# CONQUESTMINING ANNUAL REPORT 2010

# COMPANY PARTICULARS

| | |
|---|---|
| **CONQUEST MINING LIMITED** | ABN 33 009 232 277 |
| **DIRECTORS** | **Jacob Klein**<br>Executive Chairman<br><br>**Nicholas Curtis**<br>Non-Executive Director<br><br>**James Askew**<br>Non-Executive Director<br><br>**Richard Krasnoff**<br>Non-Executive Director<br><br>**Douglas Stewart**<br>Non-Executive Director<br><br>**Paul Marks**<br>Non-Executive Director |
| **COMPANY SECRETARIES** | **Aaron Colleran**<br>**David Watkins** |
| **REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS** | Suite 7, 282 Oxford Street<br>Bondi Junction NSW 2022<br><br>Telephone: (02) 8383 2100<br>Facsimile: (02) 8383 2101 |
| **AUDITORS** | KPMG<br>235 St George's Terrace<br>Perth WA 6000 |
| **SHARE REGISTRY** | Link Market Services<br>Level 9, 333 Collins Street<br>Melbourne VIC 3000 |
| **BANKERS** | National Australia Bank Limited |
| **STOCK EXCHANGE** | Listed on the Australian Securities Exchange ('ASX') |
| **ASX CODE** | CQT Fully Paid Ordinary Shares |
| **E-MAIL** | admin@conquestmining.com.au |
| **WEBSITE** | www.conquestmining.com.au |

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# CHAIRMAN'S REPORT

## Dear Shareholder,

It is a great time to be in the gold industry.

This year has seen a number of significant changes at your Company that, I believe, have positioned it to take advantage of record gold prices, unprecedented investor interest in the sector and the fantastic opportunity afforded by the recent consolidation and takeover of a number of Australian gold companies.

In May 2010, my colleagues and I joined Conquest to maximise these opportunities, with the aim of transforming Conquest into a genuine mid-tier gold company within the next five years.

Our strategy is based on three distinct platforms:

### Exploration success

We are fortunate to control a large, prospective land holding in north Queensland that has been relatively under explored. Exploration, whilst high risk, has significant potential upside for our shareholders. Past discoveries in the region by Conquest, such as the identification of the V2 and A39 deposits in 2006, demonstrate the significant potential of the area. Our intention is to ramp up our exploration program to methodically and thoroughly test the mineral prospectivity of our substantial land holding.

### Deliver to plan

Conquest has a substantial JORC Ore Resource and Ore Reserve base at Mt Carlton in the V2 and A39 deposits, which we need to convert to profitable, sustainable production to maximise shareholder value. The Mt Carlton Optimisation Study is scheduled for completion in the December 2010 quarter. This will determine the best way to develop the project and our expectation is that development can commence in 2011 with first production in the first half of 2012. Our confidence is based on a number of breakthroughs that have already been achieved in the Optimisation study, including improving metallurgical recoveries and execution of a long term off take concentrate contract.

As a Board and a management team we understand that our ability to deliver to our plans is dependent on your support as shareholders.

### Corporate acquisitions

The Mt Carlton deposit and tenement position provide us with an excellent base on which to grow our Company. However, to achieve our strategy of growing into a mid tier gold Company we will need make disciplined acquisitions of operational, development and exploration assets.

We commenced the implementation of this strategy in June 2010 when we launched a takeover offer for North Queensland Metals Limited ("NQM"), an ASX-listed company that owns a 60% interest in the Pajingo Gold Mine in north Queensland. In September 2010 we entered into an agreement with Heemskirk Consolidated Limited to acquire the remaining 40% interest in the Pajingo gold mine. At the time of writing, these acquisitions have not been completed but we are well positioned to achieve a successful outcome to both transactions. Acquiring the Pajingo Gold Mine represents the first step in realising consolidation opportunities in our industry.

I believe 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 has a long-term goal of becoming an Australian-based company with assets that are capable of producing more than 300,000 ounces per annum through a combination of organic growth and future acquisitions.

The acquisition of the Pajingo gold mine, coupled with recent achievements at Mt Carlton, mean that we are well positioned to pursue our growth path to mid-tier status.

### PEOPLE

My view is that the most important contribution I can make to your Company is to ensure we have an outstanding and energised team. Conquest is fortunate in having been able to attract a team of high quality people with the experience, expertise and motivation to develop Mt Carlton and deliver on our goals.

At a Board level, I am delighted that both Jim Askew and Nick Curtis have agreed to join the Board. They are two of the most experienced and highly regarded directors in the gold industry. In the short time we have been on the Board we have recognised the important contribution and capacity that the three other directors, Rich Krasnoff, Paul Marks and Doug Stewart bring to the Board debate and discussion.

The senior management team was strengthened during the year with the addition of Ross Jenkins, Aaron Colleran, Charles Wang and David Hewitt. Ross Jenkins was previously responsible for the development and construction of Sino Gold's mines in China; Aaron Colleran previously led the corporate business development activity at Sino Gold; and Mr Charles Wang previously held a senior position at the Sino Gold concentrate processing facility in Shandong, China where he was in charge of concentrates importation and public relations. David Hewitt was formerly the Senior Geologist with Gold Fields Australasia Pty Limited ("Gold Fields") and managed the exploration carried out by Gold Fields at the Mt Carlton regional joint venture.

### OUTLOOK

The dominant outlook for the price of gold and silver continues to be very favourable. This is particularly important as we head towards a development decision on Mt Carlton in the December quarter of 2010 and, if approved, financing the construction of Mt Carlton in 2011.

We are excited about the future of Conquest and look forward to your continued support as we grow the Company in the coming year.

**Jacob Klein**
Executive Chairman
29 September 2010

# REVIEW OF OPERATIONS

## OVERVIEW

Conquest Mining Limited ("Conquest" or "Company") made significant progress towards development of the Mt Carlton gold-silver-copper project during the year. A Definitive Feasibility Study ("DFS") was completed in February 2010, a grade-control drilling program was completed, a native title agreement was signed and an optimisation study was commenced.

## 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 Silver Hill deposits (V2 and A39) contain a total of 1.4 million ounces of gold, 36.7 million ounces of silver and 71,200 tonnes of copper (see table). The Mineral Resource is based on the drilling completed to September 2009 and a metal value cut off $20 per tonne. Commodity prices and metallurgical recoveries used to calculate the metal value variable were:

Gold – $1,045/ounce and 80% recovery

Silver – $14.45/ounce and 68% recovery

Copper – $6,740/tonne and 86% recovery

The Mineral Resource estimate September 2009 is expected to be updated early 2011 for the additional drilling that is underway; the higher recoveries indicated by optimisation testwork; and current commodity prices. In addition, infill drilling has recently been completed on smaller satellite deposits at Herbert Creek East and Mt Carlton United and Mineral Resource estimations for these deposits are expected to be completed early 2011.

### MT CARLTON PROJECT RESOURCE – SEPTEMBER 2009

| | Tonnes | Grade g/t Au | Grade g/t Au | Grade % Cu | Gold Ounces | Silver Ounces | Copper Tonnes |
|---|---|---|---|---|---|---|---|
| **Silver Hill (V2 and A39)** | | | | | | | |
| 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 |
| **Total** | **25,700,000** | **1.65** | **44** | **0.28** | **1,368,000** | **36,655,000** | **71,200** |

Note: Rounding may introduce minor computational errors.

The Mineral Resource estimate was completed by independent consultants Hellman and Schofield. Metal grades and value have been estimated into horizontal panels with dimensions 25m by 25m (east, west) by 5m (elevation). The resource model was estimated using GS3m multi-metal Multiple Indicator Kriging software of Hellman and Schofield and is a "mine-recoverable" model. It assumes that a grade control pattern of 10m x 10m x 2.5m elevation will be used during mining with a Selective Mining Unit (SMU) of 5x5x2.5m. The main portion of the resource dips shallowly to the north, begins at approximately 20 m below surface and extends to a depth of approximately 200m.

Search distances for Measured, categories are 30m east 30m north and 10m RL, minimum and maximum data points 16 and 32 respectively. Indicated Resources and Inferred Resources have search radii of 45m east 45m north and 15m RL. Measured and Indicated Resources require data in to be in 4 octants and Inferred Resources requires data in to be in 2 octants.

Conquest undertook a trial grade-control drilling program over the near surface mineralisation at V2 and A39 with close-spaced vertical reverse circulation drilling. This work was undertaken with a number of objectives, including assessing continuity of mineralisation on a close-spaced drill pattern for reserve modelling, providing data to allow calculation of optimum grade-control drill hole spacing and providing additional samples for metallurgical test work. The results show good correlation with existing interpretations of the V2 and A39 mineralisation. The results of the trial provide the necessary assurance that the mineral resource model can be used with confidence for mine optimisation studies and mine planning.

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 (see table below); which can be expressed as 1.15 million ounces gold equivalent. The Measured and Indicated Mineral Resources are inclusive of those Mineral Resources modified to produce the Ore Reserves. These Reserves are based on and included in the Measured plus Indicated categories.

## MT CARLTON PROJECT ORE RESERVES – DECEMBER 2009

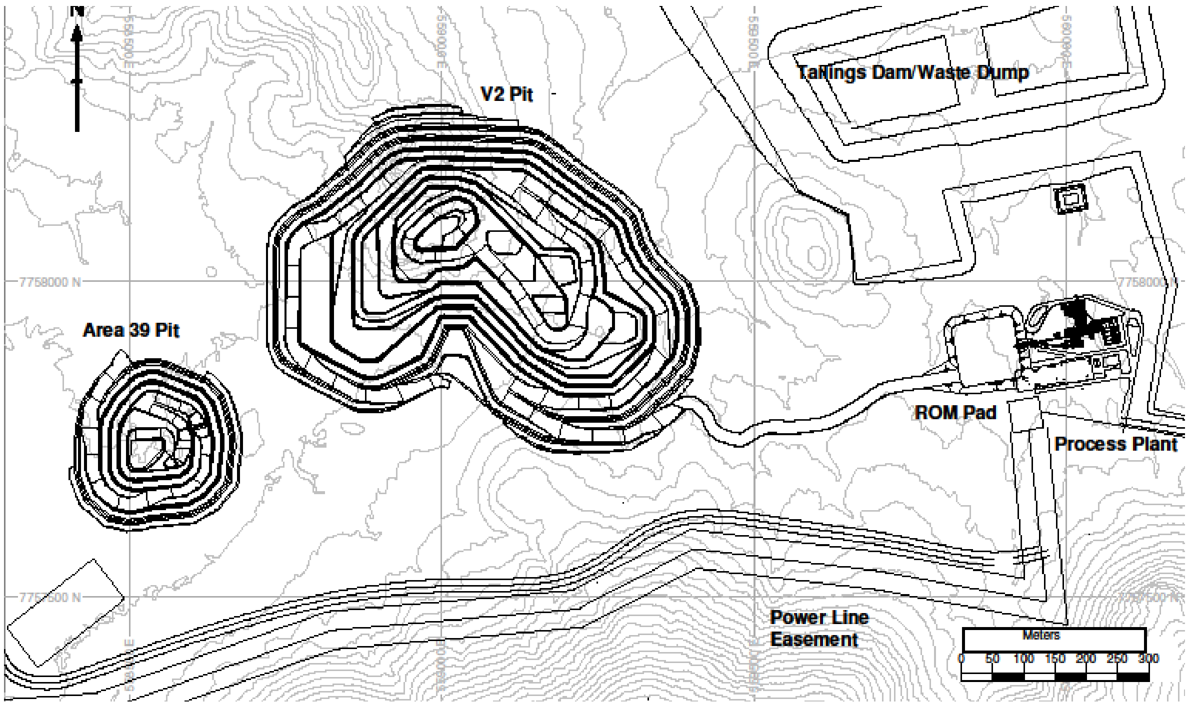
| | Tonnes | Grade g/t Au | Grade g/t Ag | Grade % Cu | Gold Ounces | Silver Ounces | Copper Tonnes |
|---|---|---|---|---|---|---|---|
| **A39** | | | | | | | |
| Proved | 392,000 | 0.18 | 640 | 0.76 | 2,000 | 8,066,000 | 3,000 |
| Probable | - | - | - | - | - | - | - |
| Subtotal A39 | 392,000 | 0.18 | 640 | 0.76 | 2,000 | 8,066,000 | 3,000 |
| **V2** | | | | | | | |
| 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 |
| **Total** | **7,380,000** | **3.12** | **67** | **0.41** | **740,588** | **15,919,219** | **30,500** |

Note: Rounding may introduce minor computational errors.

1 The gold equivalence calculation represents total metal value for each metal 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. Gold, silver and copper will each be recovered to concentrate; metallurgical recovery to concentrate of 90% for gold, 91% for silver and 96% for copper as indicated by metallurgical testwork.

The Ore Reserve estimate is expected to be updated as a result of the additional drilling that has been completed and the higher recoveries indicated by optimisation testwork.

The Mt Carlton DFS was finalised during the year. The scope of the DFS was to evaluate the technical and economic feasibility of mining the Silver Hill resource, and processing to produce a high-grade precious metals concentrate for sale to smelters. The study confirmed that the Silver Hill deposit is mineable as two separate open pits (V2 and A39) and can be processed via conventional crush-grind-float processing to produce a concentrate. A39 is a geologically discrete, high-grade silver zone, which is amenable to separate treatment in the same flotation plant envisaged for the main V2 deposit. 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, 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 released in February 2010. The DFS pointed to substantially increased capital costs (up 48%), modestly increased operating costs (up 10%) and decreased metal playability terms (down by between 10-30%) compared to the PFS completed in April 2009.

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 off take arrangements. A strategic review of the project was conducted to determine alternative and optimal routes to production. This review lead to a number of management changes and commencement of an Optimisation Engineering and Costing Study ("Optimisation Study"); a related review of the proposed process flowsheet and low-grade concentrate stream; and information exchange with potential concentrate off take parties.

As part of the Optimisation Study, 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 were very 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. This was a very positive development for the project.

Grinding testwork has also returned positive results. 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 DFS. 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.

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, 350-450 g/t silver, 5-6% copper and 1.6-2.2% arsenic. Concentrate production from the A39 pit will consist predominantly of silver.

Just subsequent to the end of the 2010 financial year Queensland based engineering and project management company, Calder Projects Services, was appointed to complete the Optimisation Study. Importantly, Calder Projects Services has the capability to progress engineering works from the study phase through to the construction and commissioning phases. The Optimisation Study is expected to lead to a development decision 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 off take agreements on acceptable terms.

## CAPITAL COST

The DFS estimated capital 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). A lower throughput, of 800,000tpa, and production of a single "mixed" concentrate is now planned.

2 The gold equivalence calculation represents total metal value for each metal 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. Production is based on metallurgical recovery to concentrate of 90% for gold, 91% for silver and 96% for copper as indicated by metallurgical testwork.

A new Outotec 3.6MW Grate Discharge SAG Mill and related equipment was recently purchased from an Australian-based mining company that had changed its development plans. The acquisition was completed at a significant cost saving for the Mt Carlton project. The acquisition cost of $6.95 million compares with an original procurement cost of $9.1milllion and the Mt Carlton DFS capital cost estimate of $8.7 million. The acquisition also secures what is ordinarily one of the longest lead-time items for a mining project.

Work commenced, and is currently ongoing, to identify areas of potential capital cost savings including reviewing the development sequencing, procuring second-hand items and identifying suitable items that can be procured at lower cost in China.

## CONCENTRATE OFF TAKE ARRANGEMENTS

On 16 September 2010 Conquest announced that it had entered into a long term concentrate off take contract for the sale of gold-silver-copper concentrate from its V2 deposit at the Mt Carlton project in north Queensland. The agreement signed with Shandong Guoda Gold Co. Limited ("Guoda Gold"), one of the largest gold smelters in China, is a life-of-mine contract for the sale of 490,000 wmt of concentrate. The V2 deposit is the largest single deposit at Mt Carlton and underpins the economics of the project. The off take agreement over V2 is therefore the key to developing and financing the Mt Carlton project and discussions with project financiers will commence shortly.

Under the terms of the agreement, Conquest will receive payment for the gold, silver and copper contained in concentrate. There are no penalties for deleterious elements based on the expected concentrate specification range. The agreement requires provisional payment of 90% of the value of each concentrate shipment by letter of credit with a major Chinese bank prior to shipment. This payment mechanism will significantly aid cash flow management. The off take agreement with Guoda Gold does not extend to concentrate that will be produced from the high grade A39 silver deposit at Mt Carlton. Negotiations with a number of potential off takers for A39 concentrates are ongoing.

