

# Conquest Mining Limited (ASX:CQT) Quarterly Report For The Period Ended 30 June 2010

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Perth, Australia (ABN Newswire) - Conquest Mining Limited (ASX:CQT) (PINK:CQMLF) is pleased to release quarterly report for the period ended 30 June 2010.

## CORPORATE REVIEW

### Appointment of New Directors and Management Team

At an extraordinary general meeting on 12 May 2010 shareholders approved the appointment of new Executive Chairman Jake Klein and Non-Executive Directors Nicholas Curtis and James Askew.

Mr John Terpu, Mr Bruno Firriolo and Mr Joe Radici consequently stepped down from the Board; and Mr Rich Krasnoff, Mr Doug Stewart and Mr Paul Marks remain with Conquest as Non Executive Directors. Mr Jeff Innes, Chief Operating Officer and Mr Martin Male, Exploration Manager, also left Conquest during the quarter.

The new Board appointments facilitated the permanent employment of a highly experienced management team, also mainly sourced from the former Sino Gold Mining team, including Ross Jenkins, Aaron Colleran and Charles Wang. The corporate office was relocated from Perth to Sydney.

The exploration team has also been bolstered with the recent appointment of David Hewitt as Senior Exploration Manager and Kris Butera as Exploration Manager. Mr Hewitt was formerly the Senior Geologist based in Townsville with Gold Fields Australasia Pty Ltd ('Gold Fields') and managed the exploration carried out by Gold Fields at the Mt Carlton regional joint venture.

### Takeover Offer for North Queensland Metals Limited (ASX:NQM)

On 3 June 2010 Conquest announced an off-market takeover offer (the 'Offer') for all of the shares in North Queensland Metals Limited ('NQM'). The Offer was originally 0.5 of a Conquest share plus 10 cents cash for every NQM share held but was increased in mid July 2010 to 0.5 of a Conquest share plus 15 cents cash for every NQM share held. The Offer values NQM at approximately A\$61 million\*. (\* Based on the closing share price of Conquest of A\$0.305, as at 28 July 2010, the last trading day prior to release of this report.)

The main asset of NQM is a 60% interest in the Pajingo gold mine located 130km west of Conquest's Mt Carlton 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.

- 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 produce approximately 105,000 ounces per annum gold equivalent in concentrate over a currently defined 9 year life 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 A\$39.6 million.
- No debt and no hedging.

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

Subsequent to the end of the quarter, NQM's founder, director and major shareholder, Mr Don Walker, accepted the Conquest Offer in respect of his entire shareholding in NQM, representing a 20.9% interest in NQM.

## OPERATIONS REVIEW

### Optimisation Study

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.

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 - a full 20 percentage point increase in gold recovery and 27 percentage point increase in silver recovery. These recoveries translated into a concentrate grade of 46g/t gold, 246 g/t silver, 6.2% copper and 2.16% arsenic. In Conquests' view this was a very positive development for the project and will have a material impact on the project economics.

Follow-up testwork that was completed subsequent to the end of the quarter on composite samples from the V2 and A39 deposits (announced to ASX on 21 July 2010) with results confirming recoveries to concentrate of greater than 90% gold and 86-89% silver at coarser ore grind size. Ore grind sizes of 75, 106, 125 microns were tested and showed that grind size is a relatively insensitive factor affecting recovery in this range. Accordingly a grind size of 106 microns has been selected for process design. This compares with a product size of 75 microns used in the Mt Carlton Definitive Feasibility Study ('DFS') completed in February 2010.

The ability to increase the product size from 75 microns to 106 microns is significant as it reduces the size and capital cost of the SAG mill and the amount of power used by the mill and therefore the overall processing cost. Initial estimates suggest that the power consumption may drop by as much as 20%. This will be confirmed in the cost and optimisation studies that are scheduled for completion in the December quarter of 2010.

Project scale is now expected to be approximately 800,000tpa throughput to produce approximately 105,000 ounces per annum gold equivalent in concentrate from the V2 open pit. Concentrate production from the V2 open pit is expected to be approximately 4,500 tonnes per month with an average grade in the range of 40-45 g/t gold, 350-45- g/t silver, 5-6% copper and 1.6-2.2% arsenic. Concentrate production from the Area 39 pit will consist predominantly of silver.

Subsequent to the end of the quarter, Brisbane based engineering and project management company, Calder Projects Services were appointed to undertake the Optimisation Engineering and Costing Study ('Optimisation Study') for the Mt Carlton process plant and ancillaries.

Conquest will complete the Optimisation Study in the fourth quarter of this year, which will reconfigure the designs in the DFS, anticipated to provide lower capital and operating costs and higher metal recoveries for the Mt Carlton Project, based upon the results of recent positive metallurgical tests and other works.

