

Conquest Resources Limited
Interim Consolidated Balance Sheet

Statement 1

As at 31 March 2002

Canadian Funds
Unaudited

	March 31 2002	December 31 2001
	\$	\$
ASSETS		
Current assets		
Cash and short-term investments	11,498	8,843
Amounts receivables	<u>1,386</u>	<u>611</u>
	12,884	9,454
Other assets		
Mineral properties and deferred exploration expenditures	3,273,945	3,273,945
Plant and equipment, net	<u>1,371,316</u>	<u>1,458,132</u>
	4,645,261	4,732,077
	<u>4,658,145</u>	<u>4,741,531</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	<u>659,642</u>	<u>580,680</u>
Shareholders' equity		
Convertible debentures	3,278,934	3,199,394
Capital stock	2,720,644	2,720,644
Deficit	<u>(2,001,075)</u>	<u>(1,759,187)</u>
	3,998,503	4,160,851
	<u>4,658,145</u>	<u>4,741,531</u>

ON BEHALF OF THE BOARD:

"Terence N. McKillen" Director

"John F. Kearney" Director

- See Accompanying Notes -

Interim Consolidated Statement of Operations and Deficit

For the Three Months Ended 31 March, 2002

Canadian Funds
Unaudited

	2002	2001
Revenue	-	-
Expenses		
Office and general	69,413	26,267
Corporate expenses	4,600	1,883
Professional fees	<u>1,519</u>	<u>-</u>
	75,532	28,150
Loss before the undernoted	75,532	28,150
Amortization	86,816	8,175
Net loss for the period	162,348	36,325
Deficit, beginning of period	1,759,187	492,451
Convertible debentures charges	79,540	-
Deficit, end of period	2,001,075	528,776
Net loss per common share	(0.01)	(0.01)

See accompanying notes to interim financial statements

Interim Consolidated Statement of Cash Flows**For the Three Months Ended 31 March, 2002***Canadian Funds
Unaudited*

	<u>2002</u>	<u>2001</u>
CASH FLOW FROM (USED IN) OPERATING ACTIVITIES		
Net loss for the period	(162,348)	(36,325)
Item not involving cash		
Amortization	86,816	8,175
	(75,532)	(28,150)
Changes in non-cash working capital balances	78,187	17,254
Cash flows from (used in) operating activities	2,655	(10,896)
Increase (Decrease) in cash and short-term investments	2,655	(10,896)
Cash and short-term investments, beginning of period	8,843	48,470
Cash and short-term investments, end of period	11,498	37,574

See accompanying notes to interim financial statements

Notes to Interim Consolidated Financial Statements

31 March, 2002

Canadian Funds

Unaudited

1. Basis of Presentation

The accompanying unaudited interim financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP") on the "going concern basis", which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities. These financial statements do not include all of the information and disclosures required by Canadian GAAP for annual financial statements. In the opinion of management, all adjustments considered necessary for fair presentation have been included in these financial statements. Operating results for the period ended March 31, 2002 are not necessarily indicative of the results that may be expected for the full year ended December 31, 2002. For further information, see the Company's consolidated financial statements including the notes thereto for the year ended December 31, 2001.

2. Accounting Changes

Stock-based Compensation

Effective January 1, 2002, the Company adopted the new recommendations of CICA Handbook Section 3870, Stock-based Compensation and Other Stock-based Payments. This Section establishes standards for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments made in exchange for goods and services. These new recommendations require that compensation for all awards made to non-employees and certain awards made to employees be measured and recorded in the financial statements at fair value. This Section also sets out a fair value based method of accounting for stock options issued to employees and applies to awards granted on or after January 1, 2002.

The Company, as permitted by Section 3870, has chosen to continue its existing policy of recording no compensation cost on the grant of stock options to employees. Any consideration paid by employees on exercise of stock options is credited to capital stock.

The Company has not issued any stock options to participants in the first quarter of 2002.

3. Convertible Debentures

During 2001, the Company issued \$2.6 million and \$560,000 of 8% unsecured convertible debentures due April 30, 2006 and August 31, 2006, respectively. The debentures are convertible at the option of the holder into common shares of the Company at any time prior to maturity at a conversion price of \$0.20 per share during the first two years, and at conversion prices of \$0.25, \$0.30 and \$0.35 per share during the third, fourth and fifth years, respectively. Interest is payable, at the option of the Company, in cash or common shares. The Company may elect to satisfy its obligations to pay the principal amount of these debentures through the issuance of common shares. The number of common shares to be issued would be equal to the principal amount of the debentures being redeemed divided by the market price of the common shares as determined to be the average of the closing market value of the shares during the ten-day period commencing thirty days prior to the date of such a redemption.

