (as noted in (b) above). This gain must be included in the North Queensland Metals Shareholder's calculation of net capital gain for the income tax year in which the Offer is accepted.

**(d) Worked example – scrip for scrip roll-over relief**

***Capital gain on cash consideration received***

Assume for the purposes of this example that you acquired 20,000 North Queensland Metals Shares (**NQM Shares**) on 28 June 2007 at \$0.21 per share. On the basis that you do not incur any further incidental costs referable to your NQM Shares, the cost base of your NQM shares would be \$4,200 (20,000 x \$0.21 = \$4,200). Furthermore assume for the purposes of this example that at the date you accept the Offer, the value of the Conquest Mining Shares (**CM Shares**) is 36.5 cents per share.

Upon acceptance of the Offer, if scrip for scrip roll-over relief is available, your capital gain and the cost base for the CM Shares you would receive under the Offer would be calculated as follows:

$$\begin{aligned}
 \text{Capital gain on cash consideration received} &= \left( \text{cash consideration received} - \left( \frac{\text{cash consideration}}{\text{(cash consideration + market value of CM Shares received)}} \times \text{cost base of your NQM Shares} \right) \right) \times 50\% * \\
 &= \left( (\$0.10 \times 20,000) - \left( \frac{\$2,000}{(\$2,000 + ((0.5 \times 20,000) \times \$0.365^{**})} \times \$4,200 \right) \right) \times 50\%
 \end{aligned}$$

$$= (\$2,000 - (\$2,000/\$5,650 \times \$4,200)) \times 50\%$$

$$= (\$2,000 - \$1,486.73) \times 50\%$$

Your discounted capital gain on disposal of your NQM Shares for cash would be \$256.64.

**Cost base of CM Shares received**

$$\begin{aligned} \text{Cost base of CM shares received} &= \left( \frac{\text{market value of CM Shares received}}{\text{cash consideration} + \text{market value of CM Shares received}} \right) \times \text{cost base of your NQM Shares} \\ &= \left( \frac{[(0.5 \times 20,000) \times \$0.365^{**}]}{[\$2,000 + (0.5 \times 20,000) \times \$0.365^{**}]} \right) \times \$4,200 \\ &= \left( \frac{\$3,650}{\$5,650} \right) \times \$4,200 \end{aligned}$$

The cost base of the CM Shares you receive would be \$2,713.27 (the proportion of the cost base of your NQM Shares referable to the CM Shares received as consideration).

\* This calculation assumes that you are an individual or a trust and are eligible to utilise the discount capital gains concession and you have no additional capital gains or losses to be included against the capital gain before the application of 50% discount.

\*\* For illustrative purposes, this calculation is based on the closing ASX price of CM Shares on 8 June 2010. The actual market value of the CM Shares you acquire should be determined at the time you dispose of your NQM Shares.

**(e) Worked example – scrip for scrip roll-over relief unavailable or unelected**

**Capital gain on disposal of your NQM Shares**

For the purposes of this example, make the same assumptions as in 9.2(d) above. If scrip for scrip roll-over relief is not available (because, for example, Conquest Mining did not become the owner of 80% or more of the voting shares in North Queensland Metals under the Offer), your capital gain would be calculated as follows:

$$\begin{aligned} \text{Capital gain on disposal of your NQM Shares} &= (\text{market value of CM Shares received} + \text{cash consideration} - \text{cost base of your NQM Shares}) \times 50\%^* \\ &= ([(0.5 \times 20,000) \times \$0.365^{**}] + (\$0.10 \times 20,000) - \$4,200) \times 50\% \\ &= (\$3,650 + \$2,000 - \$4,200) \times 50\%^* \end{aligned}$$

In this case, the discounted capital gain on disposal of your NQM Shares would be \$725.

**Cost base of CM Shares received**

$$\begin{aligned} \text{Cost base of CM Shares received} &= \left( \frac{\text{market value of CM Shares received}}{\text{Total Consideration received (ie, cash consideration} + \text{market value of CM Shares received)}} \right) \times \text{market value of your NQM Shares at the time of disposal} \\ &= \end{aligned}$$

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$$\left( \frac{\$3,650}{\$5,650} \right) \times (20,000 \times 0.27^{***})$$

= 0.646 x \$5,400

In the absence of roll-over relief, the CM Shares you receive under the Offer would have a cost base of \$3,488.50, equating to the market value of that portion of the NQM Shares disposed of in exchange for the CM Shares.

\* This calculation assumes that you are an individual or a trust and are eligible to utilise the discount capital gains concession and you have no additional capital gains or losses to be included against the capital gain before the application of 50% discount.

\*\* For illustrative purposes, this calculation is based on the closing ASX price of CM Shares on 8 June 2010. The actual market value of the CM Shares you acquire should be determined at the time you dispose of your NQM Shares.

\*\*\* For illustrative purposes, this calculation is based on the closing price of NQM Shares on 8 June 2010. The actual market value of the NQM Shares should be determined at the time you dispose of your NQM Shares.

**(f) Dividends**

If Conquest Mining pays dividends to its shareholders then, subject to the 'holding period' rules (see below), a Conquest Mining Shareholder who is a resident of Australia for taxation purposes must include in their assessable income the dividends and the accompanying franking credits (if any).

Australian income tax will be payable on the sum of the dividends and the franking credits at the applicable tax rate for each Conquest Mining Shareholder. However, those Conquest Mining Shareholders are entitled to a tax offset equal to the amount of the franking credits which are included in their assessable income. Individuals and complying superannuation entities should be entitled to a tax refund if a tax offset for a franked distribution exceeds their tax liabilities. Special rules apply for trusts, partnerships and companies.

To qualify for franking credits and the tax offset, the holding period rules must be satisfied. Basically, this means Conquest Mining Shareholders must hold their shares 'at risk' for at least 45 clear days (not including the date of acquisition or date of disposal) and free of any 'related payment' obligations.

An exemption from the holding period rule (but not the related payment rule) is available for a Conquest Mining Shareholder who is an individual and whose total franking credit entitlement is \$5,000 or less (aggregating all franked dividends from all companies) for the relevant income year.

These rules are complex and Conquest Mining Shareholders should obtain their own advice on how the rules apply in their individual circumstances.

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**(g) Subsequent disposal of Conquest Mining Shares**

Any subsequent disposal by former North Queensland Metals Shareholders of their Conquest Mining Shares will generally have the same CGT consequences as for the disposal of their North Queensland Metals Shares (as described in (a) above). Whether a capital gain will be made and whether the CGT discount will be available to those shareholders who are eligible for it will depend upon the cost base of the Conquest Mining Shares and the capital proceeds received in respect of their disposal, as well as on whether the 12 month holding period rule is satisfied.

If roll-over relief is applied to the disposal of the North Queensland Metals Shares under the Offer, then the cost base of the Conquest Mining Shares will be as set out in (b) above. If roll-over relief is not so applied, the cost base of the Conquest Mining Shares acquired by a North Queensland Metals Shareholder will be based upon the market value of the North Queensland Metals Shares provided as consideration.

As noted in (b) above, for CGT discount purposes the 12 month period will be calculated by reference to the original date of acquisition of the North Queensland Metals Shares if the North Queensland Metals Shareholder elects to apply scrip for scrip roll-over relief in respect of the disposal of the North Queensland Metals Shares to Conquest Mining pursuant to the Offer. However, if scrip for scrip roll-over is not applied, the 12 month period will be calculated from the date of acquisition of the Conquest Mining Shares, not the date of acquisition of the North Queensland Metals Shares.

Generally, the date of acquisition will be the date on which a North Queensland Metals Shareholder sends back to Conquest Mining by mail an Acceptance Form signed and completed in accordance with the Offer and which is received by Conquest Mining before the end of the Offer Period.

**9.3 Non-resident Shareholders**

North Queensland Metals Shareholders who are not residents of Australia for taxation purposes will not make a taxable capital gain on the disposal of North Queensland Metals Shares unless their North Queensland Metals Shares are taxable Australian property.

North Queensland Metals Shares will not be taxable Australian property of North Queensland Metals Shareholders who do not carry on business through any permanent establishment in Australia unless they pass the 'non-portfolio interest test'. This basically requires that a North Queensland Metals Shareholder (either alone or together with their associates) has held 10% or more of North Queensland Metals Shares on issue throughout a twelve month period during the 2 years prior to the disposal of the North Queensland Metals Shares, or at the time of that disposal.

If the North Queensland Metals Shares pass the non-portfolio interest test, they are only taxable Australian property if the market value of the taxable Australian real property of North Queensland Metals (including any mining rights) constitutes more than 50% of the total market value of North Queensland Metals' assets. Subject to the terms of any double tax treaty between Australia and the North Queensland Metals Shareholder's country of residence, the CGT payable on the disposal of the North Queensland Metals Shares in this situation would be calculated broadly in accordance with the principles in 9.2(a).

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Any North Queensland Metals Shareholder that is not an Australian resident and who passes the non-portfolio interest test should seek their own advice as to the tax consequences, both in Australia and in their country of residence, of disposing of their North Queensland Metals Shares (and in respect of any future disposal of Conquest Mining Shares). This includes the possibility of choosing scrip for scrip roll-over relief in relation to Australian CGT if both the North Queensland Metals Shares and the Conquest Mining Shares are taxable Australian property.

Any dividends received by a non-resident in relation to Conquest Mining Shares will not be subject to Australian income tax provided the non-resident does not hold their Conquest Mining Shares through a permanent establishment in Australia. Any dividend that is fully franked will not be subject to dividend withholding tax, but dividend withholding tax will be imposed to the extent that a dividend paid to a non-resident shareholder is not franked and is not declared as conduit foreign income. The rate of dividend withholding tax is 30%, unless it is reduced by an applicable double tax treaty, in which case it is generally reduced to 15%.

#### **9.4 GST**

Apart from any fees that you may be charged by your stock broker if it accepts the Offer on your behalf, Australian goods and services tax (**GST**) will not apply to any of the following share dealings either because the dealing will be a 'financial supply' that is exempt from GST or an 'out of scope' supply (a supply which cannot generate a GST liability as it does not meet the definition of 'taxable supply'):

- (a) the transfer of North Queensland Metals Shares to Conquest Mining; and
- (b) the issue of Conquest Mining Shares and any future disposal of Conquest Mining Shares.

