

CONQUEST RESOURCES LIMITED

Interim Financial Statements

March 31, 2004

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Conquest Resources Limited
Interim Consolidated Balance Sheet
As at 31 March 2004

Canadian Funds
Unaudited - these financial statements have not been reviewed by an auditor

	March 31 2004	December 31 2003
	\$	\$
ASSETS		
Current assets		
Cash and short-term investments	2,503,232	2,973,969
Amounts receivables	<u>26,861</u>	<u>24,838</u>
	2,530,093	2,998,807
Other assets		
Investment in Oxus Gold	222,970	222,970
Mineral Properties and deferred exploration	2,601,495	2,165,744
Plant and equipment	<u>214,340</u>	<u>331,155</u>
	3,038,805	2,719,869
	<u>5,568,898</u>	<u>5,718,676</u>
 LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	<u>309,277</u>	<u>323,991</u>
 Shareholders' equity		
Capital stock	8,461,064	8,417,313
Warrants	908,640	908,640
Contributed Surplus	177,050	58,150
Deficit	<u>(4,287,133)</u>	<u>(3,989,418)</u>
	5,259,621	5,394,685
	<u>5,568,898</u>	<u>5,718,676</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 Month Period Ended March 31

Canadian Funds

Unaudited - these financial statements have not been reviewed by an auditor

	<u>2004</u>	<u>2003</u>
	\$	\$
Expenses		
Office and general	4,652	27,400
Corporate expenses	35,213	9,008
Consulting Fees		14,000
Salaries and benefits	15,127	12,863
Professional fees	5,182	1,700
Travel	<u>1,828</u>	<u>692</u>
Loss before the undernoted	62,002	65,663
Amortization	116,813	130,224
Write down of Mineral properties		183,106
Net loss for the period	178,815	378,993
Deficit, beginning of period	3,989,418	2,460,586
Retroactive restatement of stock- compensation	118,900	
Convertible debentures charges		72,371
Deficit, end of period	<u>4,287,133</u>	<u>2,911,950</u>
Net loss per common share	(0.01)	(0.01)

- See Accompanying Notes -

Conquest Resources Limited

Interim Consolidated Statement of Cash Flows

For the Three Month Period Ended March 31

Canadian Funds

Unaudited - these financial statements have not been reviewed by an auditor

	<u>2004</u>	<u>2003</u>
	\$	\$
CASH FLOW FROM (USED IN) OPERATING ACTIVITIES		
Net loss for the period	(178,815)	(378,993)
Item not involving cash		
Write down of Resource properties		183,106
Amortization	116,813	130,224
	(62,002)	(65,663)
Changes in non-cash working capital balances	(16,735)	(59,795)
Cash flows (used in) operating activities	(78,737)	(125,458)
CASH FLOW FROM (USED IN) INVESTING ACTIVITIES		
Mineral properties and deferred exploration expenditure	(435,751)	(370,418)
CASH FLOW FROM (USED IN) FINANCING ACTIVITIES		
Options exercised	40,000	
Issue Costs	(3,749)	
Shares issued for exploration properties	<u>7,500</u>	
	43,751	
Increase (Decrease) in cash	(470,737)	(495,876)
Cash and short-term investments, beginning of period	2,973,969	771,498
Cash and short-term investments, end of period	2,503,232	275,622

- See Accompanying Notes -

Conquest Resources Limited

Notes to Interim Consolidated Financial Statements

31 March, 2004

Canadian Funds

Unaudited - these financial statements have not been reviewed by an auditor

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, 2004 are not necessarily indicative of the results that may be expected for the full year ended December 31, 2004. For further information, see the Company's consolidated financial statements including the notes thereto for the year ended December 31, 2003.

2. Accounting Changes

The interim financial statements are prepared in accordance with the same policies used in the Audited financial statements for the year ended December 31, 2003, except for the following:

Change in accounting for 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 for fiscal years beginning on or after January 1, 2004. 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 apply this section retroactively in fiscal year 2004 with a restatement of deficit as at January 1, 2004. The cumulative effect of this accounting change at January 1, 2004 is an increase in deficit of \$118,900 and an increase in contributed surplus of \$118,900. Had the December 31, 2003 financial statements been restated, expenses would have increased by \$118,900 and basic loss per share would have increased by \$0.01.

3. Capital Stock

Authorized		
Unlimited common shares		
Issued		
December 31, 2003	56,896,680	
Exercise of options	200,000	
Property payment	<u>25,000</u>	
March 31, 2004	57,121,680	

4. Profit (Loss) Per Share

	<u>March 31, 2004</u>	<u>March 31, 2003</u>
	\$	\$
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 50,934,043 and 37,986,788 common shares respectively.