## PERMITTING

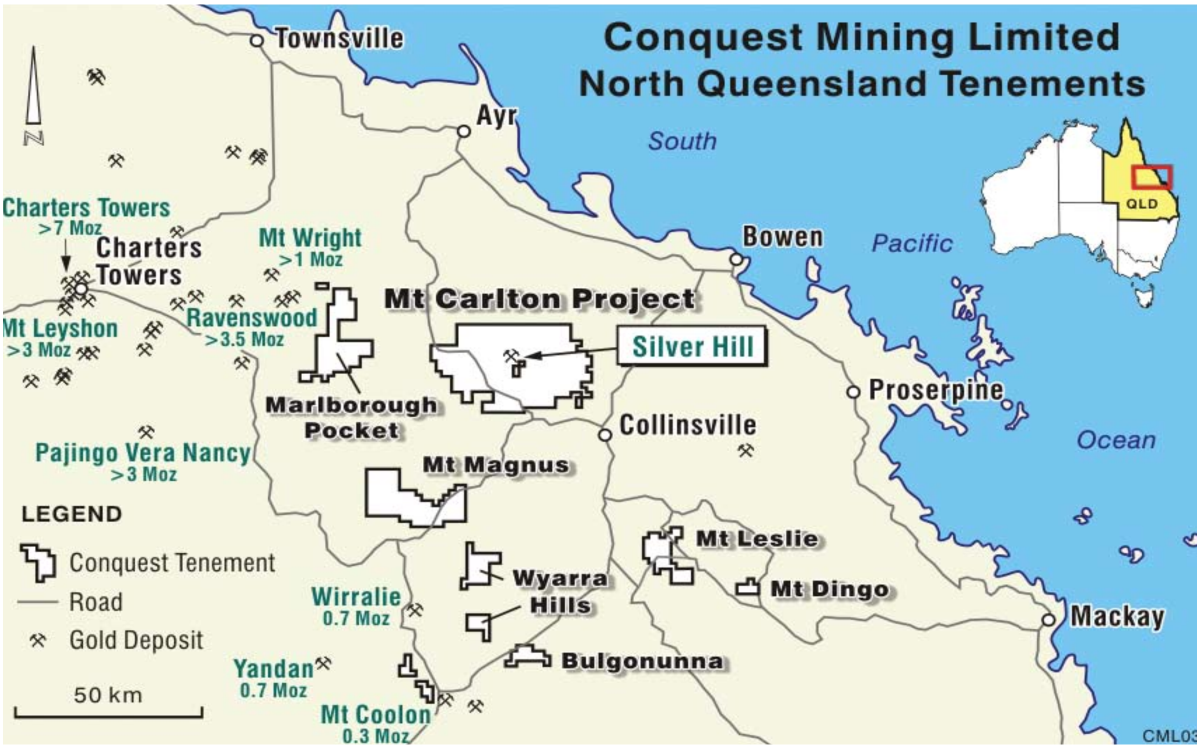
In May 2010 Conquest signed an "Agreement Relating to Native Title and Mining" with the Birri People for the Mt Carlton project. The agreement, relating to the Birri People's registered Native Title claim over the Mt Carlton area, was a necessary pre-condition prior to the granting of a Mining Licence. The dominant focus of the agreement is on educational opportunities such as scholarships, apprenticeships and employment opportunities. Environmental approvals and land holder agreements are the current focus of the permitting efforts.

## EXPLORATION

During the year, the exploration joint venture with Gold Fields Australasia Pty Limited ("Gold Fields"), over the tenements surrounding the Silver Hill deposit, was terminated amicably. Conquest now has sole exploration and development rights over the entire 100% owned Mt Carlton project area. Subsequent 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 to V2 and A39.

During the time of the joint venture, between July 2007 and March 2010, Gold Fields completed extensive reconnaissance work, including approximately 17,400m of drilling, and identified numerous targets. The work was managed by David Hewitt, Gold Fields' senior geologist based in Townsville. Following termination of the joint venture Conquest was very fortunate in being able to recruit Mr Hewitt as Senior Exploration Manager. Having previously managed the exploration program for Gold Fields, Mr Hewitt brings a wealth of experience and understanding to our exploration effort in the Mt Carlton area.

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 mining lease application area.




Mineralisation styles across the project range from porphyry associated stockworks and replacement through to high and low sulfidation epithermal veins. Mineralisation at Mt Carlton comprises copper, silver and gold mineralisation primarily as enargite (copper arsenic sulfide), tetrahedrite/polybasite (silver arsenic sulfides) and some native gold/electrum (also as <0.5 micron grains within pyrite). The timing of the gold mineralisation is both with the main enargite phase and the later sphalerite phase, and clearly zoned. The V2 deposit is gold dominated with associated silver, copper, and zinc; the A39 deposit to the south west is silver dominant with only minor gold.

## COMPETENT PERSON STATEMENT

The information in this report that relates to the mineral resource estimation of the Silver Hill deposit is based on work completed by Mr Nic Johnson who is a full-time employee of Hellman and Schofield Pty Limited and a member of the Australian Institute of Geoscientists. Mr Johnson 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 Johnson consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

The Ore Reserve estimate for the Mt Carlton Project is based on information compiled by Mr John Wyche who is a full-time employee of Australian Mine Design and Development Pty Limited and a member of the Australasian Institute of Mining and Metallurgy. Mr Wyche has sufficient experience which is relevant to the style of mineralisation and types of deposits under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the December 2004 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code). Mr Wyche consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

Information in this report that relates to exploration results is based on and accurately reflects information compiled by Mr David Hewitt who is a full-time employee of Conquest and a member of the Australian Institute of Geoscientists. 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 this report of the matters based on his information in the form and context in which it appears.

# DIRECTORS' REPORT

## 1. DIRECTORS AND COMPANY SECRETARIES

The names and particulars of the qualifications, experience and special responsibilities of the Directors and Company Secretaries in office at any time during or since the end of the financial year are as follows:

**Jacob Klein BCom Hons, ACA**
**Executive Chairman**
**(Appointed 12 May 2010)**

Mr Klein has been Executive Chairman since May 2010.

Mr Klein was appointed as Chairman in May 2010 at an Extraordinary General Meeting of the Company. He was previously president and CEO of Sino Gold Mining Limited where along with Mr Curtis (founder and chairman of Sino until 2005) and Mr Askew (director from 2002 and Chairman from 2005 of Sino) 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. Sino Gold Mining Limited was an ASX 100 Company, operating two award-winning gold mines and engaging over 2,000 employees and contractors in China. Mr Klein resigned as a Director of Sino Gold Mining Limited in December 2009.

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

Mr Klein is currently a Non-Executive Director of Lynas Corporation Limited (since August 2004) and OceanaGold Corporation (since December 2009), 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.

**Nicholas Curtis BA Hons**
**Non-Executive Director**
**(Appointed 12 May 2010)**

Mr Curtis has been a Director since May 2010.

Mr Curtis is Executive Chairman of Lynas Corporation Limited ("Lynas") and has been involved with Lynas 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. Mr Curtis is currently a director of Forge Resources Limited (since July 2010), St Vincent's Health Australia Limited (since June 2004) and St Vincent's Healthcare Limited (since June 2004) and the Garvan Institute of Medical Research.

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.

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

During the past three years, Mr Curtis has also served as Chairman of the Board of St Vincents & Mater Health Sydney Limited (March 2003 to October 2009) and has served as a Director on the Boards of St Joseph's Village Limited (March 2005 to October 2009), St Joseph's Hospital Limited (March 2005 to October 2009) and St Vincent's Hospital Limited (January 2001 to October 2009).

**James Askew BE (Mining), MEngSci, FAusIMM, MCIMM, MSME (AIME)**
**Non-Executive Director**
**(Appointed 12 May 2010)**

Mr Askew has been a Director since May 2010.

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 also served on the boards of numerous resource public companies, which currently included OceanaGold Corporation and OceanaGold Limited (Chairman since November 2006), Ausdrill Limited (since April 1986) and Golden Star Resources Limited (since 1999).

During the past 3 years Mr Askew also served as a Director of Sino Gold Mining Limited (October 2002 to December 2009) and Eldorado Gold Corporation (December 2009 to May 2010).

### Richard Krasnoff BA (Econ), MBA (Harvard), FAICD
### Non-Executive Director (Appointed 28 October 2004) Chairman (Appointed 12 May 2006, Resigned 12 May 2010)

Mr Krasnoff was previously Group Director of E-Commerce and a member of the Executive Committee at Wesfarmers reporting directly to former 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 was previously a director of Grange Resources Limited (June 2005 to January 2009) which is listed on the ASX

### Douglas Stewart, BSc FAusIMM, FAIG
### Non-Executive Director (Appointed 30 November 2007)

Mr Stewart has over 40 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 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 NM 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 listing 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 held directorships with Territory Resources Limited (March 2005 to July 2007) and Grange Resources Limited (October 2007 to January 2009) during the past 3 years.

### Paul Marks BEng (Chem), Mapp Fin
### Non-Executive Director (Appointed 18 December 2009)

Mr Marks has been a Director since December 2009.

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. Mr Marks is a Director of Prana Biotechnology Limited (since January 2010) and is on the board of several unlisted private companies.

Since the mid-1990s 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.

### John Terpu MAICD
### Managing Director (Appointed 15 June 1999, Resigned 12 May 2010)

Mr Terpu has over 15 years of commercial and management expertise gained in a broad range of business and investment activities. He has been involved in the mining and exploration industry through the acquisition and investment in a number of strategic exploration and mining projects. Mr Terpu has a wide range of contacts in the exploration and mining investment community. Mr Terpu is a director of Australasia Gold Limited (since March 2009) which is listed on the ASX.

**Bruno Firriolo CPA, BBus (Accounting)**
**Executive Director (Appointed 17 November 2003, Resigned 12 May 2010)**
**Company Secretary (Appointed 5 April 2002, Resigned 14 May 2010)**

Mr Firriolo is a Certified Practising Accountant who has held the offices of Company Secretary and Executive Director. He has been a partner with the accounting firm Cleaver & Associates since April 1991 dealing with all aspects of accounting and taxation. For many years Mr Firriolo offered specialised taxation consulting services to other accounting firms as well as major corporate clients. Mr Firriolo's experience in financial and corporate matters is supplemented by a period of co-ownership in a national wholesale business. Mr Firriolo is a director of Australasia Gold Limited (since March 2009) which is listed on the ASX.

**Joseph Radici CPA, BBus (Accounting)**
**Non-Executive Director (Appointed 12 May 2006, Resigned 12 May 2010)**

Mr Radici is a Certified Practising Accountant and Fellow of the Taxation Institute of Australia. He has operated an accounting practice in Western Australia since 1983, presently trading as J L Radici & Associates. His client base includes large businesses and corporations. Since 1995 he has been chairman of a number of unlisted public companies which have specialised in land subdivisions throughout Perth, Western Australia as well as developments overseas. In addition to skills gained whilst serving on company boards, Mr Radici has a wide network of entrepreneurial associations and is a respected member of Perth's business community. Mr Radici did not hold any directorships in other listed companies in the previous 3 years.

**Aaron Colleran BEng (Geology), BCom (Finance)**
**General Manager and Company Secretary (Appointed 14 May 2010)**

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

**David Watkins CA, BCom (Accounting and Finance)**
**Financial Controller (Appointed 21 June 2010)**
**Company Secretary (Appointed 30 August 2010)**

Mr Watkins is a Chartered Accountant who has recently joined the Company after working for Ernst & Young in Australia and the United Kingdom. During his time at Ernst & Young, Mr Watkins provided specialised accounting assistance to multinational corporations in the United Kingdom, France, Australia and the United States of America.

## 2. DIRECTORS' MEETINGS

The following table sets out the number of meetings of the Company held during the year ended 30 June 2010 and the number of meetings attended by each Director.

During the year 12 Director Board Meetings, 2 Audit Committee Meetings and 2 Executive Committee Meetings were held.

The number of meetings at which Directors were in attendance is as follows:

| | Board Meetings | | Audit Committee Meetings | | Executive Committee Meetings | |
|---|---|---|---|---|---|---|
| | A | B | A | B | A | B |
| **J Klein** | 1 | 1 | - | - | - | - |
| **N Curtis** | 1 | 1 | - | - | - | - |
| **J Askew** | 1 | 1 | - | - | - | - |
| **R Krasnoff** | 12 | 12 | 2 | 2 | - | - |
| **D Stewart** | 12 | 11 | - | - | - | - |
| **P Marks** | 7 | 7 | - | - | - | - |
| **J Terpu** | 11 | 11 | - | - | 2 | 2 |
| **B Firriolo** | 11 | 11 | 2 | 2 | 2 | 2 |
| **J Radici** | 11 | 10 | 2 | 2 | - | - |

A – Number of meetings held while in office B – Meetings attended

No meetings were held by the Remuneration and Nomination Committee during the year as this function was managed by the Executive Committee until May 2010.

## COMMITTEE MEMBERSHIP (AS AT THE DATE OF THIS REPORT)

| Remuneration and Nomination | Audit | Risk Management |
|---|---|---|
| J Askew (Chairman) | R Krasnoff (Chairman) | N Curtis (Chairman) |
| P Marks | J Klein | J Askew |
| R Krasnoff | N Curtis | D Stewart |

During the year Mr Terpu and Mr Firriolo were members of the Executive Committee. This committee was disbanded on 28 May 2010.

## 3. CORPORATE GOVERNANCE

The Company is committed to implementing the ASX Corporate Governance Council's ("Council") second edition Corporate Governance Principles and Recommendations. Where the Company's corporate governance practices do not correlate with all the practices recommended by the Council, or the Company does not consider it practicable or necessary to implement some principles due to the size and stage of development of its operations, the Board's reasoning for any departure is explained.

Set out below are the fundamental corporate governance practices of the Company.

### The Board lays solid foundations for management and oversight

#### ROLE OF THE BOARD

The Board's role is to govern the Company and has thereby established the functions reserved to the Board. In governing the Company, the Directors must act in the best interests of the Company as a whole. Each member of the Board is committed to spending sufficient time to enable them to carry out their duties as a Director of the Company.

#### RESPONSIBILITIES OF THE BOARD

In general, the Board is ultimately responsible for, and has the authority to determine, all matters relating to the policies, practices, management and operations of the Company. The Board of Directors of the Company are responsible for establishing the corporate governance framework. The Board guides and monitors the business affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable. It is required to do all things that may be necessary to be done in order to carry out the objectives of the Company. The Board delegates authority to senior executives and management to carry out delegated duties in support of the objectives of the Company.

As at the Date of this report the Board has established the following committees to assist it in discharging its functions:

- Audit Committee;
- Remuneration and Nomination Committee (formed 28 May 2010); and
- Risk Management Committee.

An Executive Committee was in place during the year but was dissolved on 28 May 2010. Its responsibilities, among other responsibilities, were to assess the necessary competencies of the Board, review Board succession plans, develop processes for evaluation of the Board and the appointment and re-election of Directors with reference to the guidance set out in the Board Charter. This function is now managed by the Remuneration and Nomination Committee which was formed 28 May 2010.

The Board's functions and the functions delegated to senior executives are set out in the Board Charter which is available on the Company's website under "Corporate Governance".

The Board holds regular meetings and is expected to meet periodically throughout the year. Directors' attendance at meetings this year is set out on page 15 of this Annual Report.

It is the role of senior management to manage the Company in accordance with the direction and delegations of the Board and the responsibility of the Board to oversee the activities of management in carrying out these delegated duties.

#### PERFORMANCE REVIEW/EVALUATION

The process for reviewing the performance of senior executives is undertaken by the Executive Chairman whereby he assesses the performance of senior executives by way of informal discussion. The Executive Chairman is responsible for meeting with the individual directors to discuss their individual performance and contribution to the Board however the Remuneration and Nomination Committee oversee this function. The performance of the Executive Chairman is monitored and assessed by the members of the Remuneration and Nomination Committee.

The performance review function was performed throughout the year by the Executive Committee in accordance with the process described above.

However during the 30 June 2011 financial year this function is to be performed by the newly formed Remuneration and Nomination Committee. The Chairman of the Remuneration and Nomination Committee is Mr Askew, a Non-Executive Director. The other members of the Committee are Mr Marks and Mr Krasnoff who both are Non-Executive Directors. All Committee members are independent Directors.

## The Board is structured to add value

The Board currently comprises six Directors one of whom, Mr Jacob Klein, is Executive Chairman. The remaining five Directors are independent Non-Executive Directors. Further details about the Directors including skills, experience and term of office are set out on pages 12 to 14 of this Annual Report.