#### **9.5 Stamp Duty**

No Australian stamp duty will be payable by North Queensland Metals Shareholders in respect of the disposal of their North Queensland Metals Shares or acquisition of Conquest Mining Shares pursuant to the Offer.



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## 10. Additional Information

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### 10.1 North Queensland Metals Options

Conquest Mining may, subject to any consent required under the ASX Listing Rules being obtained, seek to enter into private arrangements with holders of the outstanding North Queensland Metals Options to effect the cancellation of those options for the payment of a cancellation fee. Any such arrangements would be conditional on all the Defeating Conditions of the Offer being satisfied or waived by Conquest Mining and would comply with the Corporations Act.

If North Queensland Metals Options are not cancelled pursuant to arrangements as described above, Conquest Mining may seek to compulsorily acquire the outstanding options under the Corporations Act after the close of the Offer, assuming that Conquest Mining becomes entitled to do so.

### 10.2 ASIC modifications and exemptions

ASIC has published various 'Class Order' instruments providing for modifications and exemptions that apply generally to all persons, including Conquest Mining, in relation to the operation of Chapter 6 of the Corporations Act.

### 10.3 Interests of, and benefits to, directors and advisers

#### (a) Interests

Except as set out in this Bidder's Statement, no:

- (i) director or proposed director of Conquest Mining;
- (ii) person named in this Bidder's Statement as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Bidder's Statement; or
- (iii) promoter of Conquest Mining,

(together the "**Interested Persons**") holds, or held at any time during the two years before the date of this Bidder's Statement, any interest in:

- (i) the formation or promotion of Conquest Mining;
- (ii) property acquired or proposed to be acquired by Conquest Mining in connection with:
  - (A) its formation or promotion; or
  - (B) the offer of Conquest Mining Shares under the Offer; or
- (iii) the offer of Conquest Mining Shares under the Offer.

#### (b) Benefits

Except as set out in this Bidder's Statement, no person has paid or agreed to pay any fees, or provided or agreed to provide any benefit, to:

- (i) a director or proposed director of Conquest Mining to induce them to become or to qualify as a director of Conquest Mining; or

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- (ii) any Interested Person for services provided by that person in connection with:
- (A) the formation or promotion of Conquest Mining; or
  - (B) the offer of Conquest Mining Shares under the Offer.

Allens Arthur Robinson has acted as legal adviser to Conquest Mining in relation to the Offer. Allens will be entitled to receive professional fees charged in accordance with their normal time-based basis of charging.

Sino Resources Capital Pty Limited is acting as financial adviser to Conquest Mining in relation to the Offer, and will in certain circumstances be entitled to a success fee. Conquest Mining Director Nicholas Curtis is also a Partner of Sino Resources Capital Pty Limited.

**(c) Fees for directors**

The non-executive directors of Conquest Mining are entitled to remuneration for their role as directors. The remuneration comprises payments for directors' fees and superannuation contributions. The amounts payable to individual non-executive directors are set by the Conquest Mining board and may change subject to the total fees and superannuation contributions payable to or on behalf of, all non-executive directors not exceeding the maximum amount approved by Conquest Mining Shareholders. The maximum amount (presently \$500,000 per annum) applies to the aggregate fees payable by Conquest Mining to all non-executive directors).

The Executive Chairman of Conquest Mining, Mr Klein, is employed under an executive service agreement (the terms of which were summarised in Conquest Mining's notice of extraordinary general meeting dated 7 April 2010, which was released to the ASX). Mr Klein's current total fixed salary ("**TFR**") is \$400,000 per annum (inclusive of superannuation and other ancillary entitlements). The TFR may be increased at the Conquest Mining board's discretion with effect from 1 July each year from and including 1 July 2011 to take into account general market movements and Mr Klein's performance. The executive service agreement contains certain benefits payable on termination of employment, all of which were approved by Conquest Mining Shareholders at an extraordinary general meeting held on 12 May 2010.

**(d) Indemnities and insurance**

Conquest Mining has entered into a deed with each of its directors ("**Director's Deed**") under which:

- Conquest Mining provides an ongoing indemnity (to the extent permitted by law and subject to section 199A of the Corporations Act) to the director against liability incurred as an officer of a Conquest Mining Group entity;
- Conquest Mining will maintain (to the extent permitted by law and subject to sections 199B and 199C of the Corporations Act) an insurance policy for the benefit of the director which insures the director against liability incurred as an officer of a Conquest Mining Group entity for the period (the "**Relevant Period**") during which the director holds office and for a period of 7 years

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thereafter or, if a proceeding is brought within the 7 years after he ceases to be a director, until that proceeding is determined; and

- the director has a limited right to access and take copies of Conquest Mining Group board papers during the Relevant Period.

In accordance with the Director's Deeds, Conquest Mining maintains an insurance policy for the benefit of its directors ("**D&O Insurance Policy**").

The entry into the Director's Deeds and the maintenance of D&O Insurance Policy are permitted by the constitution of Conquest Mining.

#### **10.4 Potential for waiver of Defeating Conditions**

The Offer is subject to a number of conditions set out in section 11.12. Under the terms of the Offer and the Corporations Act, any or all of those Defeating Conditions may be waived by Conquest Mining.

If an event occurs which results (or would result) in the non-fulfilment of a Defeating Condition, Conquest Mining might not make a decision as to whether it will either rely on that occurrence, or instead waive the Defeating Condition in respect of that occurrence, until the date for giving notice as to the status of the conditions of the Offer under section 630(3) of the Corporations Act (see section 11.13(d)). If Conquest Mining decides that it will waive a Defeating Condition it will announce that decision to ASX in accordance with section 650F of the Corporations Act.

If any of the Defeating Conditions is not fulfilled, and Conquest Mining decides to rely on that non-fulfilment, then any contract resulting from acceptance of the Offer will become void at (or, in some cases, shortly after) the end of the Offer Period, and the relevant North Queensland Metals Shares will be returned to the holder.

#### **10.5 Status and effect of Defeating Conditions**

As at the date of this Bidder's Statement, Conquest Mining is not aware of any events or circumstances which would result in the non-fulfilment of any of the Defeating Conditions.

#### **10.6 Consents**

The following firms and companies have given, and have not at the date of this Bidder's Statement withdrawn, their written consent to being named in this Bidder's Statement. None of the following firms and companies has caused or authorised the issue of this Bidder's Statement. The Offer is made by Conquest Mining.

- Allens Arthur Robinson (legal adviser to Conquest Mining) has consented to being named in this Bidder's Statement in the form and context in which it is named, and has not withdrawn that consent.
- Sino Resources Capital Pty Limited (financial adviser to Conquest Mining) has consented to being named in this Bidder's Statement in the form and context in which it is named, and has not withdrawn that consent.
- Link Market Services Limited (share registry services provider to Conquest Mining) has consented to being named in this Bidder's Statement in the form and context in which it is named, and has not withdrawn that consent.

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Information in this Bidder's Statement 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 an 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 Bidder's Statement of the matters based on his information in the form and context in which it appears.

In addition, this Bidder's Statement includes statements which are made in, or based on statements made in, documents lodged with ASIC or given to ASX. 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).

#### **10.7 Approvals for payment of consideration**

Conquest Mining is not currently aware of any North Queensland Metals Shareholders who require any approval referred to in section 11.10(d) in order to be entitled to receive any consideration under the Offer.

#### **10.8 Withholding of consideration**

Conquest Mining is not currently aware of any amounts that are or would be treated as withholding amounts under section 11.10(e).

#### **10.9 Date for determining holders of securities**

For the purposes of section 633 of the Corporations Act, the date for determining the people to whom information is to be sent under items 6 and 12 of section 633(1) for each Offer is the Register Date.

#### **10.10 Information about Conquest Mining in this Bidder's Statement**

Due to the fact that Conquest Mining is offering Conquest Mining Shares as consideration for the acquisition of North Queensland Metals Shares, the Corporations Act requires that this Bidder's Statement include all information that would be required for a prospectus for an offer of Conquest Mining Shares under sections 710 to 713 of the Corporations Act. Conquest Mining does not need to issue a prospectus for the offer of the Conquest Mining Shares as the offer is occurring under a takeover bid.

Conquest Mining is a 'disclosing entity' for the purposes of the Corporations Act and it is subject to regular reporting and disclosure obligations under the Corporations Act and the ASX Listing Rules. These obligations require Conquest Mining to notify the ASX of information about specified events and matters as they arise for the purposes of the ASX

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making that information available to the financial market operated by the ASX. In particular, Conquest Mining has an obligation under the ASX Listing Rules (subject to certain exceptions) to notify the ASX immediately of any information of which it becomes aware concerning Conquest Mining which a reasonable person would expect to have a material effect on the price or value of Conquest Mining Shares. Conquest Mining Shares have been quoted on the ASX during the 3 months prior to the date of this Bidder's Statement.

For this reason, Conquest Mining is only required to disclose information in this Bidder's Statement that would usually be required where its shares have been continuously quoted securities.

In general terms, where Conquest Mining Shares are continuously quoted securities the prospectus is only required to contain information in relation to the effect of the Offer on Conquest Mining and the rights and liabilities attaching to the Conquest Mining Shares. It is not necessary to include general information in relation to all of the assets and liabilities, financial position and performance, profits and losses or prospects of Conquest Mining unless such information has been excluded from a continuous disclosure notice in accordance with the ASX Listing Rules and it is information that investors and their professional advisers would reasonably require for the purpose of making an informed assessment of such matters and the rights and liabilities attaching to Conquest Mining Shares.

Information that is already in the public domain has not been reported in this Bidder's Statement other than that which is considered necessary to make this Bidder's Statement complete.

Conquest Mining, as a disclosing entity under the Corporations Act, states that:

- (a)** it is subject to regular reporting and disclosure obligations;
- (b)** copies of documents lodged with ASIC in relation to Conquest Mining may be obtained from, or inspected at, an ASIC office; and
- (c)** it will provide a copy of each of the following documents, free of charge, to any person on request during the Offer Period:
  - (i) the Constitution of Conquest Mining;
  - (ii) the annual financial report of Conquest Mining for the year ended 30 June 2009;
  - (iii) the half year financial report of Conquest Mining for the half year ended 31 December 2009;
  - (iv) any continuous disclosure notice given by Conquest Mining to the ASX since its annual financial report for the year ended 30 June 2009 was lodged with ASIC (ie. since 25 September 2009) and before the date of this Bidder's Statement.

