

Morning Star Gold Mine, Woods Point VIC

Mineral Resource Update to June 1998

Presented To: Mount Conqueror Minerals NL
Level 4 - 20 Loftus Street, Sydney 2000

Attention: Mr. John Reynolds, Chairman

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EXECUTIVE SUMMARY

A progressive review of the resource potential has identified a 210% increase in the contained resource of the mineralisation associated with the Main Shaft workings between Levels No. 2 and No. 10.

Work to date has shown a significant increase in the tonnage of underground resources along with a slight increase in the average grade. The inventory has been altered to represent resources in accordance with the JORC guidelines and with a statement of criteria to assume levels of confidence. To meet with these requirements and current economic / production scenarios, all previously quoted reserve figures have been reclassified as either Measured or Indicated Resources as applicable.

The mineralisation reviewed in this report only relates to the inventory from between Levels No. 2 and No. 10 of the Main Shaft mine workings. The current inventory for these resources has been increased to 757,000 t @ 6.33 g/t Au, from 260,900 t @ 5.78 g/t in the 1993 inventory.

The total identified mineral resources for the Main Shaft below RL 1660m has been increased to 1,577,000 t @ 5.5 g/t Au. The Morning Star Hill Resource (above RL 1660m) has not yet been reviewed - figures previously stated are 2,128,600t @ 2.1 g/t Au.

At this time, there appears to be no restrictions to the potential for similar mineralisation horizons to be identified on the undeveloped portion of the mine between No. 10 and No. 14 Levels, as well as extensions to known mineralisation between Levels No. 14 and No. 25.

There also exists considerable identified mineralisation in underground drill hole intersections, which require 3D spatial orientation and review.

The Mineral Resource Inventory is divided into the two Project Areas; the potential surface operations on the Morning Star Hill and the potential underground operations via the Main Shaft. The resources above RL 1660m have not been reviewed in this study and are subject to review upon completion of the 3D spatial orientation and review of drill data.

Project Area 1:

Morning Star Hill - Proposed Surface Operation (above RL 1660m)

Measured Resource	736,000 tonnes @	2.0 g/t
Indicated Resource	792,800 tonnes @	2.2 g/t
Inferred Resource	599,800 tonnes @	2.2 g/t

Total Identified Mineral Resources 2,128,600 tonnes @ 2.1 g/t

Project Area 2:

Main Shaft - Proposed Underground Operation (beneath RL 1660m)

Measured Resource	85,000 tonnes @	11.5 g/t
Indicated Resource	232,000 tonnes @	8.4 g/t
Inferred Resource	1,260,000 tonnes @	4.5 g/t

Total Identified Mineral Resources 1,577,000 tonnes @ 5.5 g/t

Note: Significant potential exists for mineralisation extensions pending detailed review of data beneath Level No. 10 and incorporation of the drill hole database.

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@ July 16th, 1998

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Resource Review

This program has specifically examined only known reefs associated with the Main Shaft workings between Levels No. 2 and No. 10.

The program has not fully utilised known drill hole intersections unless they were already within the existing drill hole database and they were within 5 metres of the inclined plane representing the reef workings.

In the attached appendices, maps / plans showing the outlines of mine workings with known drill hole intersections within 5m of the centre of the inclined plane. Where these intersections clearly represent a continuation of the plane - they have been used to extend the boundary of the Inferred Resource outlines.

The reason for limiting plane section thickness to +/- 5m is that the geological characteristics of this deposit would support the presence of a new or separate mineralised structure parallel to the known workings. Exposure in surface outcropping and underground access on all levels down to No. 4 Level, support parallel 'ladder-type' repetitions on 5 to 15m spacing.

There are numerous cases in the +/- 5m sections where there are drill hole intersections both above and below the plane, therefore verifying the occurrences of two separate mineralised structures. This type of mineralisation and their respective volumes have not been included in this resource summary.

Volume Review

There has been a considerable increase in the total volume attributed to each known mineralised structure. This has been based upon several variables:

- 1. Underground exposure of continuous mineralised structures (N4R, Dickenson);**
- 2. Underground survey detail of stopes increasing historical mining widths (Whitelaw, Burns, Campbell's);**

3. 3D - modeling of workings combined with projections of inclined planes supporting previously unrelated workings on different mine levels as being a common structure (WHH, Tills, FWStones, HWStones); and
4. Close-spaced drill hole intersections within the +/- 5m plane section (Whitelaw, Tills).

With respect to survey detail (Item 2) – GMA surveys of stopes recovered from archival data show these 3 stopes had actual mining widths of 1.85 to 2.45 metres. When the original 1993 (Report 7400) resource projections were made, they were based on an assumed stope width of 1.5 to 2.1m widths for the various reefs. This only became apparent after 3D - modeling of stitched HW and FW surfaces created from survey details.