Some of the substantial reconfigurations include:

- reduced ore treatment rate to 800,000 tonnes per annum (from 1 million tons per annum) extending the mine life to 9 years and reducing capital costs;
- coarser ore grind (106 microns - up from 75 microns) reducing power costs without impacting recovery rates;
- optimised bulk sulphide flotation circuit increasing recoveries by up to 20 percentage points above the DFS;

- integrated plant water circuits; deferred expenditure on road upgrades to better fit the schedule;
- and reviewing procurement strategies to include Chinese and second hand equipment.

### Concentrate Marketing

Following the optimisation studies referred to above which indicated that the project had the ability to produce a single 'mixed' concentrate, Conquest 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.

Conquest short-listed 6 interested parties and discussions commenced with those parties regarding purchasing Mt Carlton concentrate and providing development funding for the Mt Carlton project. 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.

All of the short-listed parties are China based smelter companies. Conquest has restricted its focus to China given the current management team's network and previous experience in China. Charles Wang, Conquest'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 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.

Subsequent to the end of the quarter two of the six short-listed parties completed due diligence visits to Australia. Following that Conquest received letters from each of those two parties formally expressing an interest in separately securing 100% of the concentrate expected to be produced from the Mt Carlton project (announced to ASX on 20 July 2010). The Expressions of Interest are non-binding and any formal offtake agreement will be subject to further mutual due diligence investigations and agreement on commercial terms.

Finalisation of a reliable, long term concentrate off take agreement is expected to be formalised in the next 3-4 months.

### Native Title Agreement

Conquest signed an 'Agreement Relating to Native Title and Mining' with the Birri People for the Mt Carlton project. The agreement, relating to the Birri People's registered Native Title claim over the Mt Carlton area, was a necessary pre-condition prior to the granting of a Mining Licence.

The agreement is an important milestone for the development of the Mt Carlton project. The dominant focus of the agreement is on educational opportunities such as scholarships, apprenticeships and employment opportunities.

Conquest continues to work on the remaining permitting requirements, including an Environmental Management Plan and reaching an agreement with the landholder.

### Exploration - Mt Carlton Project

A new phase of exploration drilling commenced at Mt Carlton in May 2010. The immediate strategy is to add high-grade tonnes to the reserve inventory within the Silver Hill mining lease application area. A range of targets, from grass roots through to advanced, are also being followed up in the surrounding Mt Carlton tenements where the strategy is to discover satellite deposits which would feed the Silver Hill plant. During the quarter 7,654m of RC percussion and HQ diamond drilling was completed.

At the Mt Carlton West deposit, located about 2 kilometres west of the proposed V2 and Areas 39 open pits, 9 RC percussion holes for 1,170m were drilled to locate extensions to the current resource. Assay results have been received for about half the drill holes, with both narrow high grade (4m @ 4.58 g/t Au) and broad intervals of lower grade mineralisation (40m @ 0.66 g/t Au) intersected. The current drilling will be assessed once all assay results have been received, and follow up drill programs developed.

Three HQ core holes were drilled within the Silver Hill resource area targeting an inferred structural contact in the footwall lithologies below the current resource, which may host additional mineralisation. Assay results have been received from two holes in this program, with no significant assays returned from the footwall contact position and significant gold and silver assays returned from above this zone within the current resource, in line with previous results.

At the Area 39 deposit, two diamond core holes were completed during the quarter and an additional two holes drilled in early July testing for additional mineralisation marginal to a significant intercept of 43m @ 540 g/t Ag and 0.14% Cu in drill hole HC08RCD453, below the current resource area. Assay results are awaited from this program.

To the east of the Silver Hill area, a program of reconnaissance RC drilling is in progress along the Capsize Trend area, targeting Silver Hill styles of alteration with anomalous copper surface geochemistry. Five RC holes were completed during the reporting period, with assay results awaited.

Drill programs are currently planned to test high grade mineralised structures to the north and east of the Silver Hill deposit outside of the current resource area, extensions to high-grade gold areas at the Herbert Creek East deposit and untested zones to the north of the Area 39 deposit highlighted by shallow historical drilling.

Surface sampling at the Glenking prospect completed during the quarter returned rock chip assay results of 10.8 g/t Au, 9.7 g/t Au and 6.9 g/t Au. Groundwork is underway to allow for drilling of this prospect in the June quarter.

For the complete Conquest Mining quarterly report, please refer to the following link:

<http://www.abnnewswire.net/media/en/docs/63422-ASX-CQT-499213.pdf>

About Conquest Mining Limited:

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.

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.

Source:

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