The Company recognises the importance of Non-Executive Directors and the external perspective and advice that Non-Executive Directors can offer. It is the approach and attitude of each Non-Executive director which determines independence and this must be considered in relation to each director, while taking into account all other relevant factors including those set out in the Board Charter (available on the Company's website under "Corporate Governance"). Determination of the independence of each Director is made with reference to the factors set out in the Board Charter that list the relationships affecting independent status. The Board is comprised of a majority of independent Directors. All Non-Executive Directors are deemed to be independent of the Company.

Mr Klein is the Executive Chairman of the Company. This role requires Mr Klein to operate as the Chairman of the Board and also in the capacity of a role equivalent to a Chief Executive Officer. As a result there is not a clear division of responsibility between these functions. Also as an Executive Chairman Mr Klein is not independent of the Company in accordance with Recommendation 2.2 of the ASX Principles and Recommendations. However the dual role of Mr Klein is balanced by the presence of a clear majority of independent Directors on the Board. Due to the current size and stage of the business of the Company, the Board believes Mr Klein is the best person to undertake the Executive Chairman role and does not believe it necessary at this stage to appoint an Independent Chairman of the Board.

### INDEPENDENT PROFESSIONAL ADVICE AND ACCESS TO INFORMATION

Each Director has the right of access to all Conquest information and to Conquest's Executives. Further, each Director and the Board collectively, subject to informing the Executive Chairman, has the right to seek independent professional advice from a suitably qualified advisor, at Conquest's expense, with the approval of the Executive Chairman, to assist them to carry out their responsibilities. Where appropriate, a copy of this advice is to be made available to all other members of the Board.

## The Board promotes ethical and responsible decision making

### CODE OF CONDUCT

As part of its commitment to recognising its legal obligations, the legitimate expectations of stakeholders and promoting practices necessary to maintain confidence in the Company's integrity, the Company has established a Code of Conduct. The code aims to provide guidance to Directors, Senior Executives, management and employees on the standards of personal and corporate behaviour and the responsibility and accountability required of the Company's personnel for reporting and investigating unethical practices. The code contains practices necessary to maintain external stakeholders' confidence in the Company's integrity, the practices necessary to take into account their legal obligations and the responsibilities of individuals for reporting and investigating reports of unethical practices.

A copy of the Code of Conduct is available on the Company's website under "Corporate Governance".

### SECURITIES TRADING POLICY

The Company has adopted a securities trading policy for the Directors, Senior Executives, employees, consultants and contractors of the Company which is appropriate for a Company whose shares are admitted to trading on the ASX.

A copy of the Securities Trading Policy is available on the Company's website under "Corporate Governance".

## The Board safeguards integrity in financial reporting

The Board has established an Audit Committee to assist the Board safeguard the integrity of financial reporting. The responsibilities of the Committee are set out in a formal charter approved by the Board. This charter is available on the Company's website under "Corporate Governance".

The Audit Committee currently comprises 3 Directors. The Audit Committee consists of 2 Non-Executive Directors and Mr Klein the Executive Chairman. Mr Krasnoff is the Chair of the Audit Committee and an independent Non-Executive Director. Mr Curtis is also a member of the Committee and an independent Non-Executive Director. The composition of the Audit Committee satisfies the Board's requirements in performing the Committee's function.

The Audit Committee Charter sets out the procedure for the selection, appointment and rotation of external audit engagement partners.

Further details of the members of the Audit Committee and their attendance at committee meetings are set out on pages 15 and 18 of this Annual Report.

## The Board makes timely and balanced disclosure

The Board has designated the Executive Chairman and Company Secretaries as the individuals responsible for overseeing and co-ordinating disclosure of information to the ASX as well as communicating with the ASX.

The Board has established a written policy for ensuring compliance with ASX listing rule disclosure requirements and accountability at senior executive level for that compliance. A copy of the continuous disclosure policy is available on the Company's website under "Corporate Governance".

## The Board respects the rights of shareholders

The Company respects the rights of its shareholders and to facilitate the effective exercise of those rights, by promoting effective communication with shareholders and encouraging shareholder participation at annual general meetings, the Company has established a communications strategy which is available on the Company's website under "Corporate Governance".

## The Board recognises and manages risk

The Company is committed to the identification, monitoring and management of material business risks of its activities via its risk management framework. A copy of the risk management policy is available on the Company's website under "Corporate Governance".

The Board assumes ultimate responsibility for the oversight and management of material business risks and satisfies itself annually, or more frequently as required, that management has developed and implemented a sound system of risk management and internal control to manage the company's material business risks. The Board delegates the detailed work of this task to the Risk Management Committee and the Board periodically reviews this work. A key element in the risk management framework will be the reporting by management on the Company's key risks. The Risk Management Committee will oversee the adequacy and content of risk reporting from management. Based on reports compiled throughout the year, management will prepare an annual summary report to indicate the effectiveness of the Company's management of its material business risks. This report will be prepared for the Risk Management Committee but ultimately be provided to the Board for its review.

The Board has received assurances from the Executive Chairman and Financial Controller in relation to financial reporting risks. Refer to note 5 of the Annual Report for a summary of financial risks applicable to the Company.

The Board receives regular updates from management on whether the Company's material business risks are being managed effectively. This process is informally communicated by management through the Executive Chairman and in Board reporting at regular Board Meetings. The main focus of these updates is the operational and business risks related to the optimisation of the Mt Carlton project. A formal process is being undertaken to ensure that the Company's risk management framework is appropriate given the Company's stage of development and future direction.

### ATTESTATIONS BY EXECUTIVE CHAIRMAN AND FINANCIAL CONTROLLER

In accordance with recommendation 7.3 of the ASX Corporate Governance Principles and Recommendations, the Executive Chairman and Financial Controller have stated in writing to the Board that:

1) The statement given in accordance with section 295A of the Corporations Act, is founded on a sound system of risk management and internal control which implements the policies adopted by the Board; and

2) The Company's risk management and internal control system is operating efficiently and effectively in all material respects in relation to financial reporting risks.

## The Board remunerates fairly and responsibly

### REMUNERATION AND NOMINATION COMMITTEE

The Company has established a Remuneration and Nomination Committee which has responsibility for the formulation of remuneration policies. The role of the Remuneration and Nomination Committee is set out in a formal charter approved by the Board (available on the Company's website under "Corporate Governance"). Its responsibilities, among other responsibilities are to:

1) Determine appropriate compensation arrangements for the Directors, Senior Executives and employees;

2) Determine Executive and Non-Executive remuneration policies;

3) Develop and review equity based plans; and

4) Make these recommendations for the consideration by the Board.

The Remuneration and Nomination Committee did not meet during the year as the responsibility for this function was undertaken by the Executive Committee until 28 May 2010.

### REMUNERATION REPORT AND REMUNERATION POLICIES

The Board (with the assistance of the Remuneration and Nomination Committee) has established a policy to ensure that it remunerates fairly and responsibly. The remuneration philosophy of the Board is designed to ensure that the level and composition of remuneration is competitive, reasonable and appropriate for the results delivered and to attract and maintain talented and motivated Directors and employees. The Remuneration and Nomination Committee is responsible for the oversight of the Conquest Mining Option Trust and the related plan.

Non-Executive Directors' fees are determined within an aggregate Directors' fee pool limit, which will be periodically approved by shareholders in general meeting. The current maximum fee pool is $500,000 for Non-Executive Directors. Non-Executive directors of the Company are entitled to participate in any equity plan of the company where it is considered an appropriate element of remuneration in situations when the Non-Executive's skills and experiences are recognised as important to the Company's future development. Non-Executive directors of the Company do not receive retirement benefits, other than statutory superannuation entitlements.

Further details on the structure of Executive Directors, Non-Executive Directors and Senior Executives 'remuneration are set out in the Remuneration Report on pages 23 to 29 of this Annual Report.

Personnel of the Company are not permitted to enter into transactions with securities (or any derivative thereof) which limit the economic risk of any unvested entitlements awarded under any equity-based remuneration scheme, or otherwise awarded, or which will be offered by the Company in the future.

## 4. PRINCIPAL ACTIVITIES

As in the previous year, the principal activities of the Company during the year were mineral exploration, with current emphasis being on progressing and developing the Mt Carlton project.

## 5. OPERATING AND FINANCIAL REVIEW

The loss from ordinary activities of the Company for the financial year ended 30 June 2010 was $3,699,844 (2009: $1,151,188).

As at 30 June 2010 the Company had 25 employees (2009: 16).

Further details of operations undertaken during the year are set out in the accompanying Review of Operations Report on the pages immediately preceding the Directors' Report.

## 6. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Significant changes in the state of affairs of the Company during the financial year were as follows:

- On 3 June 2010, the Company announced a proposal to acquire all of the shares in North Queensland Metals Limited by way of an off market takeover bid as further described below under "Events Subsequent to Balance Date".
- The Mt Carlton Definitive Feasibility Study ("DFS") was finalised during the year. The scope of the DFS was to evaluate the technical and economic feasibility of mining the Silver Hill resource, and processing to produce a high-grade precious metals concentrate for sale to smelters. The study confirmed that the Silver Hill deposit is mineable as two separate open pits (V2 and A39) and can be processed via conventional crush-grind-float processing to produce a concentrate. Further detail with respect to the DFS study results are disclosed under "Review of Operations" within this Annual Report.
- During the year there was a change in management of the Company along with the appointment of Mr Klein, Mr Curtis and Mr Askew as Directors. Mr Terpu, Mr Firiollo and Mr Radici resigned as Directors during the year.

## 7. DIVIDENDS

Up until the date of this report, no dividend has been declared or paid by the Company and the Directors do not recommend payment of a dividend.

## 8. EVENTS SUBSEQUENT TO BALANCE DATE

On 3 June 2010, the Company announced a proposal to acquire all of the shares in North Queensland Metals Limited by way of an off market takeover bid for consideration of ½ (half) a Conquest share and 10 cents per share held in North Queensland Metals. On 9 July 2010 the Company announced that it would increase the cash component of its offer to 15 cents per share. At this time the offer was conditional on the Company obtaining a relevant interest in more than 50% of North Queensland Metals shares or that the North Queensland Metals board is constituted so that at least the majority of the Board are appointed by Conquest. On 17 August 2010 the Company declared its offer unconditional. On the 29 September 2010 the Company has relevant interest of 66.90% (based on acceptances processed to 28 September 2010) in the share capital of North Queensland Metals acquired for cash consideration of $20,172,518 plus 67,241,764 Conquest ordinary shares. The Company now controls North Queensland Metals Limited through its acquired voting rights.

On 6 August 2010 the Company entered into an agreement to acquire a new SAG mill from Hillgrove Resources Limited for cash consideration of $6.95 million. A review of the mill conducted by specialist consultants on behalf of the Company has shown that it is ideally suited to the Mt Carlton project and is capable of achieving the expected design throughput rate and product size (800,000tpa with P80 of 106μm).

On 16 September 2010 Conquest Mining Limited announced that it had entered into a long term concentrate off take contract for the sale of gold-silver-copper concentrate from its V2 deposit at the Mt Carlton project in north Queensland. The agreement signed with Shandong Guoda Gold Co. Limited ("Guoda Gold"), one of the largest gold smelters in China, is a life-of-mine contract for the sale of 490,000 wmt of concentrate. The V2 deposit is the largest single deposit at Mt Carlton and underpins the economics of the project. The off take agreement over V2 is therefore the key to developing and financing the Mt Carlton project and discussions with project financiers will commence shortly. Under the terms of the agreement, Conquest will receive payment for the gold, silver and copper contained in concentrate. The agreement requires provisional payment of 90% of the value of each concentrate shipment by letter of credit with a major Chinese bank prior to shipment. This payment mechanism will significantly aid cash flow management. The off take agreement with Guoda Gold does not extend to concentrate that will be produced from the high grade A39 silver deposit at Mt Carlton. Negotiations with a number of potential off takers for A39 concentrates are ongoing.

On 15 September 2010 Conquest entered into a Share Purchase Agreement (the "Agreement") with Heemskirk Consolidated Limited ("Heemskirk", ASX: HSK) to acquire Heemskirk's 40% interest in the Pajingo gold mine. The strategic acquisition complements Conquest's current takeover offer for North Queensland Metals (ASX: NQM), the owner of the remaining 60% of Pajingo. The acquisition will be effected by Conquest acquiring all of the shares in HSK Gold Australia Pty Limited ("HSK Gold"), the Heemskirk subsidiary which holds the Heemskirk group's interest in Pajingo.

A summary of the key terms and conditions of the Agreement is as follows.

- The total purchase price has a value of $37 million, comprising:
- $27 million in cash (of which $2 million will be deferred until the earlier of 31 March 2011 and 6 months after completion of the purchase); and
- $10 million in Conquest shares, at an issue price of $0.394 per Conquest share – the issue price represents the 20 day VWAP of Conquest shares prior to the date of signing the Agreement.
- The completion of the purchase under the Agreement is subject to satisfaction of the following conditions:
- Approval by Heemskirk shareholders of the sale of HSK Gold under ASX Listing Rule 11; and
- Approval by Conquest shareholders under ASX Listing Rule 7.1 of the issue of the $10 million worth of Conquest shares to Heemskirk.

To support the payment of the cash component of the proposed acquisition, Conquest has entered into an Underwriting and Subscription Deed with Southern Cross Equities and Baker Steel Capital Managers LLP, pursuant to which Baker Steel (or its permitted nominees) will subscribe for $10 million of Conquest shares if the conditions to the proposed acquisition are satisfied. Southern Cross has underwritten Baker Steel's commitment to subscribe for those Conquest shares. The subscription price will be an amount to be determined by Conquest in consultation with Southern Cross Equities, which shall be no higher than the 10 day VWAP of Conquest shares prior to the date for issue of the Conquest shares to Baker Steel (or its permitted nominees. In return for the obligations of Southern Cross Equities and Baker Steel under the Underwriting and Subscription Deed:

- Conquest will, if completion of the proposed acquisition of HSK Gold occurs, pay Southern Cross a cash amount of $50,000; and
- Conquest will, if completion of the proposed acquisition of HSK Gold occurs, issue to Baker Steel (or its permitted nominees) 5.5 million options expiring in two years' time with an exercise price of 60 cents.

As at the date of this Annual Report, the Conquest Directors are continuing to assess the company's funding requirements and recognise that additional equity and debt funding is likely to be required for Conquest's operations. To the extent that the Directors consider that additional equity or debt funding is required for Conquest's operations, Conquest will seek to obtain such funding and update the market at the relevant time.

Except for the above there not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company, in subsequent financial years.

## 9. LIKELY DEVELOPMENTS

Further information about likely developments in the operations of the Company and the expected results of those operations on future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Company.

## 10. ENVIRONMENTAL REGULATION AND PERFORMANCE

The Group's operations were subject to environmental regulations under both Commonwealth and State legislation in relation to its exploration activities.

The Directors are not aware of any breaches during the period covered by this report.

## 11. DIRECTORS' INTERESTS

The relevant interest of each Director in the share capital of the Company as at the date of this report is:

| Director | Fully paid Ordinary Shares as at balance date | Fully paid Ordinary Shares as at the date of this report |
|---|---|---|
| **J Klein** | 1,000,000 | 1,400,000 |
| **N Curtis** | - | - |
| **J Askew** | - | - |
| **R Krasnoff** | 998,398 | 998,388 |
| **D Stewart** | 67,194 | 67,194 |
| **P Marks** | 21,015,098 | 21,053,823 |

## 12. SHARE OPTIONS

### OPTIONS GRANTED TO DIRECTORS AND EXECUTIVE OFFICERS OF THE COMPANY

During or since the end of the year the following options over unissued ordinary shares in Conquest Mining Limited were granted to Directors and Executive officers of the Company as part of their remuneration.

| | Number of options granted |
|---|---|
| **J Klein** | 27,000,000 |
| **N Curtis** | 2,500,000 |
| **J Askew** | 2,500,000 |
| **A Colleran** | 2,500,000 |

### UNISSUED SHARES UNDER OPTION

At the date of this report unissued ordinary shares of the Company under option are:

| Expiry date | Exercise price | Number of Shares |
|---|---|---|
| 26 February 2013 | $0.93 | 2,000,000 |
| 1 June 2015 | $0.38 | 4,050,000 |
| 1 June 2015 | $0.28 | 16,000,000 |
| 1 June 2016 | $0.32 | 16,000,000 |

The Options do not entitle the holder to participate in any share issue of the Company or any other body corporate. During or since the end of the financial year the Company did not issue Ordinary Shares as a result of the exercise of Options.

### UNISSUED SHARES UNDER OPTION (EXPIRED POST YEAR END)

| Expiry date | Exercise price | Number of Shares |
|---|---|---|
| 15 July 2010 | $0.60 | 200,000 |

The above options lapsed on termination of employment of the relevant individual. The terms of these options had an expiry date of 22 June 2011.