The ASX announcements made in relation to Conquest Mining between 25 September 2009 and the date of this Bidder's Statement are listed in Annexure B. Copies of announcements made by Conquest Mining to the ASX are available from the ASX website.

To obtain a copy of any of the above documents during the Offer Period, interested persons may call the Offer enquiry line on 1800 131 904 (toll free) from within Australia or +61 2 8280 7735 (not toll free) from outside Australia.

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**10.11 Expiry date**

No Conquest Mining Share will be issued on the basis of this Bidder's Statement after the date that is 13 months after the date of this Bidder's Statement.

**10.12 Other material information**

Except as disclosed in this Bidder's Statement, there is no other information that:

- (a) is material to the making of the decision by a North Queensland Metals Shareholder whether or not to accept the Offer;
- (b) is known to Conquest Mining; and
- (c) does not relate to the value of Conquest Mining Shares;

which has not previously been disclosed to North Queensland Metals Shareholders.

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## 11. Offer Terms

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### 11.1 The Offer

- (a) Conquest Mining offers to acquire all of your North Queensland Metals Shares on the terms set out in this section 11.
- (b) The consideration offered for each of your North Queensland Metals Shares is 0.5 Conquest Mining Shares plus \$0.10 cash.
- (c) Any Conquest Mining Shares issued to you under this Offer will be issued fully paid and will rank equally for dividends and other rights in all respects with existing Conquest Mining Shares from the date of issue.
- (d) If you are an Ineligible Foreign Shareholder or Unmarketable Parcel Shareholder then, despite any other provision of this Offer, you will only be entitled to receive a cash amount in Australian dollars for your North Queensland Metals Shares as determined in accordance with section 11.9.
- (e) This Offer is dated [\*] 2010.

### 11.2 Rounding

If you would otherwise become entitled to a fraction of a Conquest Mining Share as a result of your acceptance of the Offer, in addition to the number of whole Conquest Mining Shares to which you become entitled as a result of that acceptance, any such fractional entitlement of:

- (a) less than 0.5 will be rounded down to zero; or
- (b) equal to or more than 0.5 will be rounded up to 1 Conquest Mining Share.

However, if Conquest Mining reasonably believes that any parcel or parcels of North Queensland Metals Shares has or have been created or manipulated to take advantage of rounding, then any fractional entitlement to a Conquest Mining Share arising in relation to that parcel, or those parcels, will be rounded down so that the entitlement to Conquest Mining Shares arising in relation to each parcel consists of the nearest whole number of Conquest Mining Shares only and the fractional entitlement will be disregarded.

### 11.3 Offer Period

- (a) This Offer will be open for acceptance during the period that commences on the date of the Offer and ends at 7.00pm (Sydney time) on [\*] 2010, unless it is withdrawn or extended in accordance with the Corporations Act.
- (b) Conquest Mining may, in accordance with the Corporations Act, extend the period during which the Offer remains open for acceptance.

### 11.4 Offerees

#### (a) Registered holders

Conquest Mining is making an offer in the form of this Offer to:

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- (i) each person registered as the holder of North Queensland Metals Shares in the register of shareholders of North Queensland Metals as at the Register Date; and
  - (ii) each person who, during the period from the Register Date to the end of the Offer Period, becomes registered or entitled to be registered as the holder of North Queensland Metals Shares (whether or not they are registered or entitled to be registered as the holder of other North Queensland Metals Shares) due to the conversion of, or exercise of rights attached to, North Queensland Metals Options that are on issue at the Register Date.

**(b) Transferees**

If at any time during the Offer Period another person is able to give good title to some or all of your North Queensland Metals Shares, and that person has not already accepted an offer in the form of this Offer for those North Queensland Metals Shares, then that person may accept as if an offer in the form of this Offer had been made to them in respect of those North Queensland Metals Shares.

**(c) Trustees and nominees**

If at any time during the Offer Period and before you accept this Offer your North Queensland Metals Shares consist of two or more separate parcels within the meaning of section 653B of the Corporations Act (for example, because you hold your North Queensland Metals Shares as trustee or nominee for, or otherwise on account of, several distinct beneficial owners), then you may accept as if a separate offer in the form of this Offer had been made in relation to each of those parcels (including any parcel you hold in your own right). Acceptance for any parcel of North Queensland Metals Shares (including any parcel consisting of two or more parcels) is ineffective unless:

- (i) you give Conquest Mining notice stating that the North Queensland Metals Shares consist of a separate and distinct parcel, such notice being:
  - (A) in the case of North Queensland Metals Shares in an Issuer Sponsored Holding, in writing; or
  - (B) in the case of North Queensland Metals Shares in a CHESS Holding, in an electronic form approved by the ASTC Settlement Rules; and
- (ii) your acceptance specifies the number of North Queensland Metals Shares in the distinct parcel.

If, for this purpose, you require additional copies of this Bidder's Statement and the Acceptance Form, please call the Offer enquiry line on 1800 131 904 (toll free) from within Australia or +61 2 8280 7735 (not toll free) from outside Australia to request those additional copies.

## **11.5 How to accept this Offer**

**(a) General matters**

- (i) You may accept this Offer at any time during the Offer Period, in the manner provided in this section 11.5.



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- (ii) You may only accept this Offer for all, and not some only, of your North Queensland Metals Shares.
  - (iii) The manner in which you accept this Offer will depend on whether your North Queensland Metals Shares are in an Issuer Sponsored Holding (see section 11.5(b)) or in a CHES Holding (see section 11.5(c)).
  - (iv) If some of your North Queensland Metals Shares are in an Issuer Sponsored Holding, and some of your North Queensland Metals Shares are in a CHES Holding, your acceptance of this Offer will require separate action in relation to the separate portions of your North Queensland Metals Shares.

**(b) Issuer Sponsored Holdings**

- (i) If your North Queensland Metals Shares are held in an Issuer Sponsored Holding (in which case your Securityholder Reference Number is prefixed with 'I'), to accept the Offer in respect of those North Queensland Metals Shares you must:
  - (A) complete and sign the enclosed Acceptance Form in accordance with the instructions on it; and
  - (B) return the enclosed Acceptance Form, together with all other documents required by the instructions on it, so that they are received before the end of the Offer Period at one of the addresses given on the Acceptance Form.

A reply paid envelope is enclosed for your convenience. North Queensland Metals Shareholders who post their acceptance from outside Australia will need to affix their own postage stamp.

- (ii) Acceptance will be deemed to have been effected when, subject to this section 11, the duly completed Acceptance Form and all required documents has been received at one of the addresses given on the Acceptance Form.

**(c) CHES Holdings**

- (i) If your North Queensland Metals Shares are held in a CHES Holding, then acceptance of this Offer can only be made in accordance with the ASTC Settlement Rules by:
  - (A) instructing your Controlling Participant to initiate acceptance of this Offer in accordance with Rule 14.14 of the ASTC Settlement Rules before the end of the Offer Period;
  - (B) completing and signing the enclosed Acceptance Form in accordance with the instructions on it and returning it, together with any other documents required by those instructions, to one of the addresses given on the Acceptance Form; or
  - (C) if you are a Participant (within the meaning of the ASTC Settlement Rules), initiating acceptance of this Offer in accordance with Rule 14.14 of the ASTC Settlement Rules before the end of the Offer Period.

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(ii) Notwithstanding any other term or condition to the contrary, acceptance of this Offer in accordance with section 11.5(c)(i) is not effective unless, prior to the end of the Offer Period, the Controlling Participant of the shareholding has initiated an acceptance of this Offer in accordance with Rule 14.14 of the ASTC Settlement Rules.

(iii) ~~(i)~~ Notwithstanding any other term or condition to the contrary, if you choose to accept this Offer in the manner described in section 11.5(c)(i)(B):

(A) you irrevocably authorise Conquest Mining (and its agents and nominees) to:

- (1) instruct your Controlling Participant to initiate acceptance of the Offer in respect of all such North Queensland Metals Shares in accordance with the ASTC Settlement Rules; and
- (2) give any other instructions in relation to those North Queensland Metals Shares to your Controlling Participant on your behalf under the sponsorship agreement between you and the Controlling Participant, as determined by Conquest Mining acting in its own interests as a beneficial owner and intended registered holder of your North Queensland Metals Shares;

(B) you acknowledge that:

- (1) with respect to sub-paragraph (A)(1) above, Conquest Mining (or its agents or nominees) will merely forward your Acceptance Form to your Controlling Participant (being the only person who can accept this Offer on your behalf) and that it is your responsibility to allow sufficient time for your Controlling Participant to initiate acceptance of this Offer;
- (2) Conquest Mining (or its agents or nominees) is not responsible for any delays incurred by the process described in sub-paragraph (B)(1) above or any losses whatsoever you incur by the fact that your acceptance is not processed before the end of the Offer Period; and

(C) you must promptly give any further instructions or take any further actions necessary concerning your North Queensland Metals Shares to your Controlling Participant to initiate acceptance of this Offer on your behalf in accordance with Rule 14.14 of the ASTC Settlement Rules prior to the end of the Offer Period.

## 11.6 Acceptance Form

### (a) Status of Acceptance Form

The Acceptance Form which accompanies this Bidder's Statement forms part of this Offer, and the instructions on the Acceptance Form must be followed in using it to accept this Offer.

### (b) Rectification of errors

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By signing and returning the Acceptance Form in accordance with section 11.5, you irrevocably authorise Conquest Mining (and its agents and nominees) to rectify any errors in, or omissions from, the Acceptance Form that are necessary to make it an effective acceptance of this Offer or to enable registration of the transfer to Conquest Mining of your North Queensland Metals Shares which have been accepted into this Offer.

**(c) Validation of Acceptance Form**

Notwithstanding any other term or condition to the contrary, Conquest Mining may (except in relation to North Queensland Metals Shares in a CHESS Holding) treat the receipt by it of a signed Acceptance Form as valid even though it does not receive the other documents required by the instructions on the Acceptance Form or there is not compliance with any one or more of the other requirements for acceptance. If Conquest Mining does treat such an Acceptance Form as valid, subject to section 11.10, Conquest Mining will not be obliged to give the Offer Consideration to you until Conquest Mining receives all those documents and all of the requirements for acceptance referred to in section 11.5 and in the Acceptance Form have been met.

