

CONQUEST RESOURCES LIMITED

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

For the three-month period ended March 31, 2021

**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 three-month period ended March 31, 2021

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CONQUEST RESOURCES LIMITED
Condensed Interim Consolidated Statement of Financial Position
Unaudited - prepared by management
As at March 31, 2021
Expressed in Canadian dollars

	Notes	March 31, 2021 \$	December 31, 2020 (Audited) \$
ASSETS			
Current			
Cash and cash equivalents		4,307,426	5,042,673
Amounts receivable	4	215,139	152,023
Marketable securities	5	153,080	156,640
Prepaid expenses		60,008	12,908
Total assets		<u>4,735,653</u>	<u>5,364,244</u>
LIABILITIES			
Current			
Amounts payable and accrued liabilities	6	176,285	518,140
Flow-through share premium liability		58,054	102,507
Total liabilities		<u>234,339</u>	<u>620,647</u>
SHAREHOLDERS' EQUITY			
Capital stock	8	23,972,978	23,603,978
Warrants	9	719,796	719,796
Share-based payment reserve	10	840,397	684,929
Deficit		(21,031,857)	(20,265,106)
Total shareholders' equity		<u>4,501,314</u>	<u>4,743,597</u>
Total liabilities and shareholders' equity		<u>4,735,653</u>	<u>5,364,244</u>

Nature of operations (Note 1)
Commitments and contingencies (Notes 1, 7 and 12)
Change in accounting policy (Note 3)

The financial statements were approved by the Board of Directors on May 26, 2021 and signed on its behalf by:

Signed "John F. Kearney" , Director

Signed "Tom Obradovich" , Director

See accompanying notes to the condensed interim consolidated financial statements

CONQUEST RESOURCES LIMITED**Condensed Interim Consolidated Statement of Loss and Comprehensive Loss***Unaudited - prepared by management***For the three month periods ended March 31, 2021 and 2020**

Expressed in Canadian dollars

	Notes	2021 \$	2020 \$
Expenses			
Acquisition, exploration and evaluation expenses	7	471,175	4,530
Share-based payment	10	155,468	25,905
Corporate expenses		78,043	12,816
Professional fees	11	88,042	10,500
Office and general		14,916	2,166
Loss before other items		<u>807,644</u>	<u>55,917</u>
Other items			
Flow-through share premium		(44,453)	-
Change in fair value of marketable securities	5	3,560	-
Net loss and comprehensive loss for the period		<u>766,751</u>	<u>55,917</u>
Net loss per common share			
- Basic and diluted		0.006	0.001
Weighted average common shares outstanding			
- Basic and diluted		132,632,662	48,206,143

See accompanying notes to the condensed interim consolidated financial statements

CONQUEST RESOURCES LIMITED
Condensed Interim Consolidated Statements of Changes in Equity
For the three-month periods ended March 31, 2021 and 2020

Unaudited - prepared by management

Expressed in Canadian dollars

	Number of Common Shares (Note 8)	Capital Stock \$	Warrants \$	Share-Based Payment Reserve \$	Deficit (Note 3(b)) \$	Total \$
Balance January 1, 2020	49,589,322	15,484,532	21,389	-	(15,577,219)	(71,298)
Stock options issued	-	-	-	25,905	-	25,905
Shares issued in settlement of debt	593,333	74,167	-	-	-	74,167
Proceeds from private placement	1,200,000	150,000	-	-	-	150,000
Share issue costs	-	(9,366)	-	-	-	(9,366)
Reserve for warrants	-	(18,748)	18,748	-	-	-
Share premium liability	-	(31,252)	-	-	-	(31,252)
Loss for the period	-	-	-	-	(55,917)	(55,917)
Balance March 31, 2020	51,382,655	15,649,333	40,137	25,905	(15,633,136)	82,239
Balance January 1, 2021	132,587,106	23,603,978	719,796	684,929	(20,265,106)	4,743,597
Stock options issued	-	-	-	155,468	-	155,468
Shares issued to acquire mineral rights	2,050,000	369,000	-	-	-	369,000
Loss for the period	-	-	-	-	(766,751)	(766,751)
Balance March 31, 2021	134,637,106	23,972,978	719,796	840,397	(21,031,857)	4,501,314

See accompanying notes to the condensed interim consolidated financial statements