The debentures are being accounted for in accordance with their substance and are presented in the financial statements in their component parts, measured at their respective fair values at the time of issue. The entire value of the debentures, net of issue costs, has been classified as equity. The interest related component has been calculated as the present value of the required interest payments discounted at 18%, a rate approximating the interest rate that would have been applicable to non-convertible debt at the time the debentures were issued. Interest is determined on this component, and is charged directly to deficit. The remaining portion, net of the value ascribed to the holder's conversion option, is increased over the term to the full face value by charges to deficit.

4. Capital Stock

a) *The capital stock is as follows:*

Authorized
Unlimited common shares
Issued
20,971,139 common shares

b) *Stock Options*

Pursuant to a stock option plan approved by the Board of Directors, the maximum number of common shares reserved for issuance to various directors, officers, consultants and employees may not exceed 10% of the common shares outstanding immediately before such issuance. The following table summarizes the stock options granted as at March 31, 2002:

Number of Common shares	Exercise Price \$	Expiry Date
1,430,000	0.20	Feb 12, 2005
<u>600,000</u>	0.10	May 7, 2006
<u>2,030,000</u>		

c) *Warrants*

In March 2000, the Company completed a private placement of 1,250,000 special warrants at a subscription price of \$0.20 per special warrant. Each special warrant was exchanged for one common share and one share purchase warrant which entitles the holder to purchase an additional common share at an exchange price of \$0.20 per share at any time prior to March 31, 2002 (expired).

5. (Loss) earnings per share

	March 31, 2002 \$	March 31, 2001 \$
Basic	(0.01)	(0.01)

Basic (loss) earnings per share was calculated on the basis of the weighted average number of common shares outstanding for the periods which amounted to 20, 971,139 common shares.

For the three months ended March 31, 2002, the existence of convertible debentures, stock options, conversion rights and warrants affects the calculation of loss per share on a fully diluted basis. As the effect of this dilution is to reduce the reported loss per share, fully diluted loss per share has not been shown for 2002.

6. Subsequent events

In April 2002, the Company completed a private placement consisting of 3,000,000 units for gross proceeds of \$300,000 at a subscription price of \$0.10 per unit. Each unit consisted of one common share and one non-transferable warrant which entitles the holder to purchase one additional common share at an exercise price of \$0.20 per share until September 30, 2002.

Pursuant to the stock option plan, and subject to regulatory approval, 240,000 common shares were reserved for issuance to employees of the Company at an exercise price of \$0.20 per share. The options expire May 10, 2007.

**B.C. FORM 51-901F
QUARTERLY AND YEAR END REPORT**

Incorporated as part of:

_____ Schedule A
 X Schedules B & C

ISSUER DETAILS:

Name of Issuer: Conquest Resources Limited
Issuer Address: #201-347 Bay Street, Toronto, ON, M5H 2R7
Issuer Fax No.: (416) 368-5344
Issuer Telephone No.: (416) 362-8243
Contact Name: Terence McKillen
Contact Position: Director
Contact Telephone Number: (416) 362-8243
Contact Email Address: tnmckillen@conquestresources.net
Web Site Address: www.conquestresources.net
For Quarter Ended: 2002/03/31
Date of Report: 2002/05/24

CERTIFICATE:

THE THREE SCHEDULES REQUIRED TO COMPLETE THIS REPORT ARE ATTACHED AND THE DISCLOSURE CONTAINED THEREIN HAS BEEN APPROVED BY THE BOARD OF DIRECTORS. A COPY OF THIS REPORT WILL BE PROVIDED TO ANY SHAREHOLDER WHO REQUESTS IT. PLEASE NOTE, THIS FORM IS INCORPORATED AS PART OF BOTH THE REQUIRED FILING OF SCHEDULE A AND SCHEDULES B & C.

"Terence N. McKillen" Terence N. McKillen 24 May, 2002

"John F. Kearney" John F. Kearney 24 May, 2002

SCHEDULE B

1. ANALYSIS OF EXPENSES AND DEFERRED COSTS

See Statement of Operations and Deficit in interim consolidated financial statements for details.