**11.7 Power of attorney or deceased estate**

When accepting this Offer, you should also forward for inspection:

- (a)** if the Acceptance Form is executed by an attorney, a certified copy of the power of attorney; and
- (b)** if the Acceptance Form is executed by the executor of a will or the administrator of the estate of a deceased North Queensland Metals Shareholder, the relevant grant of probate or letters of administration.

**11.8 Effect of acceptance**

By signing and returning the Acceptance Form or initiating or causing acceptance of this Offer under the ASTC Settlement Rules in accordance with section 11.5, you will have:

- (a)** been deemed to have accepted this Offer in respect of all of your North Queensland Metals Shares, and agreed to the terms of this Offer;
- (b)** subject to all of the Defeating Conditions being fulfilled or waived, assigned all of your beneficial interest in your North Queensland Metals Shares to Conquest Mining, conveyed beneficial title to your North Queensland Metals Shares to Conquest Mining and agreed to transfer legal title to your North Queensland Metals Shares to Conquest Mining;
- (c)** represented and warranted to Conquest Mining that, both at the time of your acceptance of this Offer and at the date of the transfer of them to Conquest Mining:
  - (i) your North Queensland Metals Shares are fully paid and free from all mortgages, charges, liens, Encumbrances and interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind; and
  - (ii) you have full power and capacity to accept the Offer and to sell and transfer the legal and beneficial ownership of your North Queensland Metals Shares to Conquest Mining;

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- (d) authorised Conquest Mining to issue to you any Conquest Mining Shares that you are entitled to receive under this Offer and to register your name in the Conquest Mining register of shareholders in respect of those Conquest Mining Shares, agreed to become a member of Conquest Mining and agreed that you will be bound by the Constitution of Conquest Mining;
- (e) irrevocably authorised Conquest Mining (severally by its officers, agents or nominees) to complete the Acceptance Form by inserting such details as are omitted in respect of your North Queensland Metals Shares and to rectify any errors in or omissions from the Acceptance Form (including altering the number of North Queensland Metals Shares stated to be held by you if it is otherwise than as set out in the Acceptance Form) as may be necessary to make the Acceptance Form an effective acceptance of this Offer to enable registration of the transfer of your North Queensland Metals Shares to Conquest Mining;
- (f) if some of your North Queensland Metals Shares are in an Issuer Sponsored Holding, and some of your North Queensland Metals Shares are in a CHES Holding, and your acceptance was made only in respect of one type of holding, agreed, on request from Conquest Mining or its agents, to promptly take any actions necessary and have authorised Conquest Mining to take any actions necessary concerning the unaccepted holding of your North Queensland Metals Shares to ensure those shares are validly accepted in accordance with section 11.5 prior to the end of the Offer Period;
- (g) in respect of any of your North Queensland Metals Shares which are held in a CHES Holding, irrevocably authorised and directed Conquest Mining severally by its officers, nominees and agents to:
- (i) instruct your Controlling Participant to initiate acceptance of this Offer in respect of those North Queensland Metals Shares in accordance with the ASTC Settlement Rules; and
  - (ii) give any other instructions in relation to those North Queensland Metals Shares to your Controlling Participant on your behalf under the sponsorship agreement between you and the Controlling Participant, as determined by Conquest Mining acting in its own interests as a beneficial owner and intended registered holder of your North Queensland Metals Shares;
- (h) subject to all of the Defeating Conditions being fulfilled or waived, you irrevocably authorise Conquest Mining severally by its officers, nominees and agents to do all things necessary to transfer your North Queensland Metals Shares to Conquest Mining (including to cause a message to be transmitted in accordance with ASTC Settlement Rule 14.17.1 so as to transfer your North Queensland Metals Shares, if held in a CHES Holding, to the Takeover Transferee Holding), even if Conquest Mining has not at that time paid or provided the consideration due to you under this Offer;
- (i) represented and warranted to Conquest Mining that, if you are the legal owner but not the beneficial owner of your North Queensland Metals Shares:

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- (i) the beneficial holder has not sent a separate acceptance of this Offer in respect of your North Queensland Metals Shares;
  - (ii) the number of North Queensland Metals Shares you have specified as being the entire holding of North Queensland Metals Shares you hold on behalf of the particular beneficial holder is in fact such entire holding; and
  - (iii) that you are irrevocably and unconditionally entitled to transfer your North Queensland Metals Shares, and to assign all of the beneficial interest therein to Conquest Mining;
- (j)** represented and warranted to Conquest Mining that you are not an Ineligible Foreign Shareholder, unless otherwise indicated on the Acceptance Form;
- (k)** acknowledged and agreed that if you are an Ineligible Foreign Shareholder, Conquest Mining will arrange for any Conquest Mining Shares otherwise issuable to you to be issued and sold, and for the net proceeds to be remitted to you, as described in section 11.9;
- (l)** acknowledged and agreed that if you are an Unmarketable Parcel Shareholder, or Conquest Mining believes that you are an Unmarketable Parcel Shareholder, Conquest Mining will arrange for any Conquest Mining Shares otherwise issuable to you to be issued and sold, and for the net proceeds to be remitted to you, as described in section 11.9;
- (m)** acknowledged and agreed that, except as permitted by and in accordance with the applicable law (including in accordance with an exemption from the registration requirements of the Securities Act), you will not offer or resell in, or to persons in, the United States of America any Conquest Mining Shares which you acquired at any time, although that does not prohibit any sale on the ASX if neither you nor any person acting on your behalf knows, or has reason to know, that the sale has been prearranged with, or that purchaser is, a person in the United States of America;
- (n)** unless Conquest Mining has waived its entitlement to the relevant Rights (as contemplated in section 11.11), irrevocably authorised and directed North Queensland Metals to pay to Conquest Mining, or to account to Conquest Mining for, all Rights in respect of your North Queensland Metals Shares subject, however, to any such Rights received by Conquest Mining being accounted for by Conquest Mining to you if the Offer is withdrawn or the contract formed by your acceptance of the Offer is rescinded or rendered void;
- (o)** irrevocably appointed Conquest Mining and each of its directors, secretaries and officers severally as your true and lawful attorney, with effect from the date that this Offer, or any contract resulting from acceptance of this Offer, becomes free from its Defeating Conditions or such Defeating Conditions are satisfied or waived, with power to do all things which you could lawfully do concerning your North Queensland Metals Shares or in exercise of any right derived from the holding of your North Queensland Metals Shares, including (without limiting the generality of the foregoing):
- (i) attending and voting at any meeting of North Queensland Metals;
  - (ii) demanding a poll for any vote to be taken at any meeting of North Queensland Metals;

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- (iii) proposing or seconding any resolution to be considered at any meeting of North Queensland Metals;
  - (iv) requisitioning the convening of any meeting of North Queensland Metals and convening a meeting pursuant to any such requisition;
  - (v) notifying North Queensland Metals that your address in the records of North Queensland Metals for all purposes, including the despatch of notices of meeting, annual reports and dividends, should be altered to an address nominated by Conquest Mining; and
  - (vi) doing all things incidental or ancillary to any of the foregoing,

and to have agreed that in exercising the powers conferred by that power of attorney, the attorney may act in the interests of Conquest Mining as the intended registered holder and beneficial holder of your North Queensland Metals Shares. Such appointment will terminate on the earlier of the withdrawal of your acceptance of this Offer (either in accordance with its terms or under section 650E of the Corporations Act) and the end of the Offer Period or, if all Defeating Conditions of the Offer have been fulfilled or waived, the registration of Conquest Mining as the holder of your North Queensland Metals Shares;

- (p) whilst the appointment in paragraph (o) above continues, you agree not to attend or vote in person or by proxy, attorney or corporate representative at any meeting of North Queensland Metals, or to exercise or purport to exercise (in person or by proxy, attorney, or corporate representative or otherwise) any of the powers conferred by the power of attorney in paragraph (o) above;
- (q) agreed to indemnify Conquest Mining and each of its officers and agents in respect of any claim or action against it or any loss, damage or liability whatsoever incurred by it as a result of you not producing your Holder Identification Number or your Securityholder Reference Number or in consequence of the transfer of your North Queensland Metals Shares to Conquest Mining being registered by North Queensland Metals without production of your Holder Identification Number or your Securityholder Reference Number.

The representations, warranties, authorities and indemnity referred to in this section 11.8 will (unless otherwise stated) remain in force after you receive the Offer Consideration for your North Queensland Metals Shares and after Conquest Mining becomes the registered holder of them.

## 11.9 Ineligible Foreign Shareholders and Unmarketable Parcel Shareholders

### (a) Who is an Ineligible Foreign Shareholder?

- (i) If you are (or are acting as a nominee or trustee on behalf of) a citizen or a resident of a jurisdiction other than Australia (and its external territories) or New Zealand, ("**Permitted Jurisdictions**") or your address as shown in the register of members of North Queensland Metals is a place outside the Permitted Jurisdictions (or you are acting on behalf of such a person), then you are considered a "**Foreign Shareholder**".

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- (ii) If you are a Foreign Shareholder you are an **"Ineligible Foreign Shareholder"** unless Conquest Mining otherwise determines in its absolute discretion.

**(b) Who is an Unmarketable Parcel Shareholder?**

- (i) You will be an **"Unmarketable Parcel Shareholder"** if the total number of Conquest Mining Shares to which you would be entitled to receive as consideration under the Offer is an Unmarketable Parcel.
- (ii) An **"Unmarketable Parcel"** means a number of Conquest Mining Shares which is less than a "marketable parcel" under the market rules of the ASX (currently a parcel of less than \$500), calculated based on the highest closing price for Conquest Mining Shares published during the Bid Period (or, in relation to Conquest Mining Shares issued in respect of accepting North Queensland Metals Shareholders during the Bid Period, based on the highest closing price for Conquest Mining Shares published between the start of the Bid Period until the last trading day before Conquest Mining issues those Conquest Mining Shares).

