

# CONQUEST MINING LIMITED

ACN 009 232 277  
ABN 33 009 232 277

Suite 4/ 213 Balcatta Rd,  
Balcatta WA 6021

Tel: (08) 9240 4111  
Fax: (08) 9240 4054

16 April 2008

Australian Stock Exchange  
2 The Esplanade  
PERTH WA 6000

By Facsimile: (08) 9221 2020 (4 Pages)

Attention: Elizabeth Harris

Dear Elizabeth

## Conquest Mining – Director's Margin Loan

I refer to your letter dated 14 April 2008 and, prior to dealing with the questions raised, make the observation that your statement quoted from the Company's announcement dated 3 April 2008 is out of context and needs to be read in the context of the entire paragraph, viz.

*"Mr Terpu has informed the Company that both he and an entity associated with him have accounts with Opes under which 15,209,000 ordinary shares representing 5.6% of the Company's issued capital are held as collateral in either or both these ANZ Nominees accounts. An account in the name of Terpu Trust held 7,709,000 shares supporting a margin loan balance of \$472,249, which represents a loan-to-value ratio of 16%. Another 7,500,000 shares in the name of John Terpu had no loan balance outstanding and the loan facility was never accessed."*

Details provided in the last 2 sentences of the above paragraph are extremely relevant to this matter and will be addressed in this response.

Below is our response to the questions asked :

- 1.1 The document, *Companies Update 02/08*, was received by email from ASX (by the Company Secretary) on Friday 29 February at 1.59pm. Aside from John Terpu, the other directors' did not have knowledge (to be able to make any informed disclosure decision) about John Terpu's margin lending arrangements.
- 1.2 N/A
- 1.3 N/A

## 1.4 N/A

2.1 Yes, sufficient to make an Informed disclosure decision in relation to John Terpu's margin lending arrangements.

2.2.1 At the monthly Directors' Meeting held on 19 March 2008, being the first practicable date at which this matter could be tabled for discussion by all directors (there are 3 non-executive directors).

2.2.2 The Company Secretary circulated an extract from *Companies Update 02/08*, which covered margin loans, to directors on 17 March 2008, 2 days before the abovementioned meeting so that directors had prior knowledge of the ASX alert on this matter. The Company Secretary had also read in Business Spectator a transcript of an interview on 1 March 2008 with Eric Mayne, Chief Supervision Officer of the ASX and published as "*The KGB Interrogation : Eric Mayne*". In this interview Mr Mayne appeared reluctant to be drawn into providing disclosure guidelines, but under pressure from the interviewer, quoted the following as an example of a case which may warrant disclosure :

*"If a chief executive's got a margin call over 90 per cent of the stock and he holds over 5 per cent of the stock, that's likely to be regarded as a reasonably material event and may well, in those circumstances, require the company to make a disclosure. I think that's why you can't be definite".*

2.2.3 The Company did not consider the information relating to John Terpu's margin lending arrangements to be material.

2.2.4 The reasons the Company did not consider the information was material are as follows :

- The Company has 271,749,181 shares on issue
- Terpu Trust, an entity controlled by John Terpu had a margin lending arrangement with Opes Prime under which 7,709,000 CQT shares were held in an Opes Portfolio account to cover the level of collateral which may be required for a loan amount of \$472,249. These shares constituted 2.8% of the Company's issued shares which, at 19 March 2008 had a market value of \$3,469,050 (ie LVR of 13.6%). The account had an LVR of 35% before any margin call could be made, meaning the shares would have to drop in value by 61% (from \$0.45 to \$0.175) for a margin call to be made. The net cash backing of the Company is \$0.12 at present. In addition the Company has a very successful exploration project in North Queensland in which Gold Fields, the world's 4<sup>th</sup> largest gold producer, is presently earning an interest. Trading prices in the 6 months to 19 March 2008 have ranged from a closing low of \$0.45 to a closing high of \$0.845. The attached analysis of the Terpu Trust account with Opes Prime shows the history of the account from commencement on 17 September 2007 and clearly reflects the immaterial exposure to a margin call from that date. It demonstrates that the actual number of shares needed to be put up as collateral for the loan balance ranged from 2,561,806 to 3,212,583, representing just over 1% of the Company's issued shares. The remaining shares were, effectively, unnecessary collateral and any calculation to include them is incorrect, ambiguous and misleading.
- From 18 September 2007 John Terpu held a further 7,500,000 CQT shares under his own name in a separate Opes Prime account. These were never used for the purposes of securing a margin loan, however in the event that a loan was ever required they were available to be used as collateral under the same Opes Prime margin lending model. For all intents and purposes the arrangement with these shares was no different

to holding shares under a sponsored broker arrangement. The shares were available to be sold or transferred at any time without regard to extinguishing any loans. This account was completely immaterial in the context of Listing Rule 3.1 but its materiality arose at the time of the Opes Prime collapse and proper disclosure was made at that point.

