

CONQUEST RESOURCES LIMITED

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

For the nine-month period ended September 30, 2020

**NOTICE OF NO AUDITOR REVIEW OF
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with standards established by CPA Canada for a review of interim financial statements by an entity's auditor.

CONQUEST RESOURCES LIMITED

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

For the nine-month period ended September 30, 2020

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CONQUEST RESOURCES LIMITED**Condensed Interim Consolidated Statement of Financial Position***Unaudited - prepared by management***As at September 30, 2020**

Expressed in Canadian dollars

| | | September 30, 2020 | December 31, 2019 (Audited) |
|--------------------------------------------|-------|-----------------------|-----------------------------------|
| | Notes | \$ | \$ |
| ASSETS | | | |
| Current | | | |
| Cash | | 378,232 | 252,034 |
| Restricted cash | 7/16 | 4,414,632 | - |
| Amounts receivable | 4 | <u>39,722</u> | <u>6,602</u> |
| Total current assets | | <u>4,832,586</u> | <u>258,636</u> |
| Long-term assets | | | |
| Investments in mineral rights | 5 | 627,900 | 627,900 |
| Mineral properties | 5 | <u>1</u> | <u>1</u> |
| Total long-term assets | | <u>627,901</u> | <u>627,901</u> |
| Total assets | | <u>5,460,487</u> | <u>886,537</u> |
| LIABILITIES | | | |
| Current | | | |
| Accounts payable and accrued liabilities | 6 | 199,248 | 251,804 |
| Subscriptions to be issued | 7/16 | 4,414,632 | - |
| Share premium liability | | <u>109,382</u> | <u>78,130</u> |
| Total liabilities | | <u>4,723,262</u> | <u>329,934</u> |
| SHAREHOLDERS' EQUITY | | | |
| Capital stock | 8 | 15,844,980 | 15,484,532 |
| Warrants | 9 | 27,304 | 21,389 |
| Share-based payment reserve | 11 | <u>77,715</u> | <u>-</u> |
| | | 15,949,999 | 15,505,921 |
| Deficit | | <u>(15,212,774)</u> | <u>(14,949,318)</u> |
| Total shareholders' equity | | <u>737,225</u> | <u>556,603</u> |
| Total liabilities and shareholders' equity | | <u>5,460,487</u> | <u>886,537</u> |

Nature of operations (Note 1)
Commitments and contingencies (Notes 2, 7 and 13)
Subsequent event (Note 16)

The financial statements were approved by the Board of Directors on November 24, 2020 and signed on its behalf by:

Signed "John F. Kearney" , Director

Signed "Tom Obradovich" , Director

See accompanying notes to the condensed interim consolidated financial statement

CONQUEST RESOURCES LIMITED**Condensed Interim Consolidated Statement of Operations and Comprehensive Income (Loss)***Unaudited - prepared by management***For the nine-month period ended September 30**

Expressed in Canadian dollars

| | Three months ended September 30 | | Nine months ended September 30 | |
|---------------------------------------------------|---------------------------------|----------------|--------------------------------|----------------|
| | 2020 | 2019 | 2020 | 2019 |
| | \$ | \$ | \$ | \$ |
| Expenses | | | | |
| Share-based payment | 10 | 25,905 | - | 77,715 |
| Corporate expenses | | 13,199 | 1,294 | 31,687 |
| Professional fees | | 21,220 | 16,819 | 69,646 |
| Office and general | | 5,930 | 10,377 | 18,585 |
| Exploration and evaluation expenses | 5 | 65,151 | 11,887 | 73,886 |
| Loss and comprehensive loss for the period | | <u>131,405</u> | <u>40,377</u> | <u>263,456</u> |
| | | | <u>263,456</u> | <u>157,104</u> |
| Net loss per common share | | | | |
| - Basic and diluted | | 0.003 | 0.001 | 0.005 |
| Weighted average common shares outstanding | | | | |
| - Basic and diluted | | 50,349,402 | 47,569,339 | 50,349,402 |

See accompanying notes to the condensed interim consolidated financial statements

