



15 February 2010

## COMPANY UPDATE

Dear Shareholder

On behalf of the Board of Directors of Conquest Mining Limited, I felt it was important to provide you with some further information on some of the Company's recent announcements.

### Definitive Feasibility Study

As you may be aware, Conquest Mining released the findings of a Definitive Feasibility Study (DFS) on its Silver Hill gold-silver-copper project in Northern Queensland (Silver Hill Project) on 4 February 2010.

It is important that shareholders understand Conquest Mining's on-going commitment to achieve maximum value from the project and the actions we are taking to achieve that aim.

While the DFS outcome didn't meet some of the commercial or operational expectations set by the Pre-Feasibility Study (PFS), it still indicates a project which would be within the first quartile of junior/mid-cap Australian gold projects in regards to production costs<sup>1</sup>, and would still be profitable.

The scope of the DFS related to production of a high grade precious metals concentrate, with the following attractive financial outcomes:

- Project payback in the range of 2 – 3.5 years<sup>2</sup>
- Internal Rate of Return in the range of 29% - 37%<sup>2</sup>
- NPV of A\$106m to A\$133m<sup>2</sup>
- Operating costs under A\$500/oz
- Capital Costs (including pre-strip) of A\$138m
- Reserves of 7.4 million tonnes at 3.12g/t gold, 67g/t silver and 0.41% copper for 1.14 million ounces of gold equivalent<sup>3</sup>

However, the Board considers that while the DFS outcome identified the Silver Hill Project as being profitable, it's not sufficiently robust to develop before offtake arrangements are finalised. We are committed to examining all development options so as to maximise project returns prior to the development of the Silver Hill Project.

### Strategic Review

Along with the release of the DFS findings, Conquest Mining announced the appointment of Mr Jake Klein and his associates (DAK Corporation Consulting) to conduct a strategic review of the Silver Hill Project to determine alternative and optimal routes to production.

The strategic review will assess other ore processing options; alternative financing structures; joint venture, acquisition and consolidation opportunities; and the establishment of links with Chinese gold producers.

Underlying Conquest Mining's decision to commission the review was its continuing focus, subject to the success of the review and other factors, to develop the Silver Hill Project for the benefit of all stakeholders, including shareholders and the local community.

Given the comprehensive nature of this review and the exploration of all development options and other matters, we are unable to give a timetable for the release of the findings. The Board believes, however, that this is a worthwhile time investment to assure the Company and shareholders of the best way forward.

1. Based on December 2009 Quarterly reports to the ASX.
2. Results are Pre-Tax. Commodity prices assumes A\$1220/Oz Au, A\$19.61/Oz Ag, A\$3.23/Lb Cu representing the consensus median price projections over the life of the project based on current Bloomberg data. Range of values based on indicative payability on silver pit.
3. As defined and reported in the Resource/Reserves Estimate dated 7 December 2009.

## **Exploration Potential**

Whilst the Silver Hill Project is of paramount importance, Conquest Mining also holds a further 1,100 km<sup>2</sup> of exploration ground in addition to Silver Hill. This is a significant land holding in a historically strong area for gold production. Full details of the Company's exploration activity can be seen at the recently released review of operations for the December '09 quarter.

## **Succession Planning**

As most shareholders know, I have led the management of Conquest Mining as its Managing Director since 1999. In that time, the Company has strived to build upon positive exploration success and deliver an economic project which will benefit shareholders and the Australian community. With the rapid developments occurring at the Silver Hill Project, both the management structure and the composition of the Board will need to evolve as these developments progress through to production status.

As a consequence, I initiated a succession plan to seek out a Chief Executive Officer (CEO) in October 2009 and, with the Board's approval, a decision was made to find a suitable candidate who had the operational and corporate experience to lead the development of a project of the scale of Silver Hill. One of the essential prerequisites for the successful candidate would be previous senior management experience in the building of a successful mine(s).

Despite the DFS outcome, the Company remains committed to appointing a CEO with the relevant experience.

Although there are hurdles to overcome, the Board considers the project to be viable and exciting and worthy of a high quality candidate as its CEO. Over the past months, the Company has been fortunate to have already identified a number of candidates with outstanding qualifications and experience capable of taking the Company through to production status.

The Board has resolved that the new CEO (whose mandate is much broader and will incorporate the role of managing director) will be appointed within the next three months. This is in line with the succession plan put in place last year and, subject to any hand over period that the Board considers appropriate, a requirement of that process will be that I step down as Managing Director once the new CEO has been secured.

## **Conclusion**

I believe the appointment of Mr Klein and DAK, the search for a new CEO and the Board's determination to achieve maximum shareholder value all reflect Conquest Mining's intent to develop the Silver Hill Project.

I look forward to providing you with further updates as we progress these strategies.

Yours sincerely,



John Terpu  
MANAGING DIRECTOR

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