

**Conquest Mining Limited**

ABN: 33 009 232 277

ASX Code: CQT

**Directors**

*Jake Klein*

Executive Chairman

*Nicholas Curtis*

Non-Executive Director

*James Askew*

Non-Executive Director

*Richard Krasnoff*

Non-Executive Director

*Douglas Stewart*

Non-Executive Director

*Paul Marks*

Non-Executive Director

**Issued Capital**

353,151,103 ordinary shares

38,050,000 unlisted options

**Contact**

Jake Klein

Executive Chairman

0411 422 474

Aaron Colleran

Company Secretary

0412 258 333

**Share Registry**

Link Market Services

Level 12

680 George Street

Sydney NSW 2000

[www.linkmarketservices.com](http://www.linkmarketservices.com)

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[www.conquestmining.com.au](http://www.conquestmining.com.au)

**QUARTERLY REPORT**

***For the period ended 30 June 2010***

**HIGHLIGHTS**

- **New management team established, with proven track record of delivering shareholder value**
- **Ongoing metallurgical testing at Mt Carlton confirmed recoveries to concentrate of greater than 90% gold and 86-89% silver at coarser grind size, expected to have significant impact on project economics.**
- **Formal Expressions of Interest received from two Chinese smelter companies for total Mt Carlton production - discussions continuing with a total of six short-listed potential partners for offtake and development funding.**
- **Optimisation study awarded to Calder Projects Services subsequent to the end of the quarter and scheduled for completion in the December quarter.**
- **Agreement Relating to Native Title and Mining signed with the Birri People for the Mt Carlton project.**
- **Commencement of 2010 exploration program.**
- **Takeover offer made for North Queensland Metals Limited, which has a 60% interest in the Pajingo gold mine located 130km west of Conquest's Mt Carlton project, as part of the corporate strategy to build Conquest to a mid tier Australian gold producer**
- **\$56 million in cash and no debt at 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***

On 3 June 2010 Conquest announced an off-market takeover offer (the “Offer”) for all of the shares in North Queensland Metals Limited (ASX: NQM) (“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 \$61 million<sup>1</sup>.

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 to 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 \$39.6 million.
- No debt and no hedging.

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<sup>1</sup> Based on the closing share price of Conquest of \$0.305, as at 28 July 2010, the last trading day prior to release of this report.

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.

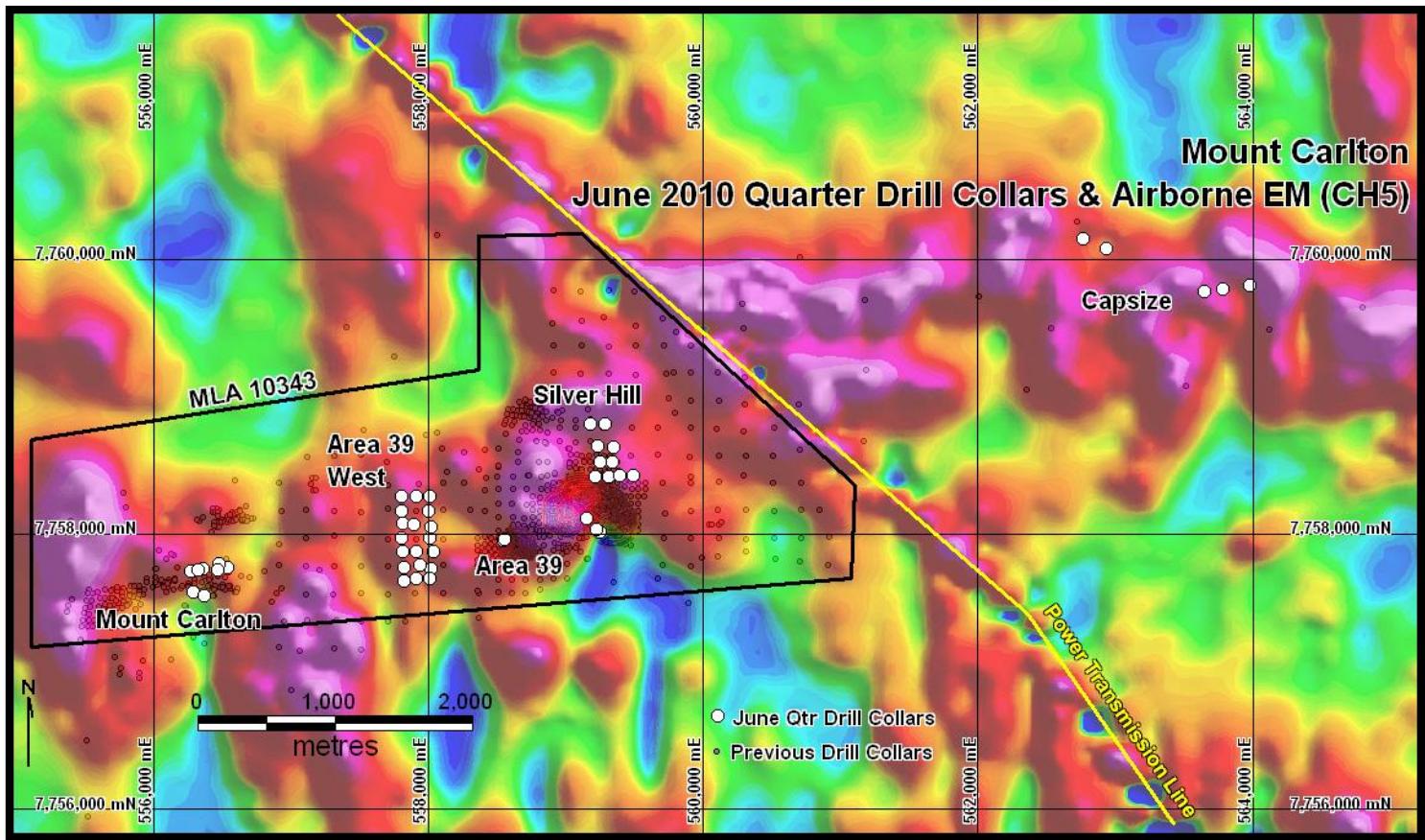
### ***Exploration – Mt Carlton Project***

