



## **ASX RELEASE**

**04 FEBRUARY 2010**

### **DFS Results Lead To Strategic Review**

Conquest Mining (ASX: CQT) has today announced that the Definitive Feasibility Study (“DFS”) for its Silver Hill gold-silver-copper project in northern Queensland has identified lower than expected commercial returns from the Project.

The scope of the DFS was to evaluate the technical and economic feasibility of mining the currently defined Silver Hill resource, and processing to produce a high-grade precious metals concentrate for off-shore buyers.

The DFS outcome has resulted in a project that would still be profitable but is not sufficiently robust to develop before offtake arrangements are finalised. In its current form, the project does not provide the board sufficient confidence to commit to a development timetable at this stage.

The Board has commissioned Mr Jake Klein (previously President and CEO of Sino Gold Mining Ltd) and his associates (DAK Corporation consulting) to conduct a broad strategic review aimed at maximising the shareholder value from the Mt Carlton Resource. This will include a review of offtake strategy, joint venture and M&A opportunities, possible alternate financing strategies and other relevant matters.

The primary factors that have impacted the project economics are that indicative offtake terms received to date have not been satisfactory, and capital and operating costs have increased.

The key findings of the DFS are:

- Project payback in the range of 2 – 3.5 years<sup>1</sup>
- IRR in the range of 29% - 37%<sup>1</sup>
- NPV of \$106m to \$133m<sup>1</sup>

#### **Strategic Review**

Conquest has appointed Mr Klein and associates (DAK Corporation Consulting) to conduct a strategic review of the Silver Hill project and to consider alternative routes to production.

Mr Klein is ideally suited to lead this review. He was previously President and CEO of Sino Gold Mining Ltd. where he managed the development of the company into the largest foreign participant in the Chinese gold industry.

Sino Gold Mining operated two award-winning gold mines and engaged over 2,000 employees and contractors in China. During his tenure at Sino Gold, Mr Klein developed strong relationships with senior decision makers in the Chinese gold mining industry and a good understanding of refractory ore processing and marketing.

Mr Klein will base his review on the substantial resource and reserves assets which Conquest has defined and reported in the Resource/Reserves Estimate dated 7 December 2009 ([www.conquestmining.com.au/images/conquest---aical.pdf](http://www.conquestmining.com.au/images/conquest---aical.pdf)).

1. Results are Pre-Tax. Commodity prices assumes A\$1220/Oz Au, A\$19.61/Oz Ag, A\$3.23/Lb Cu representing the consensus median price projections over the life of the project based on current Bloomberg data. Range of values based on indicative payability on silver pit.

Silver Hill has a substantial Resource base, containing 1.4 million ounces of gold, 37 million ounces of silver and 71,200 tonnes of copper, and accordingly there are a variety of production alternatives.

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

Conquest remains confident that the Silver Hill project remains a strong and viable asset.

## **Study Results - DFS**

The Silver Hill DFS is based on producing high-grade concentrates only. The costs estimates in that study have now been independently reviewed. The reviewers have concluded that for the proposed project design and layout no significant capital or operating cost changes are likely although some savings could be achieved in commercial negotiations for all capital items.

The DFS, unlike the Pre-Feasibility Study (PFS), dealt only with producing high-grade concentrates.

The key findings of the DFS include:

- Production of high-grade silver concentrate containing 7Moz silver within the first year of production
- Production of high grade gold concentrate for approximately seven years (40g/t) at an average rate of 60,000tpa
- Annual average Gold equivalent production of 110Koz
- Average operating costs of ~A\$500/Oz
- Upfront Capital costs of ~A\$138m

The key changes since the PFS include increased capital costs ~48%, operating costs ~ 10%, decreased payability ~10-30%.

A further study to consider enhancement of the high-grade concentrate option is in final draft. As described in the PFS, this option included treating tailings with a bioleach process to improve overall recoveries.

John Terpu  
Managing Director

For more information

Sarah Browne / Paul Downie  
0439 8841 395 / 0414 947 129  
(08) 9386 1233  
FD Third Person

***This report is based on and accurately reflects information compiled by Mr Martin Male, BSc (Hons), MAIG, who is a full time employee of the Company. Mr Male has sufficient experience which is relevant to the style of mineralization and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Martin Male consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.***

1. Results are Pre-Tax. Commodity prices assumes A\$1220/Oz Au, A\$19.61/Oz Ag, A\$3.23/Lb Cu representing the consensus median price projections over the life of the project based on current Bloomberg data. Range of values based on indicative payability on silver pit.