**(c) Sale by nominee**

- (i) If you are an Ineligible Foreign Shareholder or Unmarketable Parcel Shareholder you will not be entitled to receive Conquest Mining Shares as a result of acceptance of this Offer. Instead, Conquest Mining will:
- (A) arrange for the issue to a nominee approved by ASIC (the **"Sale Nominee"**) of the number of Conquest Mining Shares to which you and other Ineligible Foreign Shareholders and Unmarketable Parcel Shareholders would otherwise have been entitled but for this section 11.9;
- (B) cause the Conquest Mining Shares so issued to be offered for sale by the Sale Nominee on ASX:
- (1) as soon as practicable after they have been issued to the Sale Nominee; and
- (2) otherwise in the manner, at the price and on such other terms and conditions as are determined by the Sale Nominee in good faith (and at the risk of the Ineligible Foreign Shareholders and Unmarketable Parcel Shareholders);
- (C) pay or cause to be paid to you, within 20 Business Days after the Conquest Mining Shares have been issued to the Sale Nominee under this section 11.9, the amount ascertained in accordance with the formula below ("**Your Net Sale Proceeds**"):

$P \times N / T$

where:

- P is the amount (if any) remaining after deducting the expenses of sale from the proceeds of sale of the Conquest

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- Mining Shares issued to the Sale Nominee under this section 11.9;
- N is the number of Conquest Mining Shares which would, but for this section 11.9, otherwise have been issued to you as consideration under this Offer; and
  - T is the total number of Conquest Mining Shares issued to the Sale Nominee under this section 11.9.
- (ii) Neither Conquest Mining nor the Sale Nominee gives any undertaking, representation, warranty or assurance as to the price that will be achieved for the sale of Conquest Mining Shares described in this section 11.9.
- (iii) If you are an Ineligible Foreign Shareholder or an Unmarketable Parcel Shareholder and you validly accept this Offer, and the Defeating Conditions are fulfilled or waived, you will receive 2 separate payments. You will receive one payment comprising \$0.10 cash for each of your North Queensland Metals Shares. You will receive a separate payment at a later time for Your Net Sale Proceeds.
- (iv) Payment of Your Net Sale Proceeds will be made by cheque drawn in Australian currency in your favour. The cheque will be sent to you, at your risk, by ordinary mail (or, in the case of North Queensland Metals Shareholders with addresses outside Australia, by airmail) to your address as recorded in the register of members of North Queensland Metals on the Register Date or the address shown in the Acceptance Form or the address for you last notified to Conquest Mining by North Queensland Metals. Payment will be deemed to have been made at the time the cheque is delivered to Australia Post for delivery or placed in an Australia Post postal box.
- (v) Under no circumstances will interest be paid on Your Net Sale Proceeds, regardless of any delay in remitting Your Net Sale Proceeds to you.
- (vi) Certain Ineligible Foreign Shareholders and Unmarketable Parcel Shareholders may not be entitled to receive payment of the amounts referred to in this section 11.9 unless and until all requisite authorities or clearances have been obtained from Public Authorities (see section 11.10(d)). In addition, certain amounts may need to be withheld (see section 11.10(e)).

## **11.10 Provision of Offer Consideration**

### **(a) Timing**

- (i) Subject to section 11.9, this section 11.10 and the Corporations Act, if you accept the Offer and the Defeating Conditions are fulfilled or waived, Conquest Mining will provide you the consideration for your North Queensland Metals Shares under this Offer on or before the earlier of:
- (A) 1 month after the date of your acceptance or, if at the time of your acceptance this Offer is subject to a Defeating Condition, 1 month



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after any contract resulting from your acceptance of this Offer becomes, or is declared, unconditional; and

- (B) 21 days after the end of the Offer Period.
- (ii) Where additional documents are required, either by the Acceptance Form or otherwise, to be given to Conquest Mining with your acceptance to enable Conquest Mining to become the holder of your North Queensland Metals Shares (such as a power of attorney):
- (A) if those documents are given to Conquest Mining with your acceptance, Conquest Mining will provide you the consideration for your North Queensland Metals Shares in accordance with section 11.10(a)(i);
  - (B) if those documents are given to Conquest Mining after your acceptance and before the end of the Offer Period, and this Offer is subject to a Defeating Condition at the time those documents are given, Conquest Mining will provide you the consideration for your North Queensland Metals Shares by the earlier of:
    - (1) 1 month after any contract resulting from your acceptance of this Offer becomes, or is declared, unconditional; and
    - (2) 21 days after the end of the Offer Period;
  - (C) if those documents are given to Conquest Mining after your acceptance and before the end of the Offer Period, and this Offer is not subject to a Defeating Condition at the time those documents are given, Conquest Mining will provide you the consideration for your North Queensland Metals Shares by the earlier of:
    - (1) 1 month after Conquest Mining is given those documents; and
    - (2) 21 days after the end of the Offer Period; and
  - (D) if those documents are given to Conquest Mining after your acceptance and after the end of the Offer Period, Conquest Mining will provide you the consideration for your North Queensland Metals Shares within 21 days after those documents are given. However, if, at the time those documents are given to Conquest Mining, the contract resulting from your acceptance of this Offer is still subject to a Defeating Condition, Conquest Mining will provide you the consideration for your North Queensland Metals Shares within 21 days after the contract becomes, or is declared, unconditional.

**(b) Payment of cash**

Payment of any cash amount to which you are entitled to receive as Offer Consideration will be made by cheque drawn in Australian currency in your favour. The cheque will be sent to you, at your risk, by ordinary mail (or, in the case of North Queensland Metals Shareholders with addresses outside Australia, by airmail) to your address as recorded in the register of members of North Queensland Metals on the Register Date or the address shown in the Acceptance Form or the address for you

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last notified to Conquest Mining by North Queensland Metals. Payment will be deemed to have been made at the time the cheque is delivered to Australia Post for delivery or placed in an Australia Post postal box.

**(c) Issue of Conquest Mining Shares**

Subject to section 11.9, the obligation of Conquest Mining to issue Conquest Mining Shares to which are you entitled under this Offer will be satisfied by Conquest Mining:

- (i) entering your name on the register of shareholders of Conquest Mining in respect of those Conquest Mining Shares; and
- (ii) despatching or procuring the despatch to you of uncertificated holding statements in your name by ordinary mail to your address as recorded in the register of members of North Queensland Metals on the Register Date or the address shown in the Acceptance Form or the address for you last notified to Conquest Mining by North Queensland Metals. If your North Queensland Metals Shares are held in a joint name, uncertificated holding statements will be issued in the name of the joint holders and forwarded to the address that appears first in the copy of the register of members of North Queensland Metals which Conquest Mining maintains.

**(d) Clearances for certain shareholders**

If, at the time of acceptance of this Offer, any authority or clearance of a Public Authority is required for you to receive any Offer Consideration or you are resident in or a resident of a place to which, or you are a person to whom:

- (i) the Banking (Foreign Exchange) Regulations 1959 (Cth);
- (ii) Part 4 of the Charter of the United Nations Act 1945 (Cth);
- (iii) the Charter of the United Nations (Dealing with Assets) Regulations 2008 (Cth);
- (iv) Charter of the United Nations (Sanctions - Iraq) Regulations 2008 (Cth);
- (v) Charter of the United Nations (Sanctions - Al-Qaida and the Taliban) Regulations 2008 (Cth);
- (vi) any other regulations made under Part 4 of the Charter of the United Nations Act 1945 (Cth); or
- (vii) any other law of Australia that would make it unlawful for Conquest Mining to provide consideration for your North Queensland Metals Shares,

applies, then acceptance of this Offer will not create or transfer to you any right (contractual or contingent) to receive the Offer Consideration unless and until all requisite authorities or clearances have been obtained.

**(e) Withholding of Offer Consideration**

If any amount (the "**withholding amount**") is required, under any Australian law or by any Public Authority, to be:

- (i) withheld from any consideration otherwise due to you under this Offer and paid to a Public Authority; or

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- (ii) retained by Conquest Mining out of any consideration otherwise due to you under this Offer,

the payment or retention by Conquest Mining of the withholding amount (as applicable) will constitute full discharge of Conquest Mining's obligation to pay or provide the Offer Consideration to you to the extent of the withholding amount.

### **11.11 Rights**

If Conquest Mining becomes entitled to any Rights as a result of your acceptance of this Offer, it may require you to give to Conquest Mining all documents necessary to vest title to those Rights in Conquest Mining, or otherwise to give Conquest Mining the benefit or value of those Rights. If you do not do so, or if you have received or are entitled to receive (or any previous holder of your North Queensland Metals Shares has received or is entitled to receive) the benefit of those Rights, Conquest Mining will be entitled to deduct the amount (or an amount equal to the value, as reasonably assessed by Conquest Mining) of those Rights, together with an amount equal to the value (as reasonably assessed by Conquest Mining) of any franking credits attached to those Rights, from any consideration otherwise due to you under this Offer. If Conquest Mining does not, or cannot, make such a deduction, you must pay that amount to Conquest Mining, except to the extent that Conquest Mining elects to waive its entitlement to those Rights.

### **11.12 Defeating Conditions**

This Offer, and any contract that results from your acceptance of this Offer, is subject to the fulfilment of the following conditions.

#### **(a) Minimum relevant interest**

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

#### **(b) No regulatory actions**

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

- (i) there is not in effect any preliminary or final decision, order or decree issued by a Public Authority;
- (ii) no action or investigation is announced, commenced or threatened by any Public Authority; and
- (iii) no application is made to any Public Authority (other than by Conquest Mining 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 North Queensland Metals Shares under the Offer or the completion of any transaction contemplated by this Bidder's Statement, or which seeks to require the divestiture by Conquest Mining of any North Queensland Metals

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Shares or of any material assets of the North Queensland Metals Group or the Conquest Mining Group.

**(c) No material adverse change**

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

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

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

**(d) 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:

- (i) any member of the North Queensland Metals 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;
- (ii) any member of the North Queensland Metals Group disposes, offers to dispose or agrees to dispose of:
  - (A) all or part of the interest which the North Queensland Metals Group holds in the joint ventures for the Pajingo gold mine or the Twin Hills gold project; or
  - (B) 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 North Queensland Metals' balance sheet as at 31 December 2009) exceeds \$1,000,000; or
- (iii) any member of the North Queensland Metals 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 North Queensland Metals Group which when aggregated with all other such agreements and offers exceeds \$2,500,000.

**(e) No dividends**

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

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**(f) No change of control rights**

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

- (i) acquire, or require the disposal of, or require any member of the North Queensland Metals Group to offer to dispose of, any material asset of any member of the North Queensland Metals Group; or
- (ii) terminate, or vary the terms or performance of, any material agreement with any member of the North Queensland Metals Group.