For the three months ended March 31, 2003, 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 2003.

Conquest Resources Limited

**Schedule of Mineral Properties
for the Three Month Period Ended March 31, 2004**

Canadian Funds

Unaudited - these financial statements have not been reviewed by an auditor

	Dec. 31, 2003	Expenditures		Mar. 31, 2004
CANADA				
Missinabie	\$509,537			\$509,537
Alexander	404,688	\$389,455		794,143
Aurora	351,621	29,828		381,449
PHIZ	30,000	14,372		44,372
Rock N Roll		15,127		15,127
Total Canada	<u>\$1,295,846</u>	<u>\$448,782</u>		<u>\$1,744,628</u>
AFRICA				
Tanzania				
Acquisition	\$43,972	(13,031)		\$30,941
Exploration	14,085			14,085
Zimbabwe				
Piper Moss				
Acquisition	156,178			156,178
Exploration	57,309			57,309
Babs, Beehive and Eva				
Acquisition	571,642			571,642
Exploration	26,712			26,712
Total Africa	<u>\$869,898</u>	<u>(13,031)</u>		<u>\$856,867</u>
Total	<u>\$2,165,744</u>	<u>\$435,751</u>		<u>\$2,601,495</u>

**Schedule of Deferred Exploration Expenditure
for the Three Month Period Ended March 31**

Canadian Funds

Unaudited - these financial statements have not been reviewed by an auditor

Mineral Properties	Alexander	Aurora	Phiz	Rock N Roll	Total
2004					
Acquisition				\$7,500	\$7,500
Geology, geophysics & geochemistry	\$91,971	\$8,106	\$11,450	6,620	118,147
Drilling	279,632				279,632
Travel and accommodation	11,462	1,717	312	297	13,788
Equipment and property lease	3,784	19,735			23,519
Other	2,606	270	2,610	710	6,196
Total	<u>\$389,455</u>	<u>\$29,828</u>	<u>\$14,372</u>	<u>\$15,127</u>	<u>\$448,782</u>
2003					
Geology, geophysics & geochemistry	\$59,110	\$26,608			\$85,718
Drilling	58,536	208,934			267,470
Travel and accommodation	2,497	6,192			8,689
Equipment and property lease	150	5,284			5,434
Other	267	2,840			3,107
Total	<u>\$120,560</u>	<u>\$249,858</u>			<u>\$370,418</u>

CONQUEST RESOURCES LIMITED
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED 31 MARCH, 2004
(Form 51-102F1)

General

The following discussion of the operating results and financial position of Conquest Resources Limited (the "Company" or "Conquest") is prepared as at May 26, 2004 and should be read in conjunction with the unaudited financial statements and the notes thereto of the Company for the three months ended March 31, 2004 and the audited financial statements of the Company and the notes thereto, and Managements Discussion and Analysis, for the year ended December 31, 2003. The financial statements are prepared in accordance with Canadian generally accepted accounting principles and have not been reviewed by the Company's auditor.

Additional information relating to the Company, including the Company's Annual Information Form for the year 2003, dated May 14, 2004, is available on SEDAR at www.sedar.com.

Company Overview

Conquest is a Toronto based junior mining exploration and development Company. It is a reporting issuer in the Provinces of Ontario, British Columbia and Alberta, and its common shares are listed on the TSX Venture Exchange under the symbol "CQR."

The Company is principally engaged in the acquisition, exploration, development and operation of mineral exploration properties. The Company has acquired interests and entered into agreements to acquire interests in and to mineral exploration properties located in Canada, Zimbabwe, and Tanzania.

Operational Highlights - 1QR 2004

During the first quarter of 2004, Conquest's activities continued to be mainly concentrated in Ontario and British Columbia, Canada. Activities in Canada focussed on property identification, evaluation and exploration, including drilling on the Alexander Gold Property at Red Lake, Ontario. Data review and compilation work were carried out on the Aurora Gold Property at Detour Lake, Ontario and on the Phiz and Rock and Roll Polymetallic Properties in British Columbia.

The Company completed a second winter drill programme at the Alexander Project at Red Lake comprising 3,441 metres (15 holes) at a cost of approx \$287,000, which resulted in significant gold values and related alteration being encountered in several holes along a 2,000 metre long easterly trend which broadly represents the shear zone identified in the previous drilling and by geophysical surveys. Conquest is very encouraged by the results of the recent drilling which have identified two new zones of gold mineralization.