CONQUEST RESOURCES LIMITED

Condensed Interim Consolidated Statements of Changes in Equity

Unaudited - prepared by management

Expressed in Canadian dollars

| | Capital Stock \$ | Warrants \$ | Share-based payment reserve \$ | Deficit \$ | Total \$ |
|----------------------------------------|------------------------|----------------|-----------------------------------------|---------------------|----------------|
| Balance December 31, 2018 | 15,335,331 | 28,000 | 64,690 | (14,827,572) | 600,449 |
| Warrants expired | - | (28,000) | - | 28,000 | - |
| Shares issued | 10,000 | - | - | - | 10,000 |
| Stock options expired | - | - | (64,690) | 64,690 | - |
| Loss for the period | - | - | - | (157,104) | (157,104) |
| Balance September 30, 2019 | <u>15,345,331</u> | <u>-</u> | <u>-</u> | <u>(14,891,986)</u> | <u>453,345</u> |
| Shares pursuant to an option agreement | 2,500 | - | - | - | 2,500 |
| Proceeds from private placement | 240,000 | - | - | - | 240,000 |
| Less share issue costs | (3,780) | - | - | - | (3,780) |
| Less reserve for warrants | (21,389) | 21,389 | - | - | - |
| Less share premium liability | (78,130) | - | - | - | (78,130) |
| Loss for the period | - | - | - | (57,332) | (57,332) |
| Balance December 31, 2019 | <u>15,484,532</u> | <u>21,389</u> | <u>-</u> | <u>(14,949,318)</u> | <u>556,603</u> |
| Stock options issued | - | - | 77,715 | - | 77,715 |
| Shares issued in settlement of debt | 144,481 | - | - | - | 144,481 |
| Proceeds from private placement | 150,000 | - | - | - | 150,000 |
| Less share issue costs | (9,366) | - | - | - | (9,366) |
| Less reserve for warrants | (18,748) | 18,748 | - | - | - |
| Less share premium liability | (31,252) | - | - | - | (31,252) |
| Exercise of warrants | 125,333 | (12,833) | - | - | 112,500 |
| Loss for the period | - | - | - | (263,456) | (263,456) |
| Balance September 30, 2020 | <u>15,844,980</u> | <u>27,304</u> | <u>77,715</u> | <u>(15,212,774)</u> | <u>737,225</u> |

See accompanying notes to the condensed interim consolidated financial statements

CONQUEST RESOURCES LIMITED
Condensed Interim Consolidated Statements of Cash Flows
For the nine-month periods ended September 30, 2020 and 2019
Unaudited - prepared by management
Expressed in Canadian dollars

| | 2020 | 2019 |
|-----------------------------------------------------------------|------------------|-----------------|
| | \$ | \$ |
| Cash flows from operating activities | | |
| Net loss for the period | (263,456) | (157,104) |
| Less share-based payment | 77,715 | - |
| Movements in working capital | | |
| (Increase)/decrease in amounts receivable and prepaid expense | (33,120) | 34,168 |
| (Decrease)/increase in accounts payable and accrued liabilities | <u>(52,556)</u> | <u>104,014</u> |
| Net cash used in operating activities | <u>(271,417)</u> | <u>(18,922)</u> |
| Cash flows from financing activities | | |
| Shares issued for debt | 144,481 | - |
| Proceeds from issue of shares | 262,500 | 10,000 |
| Less share issue costs | <u>(9,366)</u> | <u>-</u> |
| Net cash received from financing activities | <u>397,615</u> | <u>10,000</u> |
| Increase/(decrease) in cash | 126,198 | (8,922) |
| Cash, beginning of year | <u>252,034</u> | <u>11,292</u> |
| Cash, end of period | <u>378,232</u> | <u>2,370</u> |

See accompanying notes to the condensed interim consolidated financial statements

CONQUEST RESOURCES LIMITED
Notes to the Condensed Interim Consolidated Financial Statements
For the nine-month periods ended September 30, 2020 and 2019
Expressed in Canadian dollars

1. NATURE OF OPERATIONS

Conquest Resources Limited (the “Company” or “Conquest”) has interests in exploration and evaluation properties located in northern Ontario. Substantially all of the Company’s efforts are devoted to exploring and developing these properties. Conquest is a public company listed on the TSX Venture Exchange (“TSX-V”) and trades under the symbol “CQR.V”. The Company’s head office is located at 55 University Ave, Suite 1805, Toronto, Ontario, M5J 2H7.

