

CONQUEST MINING LIMITED
ACN 009 232 277
And Its Controlled Entities

HALF-YEAR FINANCIAL REPORT

31st DECEMBER 2004

Your directors submit their report together with the consolidated financial report for the half-year ended 31 December 2004 and the review report thereon.

Directors

The Directors of the company during or since the end of the half-year are:

Name	Period of directorship
Ross Kestel	Chairman since 1999
John Terpu	Managing Director since 1999
David Burton	Technical Director, appointed March 2004
Bruno Firriolo	Executive Director, appointed November 2003
Richard Krasnoff	Non-Executive Director, appointed October 2004

Review of Operations

Exploration

Conquest Mining Limited is an exploration company endeavouring to create wealth for its shareholders through the discovery and development of significant mineral deposits. Conquest continued to add value to its diamond and metal projects throughout the second half of 2004. Conquest's work programs resulted in a wholesale improvement to the company's landholdings, prospects and resources, supported by the development of a first rate team of explorers. This positive transition has occurred at a time when prices for all mineral commodities including diamonds, gold, silver and copper continue to trend upwards in response to dwindling stockpiles and increasing worldwide demand.

Conquest's corporate strategy did not fundamentally change during the period. The company's simple vision of becoming a major diversified mineral house remains clear as does our mission of adding value to our stakeholders in all that we undertake. To this end, Conquest completed another successful capital raising in October 2004, raising \$5.5 million and strengthening its board with the addition of Richard Krasnoff. This provides the Company with sufficient working capital to complete feasibility studies and consider the acquisition of other complementary projects.

Conquest is presently focused on the development in the short term of cash flows from its Mt Carlton gold-silver-copper project in Queensland and/or its Ellendale 17 diamond project in the West Kimberleys. The company continues to maintain an extensive exploration portfolio throughout WA and Queensland surrounding its key projects.

The Mt Carlton gold project in Queensland was purchased in November 2003 and a prefeasibility study on the development of a multiple open cut gold mine was immediately launched. Even though a considerable amount of historic work had previously been carried out on the project by BHP and MIM, Conquest applied significant additional work to incorporate gold-associated silver and copper mineralisation into the project economics. Resources at Mt Carlton, Herbert Creek East and Crush Creek were infilled at 40m spacings using RC and diamond drilling in July-September 2004. Geostatistical estimates of resources were prepared with the assistance of Snowdens. Metallurgical testwork was also commenced.

Conquest has several other high-grade exploration prospects within 50km of Mt Carlton and has quickly moved to secure the second largest exploration landholding in Queensland, surrounding its current resource base through the acquisition of Normanby Gold Pty Ltd in October 2004. Included in the new land package are hundreds of historic high-grade gold, silver and base metal prospects along with geological and

geophysical data that indicate the potential for a large-scale copper-gold deposit. The company is actively seeking JV partners for non-core components of new ground to be granted in late 2005.

Conquest completed modelling of the Ellendale 17 lamproite in August 2004. 3D modelling and microdiamond investigations provided support for a large diameter drilling and heavy media sampling (HMS) study commencing in September 2004. HMS processing work was interrupted by seasonal rainfall and will recommence in April 2005. A total of 24 drill holes for 896.5m of 1.5m diameter auger drilling were completed using a Bauer rig sourced from Queensland. In total, Conquest has identified up to 36.9 million tonnes of lamproite at Ellendale 17 which may host economic quantities of gem quality diamonds. Conquest aims to capitalise on the successful development of the Ellendale 9 and 4 deposits by Kimberley Diamond Company in an area previously dismissed as uneconomic by earlier workers.

Conquest acquired the former Bow River Diamond Mine from Astro Bow River Mines Pty Ltd in March 2004 along with additional exploration ground surrounding Rio Tinto's Argyle Diamond Mine. New ground contains alluvial diamond resources considered uneconomic in 1996 when the Bow River mine was closed. Conquest is focused on re-establishing alluvial diamond operations downstream from Argyle and exploring for additional primary diamond sources. New tenements also include significant gravel terraces that previous workers were unable to access due to Native Title restrictions. These restrictions were finally lifted in 2004 and, following the granting of new leases, the company commenced initial mapping investigations in September 2004.

