

**CONQUEST RESOURCES LIMITED**

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

Unaudited

**For Three and Six Months Ended June 30, 2022**

**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**

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**For Three and Six Months Ended June, 2022**

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**CONQUEST RESOURCES LIMITED**  
**Condensed Interim Consolidated Statement of Financial Position**  
*Unaudited - prepared by management*  
**As at June 30, 2022**  
Expressed in Canadian dollars

	Notes	June 30, 2022 \$	December 31, 2021 (Audited) \$
<b>ASSETS</b>			
Current			
Cash and cash equivalents		1,364,362	1,949,588
HST recoverable		26,929	109,964
Prepaid expense		13,365	20,160
Total assets		<u>1,404,656</u>	<u>2,079,712</u>
<b>LIABILITIES</b>			
Current			
Amounts payable and accrued liabilities	4	<u>95,805</u>	<u>335,317</u>
Total liabilities		<u>95,805</u>	<u>335,317</u>
<b>SHAREHOLDERS' EQUITY</b>			
Capital stock	6	23,988,978	23,988,978
Warrants	7	719,796	719,796
Share-based payment reserve	8	1,058,736	931,965
Deficit		<u>(24,458,659)</u>	<u>(23,896,344)</u>
Total shareholders' equity/(deficiency)		<u>1,308,851</u>	<u>1,744,395</u>
Total liabilities and shareholders' equity		<u>1,404,656</u>	<u>2,079,712</u>

Nature of operations (Note 1)  
Commitments and contingencies (Notes 1, 5 and 11)  
Subsequent event (Note 13)

The financial statements were approved by the Board of Directors on August 23, 2022 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 Operations and Comprehensive Income (Loss)***Unaudited - prepared by management***For the three and six months ended June 30, 2022 and 2021**

Expressed in Canadian dollars

	Three months ended June 30		Six months ended June 30	
	2022	2021	2022	2021
	\$	\$	\$	\$
<b>Expenses</b>				
Acquisition, exploration and evaluation expenses	66,154	786,294	224,887	1,257,469
Share-based payment	68,238	184,217	162,134	339,685
Professional fees	79,872	96,651	151,120	184,693
Corporate expenses	27,354	64,287	47,261	142,330
Office and general	8,125	9,544	15,601	24,460
<b>Loss before other items</b>	<u>249,743</u>	<u>1,140,993</u>	<u>601,003</u>	<u>1,948,637</u>
<b>Other items</b>				
Interest income	(902)	(933)	(3,325)	(933)
Flow-through share premium	-	(58,054)	-	(102,507)
Gain on disposal of marketable securities	-	(14,475)	-	(10,915)
<b>Net loss and comprehensive loss for the period</b>	<u>248,841</u>	<u>1,067,531</u>	<u>597,678</u>	<u>1,834,282</u>
<b>Net loss per common share</b>				
- Basic and diluted	0.002	0.008	0.004	0.014
<b>Weighted average common shares outstanding</b>				
- Basic and diluted	134,837,106	134,637,106	134,837,106	133,640,421

See accompanying notes to the condensed interim consolidated financial statements

**CONQUEST RESOURCES LIMITED**  
**Condensed Interim Consolidated Statements of Changes in Equity**  
**For the six months ended June 30, 2022 and 2021**  
*Unaudited - prepared by management*  
Expressed in Canadian dollars

	Number of Common Shares (Note 6)	Capital Stock \$	Warrants \$	Share-Based Payment Reserve \$	Deficit \$	Total \$
<b>Balance January 1, 2021</b>	132,587,106	23,603,978	719,796	684,929	(20,265,106)	4,743,597
Stock options issued	-	-	-	339,685	-	339,685
Shares issued to acquire mineral rights	2,050,000	369,000	-	-	-	369,000
Loss for the period	-	-	-	-	(1,834,282)	(1,834,282)
<b>Balance June 30, 2021</b>	<b>134,637,106</b>	<b>23,972,978</b>	<b>719,796</b>	<b>1,024,614</b>	<b>(22,099,388)</b>	<b>3,618,000</b>
<b>Balance January 1, 2022</b>	134,837,106	23,988,978	719,796	931,965	(23,896,344)	1,744,395
Stock options issued	-	-	-	162,134	-	162,134
Stock options expired	-	-	-	(35,363)	35,363	-
Loss for the year	-	-	-	-	(597,678)	(597,678)
<b>Balance June 30, 2022</b>	<b>134,837,106</b>	<b>23,988,978</b>	<b>719,796</b>	<b>1,058,736</b>	<b>(24,458,659)</b>	<b>1,308,851</b>