These consolidated financial statements are prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. At September 30, 2020, the Company had limited working capital, had not achieved profitable operations, had an accumulated deficit since inception and expects to incur further losses in the development of its business. The Company has relied on equity financing to fund its working capital requirements. The Company will need to generate additional financial resources in order to fund its planned exploration programs.

The Company’s operations could be significantly adversely affected by the effects of the global spread of the contagious coronavirus, causing the outbreak of COVID-19 respiratory disease which was declared a pandemic by the World Health Organization on March 11, 2020. The Company cannot predict the impact the COVID-19 pandemic will have on its operations, including uncertainties relating to the duration of the outbreak, the impact on schedules and timelines for planned operations or exploration programs and the length of travel and quarantine restrictions imposed by governmental authorities. In addition, this widespread health crisis has adversely affected the economies and financial markets of many countries, resulting in an economic downturn that could further affect the Company’s operations and ability to finance its operations. The COVID-19 pandemic has not made a material impact on the Company’s operations as at September 30, 2020.

2. BASIS OF PREPARATION

These condensed interim consolidated financial statements of the Company and its subsidiaries were prepared in accordance with International Accounting Standard 34, Interim Financial Reporting (“IAS 34”) using accounting policies consistent with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”). The accounting policies set out below were consistently applied to all periods presented, unless otherwise noted.

These condensed interim consolidated financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Company’s audited consolidated financial statements for the year ended December 31, 2019 prepared in accordance with IFRS.

These consolidated financial statements have been prepared on a historical cost basis except for marketable securities which are measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except cash flow information.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The condensed interim consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the nine-month period are included in the consolidated statement of operations from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Company. All material intra-Company transactions, balances, income and expenses are eliminated on consolidation.

The standards and interpretations within IFRS are subject to change and accordingly, the accounting policies that are relevant to the Company will be finalized only when the annual IFRS financial statements are prepared for the year ending December 31, 2020. The accounting policies chosen by the Company have been applied consistently to all periods presented.

CONQUEST RESOURCES LIMITED
Notes to the Condensed Interim Consolidated Financial Statements
For the nine-month periods ended September 30, 2020 and 2019
Expressed in Canadian dollars

4. ACCOUNTS RECEIVABLE

| | September 30, 2020 | December 31, 2019 |
|--------------------------|-----------------------|----------------------|
| | \$ | \$ |
| Receivable sales taxes | 29,027 | 6,602 |
| Other amounts receivable | 10,695 | - |
| | 39,722 | 6,602 |

5. MINERAL PROPERTIES – EXPLORATION AND EVALUATION EXPENDITURES

The following table shows the Company's cumulative exploration and evaluation expenditures which have been expensed according to the Company's accounting policy:

| | September 30, 2020 | Additions | December 31, 2019 | Additions | December 31, 2018 |
|-------------|-----------------------|-----------|----------------------|-----------|----------------------|
| | \$ | \$ | \$ | \$ | \$ |
| Alexander | 6,248,560 | 1,792 | 6,246,768 | 1,792 | 6,244,976 |
| Golden Rose | 422,995 | 71,821 | 351,174 | 50,115 | 301,059 |
| Smith Lake | 1,269,549 | 851 | 1,268,698 | 18,744 | 1,249,954 |
| King Bay | 1,003,189 | - | 1,003,189 | 3,993 | 999,196 |
| Total | 8,944,293 | 74,464 | 8,869,829 | 74,644 | 8,795,185 |

Alexander Property, Red Lake, Ontario

The Company has earned a 100% interest in the Alexander Property, a group of patented mining claims situated in Balmer Township, Red Lake Mining District, Ontario, subject to a 2% net smelter return ("NSR") in favour of Energold Minerals Inc. ("Energold"). Energold is controlled by a director of the Company.

Golden Rose Property, Emerald Lake, Ontario

Through its wholly owned subsidiary, Northern Nickel Mining Inc. the Company holds four (4) mining leases and twenty eight (28) staked mining claims, together with 148 additional claims in adjacent claim blocks, collectively known as the Golden Rose Property, situated in Afton and Scholes townships at Emerald Lake approximately 65 km northeast of Sudbury, Ontario. A portion of the Golden Rose property comprising certain of the 28 unpatented staked claims is subject to a 1.5% NSR in favour of Osisko Gold Royalties Ltd., and the patented claims and leases are subject to a 2% NSR in favour of EnerMark Inc. The Company invested \$627,900 to acquire the Golden Rose property through the acquisition of Northern Nickel Mining Inc in 2017.