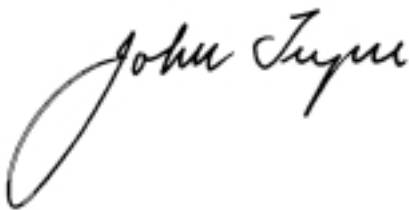
Capital Raisings

During the half-year ended 31 December 2004 the Company raised, pursuant to a Prospectus, a total amount of \$5,431,250 from the issue of shares and options before deducting the costs of the issue. Also, an amount of \$750,000 was received for the conversion of options.

In addition, further shares and options were issued by the Company in lieu of payment to satisfy various acquisitions and other debts totalling \$2,457,500.

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

The lead auditor's independence declaration is set out on page 3 and forms part of the Directors' Report for the half-year ended 31 December 2004.



J TERPU
Managing Director

Dated at Perth this 14th day of March 2005.

Signed in accordance with a resolution of the directors



**Lead Auditor's Independence Declaration under Section 307C of the Corporation Act 2001
To the directors of Conquest Mining Limited**

I declare that, to the best of my knowledge and belief in relation to the review for the half-year ended 31 December 2004, there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG
KPMG


T R HART
Partner

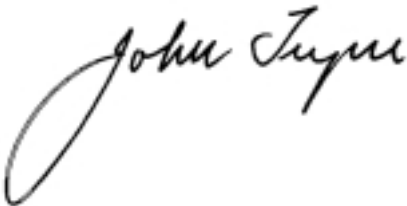
Perth
14 March 2005



The directors of Conquest Mining Limited declare that:

- (a) the financial statements and notes, set out on pages 5 to 13, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2004 and of its performance, as represented by the results of its operations and cash flows for the half-year ended on that date; and
 - (ii) complying with Australian Accounting Standard AASB 1029 "Interim Financial Reporting" 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.

Signed in accordance with a resolution of the directors.



J TERPU
Managing Director

Dated at Perth this 14th day of March 2005

CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE
for the half-year ended 31 December 2004

Conquest Mining Limited and Controlled Entities

	Note	31 December 2004 \$	Consolidated	31 December 2003 \$
Other revenues from ordinary activities		78,423		66,529
Total revenue		<u>78,423</u>		<u>66,529</u>
Expenses from ordinary activities				
Exploration and evaluation expenditure written off		2,390,161		138,016
Borrowing costs		861		2,231
Administration expenses		632,962		591,506
Other expenses from ordinary activities		10,476		46,632
Total expenses		<u>3,034,460</u>		<u>778,385</u>
Loss from ordinary activities before related income tax expense	2	(2,956,037)		(711,856)
Income tax benefit relating to ordinary activities		<u>-</u>		<u>-</u>
Net loss	5	<u>(2,956,037)</u>		<u>(711,856)</u>
Earnings per share				
Basic loss per share (cents per share)		3.865		1.613

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2004

Conquest Mining Limited and Controlled Entities

	Note	31 December 2004 \$	Consolidated 30 June 2004 \$
Current Assets			
Cash Assets		4,285,696	1,817,492
Receivables		58,798	116,668
Other Financial Assets		280	280
Other		69,798	-
Total Current Assets		<u>4,414,572</u>	<u>1,934,440</u>
Non-Current Assets			
Security Deposits		49,200	49,200
Other Financial Assets		40,567	51,114
Property, Plant & Equipment		401,347	374,677
Exploration Expenditure		13,105,550	10,307,061
Total Non-Current Assets		<u>13,596,664</u>	<u>10,782,052</u>
Total Assets		<u>18,011,236</u>	<u>12,716,492</u>
Current Liabilities			
Payables		474,205	405,942
Provisions		13,366	8,296
Interest Bearing Liabilities		42,197	-
Total Current Liabilities		<u>529,768</u>	<u>414,238</u>
Total Liabilities		<u>529,768</u>	<u>414,238</u>
Net Assets		<u>17,481,468</u>	<u>12,302,254</u>
Equity			
Contributed Equity	4	33,161,248	25,025,997
Accumulated Losses	5	(15,679,780)	(12,723,743)
Total Equity		<u>17,481,468</u>	<u>12,302,254</u>

