

Conquest wants action

Luke Forrester

Junior explorer Conquest Mining could be headed for a legal showdown with its major shareholder, the South African miner Gold Fields, over a stalled exploration joint venture in northern Queensland.

Perth-based Conquest began a dispute resolution process with Gold Fields last month after rejecting a proposal from the company to increase its investment in the Mt Carlton joint venture and buy into Conquest's wholly owned Silver Hill gold, silver and copper project.

The issue for Conquest is that Gold Fields has refused to commit to further exploration in the Mt Carlton tenements. It believes this is a bid to avoid paying a higher price for a half-share in Silver Hill.

"They're dragging their feet and I just wonder why," Conquest managing director John Terpu told *The Australian Financial Review*.

"They came a couple of months ago and made us an offer. They were sort of flexing their muscle a little bit and said no more drilling, not this quarter or next, but how about we buy into Silver Hill now?"

Under an agreement signed in July 2007, Gold Fields was required to undertake 150,000 meters of drilling at Mt Carlton within three years to earn a 51 per cent share of the joint venture. After completing the drilling, the company would also have the right to acquire a 50 percent interest in Silver Hill, which is within a seven square kilometre exclusion zone in the Mt Carlton tenements, at a price calculated by applying a small discount to an independently determined net present value for the project.

But Mr Terpu said less than 10 per cent of the drilling had been done and he doubted Gold Fields could complete the program before the earn-in period expired next year.

"In all fairness, they really have done bugger all, and the whole idea was for them to take some risks, as we have," he said.

"If they do 150,000 meters of drilling, we get to share in the upside ...and I know there's more there. We gave them targets."

Conquest expected a response from Gold Fields in relation to the dispute within a few weeks.

Mr Terpu has indicated that if it is deemed unsatisfactory, he will have little choice but to take the matter to court.

Gold Fields executive vice-president Australasia Glenn Baldwin was visiting one of the company's operations in Western Australia yesterday and could not be contacted for comment.

But he said last month he believed Gold Fields still had sufficient time to meet the objectives of the joint venture and the dispute could be resolved amicably.

The falling-out comes as Conquest nears completion of a definitive feasibility study on a \$130 million mine development at Silver Hill and is making good progress on finalising funding.

At the start of the month, the company announced it had received an indicative term sheet and detailed debt-financing proposal for the project from a senior bank and an expression of interest from a Chinese smelter to buy 30,000 tonnes of concentrate a year from the mine.

Silver Hill, which is scheduled to start producing in November next year, is expected to generate 150,000 to 160,000 tonnes of gold, silver and copper concentrate a year.

Conquest shares closed 2c higher at 73.5c yesterday.