## 13. INDEMNIFICATION AND INSURANCE OF OFFICERS

The Company resolved that it would indemnify its current Directors and Officers. Coverage in respect of this indemnity has been provided via a Directors and Officers insurance policy negotiated at commercial terms.

Excluding the matter noted above the Company has not, during or since the financial year-end, in respect of any person who is, or has been an officer or auditor of the Company or a related body corporate:

- indemnified or made any relevant agreement for indemnifying against a liability incurred as an officer, including costs and expenses in successfully defending legal proceedings; or
- paid or agreed to pay a premium in respect of a contract insuring against a liability incurred as an officer for the costs or expenses to defend legal proceedings.

## 14. REMUNERATION REPORT – AUDITED

### 14.1 REMUNERATION POLICIES - AUDITED

In relation to remuneration issues, the Board has policies that are established to review the remuneration arrangements and practices of the Company to ensure that it remunerates fairly and responsibly. The remuneration policy of the Board is designed to ensure that the level and composition of remuneration is competitive, reasonable and appropriate for the results delivered and to attract and retain appropriately experienced directors and employees.

Responsibility for the Company's remuneration policies was delegated by the Board to the Executive Committee up until 28 May 2010, and thereafter delegated to the Remuneration and Nomination Committee with an undertaking to:

- determine the Non-Executive Director remuneration policies;
- determine the Executive (including Executive Directors) remuneration policies;
- determine appropriate compensation arrangements for the Directors, senior executives and employees, and make appropriate recommendations to the Board; and
- design, review and submit to the Board equity-based remuneration plans.

#### Non-Executive Director Remuneration

The maximum aggregate Non-Executive Directors' fees are determined within an aggregate directors' fee pool limit, which will be periodically approved by shareholders in a general meeting (the current limit is $500,000). During the year ended 30 June 2010, $289,198 of the fee pool was used (2009: $137,571) with respect to Non-Executive Director remuneration. The pool does not cover share based payment remuneration.

The Non-Executive Directors total remuneration consists of the following:

- Directors fees – Non-Executive Directors are entitled to be paid fees;
- Superannuation – Non-Executive Directors are entitled to participate in superannuation schemes; and
- Other benefits – Non-Executive Directors are entitled to have their indemnity insurance paid by the Company.

The current remuneration policy is that Non-Executive Directors of the Company are entitled to participate in any equity plan of the Company and if a Non-Executive Director is recommended for being able to participate in an equity scheme, this participation must be approved by the shareholders of the Company.

Non-Executive Directors of the Company do not receive retirement benefits, other than statutory superannuation entitlements.

#### Executive Remuneration

The Executive remuneration policy reflects the Company's obligation to align Executive Directors' remuneration with shareholders' interests and to engage appropriately qualified executive talent for the benefit of the company. The main principles of Executive remuneration policy are:

- reward reflects the competitive global market in which the Company operates. Individual rewards should be linked to performance criteria; and
- Executives should be rewarded for both financial and non-financial performance.

The Executive remuneration policy reflects the Company's obligation to align Executive Directors' remuneration with shareholders' interests and to engage appropriately qualified executive talent for the benefit of the company. The main principles of Executive remuneration policy are:

- reward reflects the competitive global market in which the Company operates. Individual rewards should be linked to performance criteria; and
- Executives should be rewarded for both financial and non-financial performance.

## Elements of Remuneration

The Executive Directors' total remuneration consists of the following.

### 1. Total Fixed Remuneration

Total Fixed Remuneration comprises base salary, any relevant allowances and the Company's statutory superannuation guarantee contribution. Total Fixed Remuneration is set with reference to market data, reflecting the scope of the role and the performance of the person in the role. Total Fixed Remuneration also reflects any market premium required for roles that are in short supply or with a unique skill set. Remuneration is reviewed annually and based on performance for the period. In determining remuneration consideration is given to market comparisons to similar roles in a similar sector.

### 2. Short Term Incentive

Executive Directors are eligible to participate in a bonus scheme if deemed appropriate.

The Executive Chairman's short term incentives (if any) are to be determined by the Remuneration and Nomination Committee each year. At the date of this report there are no agreed short term incentives for Mr Klein.

Executives are entitled to receive short term incentives. The payment of these incentives is linked to the successful development of the Mt Carlton project and payment may range between 30%-50% of fixed remuneration.

### 3. Long Term Incentive

Relationship between the Remuneration Policy and the Company's Performance

At this stage the company provides incentives to key management personnel through the Conquest Mining Share Option Plan. The performance conditions contained within the plans demonstrate the Company's willingness to design a remuneration philosophy for the benefit of its employees and shareholders alike. The Chairman is responsible for undertaking a continuous review of the performance and contribution of individual Directors and Executive Officers towards the Company's overall performance. The Board will continually review its evaluation processes in order to ensure the effectiveness of the Directors of the Company.

Consistent with market practice, the proportion of each remuneration component is dependent on the level of seniority of the executive. The Board believes its total reward mix to be consistent with market practice and takes into consideration relevant benchmarking data in reviewing the mix. Detail with respect to the actual composition of performance related remuneration for Directors, Executives and other key management personnel is disclosed on pages 26 and 27.

## Conquest Mining Share Option Plan

Mr Klein, Mr Curtis, Mr Askew, Mr Colleran and nominated senior managers of the Company participate in the Conquest Mining Share Option Plan ("Plan").

Participation in the Plan is designed to encourage greater involvement in the achievement of the Company's objectives. Under the plan the Company issues options directly to the Option Plan Trustee and Plan participants subscribe for units in the trust funded using an interest free non-recourse loan provided by the Trust.

Additionally the retention of Shares for the benefit of participants after the exercise of their options will also assist with key management personnel retention.

In order to align the contribution of the Executive Chairman, senior executives and senior management with the performance and growth of the Company, the grants to these individuals contain a total shareholder return ("TSR") vesting condition. The TSR determined for the Company or a comparable company for a given period is the share price growth plus all other returns or payments to shareholders, for example, dividends. This vesting condition was selected because it directly correlates the successful achievement of the condition by participants with the return to the Company's shareholders.

These awards will vest if the company achieves a TSR for an annual period above the median of a group of 20 comparable gold-sector companies. The comparable companies are selected based upon similar market capitalisations at the grant date. The annual performance date is 1 June for executives and senior management and 8 March for the Executive Chairman. If the condition is not met for a particular year, performance will be reassessed for the following 12 month period. Under the arrangement 13,500,000 options with an exercise price of 28 cents granted to the Executive Chairman must vest before the second tranche of 13,500,000 options with an exercise price of 32 cents may vest. The second tranche granted to the Executive Chairman will therefore vest 12 months after the first tranche at the earliest.

In assessing whether the relative TSR hurdle for each grant has been met, the Company receives independent data from an external advisor, who provides both the Company's TSR growth from the commencement of each grant and that of the pre-selected peer group.

The peer group chosen for comparison comprises 20 comparable gold mining companies listed on the ASX. The comparable peer group for the most recent group comprises Resolute Mining Limited, Dominion Mining Limited, Catalpa Resources Limited, Allied Gold Limited, Troy Resources NL, Gold One International Limited, Silver Lake Resources Limited, Kingsrose Mining Limited, Tanami Gold NL, Red 5 Limited, Ramelius Resources Limited, Citigold Corporation Limited, Bendigo Mining Limited, Crescent Gold Limited, Beadell Resources Limited, Carrick Gold Limited, Westgold Resources Limited, Azumah Resources Limited, Tusker Gold Limited (delisted May 2010) and Navigator Resources Limited. This peer group reflects the Company's competitors for capital and talent.

The grants to Mr Curtis and Mr Askew do not include any vesting conditions as in their capacity as Non-Executive Directors it was not deemed appropriate to include conditions directly linked to company performance . The grant to these does however recognise the contribution expected to be made to the development and growth of the Company by Mr Curtis and Mr Askew.

The Company has agreed with the Directors that participate in the Plan, that in the event of a future issue of Shares, subject to all necessary regulatory approvals, a number of additional Options are to be granted for the benefit of the Directors (at an exercise price 15% above the issue price for the relevant Share Issue), such that the total number of Shares issuable on the exercise of all Options held for the benefit of the Director, when expressed as a percentage of the Company's total shares on issue, is the same both before and after the Share Issue. The grant of any such additional options in the future would be subject to the approval of Shareholders at the relevant time. The Listing Rules do not facilitate Shareholder approval of the grant of the additional options more than one month in advance of their issue), which approval the Company would be obliged to seek. In the case of Mr Klein, the obligations of the Company in this respect are set out in his executive services agreement. If the approval of Shareholders is not given at the relevant time, his executive services agreement would automatically terminate and the Options which have been granted for his benefit would immediately vest.

### 14.2 DIRECTORS' AND EXECUTIVE OFFICERS' REMUNERATION – AUDITED

Details of the nature and amount of each major element of the remuneration of each Director of the Company and Executive Officers for whom disclosure of remuneration is required are:

## DIRECTOR AND EXECUTIVE REMUNERATION

### Year ended 30 June 2010

| Name | Salary And Fees $ | Non-Cash Benefits $ | Super-annuation $ | Share Based Payments $ | Other Long Term $ | Termination $ | Total $ |
|---|---|---|---|---|---|---|---|
| **Executive Directors** | | | | | | | |
| J Klein | 55,359 | - | 1,928 | 467,858 | - | - | 525,145 |
| J Terpu | 225,301 | - | 20,074 | - | 3,671 | 207,932 | 456,978 |
| B Firriolo | 175,300 | 2,621 | 25,151 | - | (176) | 207,071 | 409,967 |
| **Non-Executive Directors** | | | | | | | |
| N Curtis | 7,645 | - | 688 | 746,250 | - | - | 754,583 |
| J Askew | 8,333 | - | - | 746,250 | - | - | 754,583 |
| R Krasnoff | - | - | 46,000 | - | - | - | 46,000 |
| D Stewart | 124,488 | - | 44,312 | - | - | - | 168,800 |
| P Marks | 23,941 | - | 2,155 | - | - | - | 26,096 |
| J Radici | - | - | 31,636 | - | - | - | 31,636 |
| **Executives** | | | | | | | |
| A Colleran | 22,114 | - | 1,261 | 25,787 | - | - | 49,162 |
| J Innes | 221,274 | 29,091 | 42,680 | - | - | - | 293,045 |
| **TOTAL** | **863,755** | **31,712** | **215,885** | **1,986,145** | **3,495** | **415,003** | **3,515,995** |

| Name | % of remuneration performance related | % remuneration in options |
|---|---|---|
| **Executive Directors** | | |
| J Klein | 89% | 89% |
| J Terpu | - | - |
| B Firriolo | - | - |
| **Non-Executive Directors** | | |
| N Curtis | - | 99% |
| J Askew | - | 99% |
| R Krasnoff | - | - |
| D Stewart | - | - |
| P Marks | - | - |
| J Radici | - | - |
| **Executives** | | |
| A Colleran | 52% | 52% |
| J Innes | - | - |

## DIRECTOR AND EXECUTIVE REMUNERATION

### Year ended 30 June 2009

| Name | Salary And Fees $ | Non-Cash Benefits $ | Super-annuation $ | Share Based Payments $ | Other Long Term $ | Termination $ | Total $ |
|---|---|---|---|---|---|---|---|
| **Executive Directors** | | | | | | | |
| J Terpu | 229,303 | 34,398 | 41,985 | - | 8,725 | - | 314,411 |
| B Firriolo | 113,107 | 455 | 97,143 | - | 28,626 | - | 239,331 |
| **Non-Executive Directors** | | | | | | | |
| R Krasnoff | - | - | 45,850 | - | - | - | 45,850 |
| D Stewart | 13,188 | - | 44,270 | - | - | - | 57,458 |
| J Radici | - | - | 34,263 | - | - | - | 34,263 |
| **Executives** | | | | | | | |
| J Innes | 233,286 | 17,423 | 30,764 | - | - | - | 281,473 |
| **TOTAL** | **588,884** | **52,276** | **294,275** | **-** | **37,351** | **-** | **972,786** |

| Name | % of remuneration performance related | % remuneration in options |
|---|---|---|
| **Executive Directors** | | |
| J Terpu | - | - |
| B Firriolo | - | - |
| **Non-Executive Directors** | | |
| R Krasnoff | - | - |
| D Stewart | - | - |
| P Marks | - | - |
| J Radici | - | - |
| **Executives** | | |
| J Innes | - | - |

### 14.3 OPTIONS AND RIGHTS OVER EQUITY INSTRUMENTS GRANTED AS COMPENSATION DURING THE YEAR

| | Awarded No | Grant date | Expiry date | Fair value per award $ | Exercise price | Option life, years | Vested No. | Vested % |
|---|---|---|---|---|---|---|---|---|
| **Directors** | | | | | | | | |
| J Klein | 13,500,000 | 12 May 2010 | 1 June 2015 | 0.285 | 0.28 | 5 | Nil | Nil |
| | 13,500,000 | 12 May 2010 | 1 June 2016 | 0.288 | 0.32 | 6 | Nil | Nil |
| N Curtis | 1,250,000 | 12 May 2010 | 1 June 2015 | 0.302 | 0.28 | 5 | 1,250,000 | 100 |
| | 1,250,000 | 12 May 2010 | 1 June 2015 | 0.295 | 0.32 | 5 | 1,250,000 | 100 |
| J Askew | 1,250,000 | 12 May 2010 | 1 June 2015 | 0.302 | 0.28 | 5 | 1,250,000 | 100 |
| | 1,250,000 | 12 May 2010 | 1 June 2015 | 0.295 | 0.32 | 5 | 1,250,000 | 100 |
| **Executives** | | | | | | | | |
| A Colleran | 2,500,000 | 1 June 2010 | 1 June 2015 | 0.260 | 0.38 | 5 | Nil | Nil |

No options were exercised by Directors and Executives during the year. The above awards granted to Mr Klein and Mr Colleran are subject to vesting conditions and have not vested at the date of this report. Detail of the vesting conditions and the financial years in which the grants may vest is provided above under the description of the Conquest Mining Share Option Plan. No further options have been granted since the end of the financial year. The value of options granted in the year is the fair value of the options calculated at grant date using the Black Scholes and Monte Carlo Simulation option pricing models.

### 14.4 EMPLOYMENT DETAILS OF KEY MANAGEMENT PERSONNEL AND OTHER EXECUTIVES – AUDITED

Remuneration and other terms of employment for Messrs Klein, Terpu, Firriolo, Colleran and Innes were formalised in service agreements as discussed below::

**J Klein – Executive Chairman (Commenced 12 May 2010)**

- Term of agreement – 3 years commencing 12 May 2010;
- Annual salary - $400,000 inclusive of SGC superannuation and benefits, reviewed annually;
- Payment of termination benefit by the Company, other than for incompetence, criminal conviction or extended incapacity and dependent on the amount of notice given, equal to 12 months salary, inclusive of superannuation and benefits.

**J Terpu – Managing Director (Resigned 12 May 2010)**

- Term of agreement – 3 years commencing 27 November 2008;
- Base annual salary effective at 12 May 2010 was $254,360, plus SGC superannuation, reviewed annually;
- Payment of a termination benefit on early termination by the Company, other than for incompetence, criminal conviction or extended incapacity, and dependent on the amount of notice given, equal to 9 to 12 months base salary plus superannuation.

**B Firriolo – Executive Director/Company Secretary (Resigned 12 May 2010)**

- Term of agreement – 3 years commencing on 19 June 2009;
- Base annual salary effective at 12 May 2010 was $220,000 inclusive of superannuation;
- Payment of a termination benefit on early termination by the Company, other than for incompetence, criminal conviction or extended incapacity equal to 9 months base salary for the remaining term of the agreement. Additionally, the Company must provide 3 months written notice of termination or may elect to pay 3 months salary and superannuation in lieu of any form of notice.

**A Colleran – General Manager Corporate and Joint Company Secretary (Commenced 14 May 2010)**

- Employment agreement dated 13 May 2010, consulted to the Company until 30 May 2010 and commenced employment 31 May 2010;
- Base annual salary effective at 14 May 2010 was $250,000 inclusive of superannuation;
- Payment of a termination benefit on early termination by the Company, other than for incompetence, criminal conviction or extended incapacity equal to 3 months base salary for the remaining term of the agreement. Additionally, the Company must provide 3 months written notice of termination or may elect to pay 3 months salary and superannuation in lieu of any form of notice.

**J Innes – Chief Operating Officer (Resigned 16 July 2010)**

- Employment agreement commencing 1 August 2008;
- Base annual salary effective at 30 June 2010 was $272,000 plus superannuation contributions at 9% per annum;
- Payment of a termination benefit on early termination by the Company, other than for incompetence, criminal conviction or extended incapacity equal to 3 months base salary for the remaining term of the agreement. Additionally, the Company must provide 3 months written notice of termination or may elect to pay 3 months salary and superannuation in lieu of any form of notice.