CONQUEST RESOURCES LIMITED
Condensed Interim Consolidated Statements of Cash Flows
For the three-month periods ended March 31, 2021 and 2020

Unaudited - prepared by management

Expressed in Canadian dollars

	2021	2020
	\$	\$
Cash flows from operating activities		
Net loss for the period	(766,751)	(55,917)
Flow-through share premium	(44,453)	-
Non-cash acquisition, exploration and evaluation expenditure	369,000	-
Share-based payments	155,468	25,905
Change in fair value of marketable securities	3,560	-
	<u>(283,176)</u>	<u>(30,012)</u>
Movements in working capital		
Increase in amounts receivable and prepaid expenses	(110,216)	(5,160)
Decrease in accounts payable and accrued liabilities	(341,855)	(66,408)
Net cash used in operating activities	<u>(735,247)</u>	<u>(101,579)</u>
Cash flows from financing activities		
Shares issued for debt	-	74,167
Proceeds from issue of shares	-	150,000
Share issue costs	-	(9,366)
Net cash received from financing activities	<u>-</u>	<u>214,801</u>
Change in cash and cash equivalents	(735,247)	113,221
Cash and cash equivalents, beginning of period	<u>5,042,673</u>	<u>252,034</u>
Cash and cash equivalents, end of period	<u>4,307,426</u>	<u>365,255</u>
Supplemental information:		
Shares issued to acquire mineral rights	369,000	-

See accompanying notes to the condensed interim consolidated financial statements

CONQUEST RESOURCES LIMITED
Notes to the Condensed Interim Consolidated Financial Statements
For the three-month periods ended March 31, 2021 and 2020
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 condensed interim 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 March 31, 2021, 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 March 31, 2021.

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, 2020 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

(a) 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 three-month period are included in the consolidated statement of operations from the effective date of acquisition or up to the effective date of disposal or wind-up, 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.

Effective January 31, 2021, the Company’s two wholly owned subsidiaries Northern Nickel Mining Inc. and Eaglerock Mineral Limited were amalgamated into Conquest. Consequently, these condensed interim consolidated financial statements include the results of the two subsidiaries up to and including January 30, 2021.

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, 2021. The accounting policies chosen by the Company have been applied consistently to all periods presented except as disclosed otherwise.

CONQUEST RESOURCES LIMITED
Notes to the Condensed Interim Consolidated Financial Statements
For the three-month periods ended March 31, 2021 and 2020
Expressed in Canadian dollars

(b) Change in accounting policy

During the year ended December 31, 2020, the Company made a voluntary change of accounting policy to expense costs incurred to acquire mineral properties, rights and claims prior to the establishment of technical feasibility and commercial viability of extracting mineral resources. The change of accounting policy resulted in all expenditures, including the acquisition, exploration and evaluation costs, associated with such early-stage mineral properties and projects being recognized as expenses on the statements of operations and comprehensive loss. Prior to the change of accounting policy, acquisition costs were capitalized as assets while exploration and evaluation costs were expensed.

The voluntary change of accounting policy is applied retrospectively to all periods presented in these consolidated financial statements. Accordingly, the amounts capitalized at December 31, 2019 in total of \$627,901 have been expensed retrospectively, resulting in the elimination of the mineral property and investment in mineral rights assets previously reported at December 31, 2019, and an increase to the opening balance of deficit in the statements of changes in equity as at January 1, 2020.

(c) Recent accounting pronouncement

Classification of Liabilities as Current or Non-current (Amendments to IAS 1) In January 2020, the IASB issued amendments to IAS 1, "Presentation of Financial Statements" to clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and is unaffected by expectations about whether or not an entity will exercise their right to defer settlement of a liability. The amendments further clarify requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments. These amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted. The adoption of these amendments is not expected to have a significant impact on the consolidated financial statements.

4. AMOUNTS RECEIVABLE

The amounts receivable consist primarily of refundable sales taxes at March 31, 2021 and December 31, 2020.