**(g) No prescribed occurrences**

During the period from the date of this Bidder's Statement to the end of the Offer Period, none of the following occurrences happens:

- (i) North Queensland Metals converts all or any of its shares into a larger or smaller number of shares under section 254H of the Corporations Act;
- (ii) North Queensland Metals or a subsidiary of North Queensland Metals resolves to reduce its share capital in any way;
- (iii) North Queensland Metals or a subsidiary of North Queensland Metals 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;
- (iv) North Queensland Metals or a subsidiary of North Queensland Metals issues shares (other than as a result of the exercise of North Queensland Metals Options) or grants an option over its shares, or agrees to make such an issue or grant such an option;
- (v) North Queensland Metals or a subsidiary of North Queensland Metals issues, or agrees to issue, convertible notes;
- (vi) North Queensland Metals or a subsidiary of North Queensland Metals disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property;
- (vii) North Queensland Metals or a subsidiary of North Queensland Metals charges, or agrees to charge, the whole, or a substantial part, of its business or property;
- (viii) North Queensland Metals or a subsidiary of North Queensland Metals resolves to be wound up;
- (ix) a liquidator or provisional liquidator of North Queensland Metals or of a subsidiary of North Queensland Metals is appointed;
- (x) a court makes an order for the winding up of North Queensland Metals or of a subsidiary of North Queensland Metals;
- (xi) an administrator of North Queensland Metals or of a subsidiary of North Queensland Metals is appointed under section 436A, 436B or 436C of the Corporations Act;

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- (xii) North Queensland Metals or a subsidiary of North Queensland Metals executes a deed of company arrangement; or
  - (xiii) a receiver, or a receiver and manager, is appointed in relation to the whole, or a substantial part, of the property of North Queensland Metals or a subsidiary of North Queensland Metals.

**(h) No prescribed occurrences between the Announcement Date and date of service**

None of the events listed in sub-paragraphs (i) to (xiii) of paragraph (g) above happens during the period beginning on the Announcement Date and ending on the day before the date of this Bidder's Statement.

**11.13 Nature and operation of Defeating Conditions**

**(a) Nature of Defeating Conditions**

Each of the Defeating Conditions in section 11.12 is a condition subsequent to the formation of a binding contract upon your acceptance of this Offer. None of those Defeating Conditions prevents a contract to sell your North Queensland Metals Shares resulting from your acceptance of this Offer, but non-fulfilment of any of those Defeating Conditions at the end of the Offer Period will have the consequences set out in section 11.13(e).

**(b) Separate Defeating Conditions for benefit of Conquest Mining**

- (i) Each paragraph and each sub-paragraph of section 11.12 constitutes, and is to be construed as, a separate, several and distinct Defeating Condition. No Defeating Condition will be taken to limit the meaning or effect of any other Defeating Condition.
- (ii) Conquest Mining alone is entitled to the benefit of the Defeating Conditions and to rely on breach or non-fulfilment of, or to waive compliance with, any of those conditions.

**(c) Waiver of Defeating Conditions**

Subject to the Corporations Act, Conquest Mining may free this Offer and any contract resulting from your acceptance of this Offer from all or any of the Defeating Conditions generally or in relation to a specific occurrence by giving written notice to North Queensland Metals:

- (i) in the case of the Defeating Conditions in section 11.12(g) – not later than 3 business days after the end of the Offer Period; and
- (ii) in the case of the other Defeating Conditions – not less than 7 days before the last day of the Offer Period.

**(d) Notice on status of Defeating Conditions**

The date for giving the notice as to the status of the Defeating Conditions required by section 630(1) of the Corporations Act is [\*] 2010 (subject to variation in accordance with section 630(2) of the Corporations Act if the Offer Period is extended).

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**(e) Contract void if Defeating Conditions not fulfilled**

Your acceptance of this Offer, and any contract resulting from your acceptance of this Offer, will be automatically void if:

- (i) at the end of the Offer Period, any of the Defeating Conditions is not fulfilled; and
- (ii) Conquest Mining has not declared this Offer and any contract resulting from your acceptance of it free from that Defeating Condition in accordance with section 11.13(c).

**11.14 Statutory condition**

This Offer and any contract that results from your acceptance of it are subject to the further condition that:

- (a)** an application is made to the ASX within 7 days of the start of the Bid Period for admission to official quotation by the ASX of the Conquest Mining Shares to be issued under the Offers; and
- (b)** permission for admission to official quotation by the ASX of the Conquest Mining Shares to be issued under the Offers which are accepted, is granted no later than 7 days after the end of the Bid Period.

This condition is not a defeating condition for the purposes of the Corporations Act and is not of the same nature as the Defeating Conditions set out in section 11.12. This Offer cannot be freed of this condition and subsequently no statements made by Conquest Mining can be taken to waive this condition. If this condition is not fulfilled, any contract resulting from the acceptance of this Offer will be automatically void.

**11.15 Variation and withdrawal of Offer**

**(a) Variation**

Conquest Mining may vary this Offer in accordance with the Corporations Act.

**(b) Withdrawal**

This Offer may be withdrawn with the written consent of ASIC, which consent may be subject to conditions. If so, Conquest Mining will give notice of the withdrawal to ASX and to North Queensland Metals and will comply with any other conditions imposed by ASIC.

**11.16 Costs and stamp duty**

- (a)** All costs and expenses of the preparation and circulation of this Bidder's Statement and this Offer will be paid by Conquest Mining. No stamp duty is payable by the transferor of listed shares. No brokerage is payable by you if you accept this Offer (unless you are an Ineligible Foreign Shareholder or an Unmarketable Parcel Shareholder, in which case the proceeds you will receive will be net of sale expenses as described in section 11.9).
- (b)** If you hold your North Queensland Metals Shares through a CHESS Holding, you should ask your Controlling Participant or nominee whether it will charge any transaction fees or service charges in connection with acceptance of this Offer.

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**11.17 Notices**

Any notice to be given by Conquest Mining to you in connection with this Offer may be given to you by leaving it at or sending it by pre-paid ordinary mail, or in the case of any address outside Australia, by pre-paid airmail to you at your address as recorded in the register of members of North Queensland Metals on the Register Date or the address shown in the Acceptance Form or the address for you last notified to Conquest Mining by North Queensland Metals.

**11.18 Governing law**

This Offer and any contract resulting from your acceptance of this Offer are governed by the laws in force in the state of New South Wales. On acceptance of the Offer, you irrevocably and unconditionally submit to the non-exclusive jurisdiction of the courts exercising jurisdiction in New South Wales and any courts which have jurisdiction to hear appeals from any of those courts, and you waive any right to object to any proceedings being brought in those courts.



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## 12. Definitions and Interpretation

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### 12.1 General definitions

The following definitions apply in this Bidder's Statement and in the Acceptance Form, unless the context requires otherwise.

**Acceptance Form** means the transfer and acceptance form enclosed with this Bidder's Statement or, as the context requires, any replacement or substitute acceptance form provided by or on behalf of Conquest Mining.

**Announcement Date** means 3 June 2010, being the date on which the Offer was announced. A copy of the announcement is attached as Annexure A.

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

**ASTC** means ASX Settlement and Transfer Corporation Pty Ltd (ABN 49 008 504 532).

**ASTC Settlement Rules** means the operating rules of the settlement facility provided by ASTC.

**ASX** means the Australian Securities Exchange.

**ASX Listing Rules** means the Listing Rules of ASX.

**Bid Period** means the period commencing on the date of this Bidder's Statement and ending at the end of the Offer Period.

**Bidder's Statement** means this document, being the statement of Conquest Mining under Part 6.5 of the Corporations Act relating to the Offer.

**Business Day** means [a week day on which trading banks are open for business in Sydney, Australia.](#)

**CGT** means Australian capital gains tax.

**CHES** means the Clearing House Electronic Subregister System, which provides for the electronic transfer, settlement and registration of securities in Australia.

**CHES Holding** means a holding of North Queensland Metals Shares on the CHES Subregister of North Queensland Metals.

**CHES Subregister** has the meaning given in the ASTC Settlement Rules.

**Combined Group** means the Conquest Mining Group (including the North Queensland Metals Group) which will exist following the Offer, should the Offer be successful and North Queensland Metals becomes a subsidiary of Conquest Mining.

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

**Conquest Mining Group** means Conquest Mining and its subsidiaries.

**Conquest Mining Option** means an option to subscribe for a Conquest Mining Share.

**Conquest Mining Share** means a fully paid ordinary share issued in the capital of Conquest Mining.

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**Conquest Mining Shareholder** means a person registered in the register of members of Conquest Mining as a holder of one or more Conquest Mining Share(s).

**Controlling Participant** has the meaning given in the ASTC Settlement Rules. Usually a person's Controlling Participant is another person, such as a broker, with whom the first person has a sponsorship agreement (within the meaning of the ASTC Settlement Rules).

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

**Defeating Condition** means each condition set out in section 11.12.

**Encumbrance** means an interest or power (whether existing or agreed to be granted or created):

- (a) reserved in or over any interest in any property, including any retention of title; or
- (b) created or otherwise arising in or over any interest in any property under a bill of sale, mortgage, charge, lien, pledge, hypothecation, trust or power,

and any other restriction on the use of or exercise of a right over property, or on the registration of an interest in or dealing with (including a transfer of) property.

**g/t** means grams per tonne.

**Gold Fields** means Gold Fields Australasia Pty Ltd (ACN 087 624 600), a wholly-owned subsidiary of Gold Fields Ltd.

**GST** means the goods and services tax imposed under the *A New Tax System (Goods and Services Tax) Act 1999* (Cth) and the related imposition acts of the Commonwealth of Australia.

**Holder Identification Number** means the number used to identify a North Queensland Metals Shareholder on the CHES Subregister of North Queensland Metals.

**Indicated Resource** or **Indicated Mineral Resource** has the meaning given to Inferred Mineral Resource in the JORC Code.

**Ineligible Foreign Shareholder** has the meaning given in section 11.9(a).

**Inferred Resource** or **Inferred Mineral Resource** has the meaning given to Inferred Mineral Resource in the JORC Code.

**Issuer Sponsored Holding** means a holding of North Queensland Metals Shares on the Issuer Sponsored Subregister of North Queensland Metals.

**Issuer Sponsored Subregister** has the meaning given in the ASTC Settlement Rules.

**JORC Code** means the 2004 Edition of the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, which is available at [www.jorc.org](http://www.jorc.org).

**Measured Resource** or **Measured Mineral Resource** has the meaning given to Measured Mineral Resource in the JORC Code.