2. RELATED PARTY TRANSACTIONS

The expenses include the following paid to directors and corporations that employ a director:

Consulting fees	\$28,500
Office and general (rent and administrative services)	\$11,000
Legal fees invoiced to the Company by a firm of which a director is a partner	\$ 2,000

Included in accounts payable and accrued liabilities is \$224,305 due to these related parties.

All amounts were incurred in the normal course of operations and are measured at the exchange amount.

3. SUMMARY OF SECURITIES ISSUED AND OPTIONS GRANTED DURING THE PERIOD

a) Securities issued:

<u>Type</u>	<u>Value</u>	<u>No. Shares</u>
Nil		

b) Options granted:

<u>Number or Amount</u>	<u>Exercise or Conversion Price</u>	<u>Expiry Date</u>
Nil		

4. SUMMARY OF SECURITIES AS AT THE END OF THE REPORTING PERIOD

a) Authorized share capital: Unlimited

b) Shares issued and outstanding:

<u>Number</u>	<u>Amount</u>
20,971,139	\$ 2,720,644

c) Options, warrants and convertible securities outstanding:

<u>Number or Amount</u>	<u>Exercise or Conversion Price</u>	<u>Expiry Date</u>	<u>Type</u>
1,430,000	\$ 0.20	10 Feb, 2005	Options
600,000	\$ 0.10	7 May, 2006	Options
1,250,000	\$ 0.20	31 Mar, 2002	Warrants
\$2,600,000	\$0.20-\$0.35	30 Apr, 2006	Convertible Debentures
\$ 560,000	\$0.20-\$0.35	31 Aug, 2006	Convertible Debentures

d) Shares subject to escrow or pooling agreements.

<u>Number</u>	<u>Class of Shares</u>
Nil	N/A

5. NAMES OF DIRECTORS AND OFFICERS AS AT THE DATE THIS REPORT IS SIGNED AND FILED

Terence N. McKillen	President, CEO and Director
John F. Kearney	Chairman and Director
D. Brett Whitelaw	Vice President and Director
Neil J.F. Steenberg	Secretary and Director
Brian W. Hester	Director
Gerald J. Gauthier	Vice President, Mining

SCHEDULE C

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE THREE MONTHS ENDED 31 MARCH, 2002

A. General

Conquest is a Toronto based junior mining, exploration and development company, incorporated in 1945, which is conducting a Feasibility Study on the 2,000,000 ounce Jerooy gold project in the Kyrgyz Republic. In addition, Conquest holds interests in two gold exploration properties in Ontario, at the Red Lake and Detour Lake gold camps, as well as exploration and development properties in Tanzania and Zimbabwe.

B. Results of Operations

During the first quarter of 2002, Conquest's operating activities were mainly concentrated in Zimbabwe while corporate activities in Canada focused on property identification, evaluation and acquisitions. Conquest incurred a loss for the first quarter of 2002 of \$162,348 (\$0.01 per share) compared to a loss of \$36,325 in the first quarter of 2001. Included in the loss in the first quarter of 2002 was amortization of plant and equipment in the amount of \$86,816, compared to \$8,175 in the first quarter of 2001.

The Company recorded no revenue in the first quarter of 2002 or 2001 as proceeds generated from the sale of gold produced during development stage were credited to deferred exploration expenditure on the relevant properties.

Administrative expense during the first quarter of 2002 amounted to \$75,532 compared to \$28,150 in the first quarter of 2001. The major items were office and general expense of \$69,113 in 2002 compared with \$26,267 in 2001. The increase in expenses during 2002 was as a result of increased corporate activity.

During 2001, the Company completed the acquisition of a number of mineral properties in Zimbabwe, financed by the issue of convertible debentures. Interest at 8% is payable, at the option of the Company, in shares. The Company may elect to satisfy its obligations to pay the principal amount of these debentures through the issue of common shares. These debentures are accounted for in accordance with their substance and have been classified as equity. The interest related component of the debentures has been calculated as the present value of the required interest payments discounted at 18%. Interest is determined on this component and an amount of \$79,540 was charged directly to deficit in the first quarter of 2002. There were no debentures outstanding during the first quarter of 2001.