### 14.5 OTHER TRANSACTIONS

Where Directors had other transactions with the Company which are not disclosed as part of the Remuneration Report, particulars of those transactions are disclosed at Note 21 to the audited Financial Statements.

## 15. AUDITOR'S REMUNERATION

| | 2010 $ | 2009 $ |
|---|---|---|
| **Auditors of the Company – KPMG** | | |
| Audit services | 50,330 | 45,460 |

The auditors did not receive any non-audit related remuneration during the year (2009: Nil).

## 16. LEAD AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration is set out on the following page and forms part of the Directors Report for the year ended 30 June 2010.

This report is made in accordance with a resolution of Directors.

**Jake Klein**
**Executive Chairman**
**Sydney, New South Wales**
**29 September 2010**

# LEAD AUDITOR'S INDEPENDENCE DECLARATION

## UNDER SECTION 307C OF THE CORPORATION ACT 2001

***Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001***

To: The directors of Conquest Mining Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2010 there have been:

(i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Brent Steedman
*Partner*

Perth

29 September 2010

# DIRECTORS' DECLARATION

1. In the opinion of the Directors of Conquest Mining Limited (the "Company"):

(a) the financial statements and notes and the Remuneration report in the Directors' report, set out on pages 23 to 29, are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2010 and of its performance for the financial year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and.

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Executive Chairman and Financial Controller for the financial year ended 30 June 2010.

3. The directors draw attention to Note 2(a) to the financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors:

**Jacob Klein**
**Executive Chairman**
**Sydney, New South Wales**
**29 September 2010**

# STATEMENT OF COMPREHENSIVE INCOME

### For the year ended 30 June 2010

| | Note | 2010 $ | 2009 $ |
|---|---|---|---|
| Other revenues | 6 | 54,395 | 68,302 |
| Financial income | 6 | 2,502,314 | 1,926,616 |
| Total revenue and income | | 2,556,709 | 1,994,918 |
| **Expenses** | | | |
| Exploration and evaluation expenditure written off | 14 | 439,403 | 260,138 |
| Depreciation and amortisation expense | 13 | 147,721 | 157,045 |
| Depreciation capitalised to carrying value of exploration and evaluation expenditure | | (133,336) | (135,151) |
| Loss on scrapping of fixed assets | | 36,004 | 18,543 |
| Loss on sale of fixed assets | | 14,074 | - |
| Administration expenses | | 3,819,761 | 1,649,984 |
| Share based payment expense recognised in profit and loss | | 2,002,132 | 5,188 |
| Impairment in fair value of available-for-sale investments | | 328,000 | 1,537,600 |
| Change in fair value of held-for-trading listed investments | | 771 | 5,679 |
| Total expenses | | 6,654,530 | 3,499,026 |
| **(Loss) before income tax benefit** | | **(4,097,821)** | **(1,504,108)** |
| Income tax benefit | 9 | 397,977 | 352,920 |
| **Net loss for the year attributable to owners of the Company** | **18** | **(3,699,844)** | **(1,151,188)** |
| **Other comprehensive income, net of income tax** | | | |
| Change in fair value of available-for-sale investments | | - | (102,400) |
| **Total comprehensive (loss) for the year attributable to owners of the Company** | | **(3,699,844)** | **(1,253,588)** |

| Earnings per share | | 2010 | 2009 |
|---|---|---|---|
| Basic (loss) per share (cents per share) | 22 | (1.14) | (0.42) |
| Diluted (loss) per share (cents per share) | 22 | (1.14) | (0.42) |

The statement of comprehensive income should be read in conjunction with the accompanying notes.

# STATEMENT OF FINANCIAL POSITION

**For the year ended 30 June 2010**

| | Note | 2010 $ | 2009 $ |
|---|---|---|---|
| **Current Assets** | | | |
| Cash and cash equivalents | 23 | 56,087,972 | 26,661,798 |
| Other receivables | 10 | 1,232,270 | 356,952 |
| Income tax receivable | | 397,977 | - |
| Other current assets | 11 | 16,724 | 8,954 |
| **Total Current Assets** | | **57,734,943** | **27,027,704** |
| **Non-Current Assets** | | | |
| Receivables | 10 | 86,167 | 67,500 |
| Investments | 12 | 265,686 | 594,457 |
| Property, plant and equipment | 13 | 518,835 | 634,486 |
| Exploration and evaluation expenditure | 14 | 35,233,774 | 20,194,001 |
| **Total Non-Current Assets** | | **36,104,462** | **21,490,444** |
| **Total Assets** | | **93,839,405** | **48,518,148** |
| **Current Liabilities** | | | |
| Trade and other payables | 15 | 1,543,919 | 923,353 |
| Employee benefits | 16 | 39,479 | 138,860 |
| **Total Current Liabilities** | | **1,583,398** | **1,062,213** |
| **Total Liabilities** | | **1,583,398** | **1,062,213** |
| **Net Assets** | | **92,256,007** | **47,455,935** |
| **Equity** | | | |
| Share capital | 17 | 121,097,570 | 75,256,414 |
| Reserves | 17 | 2,666,544 | 28,985 |
| Accumulated losses | 18 | (31,508,107) | (27,829,464) |
| **Total Equity** | | **92,256,007** | **47,455,935** |

The statement of financial position should be read in conjunction with the accompanying notes.

# STATEMENT OF CASH FLOWS

**For the year ended 30 June 2010**

| | Note | 2010 $ | 2009 $ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash receipts from customers | | 59,774 | 68,346 |
| Payments to suppliers and employees | | (3,384,740) | (1,670,099) |
| **Cash used in operations** | | **(3,324,966)** | **(1,601,753)** |
| Interest received | | 1,939,229 | 2,023,777 |
| Income tax offsets refunded | | - | 352,920 |
| **Net cash (used in)/provided by operating activities** | **23** | **(1,385,737)** | **774,944** |
| **Cash flows from investing activities** | | | |
| Proceeds from sale of property, plant and equipment | | 55,278 | - |
| Exploration and evaluation expenditure | | (15,303,784) | (5,580,447) |
| Payment of office and administration bonds | | (18,667) | - |
| Acquisition of property, plant and equipment | | (137,300) | (98,066) |
| **Net cash (used in) investing activities** | | **(15,404,473)** | **(5,678,513)** |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of equity securities | 17 | 50,345,185 | 40,000 |
| Transaction costs of issuing shares | 17 | (4,128,801) | - |
| **Net cash provided by financing activities** | | **46,216,384** | **40,000** |
| Net increase/(decrease) in cash and cash equivalents | | 29,426,174 | (4,863,569) |
| Cash and cash equivalents at beginning of year | | 26,661,798 | 31,525,367 |
| **Cash and cash equivalents at end of year** | **23** | **56,087,972** | **26,661,798** |

The statement of cash flows should be read in conjunction with the accompanying notes.

# STATEMENT OF CHANGES IN EQUITY

### For the year ended 30 June 2010

| | Share Capital $ | Accumulated Losses $ | Fair Value Reserve $ | Option Reserve $ | Total $ |
|---|---|---|---|---|---|
| **Balance at 1 July 2008** | **75,216,414** | **(26,799,794)** | **102,400** | **145,315** | **48,664,335** |
| Loss for the period | - | (1,151,188) | - | - | (1,151,188) |
| Other comprehensive (loss) | - | - | (102,400) | - | (102,400) |
| **Total comprehensive (loss)** | **-** | **(1,151,188)** | **(102,400)** | **-** | **(1,253,588)** |
| Transactions with owners in their capacity as owners: | | | | | |
| Share based payments | - | - | - | 5,188 | 5,188 |
| Issue of share capital on exercise of options | 40,000 | - | - | - | 40,000 |
| Transfer on expiry/lapse of options | - | 121,518 | - | (121,518) | - |
| **Balance at 30 June 2009** | **75,256,414** | **(27,829,464)** | **-** | **28,985** | **47,455,935** |
| **Balance at 1 July 2009** | **75,256,414** | **(27,829,464)** | **-** | **28,985** | **47,455,935** |
| Loss for the period | - | (3,699,844) | - | - | (3,699,844) |
| **Total comprehensive (loss)** | **-** | **(3,699,844)** | **-** | **-** | **(3,699,844)** |
| Transactions with owners in their capacity as owners: | | | | | |
| Share based payments | - | - | - | 2,658,760 | 2,658,760 |
| Issue of share capital | 50,345,185 | - | - | - | 50,345,185 |
| Transaction costs on share issues | (4,504,029) | - | - | - | (4,504,029) |
| Transfer on expiry/lapse of options | - | 21,201 | - | (21,201) | - |
| **Balance at 30 June 2010** | **121,097,570** | **(31,508,107)** | **-** | **2,666,544** | **92,256,007** |

The statement of changes in equity should be read in conjunction with the accompanying notes.

# NOTES TO THE FINANCIAL STATEMENTS

## 1. REPORTING ENTITY

The financial statements for the year ended 30 June 2010 relate to Conquest Mining Limited (the “Company” or “Conquest”) which is a company domiciled in Australia.

## 2. BASIS OF PREPARATION

### (A) STATEMENT OF COMPLIANCE

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (“AASBs”) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (“AASB”) and the Corporations Act 2001. The financial report of the Company complies with International Financial Reporting Standards (“IFRSs”) and interpretations adopted by the International Accounting Standards Board (“IASB”).

The financial statements were approved by the Board of Directors on the date the Director’s Report and Director’s Declaration was signed.

### (B) BASIS OF MEASUREMENT

The financial statements have been prepared on the historical cost basis with the exception of available-for-sale financial assets that are accounted for at fair value.

### (C) FUNCTIONAL AND PRESENTATION CURRENCY

These financial statements are presented in Australian dollars which is the Company’s functional currency.

### (D) USE OF ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

## 3. SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied by the Company in this financial report are the same as those applied by the Company in its financial report for the year ended 30 June 2009.

### (A) CHANGE IN ACCOUNTING POLICY

#### (i) Determination and presentation of operating segments

As of 1 July 2009 the Company determines and presents operating segments based on the information that internally is provided to the Executive Chairman, who is the Company’s chief operating decision maker. This change in the determination of operating segments is due to the adoption of AASB 8 Operating Segments. Previously operating segments were determined and presented in accordance with AASB 114 Segment Reporting. The new requirements in respect of segment operating disclosures have been reviewed and no changes have been noted in the operating segments of the Company.

#### (ii) Presentation of financial statements

The Company applies revised AASB 101 Presentation of Financial Statements, which became effective as of 1 July 2009. As a result, the Company presents in the statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the statement of comprehensive income. This presentation has been applied in these financial statements for the year ended 30 June 2010.

Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation of the Annual Report, there is no impact on earnings per share.

### (B) EXPLORATION AND EVALUATION EXPENDITURE

Exploration, evaluation and development costs represent intangible assets and are accumulated in respect of each separate area of interest. Exploration and evaluation costs are carried forward where right of tenure to the area of interest is current and they are expected to be recouped through the sale or successful development and exploitation of the area of interest, or where exploration and evaluation activities in the area of interest have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

When an area of interest is abandoned or the Directors decide that it is not commercial, any accumulated costs in respect of that area are written off in the financial period in which the decision is made. Each area of interest is also reviewed at the end of each accounting period and accumulated costs are written off to the extent that they will not be recoverable in the future.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified from intangible assets to mining property and development assets within property, plant and equipment.

## (C) PROPERTY, PLANT AND EQUIPMENT

### (i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bring the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

### (ii) Subsequent Costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

### (iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

- plant and equipment 3 – 12 years
- leasehold improvements lease term

Depreciation methods, useful lives and residual values are reassessed at each reporting date.

## (D) FINANCIAL INSTRUMENTS

### (i) Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, loans and receivables, cash and cash equivalents, loans and borrowings and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit and loss, any directly attributable transaction costs, except as described below. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Company's contractual rights to the cash flows from the financial assets expire or if the

Company transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e. the date that the Company commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Company's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

#### Held-to-maturity investments

If the Company has the positive intent and ability to hold debt securities to maturity, then they are classified as held-to-maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment losses.

#### Available-for-sale financial assets

Available-for-sale financial assets, subsequent to initial recognition, are measured at fair value and changes therein, other than impairment losses and foreign exchange gains and losses on available-for-sale monetary items, are recognised as a separate component of equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

#### Financial assets at fair value through profit or loss

An instrument is classified as at fair value through profit or loss if it is held-for-trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Upon initial recognition attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

#### Loans and receivables

Loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. The collectibility of debts is assessed at reporting date and where required specific provision is made for any doubtful debts.

### (ii) Share capital

#### Ordinary Shares

Ordinary shares are classified as equity. Incremental costs directly attributable to issue of ordinary shares and share options are recognised as a deduction from equity, net of any related income tax benefit.

#### Dividends

Dividends are recognised as a liability in the period in which they are declared.

## (E) IMPAIRMENT

### (i) Financial Assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

#### (ii) Non-financial assets

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### (F) NON-CURRENT ASSETS HELD FOR SALE

Non-current assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets (or components of a disposal group) are remeasured in accordance with the Company's accounting policies. Thereafter generally the assets (or disposal group) are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets and employee benefit assets which continue to be measured in accordance with the Company's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on re-measurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

### (G) EMPLOYEE BENEFITS

#### (i) Short-term benefits

Liabilities for employee benefits for wages, salaries and annual leave represent present obligations resulting from employees' services provided to reporting date and are calculated at undiscounted amounts based on remuneration wage and salary rates that the Company expects to pay as at reporting date.

#### (ii) Other long-term employee benefits

The Company's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods and are calculated at undiscounted amounts based on remuneration wage and salary rates that the Company expects to pay as at reporting date.

### (iii) Share-based payment transactions

The Company provides benefits to its employees (including key management personnel) in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions). During the year options were also issued to an unrelated consulting firm of the company. The Company provides awards to its employees and directors through the Conquest Mining Share Option Plan. Shares and options are issued directly to other parties.

In valuing equity-settled transactions, no account is taken of any vesting conditions, other than (if applicable):

- Non-vesting conditions that do not determine whether the Group or Company receives the services that entitle the employees to receive payment in equity or cash, and
- Conditions that are linked to the price of the shares of the Company ("market conditions").

The cost of these equity-settled transactions is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Black Scholes model. A Monte Carlo simulation in conjunction with the Black Scholes model is applied to take into account any market conditions associated with an award.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

At each subsequent reporting date until vesting, the cumulative charge to the statement of comprehensive income is the product of:

(a) The grant date fair value of the award.

(b) The current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met.

(c) The expired portion of the vesting period.

The charge to the statement of comprehensive income for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding entry to equity.

Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer awards vest than were originally anticipated to do so. Any award subject to a market condition or non-vesting condition is considered to vest irrespective of whether or not that market condition or non-vesting is fulfilled, provided that all other conditions are satisfied.

If a non-vesting condition is within the control of the Company or the participant, the failure to satisfy the condition is treated as a cancellation. If a non-vesting condition within the control of neither the Group, Company nor employee is not satisfied during the vesting period, any expense for the award not previously recognised is recognised over the remaining vesting period, unless the award is forfeited.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification. If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

### (H) REVENUE FROM SERVICES

Revenue from services is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date.

### (I) FINANCE INCOME AND EXPENSES

Finance income comprises interest income on funds invested, dividend income, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss, foreign currency gains, and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues, using the effective interest method.

Dividend income is recognised on the date that the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance expenses comprise interest expense on borrowings, foreign currency losses, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets, and losses on hedging instruments that are recognised in profit or loss. All borrowing costs are recognised in profit or loss using the effective interest method.

### (J) INCOME TAX

Income tax expenses comprise current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

### (K) SEGMENT REPORTING

A segment is a distinguishable component of the consolidated entity that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

### (L) GOODS AND SERVICES TAX

Revenue, expenses and assets are recognised net of the amount of goods and services tax ("GST"), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the Australian Taxation Office ("ATO") is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

## (M) EARNINGS PER SHARE

### Basic earnings per share

Basic earnings per share is determined by dividing the net profit/(loss) after income tax attributable to members of the Company by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

### Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

## (N) CASH AND CASH EQUIVALENTS

Cash comprises cash on hand and demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

## (O) NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2010, but have not been applied in preparing this financial report.

### AASB 2010-3 Amendments to Australian Accounting Standards arising from the Annual Improvements Project (application date periods beginning on or after 1 January 2013)

Amongst other items, these amendments require an entity (in a business combination) to account for the replacement of the acquiree's share based payment transactions (whether obliged or voluntarily i.e. split between consideration and post combination expense. This amendment will be applicable for any future business combinations where the Company is the acquirer.