This modeling was used to create average inclined planes for each surface, which was then projected to the mine limits. These projections coincidentally matched some unrelated workings on other mine levels thereby substantiating the larger volumes (Item 3).

Grade Review

There were 3 sources of grade information utilised:

1. Underground sampling (3Int R, Shamrock, Dickenson, N4R);
2. Stope assay plans from archival records which detailed channel width, quartz vein width, wallrock width and respective grades (some data available for all stopes except WHH); and
3. Drill hole intersections.

Stope and drill hole assays ranged from nil to >17,000 g/t Au. The actual reported grades were used in all calculations with no cutting. In the case of the 17,000 g/t sample over a 1.5cm quartz vein, the diluted grade was approximately 130g/t over a 2m mining width.

Where no assay data existed, a background grade was assigned for that area. The criteria for assigning background grades are based upon the results of post-1994 sampling and drilling programs.

Where no previous data existed and the nature of the mineralisation host structure was unspecified then an assigned background grade of 3.0 g/t Au was attributed. This was considered to be fair and reasonable for mineralisation peripheral to gold-bearing quartz veins which when sampled consistently returned grades between 2 and 5 g/t.

Where the mineralisation is inferred to represent the direct continuation of a known structure (reef, stope, development heading) and that a known gold - bearing presence is proximal, then the grade of 5.0 g/t was assigned over a width of 1.5m which included the host structure.

Where significant development of a stope in 2D or 3D had occurred, but no grade detail was available then an assigned grade of 10 g/t over a 1.5m width was attributed. Where development was only in 2D, the higher-grade assignation was generally limited to a 5m envelope around the development perimeter.

Mineralisation widths are at this point limited to between 1.5 and 2.5m depending upon the individual structure. Spacing of the structures is generally 5 to 15m apart in a ladder formation, however the widths increase where sub-parallel or conjugate structures merge / intersect. For the purposes of this study the grade distribution laterally away from the centre of the gold - bearing structure was limited to between 0.75 and 1.25m unless otherwise stated.

Further Areas for Assessment

It is important to note that this study was only based on the Main Shaft workings between Levels No. 2 and No. 10.

From the surface outcrop down to approximately Level No. 4, there are a variety of old workings and surface drill hole intersections which have identified the ‘near-surface’ resource of 2.1 million tonnes @ 2.1 g/t Au. Within this there is a proposed shallow - pit scenario that would extract a portion of this resource (464,000 t @ 2.6 g/t).

Some portions of the near-surface resource may be viably accessed from underground. This reassessment of the surface resource needs to be carried out.

Substantial pre-1963 drill hole logs still exist without assay data. A system of attributing prospectivity to these intersections (MPV’s) has been developed, but has not been incorporated into the database. Modeling of drill hole intersections (DT’s) which were never assayed (but can now be assigned MPV’s), would identify known mineralisation throughout the mine.

This should initially be carried out for intersections between the surface and No. 10 Level.

Upon successful implementation of this method, it would be the most appropriate form of assessment of the “GAP” in development between Levels No. 9 and No. 14. Known and assayed drillhole intersections in this area alone support the potential of major reef structures akin to Whitelaw, Burns and Achilles.

On a per vertical metre basis, there is strong potential for > 250,000 ounces of gold to be present in this undeveloped central portion of the mine.

Although Levels No. 9, 10, 13, and 14 have some development; it is relatively minor considering known drillhole intersections and mineralisation spacing characteristics.

From Level No. 14 down to Level No. 25 there is a significant production history including the Morning Star’s most prolific reef (Achilles) and its richest reef (Stirling). From the knowledge and confidence gained in the upper workings, it is strongly believed that the potential to extend the resources between these two structures is as good if not better than what was observed between Levels No. 2 and 10.

Not only are there significant resources already blocked out in 2D and 3D, but drillhole intersections are known confirming substantial secondary reefs and stockworks between and peripheral to the known workings.

It is believed that completion of resource assessment related to the known reefs should be the priority followed closely by the processing of the drillhole database for this part of the mine.

Very few of the historical drillhole logs have been entered into the database for drilling below Level No. 14. Most of these logs have no assay data and require MPV assignation.

A preliminary review of these logs has outlined several mineralised zones which appear to have no further development or exploration, although they are very close to existing access.

Some drillholes went deeper than Level No. 25; one such hole MS 102 went down to the equivalent of Level No. 32 (deepest hole).

Drillhole MS 102 was extremely prospective and was used as the guide to sink the internal shaft from Level No. 19 to Level No. 25. It intersected several gold bearing reefs including 4 intercepts at between the No. 31 and 32 level equivalents. This hole was still in the host diorite dyke at completion, but drilling had to be suspended simply because the rig had surpassed its depth limitations (433m for an underground air-rig). The drill records support the competent nature of the host rock at such depths.