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 (see Figure 1 and Table 1).

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.



**Figure 1. Drilling completed during the June 2010 Quarter with Helimag EM Chargeability.**

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 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.

**Jake Klein**  
Executive Chairman

**Table 1. Exploration Drilling and Assay Data – June Quarter 2010**

Drill Hole	Coordinates				Significant Intersections		Gold Equivalent	
	AMG N	AMG E	Set up	Depth				
	M	M	Dip/Azi	M				
<b>Silver Hill Footwall Break</b>								
HC10DD051	7757839	559141	-60/0	233	77-83m; 6m @ 5.21g/tAu, 27.2g/tAg & 0.06%Cu		5.75	
HC10DD052	7757860	559114	-60/0	268	86.83-90m; 3.17m @ 7.35g/tAu, 23.6g/t Ag & 0.04%Cu		7.78	
HC10DD053	7757940	559040	-60/0	264	107-120m; 13m @ 0.66g/tAu, 12.5g/tAg & 0.27%Cu		1.39	
<b>Capsize</b>								
CS10RC001	7759630	563864	-70/180	220	NSR			
<b>Mount Carlton</b>								
MC10RC126	7757406	556175	-60/189	126	0-40m; 40m @ 0.66g/tAu, 28.3g/t Ag & 0.1%Cu		1.30	
MC10RC126	incl				0-4m; 4m @ 4.58g/tAu, 118g/tAg & 0.03%Cu		6.46	
MC10RC127	7757379	556260	-60/189	120	NSR			
MC10RC128	7757580	556428	-75/189	174	NSR			
MC10RC129	7757607	556366	-75/189	150	52-56m; 4m @ 1.35g/tAu, 3g/tAg & 0.07%Cu		1.54	
<b>Silver Hill Magnetic Structure</b>								
HC10RC698	7758625	559070	-60/90	150	NSR			
HC10RC699	7758625	559170	-60/270	150	NSR			
HC10RC700	7758464	559120	-60/90	156	NSR			
HC10RC909	7758354	559134	-60/90	144	NSR			
HC10RC910	7758247	559100	-60/90	132	NSR			
HC10RC911	7758455	559233	-60/270	150	NSR			
HC10RC912	7758349	559226	-60/270	132	114-116; 2m @ 1.79g/tAu, 7g/tAg & 0.11%Cu		2.12	
HC10RC913	7758246	559198	-60/270	150	2-3m; 1m @ 5.52g/t Ag, 0.7g/tAg & 0.01%Cu		5.55	
HC10RC914	7758250	559281	-60/270	150	NSR			
HC10RC915	7758250	559376	-60/90	156	NSR			

Calculated Gold Equivalent grade is based on 1 gram gold = 65 grams silver = 0.5% copper

*Information in this report that relates to exploration results is based on and accurately reflects information compiled by Mr David Hewitt B Appl Sc (Geology), MSc, MAIG who is a full time employee of Conquest. Mr Hewitt 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 Hewitt consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.*

*Rule 5.3*

# Appendix 5B

## Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

Conquest Mining Limited

ABN

33 009 232 277

Quarter ended (“current quarter”)