**Mineral Resource** has the meaning given to Mineral Resource in the JORC Code.

**Mt** means millions of tonnes.

**Mtpa** means millions of tonnes per annum.

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

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**North Queensland Metals Group** means North Queensland Metals and its subsidiaries.

**North Queensland Metals Option** means an option issued by North Queensland Metals prior to the Announcement Date to subscribe for a North Queensland Metals Share.

**North Queensland Metals Share** means a fully paid ordinary share issued in the capital of North Queensland Metals.

**North Queensland Metals Shareholder** means a person registered in the register of members of North Queensland Metals as a holder of one or more North Queensland Metals Share(s).

**Offer** or **Conquest Mining's Offer** means, as the context requires, the offer for North Queensland Metals Shares contained in section 11, or the off-market takeover bid constituted by that offer and each other offer by Conquest Mining for North Queensland Metals Shares in the form of that offer, including in each case as varied in accordance with the Corporations Act.

**Offer Consideration** means 0.5 Conquest Mining Shares and \$0.10 cash for each North Queensland Metals Share.

**Offer Period** means the period during which the Offer will remain open for acceptance in accordance with section 11.3.

**Ore Reserve** has the meaning given to Ore Reserve in the JORC Code.

**oz** means ounce.

**ozpa** means ounces per annum.

**Probable Ore Reserve** has the meaning given to that term in the JORC Code.

**Proved Ore Reserve** has the meaning given to that term in the JORC Code.

**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 includes any national central or reserve bank, and any self-regulatory organisation established under statute and any stock exchange.

**Register Date** means 7.00pm (Sydney time) on [21 June](#) 2010, being the time and date set by Conquest Mining under section 633(2) of the Corporations Act.

**Rights** means all accretions, rights and benefits of whatever kind attaching to or arising from the North Queensland Metals Shares directly or indirectly at or after the Announcement Date (including all dividends and all rights to receive them and rights to receive or subscribe for shares, notes, bonds, options or other securities or entitlements declared, paid or issued by North Queensland Metals or any subsidiary of North Queensland Metals).

**Securityholder Reference Number** means the number allocated by North Queensland Metals to identify a North Queensland Metals Shareholder on the Issuer Sponsored Subregister of North Queensland Metals.

**subsidiary** has the meaning given in the Corporations Act.

**Takeover Transferee Holding** has the meaning given in the ASTC Settlement Rules, being the CHES Holding to which North Queensland Metals Shares are to be transferred pursuant to acceptances of the Offer.

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**tpa** means tonnes per annum.

**Unmarketable Parcel Shareholder** has the meaning given in section 11.9(b).

**VWAP** means volume weighted average price.

**your North Queensland Metals Shares** means, subject to section 11.4:

- (a) the North Queensland Metals Shares in respect of which you are registered or entitled to be registered as a holder in the register of members of North Queensland Metals at the Register Date, and in respect of which no other person becomes registered or entitled to be registered as a holder before you accept the Offer; and
- (b) any other North Queensland Metals Shares to which you are able to give good title at the time you accept the Offer (including any North Queensland Metals Shares in respect of which you become registered or entitled to be registered as a holder due to the exercise of rights attached to North Queensland Metals Options that are on issue at the Register Date).

## 12.2 Interpretation

The following rules of interpretation apply in this Bidder's Statement and in the Acceptance Form, unless the context requires otherwise.

- (a) Headings are for convenience only and do not affect interpretation.
- (b) The singular includes the plural and conversely.
- (c) A reference to a section or Annexure is to a section of, or annexure to, this Bidder's Statement.
- (d) A gender includes all genders.
- (e) Where a word or phrase is defined, its other grammatical forms have a corresponding meaning.
- (f) A reference to a person, corporation, trust, partnership, unincorporated body or association or other entity includes any of them.
- (g) A reference to a person includes a reference to the person's executors, administrators, successors, substitutes (including persons taking by novation) and assigns.
- (h) A reference to any legislation or to any provision of any legislation includes any modification or re-enactment of it, any legislative provision substituted for it and all regulations and statutory instruments issued under it.
- (i) A reference to any instrument or document includes any variation or replacement of it.
- (j) A term not specifically defined in this Bidder's Statement has the meaning given to it in the Corporations Act (being, if any special meaning is given for the purposes of Chapter 6 or 6A of the Corporations Act or a provision of those chapters, that special meaning).
- (k) A reference to time is a reference to time in Sydney, Australia.
- (l) Mentioning anything after **includes, including, for example**, or similar expressions, does not limit what else might be included.

- 
- (m)** A reference to **\$** is a reference to the lawful currency of Australia.
  - (n)** A reference to **you** is to a person to whom the Offer under section 11 is (or is deemed to be) made.

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### 13. Approval of Bidder's Statement

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This Bidder's Statement has been approved by a unanimous resolution of the directors of Conquest Mining Limited.

Dated ~~14~~<sup>29</sup> June 2010

Signed on behalf of Conquest Mining Limited.

A rectangular box containing a handwritten signature in black ink. The signature appears to be 'J. Klein'.

**Jake Klein, Executive Chairman**

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**Annexure A – Announcement of Offer**

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## **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.

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<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.

## Annexure B – List of ASX announcements by Conquest Mining

Below is a list of the announcements which have been made by Conquest Mining to the ASX between 25 September 2009 and the date of this Bidder's Statement.

Date	Headline
<a href="#">28/06/2010</a>	<a href="#">Change of Director's Interest Notice</a>
<a href="#">18/06/2010</a>	<a href="#">Register Request Notification</a>
<a href="#">16/06/2010</a>	<a href="#">Appendix 3B Takeover Offer Consideration</a>
<a href="#">16/06/2010</a>	<a href="#">Register Request Notification</a>
<a href="#">11/06/2010</a>	<a href="#">Change in substantial holding NQM</a>
<a href="#">11/06/2010</a>	<a href="#">Bidder's Statement as Lodged</a>
08/06/2010	Conquest Mining Appoints Senior Exploration Manager
07/06/2010	Change of Director's Interest Notice
04/06/2010	Change of Director's Interest Notice
04/06/2010	Change of Director's Interest Notice
04/06/2010	Change of Director's Interest Notice
03/06/2010	NQM Takeover Offer Teleconference
03/06/2010	Becoming a substantial holder for NQM
03/06/2010	Conquest Takeover Offer for North Queensland Metals
02/06/2010	Appendix 3B
31/05/2010	Becoming a substantial holder
20/05/2010	Conquest Mining signs Native Title Agreement
18/05/2010	Initial Director's Interest Notice
18/05/2010	Initial Director's Interest Notice
18/05/2010	Initial Director's Interest Notice
14/05/2010	Company Secretary Appointment/Resignation
13/05/2010	Final Director's Interest Notice
13/05/2010	Final Director's Interest Notice
13/05/2010	Final Director's Interest Notice
12/05/2010	Jake Klein and New Team to Drive Conquest Mining
12/05/2010	Investor Presentation
12/05/2010	Results of Extraordinary General Meeting
07/05/2010	Change of Director's Interest Notice
27/04/2010	Third Quarter Activities and Cashflow Report
16/04/2010	Change of Director's Interest Notice
12/04/2010	Conquest Receives Encouraging Metallurgical Results
07/04/2010	Notice of Extraordinary General Meeting/Proxy Form

<b>Date</b>	<b>Headline</b>
24/03/2010	Change of Director`s Interest Notice
22/03/2010	Conquest and Gold Fields Settle Dispute
10/03/2010	Half Year Accounts
09/03/2010	Conquest Appoints Jake Kleinas Executive Chairman
05/03/2010	Trading Halt
04/03/2010	Appendix 3B
15/02/2010	Letter to Shareholders
04/02/2010	DFS Results Lead To Strategic Review
21/01/2010	Second Quarter Activities and Cashflow Report Amended
21/01/2010	Second Quarter Activities and Cashflow Report
21/12/2009	Initial Director`s Interest Notice
18/12/2009	New Director Appointment
15/12/2009	Market Update on Silver Hill DFS
07/12/2009	Maiden Ore Reserves for Silver Hill Deposit
03/12/2009	Change in substantial holding
01/12/2009	Appendix 3B
01/12/2009	Becoming a substantial holder
26/11/2009	Chairman`s Address
26/11/2009	Results of Annual General Meeting
20/11/2009	Change of Director`s Interest Notice
20/11/2009	Change of Director`s Interest Notice
20/11/2009	Change of Director`s Interest Notice
20/11/2009	Change in substantial holding
19/11/2009	Cleansing Statement
18/11/2009	Appendix 3B
18/11/2009	Subscriptions for Shareholder Share Purchase Plan
30/10/2009	First Quarter Activities and Cashflow Reports
28/10/2009	Change in substantial holding
28/10/2009	Change in substantial holding
22/10/2009	Cleansing Statement
22/10/2009	Update on Mt Carlton JV dispute with Gold Fields
22/10/2009	Resource Upgrade for Silver Hill Deposit at Mt Carlton
21/10/2009	Appendix 3B
20/10/2009	Drilling Update on Silver Hill Deposit - Area 39
19/10/2009	Share Purchase Plan
16/10/2009	Chairman`s letter
16/10/2009	Notice of Annual General Meeting/Proxy Form



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<b>Date</b>	<b>Headline</b>
14/10/2009	\$65m Capital Raising to Fund Silver Hill Project
13/10/2009	Trading Halt
12/10/2009	Environmental Assessment for High Grade Concentrate
08/10/2009	Silver hill definitive feasibility study update
25/09/2009	Annual report to shareholders

[Inside back cover]

## **Corporate Directory**

### **Bidder**

Conquest Mining Limited (ACN 009 232 277)

Head Office:

Suite 7

282 Oxford Street

Bondi Junction NSW 2022

Registered Office:

4/213 Balcatta Road

Balcatta WA 6021

### **Legal Adviser**

Allens Arthur Robinson

Level 28, Deutsche Bank Place

Corner of Hunter and Phillip Streets

Sydney NSW 2000

### **Registry for the Offer**

Link Market Services

Level 9, 333 Collins Street

Melbourne Vic 3000

### **Offer Enquiry Line**

If you have any questions in relation to the Offer or how to accept it, or if you have lost your Acceptance Form and require a replacement, please contact the Offer enquiry line on 1800 131 904 (or +61 2 8280 7735 for international callers).