5. MARKETABLE SECURITIES

At March 31, 2021, the Company held 356,000 (December 31, 2020 – 356,000) shares of Osisko Metals Incorporated ("Osisko", TSX-V: OM) with a quoted market value of \$153,080 (December 31, 2020 – \$156,640). An unrealized loss in the amount of \$3,560 (2020 - \$nil) was recorded in the statement of operations for the three-month period ended March 31, 2021. The Osisko shares were acquired through the acquisition of Canadian Continental Exploration Corp. ("CCEC") in October 2020,

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

(a)

	March 31, 2021	December 31, 2020
	\$	\$
Trade payables	110,935	152,630
CCEC warrant liability (Note (b))	-	275,000
Payable to related parties (Note 11)	30,900	66,350
Accrued liabilities	34,450	24,160
Total amounts payable and accrued liabilities	176,285	518,140

(b) CCEC warrant liability

Prior to its acquisition by Conquest in October 2020, pursuant to the DGC Option/Joint Venture Agreement dated October 7, 2013 between CCEC and Teck Resources Limited ("Teck"), CCEC issued to Teck 1,100,000 CCEC share purchase warrants in consideration for an option to acquire Teck's interest in the DGC Ni-Cu-PGE Property located in Afton Township of Ontario. CCEC has an obligation to buy back the warrants from Teck at \$0.25 per warrant, for a total of \$275,000. As the CCEC warrants have a cash settlement feature, they were treated as a financial liability at December 31, 2020. The CCEC warrants issued to Teck were canceled in March 2021 pursuant to a purchase and sale agreement dated between Conquest and Teck (note 7). The cancellation of the CCEC warrant liability was recorded as a reduction to the cost of the DGC property in the three-month period ended March 31, 2021.

CONQUEST RESOURCES LIMITED
Notes to the Condensed Interim Consolidated Financial Statements
For the three-month periods ended March 31, 2021 and 2020
Expressed in Canadian dollars

7. MINERAL PROPERTIES – ACQUISITION, EXPLORATION AND EVALUATION EXPENDITURES

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

	March 31, 2021	Additions 2021	December 31, 2020	Additions 2020	December 31, 2019
	\$	\$	\$	\$	\$
Alexander	6,250,352	1,792	6,248,560	1,792	6,246,768
Belfast-TeckMag	5,952,048	469,110	5,482,938	4,503,863	979,074
Smith Lake	1,269,822	273	1,269,549	851	1,268,698
King Bay	1,003,189	-	1,003,189	-	1,003,189
Total	14,475,411	471,175	14,004,236	4,506,506	9,497,729

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.

Belfast-TeckMag, Emerald Lake, Ontario

The Belfast-TeckMag Project is comprised of multiple properties evolved from the Company's original Golden Rose Property. In 2017, the Company acquired certain mining leases, staked mining claims and 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 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.

In October 2020, through the Acquisition of CCEC, the Company acquired the TeckMag Property comprised of a large package of mining claims which surrounds the Golden Rose Property.

In November 2020, the Company acquired the Belfast Property by staking and acquisition of certain mining claim cells adjacent to the TeckMag Property. In addition, certain mining claim cells were purchased in the Belfast area from a third party for \$10,000 and the issuance of 100,000 shares of Conquest valued at \$18,000 at the date of their issuance. On November 2, 2020, the Board of Directors awarded an incentive bonus to the initiators of the Belfast Property in the form of the grant of a total NSR of 1.5% on the Belfast Project to certain management of the Company.

In March 2021, Conquest acquired the JPC Property in Clement Township, Ontario from a private individual. The Company paid \$13,000 cash and issued 250,000 common shares for a 100% interest in the JPC Property, which is located to the south east of Conquest's Golden Rose Property, subject to a 1% NSR. Conquest may purchase half of the NSR royalty for \$500,000 at any time and retains a Right of First Refusal on the balance of the royalty.

In March 2021, Pursuant to a purchase and sale agreement dated March 12, 2021 with Teck Resources Limited ("Teck"), Conquest acquired a 100% interest in the DGC Ni-Cu-PGE property located in Afton Township, Ontario by issuing 1,800,000 common shares to Teck subject to a 2% NSR retained by Teck. On closing of the purchase, Teck surrendered to Conquest for cancellation 1,100,000 warrants of CCEC issued to Teck pursuant to the DGC Option/Joint Venture Agreement dated October 7, 2013 between Teck and CCEC (note 6(b)). CCEC was acquired by Conquest in October 2020.

Smith Lake Property, Missinabie, Ontario

The Company holds certain patented mining leases and mining claims in the Missinabie area of Northern Ontario, in Leeson, Stover and Rennie Townships, Sault Ste. Marie Mining Division.