See accompanying notes to the condensed interim consolidated financial statements

**CONQUEST RESOURCES LIMITED**  
**Condensed Interim Consolidated Statements of Cash Flows**  
**For the six months ended June 30, 2022 and 2021**  
*Unaudited - prepared by management*  
Expressed in Canadian dollars

	2022	2021
	\$	\$
Net loss for the period	(597,678)	(1,834,282)
Share-based payments	162,134	339,685
Flow-through share premium	-	(102,507)
Non-cash acquisition, exploration and evaluation expenditure	-	369,000
Change in fair value of marketable securities	-	156,640
	<u>(435,544)</u>	<u>(1,071,464)</u>
Movements in working capital		
Decrease/(increase) in amounts receivable and prepaid expenses	89,830	(76,493)
Decrease in accounts payable and accrued liabilities	(239,512)	(129,984)
Net cash used in operating activities	<u>(585,226)</u>	<u>(1,277,941)</u>
Change in cash and cash equivalents	(585,226)	(1,277,941)
Cash and cash equivalents, beginning of period	<u>1,949,588</u>	<u>5,042,673</u>
Cash and cash equivalents, end of period	<u>1,364,362</u>	<u>3,764,732</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 and six months ended June 30, 2022 and 2021**  
Expressed in Canadian dollars

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**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 the next twelve months at the minimum.

At June 30, 2022, 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 prolonged 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 June 30, 2022. The Company continues to monitor the impact the COVID-19 pandemic may have on its operations.

**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, 2021, 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 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.

**CONQUEST RESOURCES LIMITED**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and six months ended June 30, 2022 and 2021**  
Expressed in Canadian dollars

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(a) Basis of consolidation (continued)**

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, 2022. The accounting policies chosen by the Company have been applied consistently to all periods presented except as disclosed otherwise.

**(b) 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. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	June 30, 2022 \$	December 31, 2021 \$
Trade payables	45,975	279,504
Payable to related parties (Note 9)	30,327	27,593
Accrued liabilities	19,503	28,220
Total amounts payable and accrued liabilities	<u>95,805</u>	<u>335,317</u>

**5. 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:

	June 30, 2022 \$	Additions 2022 \$	December 31, 2021 \$	Additions 2021 \$	December 31, 2020 \$
Belfast-TeckMag	8,540,834	218,539	8,322,295	2,839,357	5,482,938
Alexander	6,252,144	1,792	6,250,352	1,792	6,248,560
Smith Lake	1,270,650	456	1,270,194	645	1,269,549
King Bay	1,003,189	-	1,003,189	-	1,003,189
Lake Nipigon Basin	16,000	-	16,000	16,000	-
Other	4,100	4,100	-	-	-
Total	<u>17,086,917</u>	<u>224,887</u>	<u>16,862,030</u>	<u>2,857,794</u>	<u>14,004,236</u>

**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% net smelter return ("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 Canadian Continental Exploration Corp. ("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.



**CONQUEST RESOURCES LIMITED**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
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**5. MINERAL PROPERTIES – EXPLORATION AND EVALUATION EXPENDITURES (CONTINUED)**

**Belfast-TeckMag, Emerald Lake, Ontario (continued)**

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 southeast of the Golden Rose Property, subject to a 1% NSR. Conquest may purchase half of the NSR royalty for \$500,000 at any time and holds 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.

**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% NSR in favour of Energold Minerals Inc. (“Energold”). Energold is controlled by a director of the Company.