30 June 2010

### *Consolidated statement of cash flows*

<b>Cash flows related to operating activities</b>		Current quarter \$A'ooo	Year to date (12 months) \$A'ooo
1.1	Receipts from product sales and related debtors	7	53
1.2	Payments for (a) exploration & evaluation (b) development – feasibility / engineering studies / strategic review (c) production (d) administration	(1,259) (466)  (1,544)	(4,372) (10,269)  (4,076)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	935	1,938
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)	(14)	(19)
<b>Net Operating Cash Flows</b>		(2,341)	(16,745)
<b>Cash flows related to investing activities</b>			
1.8	Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets	- - (8)	- - (128)
1.9	Proceeds from sale of: (a) prospects (b) equity investments (c) other fixed assets	- - 55	- - 55
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (provide details if material)	-	-
<b>Net investing cash flows</b>		47	(73)
1.13	Total operating and investing cash flows (carried forward)	(2,294)	(16,818)

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(2,294)	(16,818)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	-	50,345
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material) Share issue costs	-	(4,128)
	<b>Net financing cash flows</b>	-	46,217
	<b>Net increase (decrease) in cash held</b>	(2,294)	29,399
1.20	Cash at beginning of quarter/year to date	58,382	26,689
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	<b>Cash at end of quarter</b>	56,088	56,088

**Payments to directors of the entity and associates of the directors**  
**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	747
1.24	Aggregate amount of loans to the parties included in item 1.10	Nil
1.25	Explanation necessary for an understanding of the transactions Salaries and wages, Director Fees and Termination Payments.	

**Non-cash financing and investing activities**

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

None

- 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

None

**Financing facilities available**

*Add notes as necessary for an understanding of the position.*

+ See chapter 19 for defined terms.

	Amount available \$A'ooo	Amount used \$A'ooo
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

### Estimated cash outflows for next quarter

	\$A'ooo
4.1 Exploration and evaluation	2,457
4.2 Development - feasibility/ engineering studies/ strategic review	1,140
4.3 Production	-
4.4 Administration	1,271
<b>Total</b>	<b>4,868</b>

### Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'ooo	Previous quarter \$A'ooo
5.1 Cash on hand and at bank	41	128
5.2 Deposits at call	56,047	58,254
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>56,088</b>	<b>58,382</b>

### Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed	Nil	Nil	Nil	Nil

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+ See chapter 19 for defined terms.

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6.2	Interests in mining tenements acquired or increased	Nil	Nil
		Nil	Nil

### Issued and quoted securities at end of current quarter

*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	<b>Preference +securities (description)</b>	Nil	Nil	Nil	Nil
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	Nil	Nil	Nil	Nil
7.3	<b>+Ordinary securities</b>	353,151,103	353,151,103	Nil	Nil
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	Potential ordinary shares (not issued )  Up to 100,185,636 being the maximum number of shares to be issued to acquire North Queensland Metals Limited's fully paid shares (on a fully diluted basis), under the Company's off market takeover offer to acquire shares in North Queensland Metals as set out in the Company's bidder statement dated 11 June 2010.		Nil	Nil
7.5	<b>+Convertible debt securities (description)</b>	Nil	Nil	Nil	Nil
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	Nil	Nil	Nil	Nil

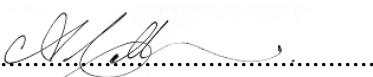
+ See chapter 19 for defined terms.

	<b>Options (description and conversion factor)</b>		<i>Exercise price</i>	<i>Expiry date</i>
7.7	200,000	Nil	\$0.60	22 June 2011
	2,000,000	Nil	\$0.93	26 February 2013
	16,000,000	Nil	\$0.28	1 June 2015
	16,000,000	Nil	\$0.32	1 June 2016
	4,050,000	Nil	\$0.38	1 June 2015
7.8	16,000,000	Nil	\$0.28	1 June 2015
	16,000,000		\$0.32	1 June 2016
	4,050,000		\$0.38	1 June 2015
7.9	Nil	Nil	Nil	Nil
7.10	400,000	Nil	\$0.50	22 June 2010
	200,000	Nil	\$0.60	22 June 2011
7.11	<b>Debentures (totals only)</b>	Nil	Nil	
7.12	<b>Unsecured notes (totals only)</b>	Nil	Nil	

## Compliance statement

1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).

2 This statement does give a true and fair view of the matters disclosed.

Sign here:   
Company Secretary

Date: 29 July 2010

Print name: Aaron Colleran

## Notes

1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.

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+ See chapter 19 for defined terms.

3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.

4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.

5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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+ See chapter 19 for defined terms.