### AASB 9 Financial Instruments (application date periods beginning on or after 1 January 2013)

AASB 9 includes requirements for the classification and measurement of financial assets resulting from Phase 1 of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement, the equivalent of the Australian standard AASB 139 Financial Instruments: Recognition and Measurement. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes from AASB 139 are described below.

(a) Financial assets are classified based on the objective of the entity's business model for managing the financial assets and the characteristics of the contractual cash flows. This replaces the numerous categories of financial assets in AASB 139, each of which had its own classification criteria.

(b) AASB 9 allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held-for-trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.

(c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.

This amendment will be relevant to any financial assets held by the Company with the major impact being to financial assets currently classified as held-for-trading and available-for-sale.

### AASB 124 Related Party Disclosures (Revised) (application date periods beginning on or after 1 January 2011)

The revised AASB 124 simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition, including:

(a) the definition now identifies a subsidiary and an associate with the same investor as related parties of each other;

(b) entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of each other; and

(c) the definition now identifies that, whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, the second and third entities are related to each other.

Other Australian Accounting Standards and interpretations that have been recently been issued or amended but are not yet effective, have not been adopted by the Company for the current reporting period. The Directors have assessed the impact of these new or amended standards and interpretations and do not consider that these will materially impact the Company.

## 4. DETERMINATION OF FAIR VALUES

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

### (i) Investments in equity securities

The fair value of financial assets at fair value through profit or loss and available-for-sale financial assets is determined by reference to their quoted last sale price at the reporting date.

### (ii) Other receivables

The fair value of other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

### iii) Share-based payment transactions

The fair value of share options issued under a share based payment arrangements is measured using the Black-Scholes formula. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). A Monte Carlo simulation is applied in conjunction with the Black Scholes model to determine fair value where market conditions are present in the grant. Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value. Further detail with respect to share based payment valuations are disclosed at note 19.

## 5. FINANCIAL RISK MANAGEMENT

This note presents information about the Company's exposure to credit, liquidity and market risks, its objectives, policies and processes for measuring and managing risk, and the management of capital.

The Company does not use any form of derivatives as it is not at a level of exposure that requires the use of derivatives to hedge its exposure. Exposure limits are reviewed by management on a continuous basis. The Company does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Management monitors and manages the financial risks relating to the operations of the Company through regular reviews of the risks.

### (i) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment securities. At the balance sheet date there were no significant concentrations of credit risk.

### (ii) Cash and cash equivalents

The Company limits its exposure to credit risk by only investing in liquid securities and only with counterparties that have an acceptable credit rating. Management focuses on placing the Company's cash and cash equivalents between the major financial institutions in Australia in order to diversify its holdings. This diversification is designed to take into account the Government Guarantee of $1 million per financial institution and as part of its regular treasury risk management policy.

### (iii) Other receivables

As the Company operates primarily in exploration activities, it does not have trade receivables and therefore is not exposed to credit risk in relation to trade receivables.

The Company where necessary establishes an allowance for impairment that represents its estimate of incurred losses in respect of other receivables and investments. The management does not expect any counterparty to fail to meet its obligations.

### (iv) Exposure to credit risk

The carrying amount of the Company's financial assets represents the maximum credit exposure. The Company's maximum exposure to credit risk at the reporting date was:

**Company Carrying amount**

| | Note | 2010 | 2009 |
|---|---|---|---|
| Available-for-sale financial assets | 12 | 262,400 | 590,400 |
| Other receivables | 10 | 1,318,437 | 424,452 |
| Cash and cash equivalents | 23 | 56,087,972 | 26,661,798 |
| Financial assets held-for-trading | 12 | 3,286 | 4,057 |

### (v) Impairment Losses

None of the Company's other receivables are past due (2009: nil).

### (vi) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company manages liquidity risk by maintaining adequate cash reserves from funds raised in the market and by continuously monitoring forecast and actual cash flows. The Company does not have any external borrowings.

The following are the Company's contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

### 30 June 2010

| | Carrying amount | Contractual cash flows | 6 months or less | 6-12 months | 1-2 years | 2-5 years |
|---|---|---|---|---|---|---|
| Trade and other payables | 1,543,919 | 1,543,919 | 1,543,919 | - | - | - |

### 30 June 2009

| | Carrying amount | Contractual cash flows | 6 months or less | 6-12 months | 1-2 years | 2-5 years |
|---|---|---|---|---|---|---|
| Trade and other payables | 923,353 | 923,353 | 923,353 | - | - | - |

### (vii) Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

### (viii) Currency Risk

The Company is not exposed to currency risk and at balance sheet date the Company holds no financial assets or liabilities which are exposed to foreign currency risk.

### (ix) Interest Rate Risk

The Company is exposed to interest rate risk (primarily on its cash and cash equivalents), which is the risk that a financial instrument's value will fluctuate as a result of changes in the market interest rates on interest-bearing financial instruments. The Company does not use derivatives to mitigate these exposures.

The Company adopts a policy of ensuring that as far as possible it maintains excess cash and cash equivalents in short terms deposits at interest rates. The Company uses a combination of diversification between financial institutions and fixed and variable rate borrowings to manage its exposure to interest rate movements.

At the reporting date the interest rate profile of the Company's interest-bearing financial instruments was:

| | Carrying amount | |
|---|---|---|
| | 2010 | 2009 |
| **Fixed rate instruments** | | |
| Financial assets – cash and cash equivalents | 43,207,679 | 24,059,342 |
| **Variable rate instruments** | | |
| Financial assets – cash and cash equivalents | 12,880,293 | 2,602,456 |

### Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss or through equity, therefore a change in interest rates at the reporting date would not affect profit or loss or equity. Fixed rate instruments relate primarily to fixed interest rate term deposits held with Australian financial institutions.

### Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2009.

### Company

| | Profit or loss | | Equity | |
|---|---|---|---|---|
| | 100bp increase | 100bp decrease | 100bp increase | 100bp decrease |
| **30 June 2010** | | | | |
| Variable rate instruments | 128,803 | (128,797) | - | - |
| **30 June 2009** | | | | |
| Variable rate instruments | 26,024 | (26,024) | - | - |

### (x) Other Market Price Risk

Other equity price risk is the risk that the value of the instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market.

Investments are managed on an individual basis and material buy and sell decisions are approved by the Board of Directors. The primary goal of the Company's investment strategy is to maximise investment returns.

The Company's investments are solely in equity instruments. These instruments are classified as held-for-trading at fair value through profit or loss and, available-for-sale with fair value changes recognised directly in equity until derecognised.

The following table details the breakdown of the investment assets and liabilities held by the Company:

| | | Note | 30 June 2010 | 30 June 2009 |
|---|---|---|---|---|
| **Listed equities** | – Available-for-sale | 12 | 262,400 | 590,400 |
| | – Held-for-trading | 12 | 3,285 | 4,057 |
| **Total equity investments** | | | **265,685** | **594,457** |

## Sensitivity Analysis – Equity Price Risk

All of the Company's equity investments are listed on the Australian Securities Exchange. For such investments classified as available-for-sale, a three percent increase in stock prices at 30 June 2010 would have increased equity by $7,872 (2009: an increase of $17,712); an equal change in the opposite direction would have increased the impairment recognised for the year and the loss for the year by $7,872 (2009: a decrease of $17,712). For such investments classified as held-for-trading and fair valued through profit and loss, the impact on profit or loss would have been an increase or decrease of $99 (2009: $122). The analysis is performed on the same basis for 2009.

## Commodity Price Risk

The Company operates primarily in the exploration and evaluation phase and accordingly the Company's financial assets and liabilities are subject to minimal commodity price risk.

### (xi) Capital Management

Capital is defined as the equity of the Company.

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so as to maintain a strong capital base sufficient to maintain future exploration and development of its projects. In order to maintain or adjust the capital structure, the Company may return capital to shareholders, issue new shares or sell assets to reduce debt. The Company's focus has been to raise sufficient funds through equity to fund exploration and evaluation activities. The Company monitors capital on the basis of the gearing ratio, however there are no external borrowings as at balance date.

The Company encourages employees to be shareholders and has established the Conquest Mining Share Option Plan for the benefit of Board selected employees.

There were no changes in the Company's approach to capital management during the year. Risk management policies and procedures are established with regular monitoring and reporting.

As at the date of this Annual Report, the Conquest Directors are continuing to assess the company's funding requirements and recognise that additional equity and debt funding is likely to be required for Conquest's operations. To the extent that the Directors consider that additional equity or debt funding is required for Conquest's operations, Conquest will seek to obtain such funding and update the market at the relevant time. Specifically in order to successfully develop the Company's Mt Carlton project consideration will need to be given to financing the arrangement. The Company is in the process of completing an optimisation study related to the project which will provide detail around the required capital expenditure commitment.

At present the Company is not subject to externally imposed capital requirements.

## 6 INCOME FROM NON-OPERATING ACTIVITIES

| | 2010<br>$ | 2009<br>$ |
|---|---|---|
| Other Income | 54,395 | 68,302 |
| Interest income | 2,502,314 | 1,926,616 |

## 7. PROFIT/(LOSS) FROM ORDINARY ACTIVITIES

Profit/(loss) from operating activities before income tax has been arrived at after charging/(crediting) the following items:

| | 2010<br>$ | 2009<br>$ |
|---|---|---|
| Depreciation - plant and equipment | 147,501 | 156,780 |
| Depreciation capitalised to carrying value of exploration and evaluation expenditure | (133,336) | (135,151) |
| **Net depreciation** | **14,165** | **21,629** |
| Amortisation - leasehold improvements | 220 | 265 |
| Write-off of obsolete fixed assets | 36,004 | 18,543 |
| Loss on sale of fixed assets | 14,074 | - |
| Impairment of available-for-sale investments | 328,000 | 1,537,600 |
| Exploration expenditure written off | 439,403 | 260,138 |
| Operating lease rental expense | 127,326 | 36,565 |
| Share based payment expense | 2,002,132 | 5,188 |
| Change in value of held-for-trading investments | 771 | 5,679 |
| Employee entitlements | (99,381) | 43,785 |

## 8. AUDITOR'S REMUNERATION

| | 2010<br>$ | 2009<br>$ |
|---|---|---|
| Auditors of the Company – KPMG audit services | 50,330 | 45,460 |

The auditors did not receive any non-audit related remuneration during the year (2009: Nil).

## 9. INCOME TAX

### (a) Recognised in the income statement

| | 2010 $ | 2009 $ |
|---|---|---|
| Current income tax expense | - | - |
| Deferred tax expense relating to the origination and reversal of temporary differences | - | - |
| Refundable research and development tax offset | 397,977 | 352,920 |
| **Total income tax refund** | **397,977** | **352,920** |

### (b) Reconciliation between income tax expense and pre-tax profit/(loss)

| | 2010 $ | 2009 $ |
|---|---|---|
| Profit/(loss) before tax | (4,097,821) | (1,504,108) |
| Income tax using the domestic corporation tax rate of 30% (2009: 30%) | (1,229,346) | (451,232) |
| **Tax effect of:** | | |
| Utilisation of tax losses | 278,570 | 282,336 |
| Non-deductible expenses | 101,887 | 12,685 |
| Unused tax losses and temporary differences not recognised as deferred tax assets | 848,889 | 156,211 |
| **Income tax expense on pre-tax profit/(loss)** | **-** | **-** |

### (c) Unrecognised deferred tax balances

| | 2010 $ | 2009 $ |
|---|---|---|
| **Deferred tax assets (and liabilities) calculated at 30% (2009: 30%) have not been recognised in respect of the following:** | | |
| Income tax losses | 16,090,607 | 10,235,732 |
| Temporary differences | (8,750,536) | (5,095,760) |
| | **7,340,071** | **5,139,972** |

Deductible temporary differences and tax losses do not expire under current tax legislation. Deferred tax assets (and deferred tax liabilities relating to capitalised exploration expenditure for which immediate tax write-off is available) have not been recognised in the financial statements.

### (d) Movement in temporary differences during the year

| | 30 June 2010 $ | Movements 2010 $ | 30 June 2009 $ | Movements 2009 $ | 1 July 2008 $ |
|---|---|---|---|---|---|
| **Temporary differences** | | | | | |
| Exploration expenditure | (10,423,263) | (4,572,979) | (5,850,284) | (1,588,653) | (4,261,631) |
| Other payables and provisions | 59,993 | 9,303 | 50,690 | 13,491 | 37,199 |
| Other items | 340,329 | (67,963) | 408,292 | 518,124 | (109,832) |
| Capital raising expenses | 1,272,405 | 976,863 | 295,542 | (135,139) | 430,681 |
| **Totals** | **(8,750,536)** | **(3,654,776)** | **(5,095,760)** | **(1,192,177)** | **(3,903,583)** |

## 10. OTHER RECEIVABLES

| | 2010<br>$ | 2009<br>$ |
|---|---|---|
| **Current** | | |
| Other debtors | - | 31,559 |
| Accrued interest income | 841,968 | 278,883 |
| GST refundable | 390,302 | 46,510 |
| **Total current trade and other receivables** | **1,232,270** | **356,952** |
| **Non-current** | | |
| Tenement security bonds | 72,500 | 67,500 |
| Office rental bond | 13,667 | - |
| **Total non-current trade and other receivables** | **86,167** | **67,500** |

## 11. OTHER CURRENT ASSETS

| | 2010<br>$ | 2009<br>$ |
|---|---|---|
| Prepayments | 16,724 | 8,954 |

## 12. INVESTMENTS

| | 2010<br>$ | 2009<br>$ |
|---|---|---|
| **Non-current** | | |
| Available-for-sale listed securities – at fair value | 262,400 | 590,400 |
| Held-for-trading listed securities – at fair value | 3,286 | 4,057 |
| | **265,686** | **594,457** |

The fair value of the above investments was determined with reference to the quoted market price of the investments as at 30 June 2010 as all investments are listed on the Australian Stock Exchange.

In the current year an impairment of $328,000 was recognised against available-for-sale listed securities recognised at fair value. In the previous year, the total impairment of available-for-sale listed investments was $1,640,000, of which $102,400 was reversed out from the fair value reserve and $1,537,600 charged to the income statement.

Subsequent to the end of the financial year the available-for-sale listed securities were disposed for proceeds of $360,800.

## 13. PROPERTY, PLANT AND EQUIPMENT

| | 2010<br>$ | 2009<br>$ |
|---|---|---|
| Leasehold improvements – at cost | - | 10,586 |
| Less: Accumulated amortisation | - | (2,600) |
| | **-** | **7,986** |
| Plant and equipment – at cost | 1,109,423 | 1,260,858 |
| Less: Accumulated depreciation | (590,588) | (634,358) |
| | **518,835** | **626,500** |
| **Carrying amount at the end of the year** | **518,835** | **634,486** |

### Reconciliations of carrying amount movements

| | 2010 $ | 2009 $ |
|---|---:|---:|
| **Leasehold improvements** | | |
| Carrying amount at the beginning of the year | 7,986 | 8,251 |
| Less: Amortisation | (220) | (265) |
| Less: Write off of obsolete items | (7,766) | - |
| **Carrying amount at the end of the year** | **-** | **7,986** |
| **Plant and equipment** | | |
| Carrying amount at the beginning of the year | 626,500 | 703,757 |
| Additions | 137,300 | 98,066 |
| Less: Carrying value of disposals | (69,226) | - |
| Less: Write off of obsolete items | (28,238) | (18,543) |
| Less: Depreciation | (147,501) | (156,780) |
| **Carrying amount at the end of the year** | **518,835** | **626,500** |

## 14. EXPLORATION EXPENDITURE

| | 2010 $ | 2009 $ |
|---|---:|---:|
| **Costs carried forward in respect of areas of interest in exploration and evaluation phase – at cost** | | |
| Balance at beginning of the year | 20,194,001 | 14,672,428 |
| Expenditure during the year | 15,479,176 | 5,781,711 |
| Amounts written off during the year | (439,403) | (260,138) |
| **Balance at end of the year** | **35,233,774** | **20,194,001** |

The ultimate recoupment of costs carried forward for exploration and evaluation expenditure phases is dependent on the successful development and commercial exploitation, or alternatively, the sale of the respective areas.