**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.

**LNB Property, Lake Nipigon Basin, Ontario**

On November 11, 2021, Conquest entered into an agreement to purchase 100% of the LNB property that is considered to be prospective for uranium mineralization associated with veins and faults at or near the Archean-Proterozoic unconformity, Ni-Cu-PGE mineralization associated with Proterozoic rift mafic intrusive rocks located at the unconformity south of Black Sturgeon Lake in the Lake Nipigon Basin (the “LNB” property).

Under the terms of the agreement, Conquest can earn 100% interest in the LNB property by issuing 800,000 common shares over the course of four years, subject to a 2% NSR with a buy-back of 1% at any time for \$1,000,000. Conquest issued an initial 200,000 shares to the vendor of the property in November 2021. The remaining 600,000 shares are to be issued in three tranches, i.e., 200,000 common shares issued on each of the second, third and fourth anniversaries of the agreement. Conquest has committed to spending \$400,000 in exploration costs on the LNB property.

See note 13, Subsequent Events for additional information on the Company’s mineral properties.

**6. CAPITAL STOCK**

The Company’s authorized share capital consists of an unlimited number of common shares. There were no changes to the Company’s capital stock during the three and six months ended June 30, 2022.

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 day, Conquest issued 250,000 common shares to acquire the JPC property in a separate transaction. The DGC Ni-Cu-PGE property and JPC property comprised parts of the Company’s Belfast TeckMag Project. On November 11, 2021, Conquest issued an initial 200,000 shares to the vendor of the LNB property pursuant to an agreement dated September 22, 2021, to purchase the LNB Property.

The following table summarizes the capital stock transactions for the six-month period ended June 30, 2022 and year ended December 31, 2021:

	Number of Shares	\$
Balance at December 31, 2020	132,587,106	23,603,978
Shares issued to acquire mineral rights	2,250,000	385,000
Balance at December 31, 2021 and June 30, 2022	<u>134,837,106</u>	<u>23,988,978</u>

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**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and six months ended June 30, 2022 and 2021**  
Expressed in Canadian dollars

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**7. WARRANTS**

The following warrants were outstanding at June 30, 2022:

	Number of Warrants	Weighted Average Exercise Price \$
Balance at December 31, 2020	13,252,632	0.185
Warrants exercised	(200,000)	0.188
Balance at December 31, 2021 and June 30, 2022	<u>13,052,632</u>	<u>0.180</u>

All warrants outstanding at June 30, 2022 expire on October 14, 2022.

**8. 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.

There were no options granted during the three and six months ended June 30, 2022. The total share-based compensation cost arising from vested options during the three and six months ended June 30, 2022 was \$68,238 (2021 - \$184,217) and \$162,134 (2021 - \$339,685), respectively.

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 dividend 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 dividend yield of 0%; expected volatility of 180%; risk free interest rate of 0.12% and expected life of 0.89 year. The 50,000 options vesting on July 1, 2021 were cancelled in May 2021 following the Company's termination of the optionee's service. The fair value related to the cancelled options were reversed at the time of their cancellation.

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 dividend yield of 0%; expected volatility of 178%; risk free interest rate of 0.19% and expected life of 1 year. These options expired unexercised on March 1, 2022.

On August 2, 2021, a total of 2,900,000 stock options previously granted to former directors, officers, and consultants of CCEC in August 2020 expired unexercised. On August 19, 2021, the Company granted 1,800,000 stock options to certain former directors, officers and consultants of CCEC at an exercise price of \$0.15 per share, for a term of five years, all vesting quarterly over a period of two years commencing on September 1, 2021. The total grant date fair value of the options was estimated at \$159,797. The estimated fair value was calculated using the Black-Scholes option pricing model with the following assumptions: share price of \$0.09, expected dividend yield of 0%; expected volatility of 228%; risk free interest rate of 0.81% and expected life of 5 years.