Smith Lake Property, Missinabie, Ontario

The Company holds six (6) patented mining leases and one hundred eighty-one (181) mining claims in the Missinabie area of Northern Ontario, in Leeson, Stover and Rennie Townships, Sault Ste. Marie Mining Division, located approximately 100 kilometres northeast of Wawa.

King Bay Property, Sturgeon Lake, Ontario

The King Bay property comprises one Mining Lease and thirteen (13) Patented Mining Claims at Sturgeon Lake, in northwestern Ontario.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | September 30, 2020 | December 31, 2019 |
|------------------------------------------|-----------------------|----------------------|
| | \$ | \$ |
| Trade payables | 107,452 | 103,804 |
| Payable to related parties (Note 12) | 77,636 | 121,400 |
| Accrued liabilities | 14,160 | 26,600 |
| Accounts payable and accrued liabilities | 199,248 | 251,804 |

CONQUEST RESOURCES LIMITED
Notes to the Condensed Interim Consolidated Financial Statements
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Expressed in Canadian dollars

7. SUBSCRIPTION RECEIPTS FINANCINGS

On September 16, 2020, the Company closed a non-brokered subscription receipt financing (the “Non-Brokered Financing”), and a separate concurrent subscription receipt financing with Kirkland Lake Gold Ltd. (the “KL Financing”) to raise an aggregate gross proceeds of \$4,414,632. The gross proceeds of the private placement financings were held in escrow as at September 30, 2020 until satisfaction of the escrow release conditions (note 16). The amount is recorded as restricted cash at September 30, 2020, with a corresponding subscription liability for the same amount. Included in the amount are finders fees and professional fees totaling \$152,414 that will be paid to parties assisting in the Non-Brokered Financing.

KL Financing

In connection with the KL Financing, Conquest issued 10,000,000 subscription receipts (the “KL Subscription Receipts”) to Kirkland Lake Gold Ltd. (“Kirkland Lake”) at a price of \$0.13 each for a gross receipts of \$1,300,000. Each KL Subscription Receipt entitles the holder to acquire one unit of Conquest (a “KL Unit”), for no additional consideration. Each KL Unit consists of one common share of Conquest (as it exists after giving effect to the 2.5 for 1 consolidation of the issued and outstanding Conquest shares (note 15)) and one quarter of one share purchase warrant of Conquest. Each full share purchase warrant (a “Warrant”) is exercisable at \$0.18 for a period of two years following the completion of Conquest’s acquisition of Canadian Continental Exploration Corp (“CCEC”) (note 16).

The KL Subscription Receipts will automatically convert into KL Units and the KL Financing proceeds will be released from escrow to Conquest upon the Company’s completion of the acquisition of CCEC and common share consolidation (note 16). In the event that the escrow release conditions are not satisfied by November 30, 2020, the KL escrowed funds will be returned to Kirkland Lake and the KL Subscription Receipts will be cancelled.

Non-Brokered Financing

In connection with the Non-Brokered Financing, Conquest issued 21,105,263 subscription receipts at a price of \$0.12 each (the “Non-Brokered HD Subscription Receipts”), for gross proceeds of \$2,534,792 and 3,880,004 subscription receipts at a price of \$0.15 each (the “Non-Brokered FT Subscription Receipts”), for gross proceeds of \$582,000. Each Non-Brokered HD Subscription Receipt entitles the holder to acquire one unit of Conquest (a “Non-Brokered Unit”), for no additional consideration. Each Non-Brokered Unit consists of one share of Conquest (as it exists after giving effect to the 2.5 for 1 consolidation of the issued and outstanding Conquest shares (note 16)) and one-half of one Warrant. Each Non-Brokered FT Subscription Receipt entitles the holder to acquire one flow-through share (an “FT Share”) of Conquest (as it exists after giving effect to the share consolidation), for no additional consideration.

