

**CONQUEST RESOURCES LIMITED**

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

*Unaudited*

**For the six-month period ended June 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 six-month period ended June 30, 2020**

<b><i>INDEX</i></b>	<b><i>PAGE</i></b>
Condensed Interim Consolidated Statements of Financial Position	1
Condensed Interim Consolidated Statements of Operations and Comprehensive Loss	2
Condensed Interim Consolidated Statements of Changes in Equity	3
Condensed Interim Consolidated Statements of Cash Flows	4
Notes to the Condensed Interim Consolidated Financial Statements	5 – 11

**CONQUEST RESOURCES LIMITED**  
**Condensed Interim Consolidated Statement of Financial Position**  
*Unaudited - prepared by management*  
**As at June 30, 2020**  
Expressed in Canadian dollars

	Notes	June 30, 2020 \$	December 31, 2019 (Audited) \$
<b>ASSETS</b>			
Current			
Cash		352,358	252,034
Amounts receivable	4	<u>15,394</u>	<u>6,602</u>
Total current assets		<u>367,752</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>995,653</u>	<u>886,537</u>
<b>LIABILITIES</b>			
Current			
Accounts payable and accrued liabilities	6	156,046	251,804
Share premium liability		<u>109,382</u>	<u>78,130</u>
Total liabilities		<u>265,428</u>	<u>329,934</u>
<b>SHAREHOLDERS' EQUITY</b>			
Capital stock	7	15,719,647	15,484,532
Warrants	8	40,137	21,389
Share-based payment reserve	10	<u>51,810</u>	<u>-</u>
		15,811,594	15,505,921
Deficit		<u>(15,081,369)</u>	<u>(14,949,318)</u>
Total shareholders' equity		<u>730,225</u>	<u>556,603</u>
Total liabilities and shareholders' equity		<u>995,653</u>	<u>886,537</u>

Commitments and contingencies (Notes 1, 5, 10, 12 and 15)

The financial statements were approved by the Board of Directors on August 13, 2020 and signed on its behalf by:

Signed "John F. Kearney" , Director

Signed "Robert J. Kinloch" , Director

See accompanying notes to the consolidated financial statement

**CONQUEST RESOURCES LIMITED****Condensed Interim Consolidated Statement of Operations and Comprehensive Income (Loss)***Unaudited - prepared by management***For the three and six month periods ended June 30**

	Three months ended June 30		Six months ended June 30	
	2020	2019	2020	2019
	\$	\$	\$	\$
<b>Expenses</b>				
Share-based payment	25,905	-	51,810	-
Corporate expenses	5,673	5,637	18,488	12,034
Professional fees	37,926	25,720	48,426	39,898
Office and general	2,425	3,524	4,592	8,209
Exploration and evaluation expenses	5	41,614	8,735	56,586
<b>Loss for the period</b>	<b>76,134</b>	<b>76,495</b>	<b>132,051</b>	<b>116,727</b>
<b>Net loss per common share</b>				
- Basic and diluted	(0.001)	(0.001)	(0.001)	(0.001)
<b>Weighted average common shares outstanding</b>				
- Basic and diluted	123,104,067	118,923,348	123,104,067	118,923,348

See accompanying notes to the 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 \$
<b>Balance December 31, 2018</b>	15,335,331	28,000	64,690	(14,827,572)	600,449
Warrants expired	-	(28,000)	-	28,000	-
Loss for the period	-	-	-	(116,727)	(116,727)
<b>Balance June 30, 2019</b>	15,335,331	-	64,690	(14,916,299)	483,722
Shares pursuant to an option agreement	2,500	-	-	-	2,500
Stock options expired	-	-	(64,690)	64,690	-
Proceeds from private placement	250,000	-	-	-	250,000
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	-	-	-	(97,709)	(97,709)
<b>Balance December 31, 2019</b>	15,484,532	21,389	-	(14,949,318)	556,603
Stock options issued	-	-	51,810	-	51,810
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)
Loss for the period	-	-	-	(132,051)	(132,051)
<b>Balance June 30, 2020</b>	15,719,647	40,137	51,810	(15,081,369)	730,225