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

CONSOLIDATED STATEMENT OF CASH FLOWS
For the half-year ended 31 December 2004

Conquest Mining Limited and Controlled Entities

	31	Consolidated	31
	December		December
	2004		2003
	\$		\$
Cash flows from operating activities			
Receipts in course of operations	-		3,022
Payments in course of operations	(556,225)		(395,383)
Interest received	66,200		14,994
Interest paid	(861)		-
Advance paid for professional services and disbursements	(27,273)		-
	<u>(518,159)</u>		<u>(377,367)</u>
Net cash used in operating activities			
Cash flows from investing activities			
Payments for property, plant and equipment	(73,715)		(171,887)
Proceeds from sale of property, plant and equipment	5,000		48,513
Payments for exploration and evaluation	(2,717,673)		(1,680,976)
Payment of tenement security bonds	-		(30,000)
	<u>(2,786,388)</u>		<u>(1,834,350)</u>
Net cash used in investing activities			
Cash flows from financing activities			
Proceeds from issue of equity securities	6,181,250		1,998,523
Costs of share issues	(408,499)		(196,734)
Finance lease payments	-		(54,356)
	<u>5,772,751</u>		<u>1,747,433</u>
Net cash provided by financing activities			
Net increase/(decrease) in cash held	2,468,204		(464,284)
Cash at beginning of half-year	<u>1,817,492</u>		<u>549,551</u>
Cash at end of half-year	<u><u>4,285,696</u></u>		<u><u>85,267</u></u>

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

Note 1: Statement of Significant Accounting Policies

Basis of Preparation.

The half-year consolidated financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standard AASB 1029: Interim Financial Reporting, the recognition and measurement requirements of applicable AASB standards, other authoritative pronouncements of the Australian Accounting Standards Board and Urgent Issues Group Consensus Views. This half-year financial report is to be read in conjunction with the 30 June 2004 Annual Financial Report and any public announcements by Conquest Mining Limited and its Controlled Entities during the half-year in accordance with continuous disclosure obligations arising under the Corporations Act 2001.

It has been prepared on the basis of historical costs and, except where stated, does not take into account changing money values or current valuations of non-current assets.

These accounting policies have been consistently applied by each entity in the economic entity and are consistent with those applied in the 30 June 2004 Annual Financial Report.

The half-year report does not include full note disclosures of the type normally included in an annual financial report.

Note 2: Individually Significant Items

Loss from operating activities before income tax has been arrived at after charging the following individually significant item:

	2004	Consolidated	2003
	\$		\$
Exploration expenditure written off	2,390,161		138,016

During the period the Board conducted a detailed review of its tenement holdings and the costs capitalised to those areas of interest in the East Kimberley Project resulting in a total write down in their carrying value of \$2,390,161.

Note 3: Subsequent Events

There has not arisen in the interval between the end of the financial half-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 Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity, in subsequent financial periods.

Note 4: Contributed Equity

(a) Ordinary Shares - Fully Paid

	Note	Consolidated 31 December 2004 \$
Fully paid ordinary shares at 30 June 2004: 62,811,777		20,940,360
Shares issued from Prospectuses: 18,795,000	(i)	4,886,700
Unlisted Options exercised during the period: 7,500,000		750,000
Shares issued for acquisition costs: 6,500,000	(ii)	1,885,000
Shares issued in connection with joint venture arrangements: 428,571	(ii)	120,000
Transaction costs of issuing shares		<u>(503,499)</u>
96,035,348 fully paid ordinary shares at 31 December 2004		<u><u>28,078,561</u></u>

- (i) Funds raised for additional working capital and to fund exploration programs and commitments.
- (ii) Conversion of debt for equity in accordance with appropriate resolutions.

(b) Listed Options to take up Ordinary Shares in the Company (exercisable up to expiry date of 30 June 2005 for a price of \$2.00 each).

	Consolidated 31 December 2004 \$
Balance at 30 June 2004: 11,814,083	2,125,957
Movements	<u>-</u>
Balance at 30 June 2004: 11,814,083	<u><u>2,125,957</u></u>

Note 4: Contributed Equity (Continued)

- (c) **Listed Options to take up Ordinary Shares in the Company (exercisable up to expiry date of 31 December 2006 for a price of \$0.20 each).**

Movements during the half year:

	Note	Consolidated 31 December 2004 \$
Balance at beginning of period: 39,193,613		1,959,680
Options issued from Prospectuses: 10,891,000	(i)	544,550
Options issued for capital raising costs: 1,900,000	(ii)	95,000
Options issued for acquisition costs: 3,250,000	(ii)	357,500
		<hr/>
Balance at end of period: 55,234,613		2,956,730
		<hr/> <hr/>
(i) Funds raised for additional working capital and to fund exploration programs and commitments.		
(ii) Conversion of debt for equity in accordance with appropriate resolutions.		
		<hr/>
Total Option Premium (30 June 2004: \$4,085,637)		5,082,687
		<hr/>
Total Contributed Equity (30 June 2004: \$25,025,997)		33,161,248
		<hr/> <hr/>

- (d) **Unlisted Options to take up Ordinary Shares in the Company (exercisable up to various expiry dates from 12 December 2006 to 3 December 2007 for various exercise prices).**

	Note	Consolidated 31 December 2004 \$
Balance at beginning of period: 7,500,000		
unlisted options exercisable at \$0.10 each with an expiry date of 12 December 2006		-
Abovementioned unlisted options exercised during the period: 7,500,000		-
Unlisted options exercisable at \$0.20 each with expiry dates from 8 September 2007 to 3 December 2007 issued to Directors of the Company pursuant to approval granted at a Shareholder General Meeting: 2,750,000		-
Balance at end of period: 2,750,000 exercisable at \$0.20 each with expiry dates from 8 September 2007 to 3 December 2007		-

Note 4: Contributed Equity (Continued)

Notes

- (a) 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.
- (b) There also existed at 31 December 2004:
- 900,000 post-consolidation unlisted options exercisable at \$2.00 each with an expiry date of 30 June 2005 issued to Directors as per the EGM dated 15 June 2001.

Note 5: Accumulated Losses

	2004	Consolidated
	\$	2003
		\$
Accumulated losses at beginning of half-year	12,723,743	11,490,958
Net losses attributable to members of the parent entity	2,956,037	711,856
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Accumulated losses at the end of the half-year	<u>15,679,780</u>	<u>12,202,814</u>

Note 6: Segment Reporting

The Company operates predominantly in the industry of mineral exploration and one geographical segment being Australia.

Note 7: Acquisition and Disposal of Controlled Entities

The following controlled entities were acquired or disposed of during the period:

2004

Acquisition

Name	Date Acquired	Consolidated Entity's Interest	Consideration	Contribution to Consolidated Net Profit/(Loss)
		%	\$	\$
Normanby Gold Pty Ltd Argyle Bow River Diamonds Limited (Shelf Company)	1 October 2004	100	2,242,500	Nil
	10 November 2004	100	Nil	(7,972)

On 1 October 2004 the Company issued 6,500,000 fully paid ordinary shares valued at 29 cents each and 3,250,000 options valued at 11 cents each exercisable at 20 cents each with an expiry date of 31 December 2006 to satisfy placements to stakeholders in relation to the acquisition of Normanby Gold Pty Ltd for a total consideration of \$2,242,500, based on listed share and option prices on the date of settlement.

Disposal

The consolidated entity did not lose control over any entities during the period.

2003

The consolidated entity did not gain or lose control over any entities during the prior corresponding half year period.

Note 8: International Financial Reporting Standards

For reporting periods beginning on or after 1 January 2005, the consolidated entity must comply with Australian equivalents to International Financial Reporting Standards (AIFRS) as issued by the Australian Accounting Standards Board.

This half year financial report has been prepared in accordance with Australian accounting standards and other financial reporting requirements (Australian GAAP) applicable for reporting periods ending on 31 December 2004.

The board has established a formal implementation project to assess the impact of transition to AIFRS and to achieve compliance with AIFRS reporting for the financial year commencing 1 July 2005. The implementation project consists of three phases: Assessment and Planning; Design; and Implementation.

The assessment and planning phase generated a high level overview of the impacts of conversion to AIFRS on existing accounting and reporting policies and procedures, systems and processes, business structures and staff. This phase included:

- High level identification of the key differences in accounting policies and disclosures that are expected to arise from adopting AIFRS.
- Assessment of new information requirements affecting management information systems, as well as the impact on the business and its key processes.
- Evaluation of the implications for staff, for example training requirements.
- Preparation of a conversion plan for expected changes to accounting policies, reporting structures, systems, accounting and business processes and staff training.

The assessment and planning phase is completed in most respects as at 31 December 2004.

The design phase aims to formulate the changes required to existing accounting policies and procedures and systems and processes in order to transition to AIFRS. The design phase has commenced working on areas such as treasury operations, application of impairment requirements and transitional elections.