The Non-Brokered HD Subscription Receipts will automatically convert into Non-Brokered Units, the Non-Brokered FT Subscription Receipts will automatically convert into FT Shares and the Non-Brokered Financing proceeds will be released to Conquest upon the satisfaction of the escrow release conditions (note 16). In the event that the escrow release conditions are not satisfied by November 30, 2020, the Non-Brokered Financing proceeds will be returned to the subscribers for Non-Brokered HD Subscription Receipts and Non-Brokered FT Subscription Receipts (collectively, the “Non-Brokered Subscription Receipts”) and the Non-Brokered Subscription Receipts will be cancelled.

CONQUEST RESOURCES LIMITED
Notes to the Condensed Interim Consolidated Financial Statements
For the nine-month periods ended September 30, 2020 and 2019
Expressed in Canadian dollars

8. CAPITAL STOCK

| Common shares | Common shares | Amount \$ |
|--------------------------------------------------|--------------------|-------------------|
| Authorized | | |
| Unlimited common shares, with no par value | | |
| Issued and fully paid | | |
| Balance at December 31, 2018 | 118,923,348 | 15,335,331 |
| Shares issued on July 5, 2019 | 50,000 | 2,500 |
| Shares issued on December 31, 2019 | 5,000,000 | 250,000 |
| Less share issue costs | - | (3,780) |
| Less reserve for warrants | - | (21,389) |
| Less flow-through share premium liability | - | (78,130) |
| Balance at December 31, 2019 | <u>123,973,348</u> | <u>15,484,532</u> |
| Shares issued in settlement of debt | 2,889,619 | 144,481 |
| Shares issued | 3,000,000 | 150,000 |
| Exercise of warrants | 1,500,000 | 125,333 |
| Less share issue costs | - | (9,366) |
| Less reserve for warrants | - | (18,748) |
| Less flow-through share premium liability | - | (31,252) |
| Balance at September 30, 2020 | <u>131,362,967</u> | <u>15,844,980</u> |
| Balance at September 30, 2020 post consolidation | <u>52,545,172</u> | <u>15,844,980</u> |

The number of common shares outstanding at September 30, 2020 post-consolidation is adjusted to reflect the 2.5 for 1 common share consolidation effective October 14, 2020 (note 16).

On September 24, 2020, the Company issued 1,500,000 pre-consolidation common shares as a result of the exercise of 1,500,000 warrants for pre-consolidation shares for net cash proceeds of \$112,500.

During the period ended March 31, 2020, the Company settled an aggregate indebtedness of \$74,167 by the issue of a total of 1,483,333 pre-consolidation shares at a deemed issue price of \$0.05 per share.

On March 5, 2020, the Company issued 1,406,286 pre-consolidation shares valued at \$70,314 to Energold Minerals Inc., an affiliate of John Kearney, a director and Chairman of the Company, in settlement of advances previously provided for working capital. See Note 11.

On February 26, 2020, the Company completed the second tranche of its non-brokered, private placement through the issuance of 2,000,000 pre-consolidation flow-through units and 1,000,000 pre-consolidation units at a price of \$0.05 per unit, for gross proceeds of \$150,000. Each unit consists of one share and one-half of a share purchase warrant. One whole warrant is exercisable to purchase one common share at an exercise price of \$0.075 for a period of one year from issue. Proceeds totaling \$100,000 from the issuance of flow-through shares must be spent on qualifying Canadian Exploration Expenditures by December 31, 2021. As a result of COVID-19, the Government of Canada has extended the timelines for expenditures of capital raised via flow-through shares by 12 months to December 31, 2022.

The fair value of the 1,500,000 warrants for pre-consolidation shares issued, in the amount of \$18,748, was estimated on the date of issue using the Black-Scholes option pricing model under the following assumptions: expected dividend yield of 0%, expected volatility of 137%, risk free interest rate of 1.71% and an expected life of one year. Expected volatility is based on the historical share price volatility of the Company's shares over the past year.

The flow-through shares were issued at an average premium of \$0.016 per share to the current market of the Company's shares on the closing date. The premium of \$31,252 was recognized as a liability as at September 30, 2020. The liability will be reversed and recorded as other income from flow-through premium on the statement of operations upon renunciation in 2020 or 2021.

CONQUEST RESOURCES LIMITED
Notes to the Condensed Interim Consolidated Financial Statements
For the nine-month periods ended September 30, 2020 and 2019
Expressed in Canadian dollars

8. CAPITAL STOCK (CONTINUED)

The fair value of the 2,500,000 pre-consolidation warrants issued, in the amount of \$21,389, was estimated on the date of issue using the Black-Scholes option pricing model under the following assumptions: expected dividend yield of 0%, expected volatility of 137%, risk free interest rate of 1.71% and an expected life of one year. Expected volatility is based on the historical share price volatility of the Company's shares over the past year.