It is believed that the scope for new mineralisation beneath Level No. 25 is very positive considering known drillhole intersections and the open - ended nature of the host dyke.

Criteria for Resource Classification

The basic criteria for resource classification used in this study is based upon JORC guidelines with a strong application of local knowledge of this mineralisation type.

It must be point out that although bulk testing and metallurgical review both increased the overall grades above average 1 Kg sample fire assays, at this point we have not utilised any factoring to increase calculated grades. Our studies have shown grade increases in excess of 100% from the bulk testing.

It is also interesting to point out that statistical studies carried out by GMA and by Gamble (1987) gave even greater grade increases between face / truck samples versus mill recoveries.

The grades utilised in this review are the actual assay results where available or assigned backgrounds as per our tests and outlined on page 5 (Grade Review).

Based upon historical data it is not unreasonable that the potential recovered grades may be twice that outlined in this report.

Reserves

The definition that Reserves require not only clear definition of the mineralisation, but also its ability to be extracted for a profit, restricts our ability to justify pre-1963 Proved and Probable Reserves as current reserves. The main reasons are:

1. Not all archival records are available to confirm these areas remain intact;
2. Access to these areas to verify such information is not available;
3. Economic conditions are not as they were in the 1950's - 1960's; and
4. The current site has no processing facility in place.

Under these circumstances the pre-1963 reserves have been reclassified as resources.

Measured Resources

This category has been limited in this report to mineralisation that has been blocked out in three dimensions; - it should be pointed out that there were survey details which blocked out mineralisation using 'horseshoe' shaped rise arrangements with development +/- grade detail on 3 sides. This was deemed acceptable criteria knowing the continuous nature of these orebodies.

In these cases a limiting distance of approximately 5 metres was assigned to the open side. In some cases this created the shape of a rib-pillar along the top or bottom of existing rise/winze stopes.

As far as grade is concerned - these areas either had good grade detail or significant production history to validate sub-economic to economic grades for the representative period in history (we have a full mill production history from the archival records which provides detailed average annual recovered grades).

Indicated Resources

This classification was used for mineralisation blocked out through leading development from two sides or as a perimeter envelope to the leading face of stoping / rising.

This envelope was limited to a 5 to 15m perimeter ring. A distance of > 10m from the leading face was only used when geological or drillhole evidence supported the continuity of mineralisation.

As far as grade is concerned - these areas either had some grade detail or significant continuity of grade to ensure the continuation of the development / stope.

Inferred Resources

This category was left for a conservative extension of mineralisation to where either point data existed (drillhole intersections) or to include the gap between known and developed mineralised blocks.

The best examples are where development on two levels have identical inclined planes which are contiguous. This supports the contention that the two developments are the same mineralised structure and the zone between them becomes an Inferred Resource. This spacing is generally restricted to 30 to 50 metres maximum.

Perimeter envelopes are restricted to a maximum of 15 metres unless drillhole or geological controls alter that assumption. There were cases in the perimeter envelopes of Burns and Whitelaw reefs where the Inferred Resource ring was less than 10m due to geological controls.

As far as grade is concerned - these areas either had some grade detail or significant or were assigned a background value (generally 3 g/t Au). This was generally done for drillhole intersections without assay data.

In reviewing criteria for assessment of resources, it must be pointed out that the mineralisation style at the Morning Star is very well controlled and understood. Its continuity and predictability allows for a high level of confidence with respect to position and size of the mineralised body.

Therefore the volume / tonnage computations are considered to be well defined as minimums.

Conversely, the nature of the coarse gold distribution will always make grade definition more difficult. For the categorisation of the resources, we utilised some of the prospectivity attributes (MPV) where drillhole intersections had little or no assay detail:

1. gold presence - known
2. gold presence - unknown, but assumed based on other indicators (sulphides/alteration)
3. gold presence - unknown, but assigned - a few indicators

NOTE:

When a comparison of assays (grades recorded) versus mill production records (grade recovered) was carried out for the years 1934 to 1939 for the Burns, Whitelaw, Campbell's, WHH and BrnD76 stopes the following was observed:

Average sample assay range from stopes:	6.09 to 12.4 g/t Au.
Average mill recovered grade 1934-39:	22.1 to 67.7 g/t Au.
Grade Correction Factor:	~350% to 540%
In this resource estimate - Ave. Grade:	6.33 g/t
Grade Factoring -- Potential Grade:	22.1 to 34.2 g/t Au.

Grade factoring has been used in recent Australian public reporting of reserves / resources.

With due disclosure, it is advised that some recognition of this historical evidence along with the results of the bulk testing carried out in 1997, should be acceptably passed on to the shareholders and regulatory authorities.

There is no doubt that the application of grade factoring would greatly affect the value and viability of this project.

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@ July 30th, 1998