See accompanying notes to the consolidated financial statements

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

	2020	2019
	\$	\$
<b>Cash flows from operating activities</b>		
Net loss for the period	(132,051)	(116,727)
Less share-based payment	51,810	-
Movements in working capital		
(Increase)/decrease in amounts receivable and prepaid expense	(8,792)	22,433
(Decrease)/increase in accounts payable and accrued liabilities	<u>(95,758)</u>	<u>78,788</u>
Net cash used in operating activities	<u>(184,791)</u>	<u>(15,506)</u>
<b>Cash flows from financing activities</b>		
Shares issued for debt	144,481	-
Proceeds from issue of shares	150,000	10,000
Less share issue costs	<u>(9,366)</u>	<u>-</u>
Net cash received from financing activities	<u>285,115</u>	<u>10,000</u>
Decrease in cash	100,324	(5,506)
Cash, beginning of year	<u>252,034</u>	<u>11,292</u>
Cash, end of period	<u>352,358</u>	<u>5,786</u>

See accompanying notes to the consolidated financial statements

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

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**1. NATURE OF OPERATIONS AND GOING CONCERN**

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. 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. Several conditions discussed below create a material uncertainty and significant doubt about the Company's ability to continue as a going concern.

At June 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. There is a risk that additional financing will not be available to the Company on a timely basis or on acceptable terms. There are no assurances that the Company will continue to obtain additional financial resources and/or achieve positive cash flows or profitability. If the Company is unable to obtain adequate additional financing, the Company may be required to discontinue operations and exploration activities.

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.

**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 six-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 six-month periods ended June 30, 2020 and 2019**  
Expressed in Canadian dollars

**4. ACCOUNTS RECEIVABLE**

	June 30, 2020	December 31, 2019
	\$	\$
Receivable sales taxes	11,762	6,602
Prepaid expenses	-	-
	<u>11,762</u>	<u>6,602</u>

**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:

	June 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	357,266	6,092	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	<u>8,878,564</u>	<u>8,735</u>	<u>8,869,829</u>	<u>74,644</u>	<u>8,795,185</u>

**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, 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**

	June 30, 2020	December 31, 2019
	\$	\$
Trade payables	65,026	103,804
Payable to related parties (Note 11)	76,220	121,400
Accrued liabilities	16,300	26,600
Accounts payable and accrued liabilities	<u>156,046</u>	<u>251,804</u>

See Note 7.



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

**7. CAPITAL STOCK**

<b>Common shares</b>	Common shares	Amount \$
<b>Authorized</b>		
Unlimited common shares, with no par value		
<b>Issued and fully paid</b>		
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
Less share issue costs	-	(9,366)
Less reserve for warrants	-	(18,748)
Less flow-through share premium liability	-	(31,252)
Balance at June 30, 2020	<u>129,862,967</u>	<u>15,719,647</u>

On February 26, 2020, the Company completed the second tranche of its non-brokered, private placement through the issuance of 2,000,000 flow-through units and 1,000,000 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. Subsequent to the period end, the Government of Canada announced a proposal to extend the timelines for expenditures of capital raised via flow-through shares by 12 months, which would extend the timeline to December 31, 2022.

The fair value of the 1,500,000 warrants 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 June 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.

During the period ended June 30, 2020, the Company settled an aggregate indebtedness of \$74,167 by the issue of a total of 1,483,333 shares at a deemed issue price of \$0.05 per share.

On December 31, 2019, the Company completed the first tranche of a non-brokered, private placement through the issuance of 5,000,000 flow through units for gross proceeds of \$250,000. Each unit consists of one flow through share and one-half of a common share purchase warrant and was priced at \$0.05 per unit. One whole warrant is exercisable to purchase one common share at an exercise price of \$0.075. for a period of one year from date of issue. Proceeds totaling \$250,000 from the issuance of flow-through shares must be spent on qualifying Canadian Exploration Expenditures by December 31, 2021 (see above).

The fair value of the 2,500,000 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 2020.