The flow-through shares were issued at an average premium of \$0.016 per share to the current market of the Company's shares on the closing date. The premium of \$78,130 was recognized as a liability as at December 31, 2019. The liability will be reversed and recorded as other income from flow-through premium on the statement of operations upon renunciation in February 2021.

9. WARRANTS

The following warrants were outstanding at September 30, 2020:

| | Number of Warrants | Weighted Average Exercise Price \$ | Expiry Date |
|--------------------------------------------------|-----------------------|---------------------------------------------|-------------------|
| Balance at December 31, 2018 | 983,270 | 0.075 | |
| Warrants expired | (983,270) | 0.075 | |
| Warrants on units issued | 2,500,000 | 0.075 | December 31, 2020 |
| Balance at December 31, 2019 | 2,500,000 | 0.075 | |
| Warrants exercised | (1,500,000) | 0.075 | |
| Warrants on units issued | 1,500,000 | 0.075 | February 26, 2021 |
| Balance at September 30, 2020 | 2,500,000 | 0.075 | |
| Balance at September 30, 2020 post consolidation | 1,000,000 | 0.1875 | |

10. STOCK OPTIONS

The board of directors has approved a stock option plan for directors, officers, management, employees and other persons who perform ongoing services for the Company or any of its subsidiaries. The purpose of the plan is to attract, retain and motivate these parties by providing them with the opportunity, through stock options, to acquire a proprietary interest in the Company and to benefit from its growth.

The maximum number of common shares reserved for issuance upon the exercise of options is not to exceed ten percent of the total number of common shares outstanding immediately prior to such an issuance. The maximum number of common shares reserved for issuance to any one participant upon the exercise of options is not to exceed five percent of the total number of common shares outstanding immediately prior to such an issuance. The options are non-assignable and may be granted for a term not exceeding ten years. The exercise price of the options is fixed by the board of directors at the market price of the shares at the time of grant, subject to all applicable regulatory requirements.

On December 30, 2019, the Company granted 6,000,000 pre-consolidation stock options at an exercisable price of \$0.05 per share, for a term of five years, all vesting quarterly over a period of two years, to directors, officers and service providers. Directors and officers were awarded 4,900,000 pre-consolidation options. The grant date fair value of these options was estimated at \$207,244. The estimated fair value was calculated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 226%; risk free interest rate of 1.66% and expected life of 5 years.

The following table summarizes the stock option transactions for the periods ended September 30, 2020 and December 31, 2019:

| | Number of Options | Weighted Average Exercise Price \$ |
|---------------------------------------------------|----------------------|---------------------------------------------|
| Balance, December 31, 2018 | 5,600,000 | 0.05 |
| Stock options expired | (5,600,000) | 0.05 |
| Stock options issued | 6,000,000 | 0.05 |
| Balance, December 31, 2019 and September 30, 2020 | 6,000,000 | 0.05 |
| Balance at September 30, 2020 post consolidation | 2,400,000 | 0.125 |

CONQUEST RESOURCES LIMITED
Notes to the Condensed Interim Consolidated Financial Statements
For the nine-month periods ended September 30, 2020 and 2019
Expressed in Canadian dollars

10. STOCK OPTIONS (CONTINUED)

The following table summarizes the stock options outstanding as at September 30, 2020:

| | Number of stock options outstanding | Weighted Average exercise price \$ | Expiry Date |
|-------------------------------|-------------------------------------------|---------------------------------------------|-------------------|
| Balance at September 30, 2020 | 6,000,000 | 0.05 | December 31, 2024 |
| pre-consolidation | 6,000,000 | 0.05 | |
| Balance at September 30, 2020 | | | |
| post consolidation | 2,400,000 | 0.125 | |

11. SHARE-BASED PAYMENT RESERVE

Share-based payment reserve transactions for the periods ended September 30, 2020 and December 31, 2019 were as follows:

| | |
|-----------------------------|-----------------|
| | \$ |
| Balance, December 31, 2018 | 64,690 |
| Stock options expired | <u>(64,690)</u> |
| Balance, December 31, 2019 | - |
| Stock options vested | <u>77,715</u> |
| Balance, September 30, 2020 | <u>77,715</u> |

12. RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed.

No fees were paid by the Company to directors for their services as directors of the Company in the periods ended September 30, 2020 or September 30, 2019.