In January 2004, Conquest, together with Newcastle Minerals Ltd. Entered into an option agreement under which they can jointly earn up to 100% interest in the Forest Syndicate's interest in the Rock and Roll Property owned by the Forrest Syndicate ("Forrest"). The Rock and Roll Property comprises 169 mining units and is contiguous to the northwest of the Phiz Property, subject to an earlier option/joint venture agreement between Conquest and Newcastle. The property consists of a 100% interest in certain properties subject to a 3% net smelter return, and a 62.5% interest in other properties subject to a 10% net profits interest. The agreement provides that to earn their interest, Conquest/Newcastle will expend at least \$800,000 to carry out exploration on the property in stages by December 31, 2007 and complete a feasibility study by December 31, 2012, having incurred a further minimum expenditure of \$1,000,000. In addition, Conquest/Newcastle will issue a total of 170,000 common shares of Conquest and 330,000 common shares of Newcastle to Forrest of which 25,000 and 50,000 common shares respectively were issued following regulatory approval. Issuance of the remaining shares is optional depending upon Conquest/Newcastle electing to proceed to further stages of expenditure and are to be issued in three further tranches of similar number on the first, second and third anniversaries of the agreement. The final payment of 70,000 shares of Conquest and 130,000 shares of Newcastle will be made upon completion of a feasibility study and election to proceed to construction and financing of a mine.

In a separate agreement Conquest and Newcastle have agreed that Conquest shall have an initial 70% interest in the Rock and Roll option by contributing 100% of the first year's exploration expenditures.

Thereafter, Conquest and Newcastle will contribute 70/30 according to their respective interests.

In February 2004, Conquest increased its interest in the Aurora project to 90% (100% under certain circumstances) and in April 2004, the Company announced an option/joint venture agreement with Trade Winds Ventures Inc. whereby Trade Winds will contribute \$4.4million to exploration at Aurora to earn a 60% interest. In addition, Trade Winds will invest, subject to regulatory approval, \$500,000 in Conquest by way of a private placement at \$0.40 per share, pay Conquest \$100,000 in cash on signing and issue up to 400,000 shares of Trade Winds to Conquest. Conquest will retain its 90% interest in the Sandy Lake and Nash Creek claim blocks, also in the Detour area.

In Tanzania, Barrick Gold continues to explore under option the Company's Suguti property in the Lake Victoria area while in Zimbabwe the Company's projects in the Midland's goldfield have remained on a care and maintenance basis pending an improvement in the local political, economic and security situation.

During the quarter Conquest received 35,000 shares of Marakand Minerals upon a reorganisation of Oxus Gold plc under which shares of Marakand were distributed to Oxus shareholders.

Review of Financial Results - 1QR 2004

Conquest incurred a loss for the first quarter of 2004 of \$178,815 (\$0.01 per share) compared to a loss of \$378,933 (\$0.01 per share) in the first quarter of 2003. Included in the loss in the first quarter of 2004 was amortization of plant and equipment in the amount of \$116,813 compared to \$130,224 in the first quarter of 2003, which also included a write down of mineral properties in the amount of \$183,106.

The Company is in the exploration stage and does not generate any cash flow. The Company recorded no revenue in the first quarter of 2004 or 2003.

There were no debenture expenses incurred in the first quarter of 2004 (2003 - \$72,371)

Administrative expense during the first quarter of 2004 amounted to \$62,002 compared to \$65,663 in the first quarter of 2003. The major items were office and corporate expense of \$39,866 in 2004 compared with \$36,408 in 2003. General and administrative expense in the first quarter of 2004 is consistent with the general and administrative costs that were incurred in the last three quarters of 2003 and is consistent with the current amount required to maintain all of the Company's corporate activities.

Exploration expenditures in the quarter amounted to \$ 435,751 compared to \$370,418 in the first quarter of 2003, the increase being attributable to increased exploration activity. The Company capitalizes all exploration costs. A schedule of the Company's exploration properties and deferred exploration expenditures is attached to the financial statements and shows the major components of expenditure on a property by property basis.

Related Party Transactions.

The expenses for the quarter include expenses incurred to directors or to corporations owned by or that employ directors for exploration expenses of \$31,850; corporate expenses of \$9,000; administrative services of \$5,027; and legal services of \$2,192. Included in accounts payable and accrued liabilities at March 31, 2004 is \$268,041 due to these related parties. All amounts were incurred in the normal course of business and are measured at the exchange amount.