## A Your name

SAMPLE NAME 1  
SAMPLE NAME 2  
<SAMPLE A/C>  
SAMPLE ADDRESS 1  
SAMPLE ADDRESS 2

## Your holding

Securityholder Reference Number: 112345678910  
North Queensland Metals Shares held as at [Register Date] 99,999,9999

This is an important document. If you are in doubt as to how to complete this form, please consult your financial or other professional adviser immediately.

## Transfer and Acceptance Form – Issuer Sponsored Subregister

This is a personalised form for the sole use of the holder and holding recorded above. This form relates to an offer by Conquest Mining Limited ("Conquest Mining") to purchase all of your North Queensland Metals Shares (the "Offer") pursuant to [Conquest Mining's bidder's statement dated 11 June 2010](#) Conquest Mining's replacement bidder's statement dated 29 June 2010 and any replacement or supplements (the "Bidder's Statement"). Terms defined in the Bidder's Statement but not in this form have the meanings given in the Bidder's Statement. The Bidder's Statement shall prevail over this form, to the extent of any inconsistency.

## B You must give your instructions to accept the Offer

If you correctly sign and return this form you will be deemed to have accepted the Offer in respect of **ALL** of your North Queensland Metals Shares. Your form must be received by the end of the Offer Period.

**Offer Consideration – If you accept the Offer you will receive 0.5 Conquest Mining Shares and \$0.10 cash for each North Queensland Metals Share you hold** (subject to rounding and the treatment of Ineligible Foreign Shareholders and Unmarketable Parcel Shareholders, as described in the Bidder's Statement).

## C Contact details

Please provide your contact name and telephone number in case we need to speak to you about this Acceptance Form.

Telephone Number where you can be contacted during business hours

Contact Name (PRINT)

## D You must sign this form for your instructions in this Acceptance Form to be executed

I/We, the person(s) named above, accept the Offer in respect of all my/our North Queensland Metals Shares and hereby agree to transfer to Conquest Mining all my/our North Queensland Metals Shares for the consideration specified in the Offer, and on the terms and conditions of the Offer as set out in the Bidder's Statement. I/we note that I/we will be deemed to have accepted the Offer in respect of all my/our North Queensland Metals Shares if I/we sign and return this form (even if that differs to the number of North Queensland Metals Shares stated on this form).

Shareholder 1 (Individual)

Sole Director & Sole Company Secretary

Shareholder 2 (Individual)

Secretary/Director (delete one)

Shareholder 3 (Individual)

Director

Please refer overleaf for further important instructions

REGISTRY USE ONLY



SRN



Holding

NQMT TKO001



## Further Important Instructions

Your North Queensland Metals Shares are in an Issuer Sponsored Holding. To accept the Offer, you must complete and return this Acceptance Form in accordance with the instructions below.

### Completion instructions

- A** • **Please check the front page** to ensure that your name and address are correct. If incorrect, please write your correct details and initial the amendments. Amendments to your name can only be processed by your North Queensland Metals Registry.
- **Please note** your consideration will be issued in the names as they appear on the North Queensland Metals register.
- D** • **Please sign this Acceptance Form** in the places for signature(s) out on the front page and in accordance with the following instructions:
  - **Joint Shareholders:** If your North Queensland Metals Shares are held in the names of more than one person, all of those persons must sign this Acceptance Form.
  - **Corporations:** This Acceptance Form must be signed by either two directors or a director and a company secretary. Alternatively, where the company has a sole director and, pursuant to the Corporations Act, there is no company secretary, or where the sole director is also the sole company secretary, that director may sign alone. Alternatively, a duly appointed attorney may sign.
  - **Powers of attorney:** If this Acceptance Form is signed under a power of attorney, please attach a certified copy of the power of attorney to this Acceptance Form when you return it. If this Acceptance Form is signed under Power of Attorney, the attorney declares that he/she has no notice of revocation of the Power of Attorney.
  - **Deceased Estates:** All the executors and administrators must sign this Acceptance Form. When you return this Acceptance Form, please attach it to a certified copy of probate, letters of administration or certificate of grant accompanied (where required by law for the purpose of transfer) by a certificate of payment of death or succession duties and (if necessary) a statement in terms of Section 1071B(9)(b)(iii) of the Corporations Act.

Information you supply on this Acceptance Form will be used by Conquest Mining and Link Market Services Limited for the primary purpose of processing your acceptance of the Offer and to provide you with the consideration payable under the Offer. This information may be disclosed to Conquest Mining's professional advisers, securities brokers, printing and mailing providers and other third parties in connection with the Offer. If you fail to supply this information, your acceptance may not be processed and you may not receive the consideration payable. You have rights to obtain access to the personal information which you have supplied. Please see Link Market Services Limited's privacy policy on its website [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au).

### Lodgement instructions

- Mail or deliver completed Acceptance Form(s) and any other documents required by the above instructions to:

**Mailing Address**

Link Market Services Limited  
North Queensland Metals Takeover  
Locked Bag A14  
SYDNEY SOUTH NSW 1235

or

**Hand Delivery**

Link Market Services Limited  
North Queensland Metals Takeover  
Level 12, 680 George Street  
SYDNEY NSW 2000

- A reply paid envelope is enclosed for use within Australia.

**Your acceptance must be received by no later than the end of the Offer Period, which is 7:00pm (Sydney Time) on the last day of the Offer Period.**

**If you have any questions about the terms of the Offer or how to accept, please call the Conquest Mining Offer Information Line on the following numbers:**

**within Australia: 1800 131 904  
outside Australia: +61 2 8280 7735**

**A Your name**

SAMPLE NAME 1  
SAMPLE NAME 2  
<SAMPLE A/C>  
SAMPLE ADDRESS 1  
SAMPLE ADDRESS 2

**Your holding**

Holder Identification Number: X12345678910  
North Queensland Metals Shares held as at [Register Date] 99,999,999

**This is an important document. If you are in doubt as to how to complete this form, please consult your financial or other professional adviser immediately.**

Controlling Participant's Name *Broker's Name and telephone printed here*

Advisor Name:	Contact Number:
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**Transfer and Acceptance Form – CHES Subregister**

This is a personalised form for the sole use of the holder and holding recorded above. This form relates to an offer by Conquest Mining Limited ("Conquest Mining") to purchase all of your North Queensland Metals Shares (the "Offer") pursuant to **Conquest Mining's bidder's statement dated 11 June 2010** Conquest Mining's replacement bidder's statement dated 29 June 2010 and any replacement or supplements (the "Bidder's Statement"). Terms defined in the Bidder's Statement but not in this form have the meanings given in the Bidder's Statement. The Bidder's Statement shall prevail over this form, to the extent of any inconsistency.

**B You must give your instructions to your controlling participant to accept the Offer**

If you correctly sign and return this form you will be deemed to have accepted the Offer in respect of **ALL** of your North Queensland Metals Shares.

**Offer Consideration – If you accept the Offer you will receive 0.5 Conquest Mining Shares and \$0.10 cash for each North Queensland Metals Share you hold** (subject to rounding and the treatment of Ineligible Foreign Shareholders and Unmarketable Parcel Shareholders, as described in the Bidder's Statement).

To accept the Offer you may either:

- directly instruct your Controlling Participant (normally your stockbroker) to accept the Offer on your behalf; or
- sign and return this Acceptance Form to the address shown overleaf so the Bidder can contact your Controlling Participant on your behalf and relay your instructions.

If your Controlling Participant acts on your instruction CHES will send you a confirmation notice. See overleaf for information regarding the timing for submitting your acceptance.

**C Contact details**

Please provide your contact name and telephone number in case we need to speak to you about this Acceptance Form.

Telephone Number where you can be contacted during business hours

Contact Name (PRINT)



**D You must sign this form for your instructions in this Acceptance Form to be executed**

I/We, the person(s) named above, accept the Offer in respect of all my/our North Queensland Metals Shares and hereby agree to transfer to Conquest Mining all my/our North Queensland Metals Shares for the consideration specified in the Offer, and on the terms and conditions of the Offer as set out in the Bidder's Statement. I/we note that I/we will be deemed to have accepted the Offer in respect of all my/our North Queensland Metals Shares if I/we sign and return this form (even if that differs to the number of North Queensland Metals Shares stated on this form).

Shareholder 1 (Individual)

Shareholder 2 (Individual)

Shareholder 3 (Individual)




Sole Director & Sole Company Secretary

Secretary/Director (delete one)

Director

**Please refer overleaf for further important instructions**

REGISTRY USE ONLY



HIN



Broker PID



Holding

NQMT TKO002



## Further Important Instructions

As your North Queensland Metals Shares are in a CHESS Holding, you do not need to complete and return this Acceptance Form to the registry to accept the Offer. You can instead contact your Controlling Participant and instruct them to accept the Offer on your behalf in sufficient time to enable your Controlling Participant to give effect to your acceptance of the Offer on CHESS before the end of the Offer Period. If you decide to use this Acceptance Form to authorise us to contact your Controlling Participant on your behalf, follow the instructions below. You should allow Link Market Services Limited ("Link") sufficient time for the delivery of the Acceptance Form to your Controlling Participant on your behalf so that the Controlling Participant can give effect to your acceptance on CHESS before the end of the Offer Period. Neither Conquest Mining nor Link will be responsible for any delays incurred by this process.

### Completion instructions

- A**
- **Please check the front page** to ensure that your name and address are correct. If incorrect, please write your correct details and initial the amendments. Amendments to your name or address can only be processed by your Controlling Participant.
  - **Please note** your consideration will be issued in the names as they appear on the North Queensland Metals register.
- D**
- **Please sign this Acceptance Form** in the places for signature(s) out on the front page and in accordance with the following instructions:
    - **Joint Shareholders:** If your North Queensland Metals Shares are held in the names of more than one person, all of those persons must sign this Acceptance Form.
    - **Corporations:** This Acceptance Form must be signed by either two directors or a director and a company secretary. Alternatively, where the company has a sole director and, pursuant to the Corporations Act, there is no company secretary, or where the sole director is also the sole company secretary, that director may sign alone. Alternatively, a duly appointed attorney may sign.
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SYDNEY NSW 2000

- A reply paid envelope is enclosed for use within Australia.

**Your acceptance must be initiated by your Controlling Participant by no later than the end of the Offer Period, which is 7:00pm (Sydney Time) on the last day of the Offer Period.**

**If you have any questions about the terms of the Offer or how to accept, please call the Conquest Mining Offer Information Line on the following numbers:**

**within Australia: 1800 131 904**  
**outside Australia: +61 2 8280 7735**