**CONQUEST RESOURCES LIMITED**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and six months ended June 30, 2022 and 2021**  
Expressed in Canadian dollars

**8. STOCK OPTIONS (CONTINUED)**

The following table summarizes the stock option transactions for the six-month period ended June 30, 2022 and year ended December 31, 2021:

	Number of Options	Weighted Average Exercise Price \$
Balance at December 31, 2020	6,050,000	0.138
Stock options issued	6,575,000	0.186
Stock options expired	(2,950,000)	0.150
Stock options cancelled	(50,000)	0.200
Balance at December 31, 2021	9,625,000	0.167
Stock options expired	(500,000)	0.200
Balance at June 30, 2022	9,125,000	0.165

The following table summarizes the stock options outstanding as at June 30, 2022:

Exercise Price \$	Options Outstanding	Options Exercisable	Expiry date	Remaining Life to Expiry (Years)
0.125	2,400,000	2,400,000	December 31, 2024	2.5
0.130	750,000	750,000	October 13, 2022	0.3
0.150	1,800,000	900,000	August 19, 2026	4.1
0.200	4,175,000	2,609,375	February 9, 2026	3.6
	9,125,000	6,659,375		

The options outstanding have a weighted average remaining life of 3.15 years at a weighted average exercise price of \$0.16 at June 30, 2022.

**9. RELATED PARTY TRANSACTIONS**

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 and six months ended June 30, 2022 and 2021.

During the six-month period ended June 30, 2022, a total expense of \$145,133 (2021 - \$170,538) were charged by related parties, including \$90,000 (2021 - \$90,000) by Tom J. Obradovich, Director, President and Chief Executive Officer of the Company for management fees; \$12,000 (2021 - \$12,000) by Energold Minerals Inc., an affiliate of John Kearney, the Chairman of the Company, for executive consulting services; \$25,500 (2021 - \$43,870) by Intega Advisors, a company controlled by Tong Yin, Chief Financial Officer of the Company for professional services; \$11,633 (2021 - \$23,744) by Janice Malmholt, Secretary of the Company, for corporate secretary services; and \$6,000 (2021 - \$6,000) for rent by Buchans Resources Limited, a company with common directors.

Included in accounts payable and accrued liabilities at June 30, 2022 is \$30,327 (December 31, 2021 - \$27,593) due to related parties. Such amounts are due on demand, unsecured and non-interest bearing.

**10. 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.

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**For the three and six months ended June 30, 2022 and 2021**  
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## **11. 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).

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 June 30, 2022, the Company had cash and cash equivalents of \$1,364,362 (December 31, 2021 - \$1,949,588) to settle accounts payable and accrued liabilities of \$95,805 (December 31, 2021 - \$335,317), including \$30,327 (December 31, 2021 - \$27,593) liabilities due to related parties. All 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 requirement, 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 does not have significant exposure to market risk as at June 30, 2022.

### **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 capital stock for common shares and reserves for warrants and stock options.

### **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 interest rates, based on the current balance of cash at June 30, 2022, would affect the net loss by plus or minus \$13,000 during a one-year period.

As at June 30, 2022, 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 and six months ended June 30, 2022 and 2021**  
Expressed in Canadian dollars

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**12. 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. At June 30, 2022, the Company has \$1,100,000 (December 31, 2021 - \$1,800,000) 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 six-month period ended June 30, 2022. 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 to maintain operations and cover general and administrative expenses for a period of 6 months.

**13. SUBSEQUENT EVENTS**

On July 6, 2022, Conquest announced that it has entered into an option agreement to acquire 100% of the Marr Lake Copper-Nickel-Palladium Group of Elements ("Cu-Ni-PGE") Property (the "Marr Lake Property"), by making total cash payments of \$92,000 and issuing 940,000 shares to the vendors of the property over a 2-year period. The Company issued the initial tranche of 240,000 shares on July 20, 2022 and made the initial cash payments in total of \$12,000 on August 8, 2022.

On July 19, 2022, Conquest entered into an agreement granting an option to Atha Energy Corp. ("Atha") to acquire up to 100% undivided interest in four mineral leases representing a portion of the Golden Rose Property, a segment of the Company's Belfast TeckMag Project. To fully exercise the option, Atha must issue an aggregate of 1,500,000 shares and make cash payments to the total of \$1,000,000 to Conquest over a period of 36 months. Atha has also agreed to grant Conquest a 1% NSR on the optioned mineral leases.