During the nine-month period ended September 30, 2020, the Company made payments or accrued \$64,926 (2019 - \$32,808) to related parties, including \$22,500 for management fees to Robert Kinloch, Director, \$37,926 for legal fees to Steenberglaw Professional Corporation, a company controlled by a director of the Company, and \$4,500 for rent to Buchans Resources Limited, a company with common directors.

On September 16, John Kearney, the Chairman and a director of the Company, subscribed for 200,000 post-consolidation Non-Brokered FT Subscription Receipts for gross proceeds of \$30,000 (note 7 and 16).

On February 26, 2020, John Kearney, the Chairman and a director of the Company, subscribed for 1,000,000 pre-consolidation units for gross proceeds of \$50,000 in the private placement financing. See Note 8.

During the period ended March 31, 2020, \$22,500 in liabilities due to related parties was settled through the issue of pre-consolidation 450,000 common shares valued at \$0.05 per share to Robert Kinloch, Director.

On March 5, 2020, the Company issued 1,406,286 pre-consolidation shares valued at \$70,314 to Energold Minerals Inc., an affiliate of John Kearney, the Chairman and a director and of the Company, in settlement of advances previously provided for working capital.

Included in accounts payable and accrued liabilities at September 30, 2020 is \$77,636 (2019 - \$100,505) due to related parties. Such amounts were due on demand, unsecured and non-interest bearing.

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For the nine-month periods ended September 30, 2020 and 2019
Expressed in Canadian dollars

13. COMMITMENTS AND CONTINGENCIES

The Company's exploration activities are subject to various federal and provincial laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

On December 31, 2019, the Company issued flow-through shares for aggregate subscription proceeds of \$250,000 with a commitment to incur the proceeds on qualifying Canadian Exploration Expenditures prior to December 31, 2020. On February 26, 2020, the Company issued flow-through shares for aggregate subscription proceeds of \$100,000 with a commitment to incur the proceeds on qualifying Canadian exploration expenditures prior to December 31, 2021. See Note 8.

14. FINANCIAL INSTRUMENTS

The Company's risk exposures and the impact on the Company's financial instruments are summarized below. There have been no changes in the risks, objectives, policies and procedures.

Interest rate risk

The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by major Canadian banks. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts owing to the Company. Management's assessment of the Company's risk is low as it is primarily attributable to funds held in Canadian banks.

Commodity price risk

The ability of the Company to develop its properties and the future profitability of the Company is directly related to the market price of certain minerals, particularly gold.

Fair value hierarchy and liquidity risk disclosure

The fair value hierarchy has the following levels: (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1); (b) inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (Level 2); and (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3). At September 30, 2020, the Company had no financial instruments to classify within the fair value hierarchy.

The carrying amounts for cash, amounts receivable and accounts payable and accrued liabilities on the consolidated statements of financial position approximate fair value because of the limited term of these instruments.

Liquidity risk

Liquidity risk encompasses the risk that the Company cannot meet its financial obligations as they come due. At September 30, 2020, the Company had cash of \$4,792,864 (December 31, 2019 - \$252,034), including \$4,414,632 (December 31, 2019 - \$nil) restricted cash, to settle accounts payable and accrued liabilities of \$199,248 (December 31, 2019 - \$251,804), including \$77,636 liabilities due to related parties. In March 2020, the Company settled an aggregate indebtedness of \$144,481 by the issue of a total of 2,889,619 pre-consolidation shares at a deemed issue price of \$0.05 per share. All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. The Company has relied on equity financing to fund its working capital requirements and, notwithstanding its working capital deficit, the Company believes it will be able to settle its current obligations from equity financings. There is a risk that additional financing will not be available to the Company on a timely basis or on acceptable terms. (Note 2)

Market risk

Market risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will significantly fluctuate because of changes in market prices. The Company is exposed to market risk through its investments in marketable securities.