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

**7. CAPITAL STOCK (CONTINUED)**

During the period ended June 30, 2020, the Company issued 1,406,286 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 12.

**8. WARRANTS**

The following warrants were outstanding at June 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 on units issued	1,500,000	0.075	February 26, 2020
Balance at June 30, 2020	4,000,000	0.075	

**9. 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 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 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 divided 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 June 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 June 30, 2020	6,000,000	0.05

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

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**9. STOCK OPTIONS (CONTINUED)**

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

Number of stock options outstanding	Weighted Average exercise price \$	Expiry Date
6,000,000	0.05	December 31, 2024
<u>6,000,000</u>	<u>0.05</u>	

**10. SHARE-BASED PAYMENT RESERVE**

Share-based payment reserve transactions for the years ended June 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 granted	<u>51,810</u>
Balance, June 30, 2020	<u>51,810</u>

**11. 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 June 30, 2020 or June 30, 2019.

During the six-month period ended June 30, 2020, the Company made payments or accrued \$36,186 (2019 - \$32,808) to related parties, including \$15,000 for management fees to Robert Kinloch, Director, \$18,186 for legal fees to Steenberglaw Professional Corporation, a company controlled by a director of the Company, and \$3,000 for rent to Buchans Resources Limited, a company with common directors.

On March 5, 2020, \$22,500 in liabilities due to related parties was settled through the issue of 450,000 common shares valued at \$0.05 per share to Robert Kinloch, Director.

During the six-month period ended June 30, 2020, John Kearney, the Chairman and a director of the Company, subscribed for 1,000,000 units for gross proceeds of \$50,000 in the private placement financing. See Note 7.

During the six-month period ended June 30, 2020, the Company issued 1,406,286 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 June 30, 2020 is \$76,220 (2019 - \$75,825) 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 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 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 expenditures prior to December 31, 2021.

**CONQUEST RESOURCES LIMITED**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the six-month periods ended June 30, 2020 and 2019**  
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**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.

**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 June 30, 2020, the Company had no financial instruments to classify within the fair value hierarchy.

**Fair value hierarchy and liquidity risk disclosure (continued)**

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 June 30, 2020, the Company had cash of \$352,358 (December 31, 2019 - \$252,034) to settle accounts payable and accrued liabilities of \$156,046, including \$76,220 liabilities due to related parties (December 31, 2019 - \$251,804). In March 2020, the Company settled an aggregate indebtedness of \$144,480 by the issue of a total of 2,889,619 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. Refer to Note 1.

**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. At June 30, 2020, the Company did not hold any short-term deposit certificates.

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

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**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.

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, 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 Venture Exchange ("TSXV") 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.

**15. SUBSEQUENT EVENT**

On July 16, 2020, the Company entered into an agreement (the "Acquisition Agreement") with Canadian Continental Exploration Corp. ("CCEC"), subject to TSXV acceptance, to acquire CCEC assets, which include a large package of mining claims which surrounds Conquest's Golden Rose Mine Project, as well as approximately \$900,000 in a combination of cash and Osisko Metals shares, in consideration for the issue of 40,306,667 post consolidated shares of Conquest to the shareholders of CCEC. Conquest will also issue 2,900,000 options, under the Company's Stock Option Plan, exercisable at \$0.15 per consolidated share (equivalent to \$0.06 per pre-consolidated share) expiring in September 2021, in replacement for existing options currently outstanding in CCEC.

Immediately prior to the completion of the Acquisition, and conditional thereon, and subject to shareholder approval, Conquest will consolidate its outstanding common shares on the basis of one common share for every 2.5 pre-consolidation shares (the "Consolidation").

In conjunction with the Acquisition, and conditional thereon and subject to acceptance of the TSXV, Conquest will complete a non-brokered private placement of up to \$3 million. The financing will consist of a combination of units at a price of 12 cents per unit, which will include a common share and a 2 year half warrant exercisable at 18 cents, and flow through shares at a price of 15 cents per share. The securities will be issued in the form of Subscription Receipts which will be converted to shares and warrants upon completion of the Acquisition and the Consolidation.