2.2.5 N/A

3.1 17 September 2007.

3.2 Opes Prime Stockbroking Ltd (previously Opes Prime Securities Ltd), and Valleybrook Investments Pty Ltd (ACN 055 673 571) as trustee for the Terpu Trust.

3.3 The gross number of CQT shares in the Opes Prime account was 7,709,000 of which (refer to attached analysis) between 2,561,806 and 3,212,583 shares were required as collateral at any relevant time. The balance could be sold or transferred from the account at any time without regard to the loan.

3.4 The key terms of the loan are currently the subject of litigation in the Supreme Court of NSW (John Terpu and another party have been granted an injunction against ANZ selling the shares). The Company understands there are numerous proceedings currently underway in various courts around Australia, including in the Federal Court of Victoria. However, as previously advised by the Company the terms are understood to be that of a standard margin loan facility, whereby equity securities were given as collateral for funds advanced to clients and a security value for the collateral was determined by Opes. The current status of the ownership and control of the securities subject to the Opes Facilities is unclear at this time. The Company understands that ANZ claims ownership of the securities.

3.5 The Company understands that this matter is presently before the Courts.

Yours faithfully



Bruno Firriolo  
Company Secretary

For personal use only

**Valleybrook Investments Pty Ltd <Terpu A/c>  
OPES Prime Portfolio Statements**

Analysis of CQT shares and required as collateral to secure margin loan

Date	No of Shares	Market Price	Market Value	LVR %	Gross Available Margin	Loan Balance	Unused Margin	Shares Required as Collateral	Percentage of Shares on Issue	Shares Not Required as Collateral
4,700,000	Transfer from Issuer sponsor									
17/09/2007	4,700,000	\$0.695	\$4,732,255	30%	\$1,419,677	\$0	\$1,419,677	0	0.00%	4,700,000
2,109,000	Transfer from Etrade account									
18/09/2007	6,809,000									6,809,000
900,000	on market acquisitions									
30/09/2007	7,709,000	\$0.690	\$5,319,210	30%	\$1,595,763	\$642,100	\$953,663	3,101,934	1.31%	4,607,066
31/10/2007	7,709,000	\$0.730	\$5,627,570	30%	\$1,688,271	\$597,185	\$1,091,086	2,726,871	1.15%	4,982,129
25/11/2007	7,709,000	\$0.730	\$5,627,570	30%	\$1,688,271	\$561,036	\$1,127,235	2,561,806	0.94%	5,147,194
30/11/2007	7,709,000	\$0.690	\$5,319,210	30%	\$1,595,763	\$566,371	\$1,029,392	2,736,090	1.01%	4,972,910
31/12/2007	7,709,000	\$0.600	\$4,625,400	30%	\$1,387,620	\$571,115	\$816,505	3,172,859	1.17%	4,536,141
31/01/2008	7,709,000	\$0.495	\$3,815,955	35%	\$1,335,584	\$468,553	\$867,031	2,704,491	1.00%	5,004,509
29/02/2008	7,709,000	\$0.500	\$3,854,500	35%	\$1,349,075	\$472,250	\$876,825	2,698,569	0.99%	5,010,431
OPES Prime placed under administration										
27/03/2008	7,709,000	\$0.420	\$3,237,780	35%	\$1,133,223	\$472,250	\$660,973	3,212,583	1.18%	4,496,417



**ASX**  
AUSTRALIAN SECURITIES EXCHANGE

ASX Limited  
ABN 98 008 624 691  
Level 8  
Exchange Plaza  
2 The Esplanade  
Perth WA 6000

GPO Box D187  
Perth WA 6840

Telephone 61 08 9224 0000  
Facsimile 61 (08) 9221 2020  
Internet <http://www.asx.com.au>

**FAXED**  
14 April 2008

Mr Bruno Firriolo  
Company Secretary  
Conquest Mining Limited  
Suite 4  
213 Balcatta Road  
BALCATTWA WA 6021

By fax: 9240 4054

Dear Mr Firriolo

### Director's Margin Loan

ASX Ltd ("ASX") refers to the Announcements by Conquest Mining Ltd ("Company") dated 3 April 2008 titled "Orderly Off-Market Buyout" and 7 April 2008 titled "Market update - Opes Prime Collapse" ("Announcements").

The Announcements confirms that entities associated with a director of the Company, Mr John Terpu, had margin lending arrangements with "Opes Prime" for an approximately \$472,249 facility under which approximately 15,209,000 shares of the Company were pledged as collateral ("Opes Margin Loan"). As the Company currently has 271,749,181 ordinary shares quoted on the official list of ASX, this equates to 5.59% of the Company's shares.

### Disclosure of Margin Loans

ASX listing rule 3.1 requires an entity to disclose immediately to the ASX any information that it is aware of concerning itself that a reasonable person would expect to have a material effect on the price or value of its securities.