At the Company's mining properties in Zimbabwe, pilot scale production was carried out as part of the ongoing evaluation and development of the properties. The revenue generated from this gold production was credited to deferred exploration expense. Operations in Zimbabwe were severely impacted by the economic and political conditions prevailing in that country. Zimbabwe continued to experience hyper inflation, fuel shortages and government mandated wage increases. The local currency was maintained at an artificially high exchange rate. Continued operation of the mining properties in Zimbabwe and receipt of any cash flows, is dependent on the stabilization of the economic and political situation in Zimbabwe and on finance being available to fund the development of these projects.

C. Liquidity and Capital Resources

At March 31, 2002 Conquest had cash of \$11,498 compared to \$8,943 at December 31, 2001. The Company had a working capital deficiency of \$646,758 at March 31, 2002 compared to \$571,226 at December 31, 2001. Included in accounts payable and accrued liabilities of \$659,642 at March 31, 2002 is \$224,305 due to related parties and \$272,731 due to a minority joint venture partner in one of the Zimbabwe properties.

At March 31, 2002 the Company had 20,971,139 common shares issued and outstanding. In addition the Company had an aggregate of \$3,160,000 convertible debentures outstanding. These debentures are classified as equity. The debentures are convertible into common shares until 2006 at escalating prices between \$0.20 and \$0.35 per share. Interest at 8% per annum is payable, at the option of the Company in shares and at maturity to companies entitled to pay the principal amount in shares at the market price at that time.

Subsequent to the end of the quarter, in April 2002, Conquest complete a private placement of 3,000,000 units at a subscription price of \$0.10 per unit. Each unit comprises one common share and one common share purchase warrant. Each common share purchase warrant entitles the holder to purchase an additional common share at an exercise price of \$0.20 at any time prior to September 30, 2002.

The Company is currently in a development phase and does not expect to generate any cash flow during 2002. With the exception of the Jerooy property in the Kyrgyz Republic, insufficient exploration and development work has been carried out in the Company's properties to permit the estimation of mineral reserves and mineral resources as defined under

National Instrument 43-101. There is no certainty that expenditures will result in commercial quantities of ore being found on these properties.

In order for Conquest to fund ongoing exploration and development programs and to expand its operations, additional funds would have to be raised. The Company's present cash resources will need to be augmented if the planned programmes are to be successfully completed. Discussions with investment dealers and financial advisors are continuing but no commitments have been made, nor is it possible to give assurances that such funds will be obtained.

4. Assets, Liabilities and Working Capital

Total assets declined to \$4,658,145 at March 31, 2002 from \$4,741,531 at December 31, 2001 primarily as a result of amortization of plant and equipment. Total liabilities increased to \$659,642 at March 31, 2002 from \$580,680 at December 31, 2001. The Company had a working capital deficit of \$646,758 at March 31, 2002 compared to a deficit of \$571,226 at December 31, 2001.

At March 31, 2002 the Company had mining properties with a total book value of \$3,273,945. Of this total, \$591,359 represents properties in Canada whilst the balance represents mineral properties in Africa. Plant and mining equipment, located in Zimbabwe, had a book value of \$1,371,316 at March 31st, 2002. The equipment is being amortized on the straight line basis at 20% per annum.

5. Related Party

The expenses include the following paid to Directors and Corporations that employ a Director:

	Three Months Ended March 31	
	2002	2001
Consulting Fees	\$28,500	\$ -
Office & General	\$11,000	\$12,000
Legal fees invoiced to the Company by a firm of which a director is a partner	\$2,000	\$1,988

Included in accounts payable and accrued liabilities is \$224,305 at March 31, 2002 due to Related Parties (March 31, 2001 \$13,988).

All amounts were incurred in the normal course of operations and are measured at the exchange amount.

6. Subsequent Events

Subsequent to quarter-end Conquest entered into two option agreements to explore two gold properties at Red Lake and at Detour Lake in Ontario, Canada and an option agreement to evaluate the Jerooy property in Kyrgyz Republic. The Company is committed to an expenditure of \$150,000 on the Detour Lake property prior to June 30, 2003 and to an expenditure of US\$600,000 on the Jerooy Property prior to June 30, 2002. The proposed exploration and evaluation programs cannot be funded from existing resources of the Company. There is no assurance that additional funding would be available to Conquest to complete the exploration or evaluation or to fulfil its obligations under the agreements.