Liquidity and Capital Resources

At March 31, 2004, Conquest had cash and receivables of \$2,530,093 compared to \$2,998,807 at December 31, 2003. The decrease is largely due to mineral exploration expenditure incurred during the quarter. The Company had a working capital surplus of \$2,220,816 at March 31, 2004 compared to a surplus of \$2,674,816 at December 31, 2003. Included in accounts payable and accrued liabilities of \$309,227 at March 31, 2004 is \$268,041 due to related parties.

The Company is currently in a development phase with no history of revenue and does not expect to generate any cash flow during 2004. Insufficient exploration and development work has been carried out on 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 programmes and to expand its operations, additional funds will 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 any assurances that such funds will be obtained.

Total assets decreased to \$5,568,898 at March 31, 2004 from \$5,718,676 at December 31, 2003 primarily as a result of a decrease in cash as funds were expended on the Ontario exploration projects, together with amortization of plant and equipment. Total liabilities decreased to \$309,277 at March 31, 2004 from \$323,991 at December 31, 2003. The Company had a working capital surplus of \$2,220,816 at March 31, 2004 compared to a surplus of \$2,674,816 at December 31, 2003.

At March 31, 2004, the Company had mining properties with a total book value of \$2,601,495. Plant and mining equipment, located in Zimbabwe, had a book value of \$214,340 at March 31, 2004. The equipment is being amortized on the straight-line basis at 30% per annum. The balance sheet values may not represent that which could be obtained were the properties to be offered for sale at this time. The investment of \$222,970 in Oxus Mining PLC is treated as a long-term investment and had a market value at March 31, 2004 of \$629,000 compared to \$933,000 at December 31, 2003.

Summary of Quarterly Results

	1QR02	2QR02	3QR02	4QR02	1QR03	2QR03	3QR03	4QR03	1QR04
Net Income (loss) per share \$	(0.01)	(0.01)	(0.01)	0.00	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)
Net Income (loss) before taxes & writedowns \$	(162,348)	(204,706)	(151,274)	88,642	(378,993)	(173,432)	218,958	(917,473)	(178,815)
Total assets \$	4,658,145	5,112,758	4,971,299	5,448,811	5,031,504	4,874,272	6,280,765	5,718,676	5,568,898

Outstanding Share Data

The Company has unlimited authorized share capital of a single class of common shares of which, at March 31, 2004, 57,121,680 common shares were issued. Each common share entitles the holder to one vote. The common shares rank equally for dividends and for all distributions upon dissolution or wind up.

At March, 2004, the Company had 12,215,734 share purchase warrants outstanding and convertible into common shares and 4,330,000 share options issued pursuant to the Company's Stock Option Plan. No options were granted in the Quarter.

Significant Accounting Policies and Risk Factors

The Company's Accounting Policies have been disclosed in the Financial Statements for the Year ended December 31, 2003 and the accounting policies considered by Management to be the most critical are summarised in Management's discussion and analysis for the year ended December 31, 2003.

The first quarter financial statements are prepared in accordance with the same policies as year end except for a change in the method of accounting for stock based compensation in accordance with the recommendations of the Canadian Institute of Chartered Accountants. The new recommendations require that compensation for all awards be measured and recorded at fair value for fiscal years beginning on or after January 1, 2004. The Company, as permitted, has chosen to apply the change retroactively in fiscal 2004 with a restatement of deficit as at January 1, 2004.

The fair value of stock options is determined by the widely used Black-Scholes option pricing model which was developed for use in estimating the fair value of freely traded options which are fully transferable and have no vesting restrictions. The Company's options have characteristics that are significantly different from those of traded options and changes in any of the assumptions used can materially affect fair value estimates.

The principal Risk Factors impacting the Company have been disclosed in the Company's Annual Information Form for the year ended December 31, 2003.

The audited financial statements, and MDA for the year ended December 31, 2003 and the Company's Annual Information Form for 2003, are available from the Company or can be viewed on SEDAR at www.sedar.com.

Outlook

The Company plans an aggressive program of exploration on its Canadian projects during 2004 with significant emphasis on diamond drilling. Sufficient funds are available to support the proposed exploration activities for 2004 but the Company will have to seek additional financing to continue exploration into 2005. There is no guarantee that such financing can be secured.

Caution on Forward-Looking Information

This report may contain "forward-looking statements" within the meaning of the United States Private Securities Legislation Reform Act of 1995. Such forward-looking statements are subject to risks, uncertainties and other factors described under the caption "Risk Factors" in the Company's Annual Information Form.