King Bay Property, Sturgeon Lake, Ontario

The King Bay property comprises a mining Lease and certain patented mining claims at Sturgeon Lake, in northwestern Ontario.

CONQUEST RESOURCES LIMITED
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For the three-month periods ended March 31, 2021 and 2020
Expressed in Canadian dollars

8. CAPITAL STOCK

On March 29, 2021, Conquest issued 1,800,000 common shares to Teck Resources Limited pursuant to a purchase and sales agreement to acquire a 100% interest in the DGC Ni-Cu-PGE property. In addition, on the same date, Conquest issued 250,000 common shares to acquire the JPC property in a separate transaction. See note 7.

In March 2020, the Company completed a non-brokered, private placement through the issuance of 800,000 flow-through units and 400,000 non-flow-through units at a price of \$0.125 per unit, for gross proceeds of \$150,000 (note 11). 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 \$0.1875 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 600,000 share purchase warrants issued, in the amount of \$8,748, was estimated on the date of issue using the Black-Scholes option pricing model under the following assumptions: share price of \$0.075, 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.

In March 2020, the Company agreed to settle an aggregate indebtedness of \$144,480 by the issue of a total of 1,155,848 shares at a deemed issue price of \$0.125 per share (note 11). A gain in the amount of \$57,792 was recorded for the settlement due to the deemed issue price being higher than the market price of the shares at the time of the issue.

9. WARRANTS

The following warrants were outstanding at March 31, 2021:

	Number of Warrants	Weighted Average Exercise Price \$
Balance at December 31, 2019	1,000,000	0.188
Warrants exercised	(1,000,000)	0.188
Warrants expired	(400,000)	0.188
Warrants on units issued	600,000	0.188
Warrants on units issued	13,052,632	0.180
Balance at December 31, 2019	13,252,632	0.185
Warrants expired	(200,000)	0.188
Balance at March 31, 2021	13,052,632	0.180

All warrants outstanding at March 31, 2021 expire on October 14, 2022.

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.

CONQUEST RESOURCES LIMITED
Notes to the Condensed Interim Consolidated Financial Statements
For the three-month periods ended March 31, 2021 and 2020
Expressed in Canadian dollars

10. STOCK OPTIONS (CONTINUED)

On February 9, 2021, the Company granted 4,175,000 stock options at an exercisable price of \$0.20 per share, for a term of five years, all vesting quarterly over a period of two years commencing on April 1, 2021, to directors, officers and consultants. Amongst the total stock options granted, 3,400,000 were awarded to directors and officers of the Company. The total grant date fair value of the options was estimated at \$662,961. The estimated fair value was calculated using the Black-Scholes option pricing model with the following assumptions: share price of \$0.16, expected divided yield of 0%; expected volatility of 242%; risk free interest rate of 0.49% and expected life of 5 years.

Also on February 9, 2021, the Company granted 100,000 stock options to a service provider at an exercisable price of \$0.20 per share with an expiry date of December 31, 2021, with half of the options vesting immediately and the other half vesting on July 1, 2021. The total grant date fair value of the options was estimated at \$8,966. The estimated fair value was calculated using the Black-Scholes option pricing model with the following assumptions: share price of \$0.16, expected divided yield of 0%; expected volatility of 180%; risk free interest rate of 0.12% and expected life of 0.89 year.

On March 1, 2021, the Company granted 500,000 stock options to a consultant at an exercisable price of \$0.20 per share for a term of one year, all vesting immediately. The total grant date fair value of the options was estimated at \$35,363. The estimated fair value was calculated using the Black-Scholes option pricing model with the following assumptions: share price of \$0.13, expected divided yield of 0%; expected volatility of 178%; risk free interest rate of 0.19% and expected life of 1 year.

The total share-based compensation cost for three months ended March 31, 2021 was \$155,468 (2019 - \$25,905).