The design phase incorporates:

- Formulating revised accounting policies and procedures for compliance with AIFRS requirements.
- Identifying potential financial impacts as at the transition date and for subsequent reporting periods prior to adoption of AIFRS.
- Developing revised AIFRS disclosures.
- Designing accounting and business processes to support AIFRS reporting obligations.
- Identifying and planning required changes to financial reporting and business source systems.
- Developing training programs for staff.

The design phase is expected to be completed by 30 June 2005.

The implementation phase will include implementation of identified changes to accounting and business procedures, processes and systems and operational training for staff. It will enable the consolidated entity to generate the required disclosures of AASB 1 as it progresses through its transition to AIFRS.

Except for certain training that has been given to operational staff, the consolidated entity has not yet commenced the implementation phase. However, this phase is expected to be substantially complete by 30 June 2005.

The key differences between Australian Generally Accepted Accounting Principals (Australian GAAP) and Australian equivalents to International Financial Reporting Standards (AIFRS) identified to date as potentially having a significant impact on the consolidated entity's financial performance and financial position are summarised below. The summary should not be taken as an exhaustive list of all differences between current Australian GAAP and AIFRS. No attempt has been made to identify all disclosure, presentation or classification differences that would affect the manner in which transactions or events are presented.

The consolidated entity has not completed its project to assess the impact of adoption of AIFRS and has not quantified the effects of all the differences discussed below. Where work streams have been completed, accounting policies have been determined and the transitional elections available under *AASB 1 First Time Adoption of Australian Equivalents to International Financial Reporting Standards* have been considered.

Any assessments made in respect of the transition to AIFRS may require adjustment before inclusion in the first complete annual/half year financial report prepared in accordance with AIFRS due to new or revised standards or interpretations, changes in the operations of the business, or additional guidance on the application of AIFRS in a particular industry or to a particular transaction.

The key potential implications on the consolidated entity of conversion to AIFRS identified to date, are summarised below.

- It is considered that the new accounting policies for exploration and evaluation expenditure will not have a significant impact on the financial statements as a result of the move to AIFRS.
- Financial instruments must be recognised in the statement of financial position and all derivatives and most assets must be carried at fair value. Implications of this on financial statements is not considered to be significant.
- Income tax will be calculated based on the 'balance sheet' approach, which would potentially result in more deferred tax assets and liabilities and, as tax effects follow the underlying transaction, some tax effects will be recognised as equity. The consolidated entity's deferred tax assets would not presently be recognised using the Probable Test under AIFRS and therefore this change will have no significant effect.
- Impairments of assets (other than exploration and evaluation expenditure) will be determined on a discounted basis, with strict tests for determining whether goodwill and cash-generating operations have been impaired.
- Equity-based compensation in the form of shares and options will be recognised as expenses in the periods during which the employee provides related services. This may result in further employee expenses being recorded in the Statement of Financial Performance.
- Changes in accounting policies will be recognised by restating comparatives rather than making current year adjustments with note disclosure of prior year effects.



Independent review report to the members of Conquest Mining Limited

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for the Conquest Mining Limited Consolidated Entity ("the Consolidated Entity"), for the half-year ended 31 December 2004. The Consolidated Entity comprises Conquest Mining Limited ("the Company") and the entities it controlled during that half-year.

The directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Review approach

We conducted an independent review in order for the Company to lodge the financial report with the Australian Securities and Investments Commission. Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements.

We performed procedures in order to state whether on the basis of the procedures described anything has come to our attention that would indicate the financial report does not present fairly, in accordance with the Corporations Act 2001, Australian Accounting Standard AASB 1029 "Interim Financial Reporting" and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Consolidated Entity's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our statement on the basis of the review procedures performed, which were limited primarily to:

- enquiries of company personnel; and
- analytical procedures applied to the financial data.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

The procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

A review cannot guarantee that all material misstatements have been detected.







Independence

In conducting our review, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe the half-year financial report of Conquest Mining Limited is not in accordance with:

- a) the Corporations Act 2001, including:
 - i. giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2004 and of its performance for the half-year ended on that date; and
 - ii. complying with Australian Accounting Standard AASB 1029 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- b) other mandatory professional reporting requirements in Australia.


KPMG

T R HART
Partner

Perth
14 March 2005