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14. FINANCIAL INSTRUMENTS (CONTINUED)

Price volatility of publicly traded securities

Securities of exploration companies have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include macroeconomic developments in North America and globally, and market perceptions of the relative attractiveness of particular industries. The Company's share price is also likely to be significantly affected by short-term changes in metal prices or in the Company's financial condition or results of operations.

Capital risk

The Company manages its capital to ensure that there are adequate capital resources for the Company to maintain and explore its exploration assets. The capital structure of the Company consists of shareholders' equity.

Sensitivity analysis

Cash is invested in investment-grade short-term deposit certificates. At September 30, 2020, the Company did not hold any short-term deposit certificates.

15. CAPITAL MANAGEMENT

The capital of the Company consists primarily of its shareholders' equity.

The Company's objective when managing capital is to maintain adequate levels of funding to support the acquisition, development and exploration of mineral properties and maintain the necessary corporate and administrative functions to facilitate these activities. This is done primarily through equity financing. Future financings are dependent on market conditions and there can be no assurance the Company will be able to raise funds in the future. All equity financings require the approval of the Board of Directors.

The Company invests all capital that is surplus to its immediate operational needs in short term, highly-liquid financial instruments, such as short term guaranteed investment certificates, held with a major Canadian financial institution.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company's capital management objectives, policies and processes have remained unchanged during the nine-month period ended September 30, 2020. The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than Policy 2.5 of the TSX-V which requires adequate working capital or financial resources of the greater of (i) CDN\$50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months.

16. SUBSEQUENT EVENTS

Acquisition of Canadian Continental Exploration Corp

On October 14, 2020, the Company closed the acquisition of Canadian Continental Exploration Corp, ("CCEC") by issuing 40,306,667 post consolidation common shares of the Company to the shareholders of CCEC on the basis of one consolidated share of Conquest for every share of CCEC held. Conquest has also issued 2,900,000 post consolidation options, under the Company's Stock Option Plan, exercisable at \$0.15 per consolidated share expiring between August and September 2021, in replacement for existing options previously outstanding in CCEC. CCEC holds an extensive package of mining claims which surrounds Conquests' Golden Rose Mine Project at Emerald Lake in the Temagami mining camp northeast of Sudbury, Ontario.

Share Consolidation

Immediately prior to the acquisition of CCEC, all the Company's issued and outstanding common shares were consolidated at a consolidation ratio of one (1) new post-consolidation share for every two and one half (2.5) pre-consolidation shares.

The post-consolidation Common Shares commenced trading on the TSXV at the opening of the market on October 16, 2020, under the new CUSIP number 208287201, ISIN CA208287011. The Company's name and stock symbol ("CQR.V") remain unchanged.

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16. SUBSEQUENT EVENT (CONTINUED)

Release of Financing Proceeds from Escrow

Immediately following the share consolidation and acquisition of CCEC on October 14, 2020, the proceeds from the closing of the Company's two Subscription Receipts financings, were released from escrow and the previously issued Subscription Receipts were automatically converted into Units, comprising common shares and warrants and/or flow through common shares, as applicable. The aggregate of 35,003,260 outstanding Subscription Receipts were converted into an aggregate of 35,003,260 post consolidation common shares, including 3,880,004 post consolidation flow-through shares, and 13,061,632 post consolidation common share purchase warrants, each such warrant exercisable for one common share at a price of \$0.18 per share until October 14, 2022.

Grant of Options

PowerOne Capital Markets Limited acted as finder in connection with a portion of the Non-Brokered Financing and has been appointed to act as a financial advisor to Conquest to provide ongoing financial advisory and consulting services. Upon the acquisition of CCEC, Conquest granted PowerOne 750,000 post consolidation stock options under the Company's stock option plan, each exercisable at a price of \$0.13 to acquire one post consolidation share of Conquest, for a period of two years.

Incentive Bonus Royalty

On November 2, 2020, the Board of Directors awarded an incentive bonus to the initiators of the Belfast project in the form of the grant of a total net smelter royalty of 1.5 % on the Belfast property to certain management of the Company. The Belfast property includes the staking of 588 mining cells, encompassing approximately 93 square kilometers, centered on Belfast Township, adjacent to the Company's Golden Rose Property.

Issue of Shares

On November 19, 2020, the Company issued 100,000 post consolidation common shares to the arm's length vendor of 4 mining claim cells in Belfast Township, Ontario.