The following table summarizes the stock option transactions for the period ended March 31, 2021 and year ended December 31, 2020:

	Number of Options	Weighted Average Exercise Price \$
Balance at December 31, 2019	2,400,000	0.125
Stock options issued	2,900,000	0.150
Stock options issued	750,000	0.130
Balance at December 31, 2020	6,050,000	0.138
Stock options issued	4,775,000	0.200
Balance at March 31, 2021	10,825,000	0.170

The following table summarizes the stock options outstanding as at March 31, 2021:

Exercise Price \$	Options Outstanding	Options Exercisable	Expiry date	Remaining Life to Expiry (Years)
0.125	2,400,000	1,500,000	December 31, 2024	3.8
0.130	750,000	750,000	October 13, 2022	1.5
0.150	2,800,000	2,800,000	August 2, 2021	0.3
0.150	100,000	100,000	September 19, 2021	0.5
0.200	4,175,000	-	February 9, 2026	4.9
0.200	100,000	50,000	December 31, 2021	0.8
0.200	500,000	500,000	March 1, 2022	0.9
	10,825,000	5,700,000		

CONQUEST RESOURCES LIMITED
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11. RELATED PARTY TRANSACTIONS

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

Other than the grant of stock options, no fees were paid by the Company to directors for their services as directors of the Company in the three-month period ended March 31, 2021 and 2020.

During the three-month period ended March 31, 2021, the Company made payments or accrued \$83,850 (2020 - \$18,366) to related parties, including \$45,000 (2020 - \$nil) to Tom J. Obradovich, Director, President and Chief Executive Officer of the Company for management fees; \$6,000 (2020 - \$nil) to Energold Minerals Inc., an affiliate of John Kearney, the Chairman of the Company, for executive consulting services; \$22,170 (2020 - \$nil) to Intega Advisors, a company controlled by Tong Yin, Chief Financial Officer of the Company for professional services; \$10,680 (2020 - \$nil) to Janice Malmholt, Secretary of the Company, for corporate secretary services; \$nil (2020 - \$7,500) for management fees to Robert Kinloch, Director; \$924 (2020 - \$9,366) for legal fees to Steenberg Law Professional Corporation, a company controlled by a director of the Company; and \$3,000 (2020 - \$1,500) for rent to Buchans Resources Limited, a company with common directors.

In March 2020, the Company issued 562,514 shares to settle debt of \$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. In addition, \$22,500 in liabilities due to related parties were settled through the issuance of 180,000 common shares valued at \$0.125 per share to Robert Kinloch, Director in March 2020.

On March 24, 2020, John Kearney, the Chairman and a director of the Company, subscribed for 400,000 subscription units at \$0.125 per unit for a total cost of \$50,000 in the private placement financing (note 8).

Included in accounts payable and accrued liabilities at March 31, 2021 is \$30,900 (December 31, 2020 - \$66,350) due to related parties. Such amounts were due on demand, unsecured and non-interest bearing.

12. COMMITMENTS AND CONTINGENCIES

The Company's exploration activities are subject to various 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.

At March 31, 2021, there are \$511,000 (December 31, 2019 - 865,000) remaining from the Company's proceeds from its previous issuance of flow-through shares to be spent on qualifying Canadian exploration expenditures.

13. 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.

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Expressed in Canadian dollars

13. FINANCIAL INSTRUMENTS (CONTINUED)

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 March 31, 2021, the Company held marketable securities of \$153,080 (December 31, 2020 - \$156,640) classified within Level 1 of the fair value hierarchy.

The carrying amounts for cash and cash equivalents, 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 March 31, 2021, the Company had cash and cash equivalents of 4,307,426 (December 31, 2020 - \$5,042,673) and marketable securities of \$153,080 (December 31, 2020 - \$156,640), to settle accounts payable and accrued liabilities of \$176,285 (December 31, 2020 - \$518,140), including \$30,900 (December 31, 2020 - \$66,350) liabilities due to related parties. 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.

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.

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. Given management's knowledge and experience in the financial markets, sensitivity to a plus or minus 1% change in rates, based on the current balance of cash at March 31, 2021, would affect the net loss by plus or minus \$30,000 during a one-year period.

The Company is exposed to fluctuations in market prices of its marketable securities. If the quoted price of these instruments had changed by 10% as at March 31, 2021, comprehensive loss would have changed by approximately \$16,000.

As at March 31, 2021, the Company did not hold any material balances in foreign currencies that would give rise to exposure to foreign exchange risk.

CONQUEST RESOURCES LIMITED
Notes to the Condensed Interim Consolidated Financial Statements
For the three-month periods ended March 31, 2021 and 2020
Expressed in Canadian dollars

14. 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. As at March 31, 2021, the Company has \$3,000,000 (2020 - \$nil) in guaranteed investment certificates 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 three-month period ended March 31, 2021. 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.