On 29 February 2008, ASX issued *Companies Update 02/08* reminding listed entities of their obligations under listing rule 3.1 and in particular stated that where a director has entered into a margin loan or similar funding arrangements for a material number of securities this may be required to be disclosed under listing rule 3.1. *Companies Update 02/08* also stated that listing rule 3.1 may require the entity to disclose the key terms of the arrangements, including the number of securities involved, the trigger points, the rights of the lender to sell unilaterally and any other material details.

We wish to draw your attention to the definition of "aware" in Chapter 19 of the listing rules which states that:

*"an entity becomes aware of information if a director or executive director (in the case of a trust, director or executive officer of the responsible entity or management company) has, or ought reasonably to have, come into possession of the information in the course of the performance of their duties as a director or executive officer of that entity".*

Furthermore, paragraph 18 of *Guidance Note 8 - "Continuous Disclosure"* states:

*"Once a director or executive becomes aware of information, he or she must immediately consider whether that information should be given to the ASX. An entity cannot delay giving information to ASX pending formal sign-off or adoption by the board, for example."*

The exceptions to this requirement are set out in listing rule 3.1A provided each of the following are satisfied:

*3.1A.1 A reasonable person would not expect the information to be disclosed.*

*3.1A.2 The information is confidential and ASX has not formed the view that the information has ceased to be confidential.*

*3.1A.3 One or more of the following applies:*

- *It would be a breach of the law to disclose the information.*
- *The information concerns an incomplete proposal or negotiation.*
- *The information comprises matters of supposition or insufficiently definite to warrant disclosure.*
- *The information is generated for internal management purposes of the entity.*
- *The information is a trade secret."*

#### **Queries to be responded to**

Having regard to listing rule 3.1, *Guidance Note 8 - "Continuous Disclosure"* and *Companies Update 02/08*, ASX requires the Company to respond to the following questions.

1. At the time the *Companies Update 02/08* was released to the market:
  - 1.1. Was the Company aware of margin lending arrangements of any, or all, of the Directors (the "Information")?
  - 1.2. If the Company was aware of the Information in respect of any, or all, of the Directors' margin lending arrangements, did the Company consider that the Information was material to the Company?
  - 1.3. If the answer to question 1.2, is the Company did not consider that the Information was material, please provide the basis on which the Company did not consider it material.
  - 1.4. If the answer to question 1.2 was that the Company did consider that Information was material, please advise why the Information was not released to the market at that time?
2. If the answer to question 1.1 is "no", please advise whether subsequent to the release of *Companies Update 02/08*:
  - 2.1. The Company became aware of the Information in relation to margin lending arrangements of any, or all of the Directors?
  - 2.2. If the Company became aware of the Information in relation to margin lending arrangements of any, or all of the Directors:
    - 2.2.1. Please advise when it became aware of the Information?
    - 2.2.2. In light of the guidance contained in the *Companies Update*, please advise what steps were taken by the Company in order to ascertain whether the Information in relation to the margin lending arrangements of the Directors, whether considered individually or collectively, was material to the Company?
    - 2.2.3. Please advise whether the Company considered the Information to be material to the Company?

2.2.4. If the answer to question 2.2.3 is the Company did not consider that the Information was material, please provide the basis on which the Company did not consider it material.

2.2.5. If the answer to question 2.2.3 was that the Company did consider that Information was material, please advise why the Information was not released to the market at that time?

3. In relation to the Opes Margin Loan to Mr Terpu:

3.1. When was the loan entered into by Mr Terpu?

3.2. Who are the parties to the loan?

3.3. How many of the Company's securities are provided as security for the loan?

3.4. What are the key terms of the loan?

3.5. Does the loan set out the rights of the lender to sell unilaterally the securities involved?

Unless the information is required to be immediately released under listing rule 3.1, the response to this letter is required by no later than 5.00pm W. S.T on Wednesday 16 April 2008.

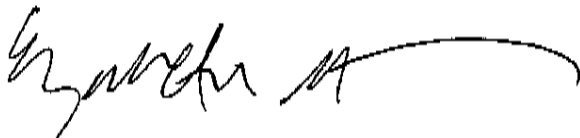
Please note the ASX reserves its right under listing rule 18.7 to release this letter and the Company's response to the market. Accordingly the Company's response should address each question separately and be in a format suitable for release to the market.

Please also note the Company's response should be sent to me either by email to [elizabeth.harris@asx.com.au](mailto:elizabeth.harris@asx.com.au) or by facsimile to (08) 9221 2020. It should not be sent to Company Announcements Office.

The ASX reserves all its rights and remedies in relation to this matter.

If you have any concerns regarding the contents of this letter, please contact me on (08) 9224 0011 or James Rowe on (08) 9224 0001.

Yours sincerely



**Elizabeth Harris**  
**Senior Adviser, Issuers (Perth)**