## 15. TRADE AND OTHER PAYABLES

| | 2010 $ | 2009 $ |
|---|---:|---:|
| Trade creditors | 1,177,292 | 563,592 |
| Other creditors and accruals | 366,627 | 359,761 |
| | **1,543,919** | **923,353** |

## 16. EMPLOYEE BENEFITS

| | 2010 $ | 2009 $ |
|---|---:|---:|
| **Current** | | |
| Employee entitlements | 39,479 | 138,860 |

## 17. ISSUED CAPITAL AND RESERVES

### (i) Issued Capital

| | 2010<br>$ | 2009<br>$ |
|---|---|---|
| **Contributed equity comprises** | | |
| 353,151,103 fully paid ordinary shares (2009: 271,749,181) | 121,097,570 | 75,256,414 |

| | 30 June 2010 | | 30 June 2009 | |
|---|---|---|---|---|
| **Movement in issued shares for the period** | **No.** | **$** | **No.** | **$** |
| Balance at beginning of the period | 271,949,181 | 75,256,414 | 271,749,181 | 75,216,414 |
| Issued for cash | 81,201,922 | 50,345,185 | - | - |
| Unlisted options exercised | - | - | 200,000 | 40,000 |
| Costs associated with the issue of shares | - | (4,504,029) | - | - |
| **Balance at end of period** | **353,151,103** | **121,097,570** | **271,949,181** | **75,256,414** |

On 22 October 2009 the Company issued 40,322,586 fully paid ordinary shares at $0.62 per share under the first tranche of a placement. Under the second tranche of the same placement the Company issued 40,322,575 fully paid ordinary shares at $0.62 per share on 2 December 2009. On 18 November 2009 the Company issued 556,761 fully paid ordinary shares at $0.62 per share under a Shareholder Share Purchase Plan.

Costs associated with the issue of shares include $4,128,801 in costs paid in cash during the year, $656,628 related to the cost of issuing options to external consultants involved with the share placements and $281,400 of GST recovered post year end following a favourable Australian Taxation Office GST ruling.

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings.

### (ii) Option Reserve

Option reserve comprises the consideration received for the issue of options over unissued ordinary shares of the Company and the fair value of options over unissued ordinary shares granted as employee remuneration until the options are exercised or expire.

### Options over ordinary shares

| | 30 June 2010<br>$ | 30 June 2009<br>$ |
|---|---|---|
| Options on issue at beginning of period | 28,985 | 145,424 |
| Share based payment expense recognised in equity as a cost of issuing shares | 656,628 | - |
| Share based payment expense recognised in profit and loss | 2,002,132 | 5,188 |
| Options exercised | - | (12,985) |
| Options expired | (21,201) | (108,642) |
| **Balance at end of period** | **2,666,544** | **28,985** |

At 30 June 2010 there were 38,250,000 options on issue (2009: 800,000). Refer to disclosure at note 19 for further detail.

### (iii) Fair Value Reserve

Fair Value reserve includes the cumulative net change in the fair value of available-for-sale investments until the investment is derecognised.

| | 2010<br>$ | 2009<br>$ |
|---|---|---|
| Balance at beginning of year | - | 102,400 |
| Change in fair value of available-for-sale listed securities | - | (102,400) |
| **Balance at end of year** | **-** | **-** |

Refer to note 12 for further detail with respect to the available-for-sale listed securities.

## 18. ACCUMULATED LOSSES

| | 2010<br>$ | 2009<br>$ |
|---|---|---|
| Accumulated losses at beginning of year | (27,829,464) | (26,799,794) |
| Net (loss) attributable to members of the parent entity | (3,699,844) | (1,151,188) |
| Transfer from option reserve | 21,201 | 121,518 |
| **Accumulated losses at the end of the year** | **(31,508,107)** | **(27,829,464)** |

The fair values attributed to options or entitlements thereto granted to employees and consultants are transferred to accumulated losses when those options or entitlements are exercised, lapsed or cancelled.

## 19. SHARE BASED PAYMENTS

### (a) Recognised share-based payment expenses

| | 2010<br>$ | 2009<br>$ |
|---|---|---|
| Expense arising from equity settled share based payment transactions recognised in profit and loss | 2,002,132 | 5,188 |
| Expense arising from equity settled share based payment transactions recognised directly against share capital as a transaction cost of issuing shares | 656,628 | - |
| **Total expense arising from share based payment transactions** | **2,658,760** | **5,188** |

The cost of the above equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the related performance and service conditions are fulfilled (the vesting period), commencing on the grant date and ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

The cost of the above equity settled transactions is recognised, together with a corresponding increase in equity, over the period in which the related performance and service conditions are fulfilled (the vesting period), commencing on the grant date and ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

### (b) Types of Share Based Payment arrangements

#### Conquest Mining Share Option Plan (“Plan”)

At the discretion of the Board, plan participants are issued units in the Conquest Mining Share Option Trust. Each unit issued corresponds directly to an option held by the Trust for the benefit of a participant. The plan is designed to align participants’ interests with those of shareholders by rewarding participants for their contribution to increasing the value of the Company’s shares. To ensure an appropriate alignment of objectives between Plan participants and shareholders, awards which have been issued to the Executive Chairman and employees include a vesting condition related to the Company's performance based upon Total Shareholder Return ("TSR"). The TSR determined for the Company or a comparable company for a given period is the share price growth plus all other returns or payments to shareholders, for example, dividends.

The Executive Chairman and employee awards will vest if the company achieves a TSR for an annual period above the median of a group of comparable gold-sector companies. The annual performance date is 1 June for employees and 8 March for the Executive Chairman. If the condition is not met for a particular year, performance will be reassessed for the following 12 month period. Under the arrangement 13,500,000 options with an exercise price of 28 cents granted to the Executive Chairman must vest before the second tranche of 13,500,000 options with an exercise price of 32 cents may vest. The second tranche granted to the Executive Chairman will therefore vest 12 months after the first tranche at the earliest.

In assessing whether the relative TSR hurdle for each grant has been met, the Group receives independent data from an external advisor, who provides both the Group's TSR growth from the commencement of each grant and that of the pre-selected peer group. The peer group chosen for comparison comprises 20 comparable gold mining companies listed on the ASX.

This peer group reflects the Group's competitors for capital and talent. The list of comparable companies is disclosed within the Remuneration Report of this Annual Report.

In the arrangement, there is an implied service condition attached to each award as participants must be in employment at the date of vesting. When a participant ceases employment prior to the vesting of their share options, the share options are forfeited unless cessation of employment is due to termination initiated by the Group or death. Awards issued to the non-executive directors vest immediately.

In the event of a change of control the performance period end date will be brought forward to the date of the change of control and awards will vest subject to performance over this shortened period. The Company prohibits participants from entering into arrangements to protect the value of unvested plan awards.

### Southern Cross Equities options

During the year a grant of 2,000,000 options was made to Southern Cross equities as consideration for services rendered with relation to the Company's capital raising during the year. The award of options to Southern Cross has no attached vesting conditions, has an exercise price of $0.93 and a life of 3 years. The cost of issuing options to Southern Cross Equities has been recognised directly against share capital as a transaction cost of issuing shares.

### (c) Summary and movement of options on issue

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of, and movements in, share options issued during the year:

| | 2010 No. | 2010 WAEP | 2009 No. | 20009 WAEP |
|---|---|---|---|---|
| Outstanding at the beginning of the year | **800,000** | **0.55** | 1,000,000 | 0.32 |
| Granted during the year – option plan | **36,050,000** | **0.31** | - | - |
| Granted during the year – Southern Cross Equities | **2,000,000** | **0.93** | - | - |
| Exercised during the year | **-** | **-** | (200,000) | 0.20 |
| Expired during the year | **(600,000)** | **0.53** | - | - |
| Outstanding at the end of the year | **38,250,000** | **0.34** | 800,000 | 0.55 |
| Exercisable at the end of the year | **7,200,000** | **0.48** | 800,000 | 0.55 |

**The outstanding balance as at 30 June 2010 is represented by:**

- 16,000,000 options issued to directors with an exercise price of $0.28 of which 13,500,000 have attached vesting conditions.
- 16,000,000 options issued to directors with an exercise price of $0.32 of which 13,500,000 have attached vesting conditions.
- 4,050,000 options issued to employees with an exercise price of $0.38 all of which have attached vesting conditions.
- 200,000 options issued to employees with an exercise price of $0.60. These options lapsed during July 2010.
- 2,000,000 options issued to Southern Cross Equities with an exercise price of $0.93.

### (d) Weighted average remaining contractual life

The weighted average remaining contractual life for the share options outstanding as at 30 June 2010 is 5 years (2009: 1.48 years)

### (e) Range of exercise price

The range of exercise prices for options outstanding at the end of the year was $0.28-$0.93 (2009: $0.50-$0.60).

As the range of exercise prices is wide, refer to the section (c) above for further information in assessing the number and timing of additional shares that may be issued and the cash that may be received upon exercise of those options.

#### Weighted average fair value

The weighted average fair value of options granted during the year was $0.29 (2009: $0.15).

### (f) Fair value determination

#### Conquest Mining Option Share Plan

The fair value of the award to directors and employees granted under the plan is estimated as at the date of grant using a Black Scholes model taking into account the terms and conditions upon which the awards were granted. A Monte Carlo simulation is applied in conjunction with the Black Scholes model to fair value the TSR element where applicable. In accordance with the rules of the plan, the model simulates the Company's TSR and compares it against the peer group. The model takes into account the historic dividends, share price volatilities and co-variances of the Company and each comparator company to produce a predicted distribution of relative share performance. This is applied to the grant to give an expected value of the TSR element.

#### Southern Cross Equities Options

The fair value of the options granted to Southern Cross equities is determined using a Black Scholes model.

The relevant assumptions used to value options granted for the year ended 30 June 2010 are as follows:

| | Conquest Mining Share Option Plan | Southern Cross Equities Options |
|---|---|---|
| Weighted average share price | $0.39 | $0.65 |
| Weighted average exercise price | $0.31 | $0.93 |
| Expected volatility | 90% | 88% |
| Option life (range) | 5-6 years | 3 years |
| Expected dividends | Nil | Nil |
| Risk free interest rate (range) | 5.01%-5.25% | 4.8% |
| Monte Carlo simulations (where applicable) | 200,000 | n/a |

## 20. COMMITMENTS AND CONTINGENCIES

### EXPLORATION EXPENDITURE COMMITMENTS

In order to maintain current rights of tenure to exploration tenements, the Company is required to perform minimum exploration work to meet minimum expenditure requirements specified by various government authorities. These obligations are subject to renegotiation when application for a mining lease is made and at various other times. These obligations are not provided for in the financial report and are payable:

| | 2010<br>$ | 2009<br>$ |
|---|---|---|
| Not later than one year | 1,957,184 | 3,350,000 |
| Later than one year but not later than five years | 5,550,275 | 1,910,000 |
| **Total** | **7,507,459** | **5,260,000** |

### EMPLOYEE REMUNERATION COMMITMENTS

| | 2010<br>$ | 2009<br>$ |
|---|---|---|
| **Directors** | | |
| Commitments under non-cancellable employment contracts not provided for in the financial statements and payable: | | |
| Within one year | 400,000 | 370,074 |
| One year or later and no later than five years | 1,146,301 | 391,191 |
| | **1,546,301** | **761,265** |

### NON-CANCELLABLE OPERATING LEASE EXPENSE COMMITMENTS

| | 2010<br>$ | 2009<br>$ |
|---|---|---|
| Future operating lease commitments not provided for in the financial statements and payable: | | |
| Within one year | 143,771 | 148,002 |
| Later than one year but not later than five years | 109,143 | 200,794 |
| | **252,914** | **348,796** |

The Company leases properties under non-cancellable operating leases expiring in 30 April 2011 and 31 July 2012. Leases generally provide the Company with a right of renewal at which time all terms are negotiated.

### BANK GUARANTEES

Subsequent to the year end, the Company issued a bank guarantee for $28,960 with respect to the office premises in Sydney.

## 21. RELATED PARTIES

The following were key management personnel of the consolidated entity at any time during the reporting period and unless indicated were key management personnel for the entire period.

**J Klein** Executive Chairman (Appointed 12 May 2010)

**N Curtis** Non-Executive Director (Appointed 12 May 2010)

**J Askew** Non-Executive Director (Appointed 12 May 2010)

**R Krasnoff** Non-Executive Director

**D Stewart** Non-Executive Director

**P Marks** Non-Executive Director (Appointed 18 December 2009)

**J Terpu** Managing Director (Resigned 12 May 2010)

**B Firriolo** Executive Director and Company Secretary (Resignations 12 and 14 May 2010 respectively)

**J Radici** Non-Executive Director (Resigned 12 May 2010)

**J Innes** Chief Operating Officer (Resigned 16 July 2010)

**A Colleran** Company Secretary (Appointed 14 May 2010)

### MOVEMENTS IN SHARES AND SHARE OPTIONS

The movements during the reporting period in the numbers of shares in the Company held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

| | Opening balance 1 July 2009 | Net purchased / (disposed) | Closing balance 30 June 2010 |
|---|---|---|---|
| Jacob Klein | - | 1,000,000 | 1,000,000 |
| Nicholas Curtis | - | - | - |
| James Askew | - | - | - |
| Richard Krasnoff | 950,000 | 48,388 | 998,388 |
| Doug Stewart | 43,000 | 24,194 | 67,194 |
| Paul Marks | 9,815,448 | 11,199,650 | 21,015,098 |
| John Terpu | 5,073,241 | (300,000) | 4,773,241 |
| Bruno Firriolo | 1,356,250 | - | 1.356,250 |
| Joe Radici | 649,065 | 24,194 | 673,259 |
| Jeff Innes | - | 106,200 | 106,200 |
| Aaron Colleran | 20,000 | - | 20,000 |

### KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel compensation is as follows:

| | 2010 $ | 2009 $ |
|---|---|---|
| Short term employee benefits | 895,467 | 670,851 |
| Other long term benefits | 3,495 | 37,351 |
| Post-employment benefits | 215,885 | 294,275 |
| Termination benefits | 415,003 | - |
| Share-based payments | 1,986,145 | - |
| | **3,515,995** | **1,002,477** |

### INDIVIDUAL DIRECTORS AND EXECUTIVES DISCLOSURE

Information regarding individual directors and executives' compensation, service agreements and equity instruments is provided in the Remuneration Report section of the Director's Report.

### OTHER KEY MANAGEMENT PERSONNEL TRANSACTIONS

In addition to the above disclosed compensation, key management personnel entered into transactions with the company as disclosed below.

The former Managing Director of the Company, Mr Terpu, is a Director of Ruby Lane Pty Limited and Nextstar Pty Limited. During the year the Company paid Ruby Lane Pty Limited, a total of $178,265 (2009: $88,729) for leasing of the Company's previous registered office. This amount includes payments with respect to the early termination to the lease arrangement. During the year the Company did not trade with Nextstar Pty Limited. In 2009 the Company paid $43,188 to Nextstar Pty Limited for reimbursement of geological staff costs and expenses, at cost.

Cleaver & Associates, an entity in which Mr Firriolo is a partner, received fees of $42,848 (2009: $1,200) for provision of accounting services.

Messrs Terpu and Firriolo have provided administrative services to the Company subsequent to their resignation as Directors. An amount of $64,972 (2009: nil) has been paid to a partnership arrangement in which they both have partnership interests. The Company also received $55,279 (2009: nil) for proceeds from the sale of equipment.

During the year the Company paid Mr Stewart a salary included in the remuneration disclosures above for his services rendered to the Company. In 2009 the Company paid $34,275 in consulting fees related to pre-feasibility studies and related matters.

During the year the Company paid $35,000 (2009: nil) to Strategy and Performance Associates Pty Limited, a related entity of Mr Krasnoff for consulting services.

During the year the Company paid $201,833 (2009: nil) to DAK Corporation Pty Limited, a related entity of Mr Klein for consulting services related to the Mt Carlton project prior to his appointment as Executive Chairman.

During the year the Company paid $46,145 (2009: nil) to Idea Capital Pty Limited, a related entity of Mr Colleran for corporate consulting services prior to his employment with the Company.

The above amounts were billed based on normal market rates for such supplies and was due and payable under normal payment terms.

## 22. EARNINGS PER SHARE

| | 2010<br>$ | 2009<br>$ |
|---|---|---|
| Basic (loss) per share (cents per share) | (1.14) | (0.42) |
| Diluted (loss) per share (cents per share) | (1.14) | (0.42) |
| Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share | 323,550,255 | 271,753,565 |

Basic earnings per share ("EPS") is calculated by dividing the net profit/ (loss) after income tax attributable to members of the Company by the weighted average number of ordinary shares of the Company outstanding during the financial year.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

## 23. STATEMENT OF CASH FLOWS

For the purposes of the statement of cash flows, cash includes cash on hand and in banks, and money market investments readily convertible to cash within two working days, net of outstanding bank overdrafts.

| | 2010<br>$ | 2009<br>$ |
|---|---:|---:|
| **(a) Reconciliation of cash and cash equivalents** | | |
| Reconciliation of cash balance comprises: | | |
| Cash at bank | 56,087,972 | 26,661,798 |
| **(b) Reconciliation of profit/(loss) from ordinary activities after income tax to net cash used in operating activities:** | | |
| Profit/(loss) from ordinary activities after income tax | (3,699,844) | (1,151,188) |
| Add/(less) items classified as investing/financing activities: | | |
| Impairment of held for sale securities | 328,000 | 1,537,600 |
| Write off of obsolete fixed assets | 36,004 | 18,543 |
| Loss on sale of fixed assets | 14,074 | - |
| **Add/(less) non-cash items:** | | |
| Depreciation/Amortisation | 14,385 | 21,894 |
| Share based payment expense (net of reversals) – recognised in profit/(loss) | 2,002,132 | 5,188 |
| Exploration expenditure written off | 439,403 | 260,138 |
| Change in value of held-for-trading listed investments | 771 | 5,679 |
| **Change in assets and liabilities during the financial year:** | | |
| Increase/(decrease) in administration payables | 578,384 | (64,564) |
| Increase/(decrease) in employee entitlements | (99,381) | 43,786 |
| (Increase)/decrease in administration receivables | (593,918) | 96,883 |
| (Increase)/decrease in income tax receivable | (397,977) | - |
| (Increase)/decrease in prepayments | (7,770) | 985 |
| **Net cash used in operating activities** | **(1,385,737)** | **774,944** |

## 24. SEGMENT REPORTING

The company has one operating segment being mineral exploration in north Queensland.

All expenditure is incurred within Australia.

The directors believe there is sufficient disclosure in the financial statements to allow users to evaluate the nature and effects of the business activities in which it engages and the economic environment it operates. The Executive Chairman does not receive segment asset and segment liability information in order to make key decisions and therefore this information is not presented.

## 25. INTEREST IN JOINT VENTURE ARRANGEMENTS

The Company's joint venture arrangement was terminated on 22 March 2010.

On 24 July 2007 the Company entered into a Farmin Joint Venture agreement with Gold Fields Australasia Pty Limited ("Gold Fields"), a wholly owned subsidiary of Gold Fields Limited. The agreement allowed for the accelerated exploration of an area of approximately 1,640 square kilometres surrounding the Company's Mt Carlton project. In order to earn a 51% interest in the surrounding area, Gold Fields was required to spend at least $5 million within 12 months of an agreed commencement date for that expenditure, being 24 November 2007, and then continue on to complete at least 150,000 metres drilling within 3 years of that date. Upon satisfying the drilling requirement, Gold Fields could increase its interest by acquiring a further 24%, and also had the option to acquire a 50% interest in the Silver Hill project by paying 50% of the net present value at that time. As at 24 November 2008, Gold Fields had satisfied the initial hurdle by expending in excess of $5 million. Gold Fields' ability to complete the drilling requirement by 24 November 2010 was the subject of a dispute which has now been settled.

Highlights of the settlement were:

- Termination of the Joint Venture Exploration Agreement allowing Conquest to solely explore the full tenement area (approximately 1,000 km2).
- Full access to previous geological and exploration data collated by Gold Fields and support with its interpretation.
- Agreement to increase the Net Smelter Royalty due to Gold Fields from 1.8% to 2.5%.
- Gold Fields have agreed to allow Conquest the option of deferring the first royalty payments for up to twelve months.

## 26. GRANTED EXPLORATION PERMITS SUBJECT TO RENEWAL

On 31 December 2009 grant of the Company's principal exploration permit, EPM 10164 expired and, in accordance with standard requirements of the Queensland Department of Mines & Energy, a renewal application for the permit was lodged. Notification of the renewal of the subject tenement to 31 December 2011 was issued on 18 May 2010.

## 27. SUBSEQUENT EVENTS

On 3 June 2010, the Company announced a proposal to acquire all of the shares in North Queensland Metals Limited by way of an off market takeover bid for consideration of ½ (half) a Conquest share and 10 cents per share held in North Queensland Metals. On 9 July 2010 the Company announced that it would increase the cash component of its offer to 15 cents per share. At this time the offer was conditional on the Company obtaining a relevant interest in more than 50% of North Queensland Metals shares or that the North Queensland Metals board is constituted so that at least the majority of the Board are appointed by Conquest. On 17 August 2010 the Company declared its offer unconditional. On the 29 September 2010 the Company has relevant interest of 66.90% (based on acceptances processed to 28 September 2010) in the share capital of North Queensland Metals acquired for cash consideration of $20,172,518 plus 67,241,764 Conquest ordinary shares. The Company now controls North Queensland Metals Limited through its acquired voting rights.

On 6 August 2010 the Company entered into an agreement to acquire a new SAG mill from Hillgrove Resources Limited for cash consideration of $6.95 million. A review of the mill conducted by specialist consultants on behalf of the Company has shown that it is ideally suited to the Mt Carlton project and is capable of achieving the expected design throughput rate and product size (800,000tpa with P80 of 106µm).

On 16 September 2010 Conquest announced that it had entered into a long term concentrate off take contract for the sale of gold-silver-copper concentrate from its V2 deposit at the Mt Carlton project in north Queensland. The agreement signed with Shandong Guoda Gold Co. Limited ("Guoda Gold"), one of the largest gold smelters in China, is a life-of-mine contract for the sale of 490,000 wmt of concentrate. The V2 deposit is the largest single deposit at Mt Carlton and underpins the economics of the project. The off take agreement over V2 is therefore the key to developing and financing the Mt Carlton project and discussions with project financiers will commence shortly. Under the terms of the agreement, Conquest will receive payment for the gold, silver and copper contained in concentrate. The agreement requires provisional payment of 90% of the value of each concentrate shipment by letter of credit with a major Chinese bank prior to shipment. This payment mechanism will significantly aid cash flow management. The off take agreement with Guoda Gold does not extend to concentrate that will be produced from the high grade A39 silver deposit at Mt Carlton. Negotiations with a number of potential off takers for A39 concentrates are ongoing.

On 15 September 2010 Conquest entered into a Share Purchase Agreement (the "Agreement") with Heemskirk Consolidated Limited ("Heemskirk", ASX: HSK) to acquire Heemskirk's 40% interest in the Pajingo gold mine. The strategic acquisition complements Conquest's current takeover offer for North Queensland Metals (ASX: NQM), the owner of the remaining 60% of Pajingo. The acquisition will be effected by Conquest acquiring all of the shares in HSK Gold Australia Pty Limited ("HSK Gold"), the Heemskirk subsidiary which holds the Heemskirk group's interest in Pajingo.

A summary of the key terms and conditions of the Agreement is as follows.

- The total purchase price has a value of $37 million, comprising:
- $27 million in cash (of which $2 million will be deferred until the earlier of 31 March 2011 and 6 months after completion of the purchase); and
- $10 million in Conquest shares, at an issue price of $0.394 per Conquest share – the issue price represents the 20 day VWAP of Conquest shares prior to the date of signing the Agreement.

The completion of the purchase under the Agreement is subject to satisfaction of the following conditions:

- Approval by Heemskirk shareholders of the sale of HSK Gold under ASX Listing Rule 11; and
- Approval by Conquest shareholders under ASX Listing Rule 7.1 of the issue of the $10 million worth of Conquest shares to Heemskirk.

To support the payment of the cash component of the proposed acquisition, Conquest has entered into an Underwriting and Subscription Deed with Southern Cross Equities and Baker Steel Capital Managers LLP, pursuant to which Baker Steel (or its permitted nominees) will subscribe for $10 million of Conquest shares if the conditions to the proposed acquisition are satisfied. Southern Cross has underwritten Baker Steel's commitment to subscribe for those Conquest shares. The subscription price will be an amount to be determined by Conquest in consultation with Southern Cross Equities, which shall be no higher than the 10 day VWAP of Conquest shares prior to the date for issue of the Conquest shares to Baker Steel (or its permitted nominees. In return for the obligations of Southern Cross Equities and Baker Steel under the Underwriting and Subscription Deed:

- Conquest will, if completion of the proposed acquisition of HSK Gold occurs, pay Southern Cross a cash amount of $50,000; and
- Conquest will, if completion of the proposed acquisition of HSK Gold occurs, issue to Baker Steel (or its permitted nominees) 5.5 million options expiring in two years' time with an exercise price of 60 cents.

Management are in the process of finalising their due diligence with respect to the assets and liabilities to be acquired as part of the North Queensland Metals and HSK Gold transactions. At the date of this report the Company is not in a position to make a disclosure of the financial impact of these acquisitions.

As at the date of this Annual Report, the Conquest Directors are continuing to assess the company's funding requirements and recognise that additional equity and debt funding is likely to be required for Conquest's operations. To the extent that the Directors consider that additional equity or debt funding is required for Conquest's operations, Conquest will seek to obtain such funding and update the market at the relevant time.

Except for the above there not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company, in subsequent financial years.

# INDEPENDENT AUDITOR'S REPORT

KPMG

**Independent auditor's report to the members of Conquest Mining Limited**

**Report on the financial report**

We have audited the accompanying financial report of Conquest Mining Limited (the Company), which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes 1 to 27 and the directors' declaration.

*Directors' responsibility for the financial report*

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 2, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

*Auditor's responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Company's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

KPMG

*Auditor's opinion*

In our opinion:

(a) the financial report of Conquest Mining Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Company's financial position as at 30 June 2010 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2.

### Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2010. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

*Auditor's opinion*

In our opinion, the remuneration report of Conquest Mining Limited for the year ended 30 June 2010, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Brent Steedman
*Partner*

Perth

29 September 2010

# ASX ADDITIONAL INFORMATION

Additional information as required by the Australian Stock Exchange Limited Listing Rules and not disclosed elsewhere in this report is set out below.

## 1. SHAREHOLDER INFORMATION

As at 27 September 2010 the Company had 3,995 holders of Ordinary Fully Paid Shares.

### 1.1 VOTING RIGHTS

Subject to any rights or restrictions for the time being attached to any class or classes (at present there are none) at general meetings of shareholders or classes of shareholders:

(a) each shareholder entitled to vote, may vote in person or by proxy, attorney or representative;

(b) on a show of hands, every person present who is a shareholder or a proxy, attorney or representative of a shareholder has one vote; and

(c) on a poll, every person present who is a shareholder or a proxy, attorney or representative of a shareholder shall, in respect of each Fully Paid Share held, or in respect of which he/she has appointed a proxy, attorney or representative, have one vote for the share, but in respect of partly paid Shares shall have a fraction of a vote equivalent to the proportion which the amount paid up bears to the total issue price for the Share.

### 1.2 DISTRIBUTION OF SHARES (AS AT 27 SEPTEMBER 2010)

| No. | Fully Paid Shares | Number of Holders |
|---|---:|---:|
| 1-1,000 | 143,364 | 219 |
| 1,001-5,000 | 3,288,234 | 1,020 |
| 5,001-10,000 | 6,800,522 | 823 |
| 10,001-100,000 | 53,901,779 | 1,583 |
| 100,001-over | 311,764,823 | 350 |

The number of shareholders holding less than a marketable parcel is 131.

### 1.3 SUBSTANTIAL SHAREHOLDERS

The following shareholders are recorded as substantial shareholders:

| | Fully Paid Shares |
|---|---:|
| **Name** | **Number** |
| Gold Fields Limited and associated entities | 50,754,817 |
| Donald Walker | 20,051,283 |
| JJ Holdings (Vic) Pty Limited and associated entities | 21,053,823 |
| **Total** | **91,859,923** |

### 1.4 TWENTY LARGEST SHAREHOLDERS (AS AT 27 SEPTEMBER 2010)

| | Fully Paid Ordinary | |
|---|---|---|
| **Ordinary Shareholders** | **Number** | **Percentage** |
| St Ives Gold Mining Company Pty Limited | 50,754,817 | 13.50% |
| Mr Donald Robin Walker | 20,051,283 | 5.33% |
| Lujeta Pty Ltd <The Margaret Account> | 18,928,213 | 5.04% |
| HSBC Custody Nominees (Australia) Limited | 14,655,202 | 3.90% |
| National Nominees Limited | 13,960,853 | 3.71% |
| JP Morgan Nominees Australia Limited <Cash Income A/C> | 12,085,790 | 3.22% |
| HSBC Custody Nominees (Australia) Limited - A/C 2 | 10,064,182 | 2.68% |
| JJ Holdings (VIC) Pty Ltd <Summerlea S/F A/C> | 9,815,448 | 2.61% |
| Crofthill Pty Ltd | 8,300,000 | 2.21% |
| Mr Kevin Goorjian & Mrs Judith Goorjian <K & J Goorjian S/F A/C> | 5,000,000 | 1.33% |
| Sadarajak Pty Ltd | 4,231,141 | 1.13% |
| Valleyrose Pty Ltd <Terpu Super Fund A/C> | 4,210,031 | 1.12% |
| JJ Holdings (Vic) Pty Ltd | 3,916,028 | 1.04% |
| Citicorp Nominees Pty Limited | 3,635,960 | 0.97% |
| Vibraye Holdings Pty Ltd <Robinson Super Fund A/C> | 3,300,000 | 0.88% |
| Lujeta Pty Ltd <Margaret A/C> | 3,054,032 | 0.81% |
| Crystal Triangle Pty Ltd <Gpk Super Fund A/C> | 2,585,000 | 0.69% |
| Bridgelane Pty Ltd | 2,500,000 | 0.67% |
| Mr Philip Russell Harris <Harris Family A/C> | 2,444,900 | 0.65% |
| Merrill Lynch (Australia) Nominees Pty Limited | 2,071,800 | 0.55% |
| **Total** | 195,564,680 | 52.03% |
| **Balance Of Register** | **180,334,042** | **47.97%** |
| **Grand Total** | **375,898,722** | **100.00%** |

### 1.5 SHARE BUY-BACKS

There is no current on-market buy-back scheme.

## 2. OTHER INFORMATION

Conquest Mining Limited, incorporated and domiciled in Australia, is a public listed Company limited by Shares.

## 3. SCHEDULE OF TENEMENTS

| Project | Tenement Details | Registered Holder | CQT Interest % | Application or Grant Date | Expiry Date | Area |
|---|---|---|---|---|---|---|
| **QUEENSLAND** | | | | | | |
| Blue Valley | EPM11147 | Conquest Mining Limited | 100 | 03/07/1996 | 31/12/2011 | 18 blks |
| Mt Dingo | EPM14155 | Conquest Mining Limited | 100 | 25/11/2004 | 24/11/2011 | 9 blks |
| Bulgonunna | EPM11971 | Conquest Mining Limited | 100 | 31/08/2004 | 30/08/2011 | 19 blks |
| Mt Carlton | EPM10164 | Conquest Mining Limited | 100 | 28/06/1994 | 31/12/2011 | 33 blks |
| Capsize Creek | EPM12527 | Conquest Mining Limited | 100 | 23/11/2004 | 22/11/2011 | 49 blks |
| Table Mountain Creek | EPM12829 | Conquest Mining Limited | 100 | 24/03/2000 | 23/03/2012 | 2 blks |
| Johnny Cake | EPM14783 | Conquest Mining Limited | 100 | 03/08/2006 | 02/08/2011 | 100 blks |
| Boundary extended | EPM13867# | Conquest Mining Limited | 100 | 10/04/2003 | 09/04/2008 | 19 blks |
| Mt Magnus | EPM15597# | Conquest Mining Limited | 100 | 22/05/2008 | 21/05/2010 | 123 blks |
| Wyarra Hills 3 | EPM15598* | Conquest Mining Limited | 100 | 04/05/2006 | Application | 14 blks |
| Marlborough Pocket | EPM15623 | Conquest Mining Limited | 100 | 20/02/2008 | 19/02/2012 | 98 blks |
| Mt Leslie | EPM15630 | Conquest Mining Limited | 100 | 02/05/2007 | 01/05/2011 | 49 blks |
| Mt Herbert | EPM15805 | Conquest Mining Limited | 100 | 20/02/2008 | 19/02/2012 | 26 blks |
| Mt Pickaninny | EPM16480 | Conquest Mining Limited | 100 | 20/10/2008 | 19/10/2010 | 41 blks |
| Wyarra Hills 1 | EPM17242 | Conquest Mining Limited | 100 | 26/11/2009 | 25/11/2011 | 32 blks |
| Wyarra Hills 2 | EPM17243 | Conquest Mining Limited | 100 | 26/11/2009 | 25/11/2011 | 14 blks |
| Glenalpine | EPM18568* | Conquest Mining Limited | 100 | 19/03/2010 | Application | 17 blks |

* Tenements pending    # Renewal pending