

**Conquest Resources Limited**  
**Interim Consolidated Balance Sheet**

Statement 1

**As at 30 September 2003**

Canadian Funds  
 Unaudited

	Sept 30 2003	Dec 31 2002
	\$	\$
<b>ASSETS</b>		
Current assets		
Cash and short-term investments	1,860,635	771,498
Amounts receivables	<u>133,246</u>	<u>9,880</u>
	1,993,881	781,378
Other assets		
Investment in Oxus Gold plc	226,236	628,435
Mineral properties and deferred exploration expenditures	3,340,452	2,928,130
Plant and equipment, net	<u>720,196</u>	<u>1,110,868</u>
	4,286,884	4,667,433
	<u>6,280,765</u>	<u>5,448,811</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities		
Accounts payable and accrued liabilities	<u>221,792</u>	<u>256,781</u>
Shareholders' equity		
Convertible debentures	2,319,230	2,280,464
Capital stock	6,098,887	5,089,382
Warrants	591,404	224,620
Contributed Surplus	58,150	58,150
Deficit	<u>(3,008,698)</u>	<u>(2,460,586)</u>
	6,058,973	5,192,030
	<u>6,280,765</u>	<u>5,448,811</u>

ON BEHALF OF THE BOARD:

"Terence N. McKillen" Director

"John F. Kearney" Director

- See Accompanying Notes -

## Interim Consolidated Statement of Loss and Deficit

For the Three and Nine Months Ended September 30

Canadian Funds  
Unaudited

	Three Months Ended		Nine Month Ended	
	2003	2002	2003	2002
<b>Revenue</b>	-	-	-	-
<b>Expenses</b>				
Office and general	12,219	48,575	45,570	181,292
Corporate expenses	12,011	6,315	34,659	42,281
Consulting fees	-	-	14,000	15,350
Salaries and benefits	21,486	-	58,828	-
Professional fees	16,821	9,568	19,721	17,587
Travel & Entertainment	3,075	-	3,704	1,370
Loss before the undernoted	65,612	64,458	174,482	257,880
Gain on sale of investments	(414,794)	-	(414,794)	-
Write down of deferred exploration expenditures	-	-	183,106	-
Amortization	130,224	86,816	390,672	260,448
<b>Net loss (income) for the period</b>	<b>(218,958)</b>	<b>151,274</b>	<b>333,466</b>	<b>518,328</b>
<b>Deficit, beginning of period</b>	<b>3,154,042</b>	<b>2,288,048</b>	<b>2,460,586</b>	<b>1,759,187</b>
Convertible debentures charges	73,614	54,612	214,646	216,419
<b>Deficit, end of period</b>	<b><u>3,008,698</u></b>	<b><u>2,493,934</u></b>	<b><u>3,008,698</u></b>	<b><u>2,493,934</u></b>
<b>Net (income) loss per common share</b>	<b>(0.01)</b>	<b>0.01</b>	<b>0.01</b>	<b>0.01</b>

**Interim Consolidated Statement of Cash Flows**

For the Three and Nine Months Ended September 30

Canadian Funds

Unaudited

	<u>Three Months Ended</u>		<u>Nine Month Ended</u>	
	2003	2002	2003	2002
<b>Cash Flow From (Used in) Operating Activities</b>				
Net income (loss) for the period	218,958	(151,274)	(333,466)	(518,328)
Item not involving cash				
Gain on sale of investment	(414,794)	-	(414,794)	-
Write down of mineral properties	-	-	183,106	-
Amortization	<u>130,224</u>	<u>86,816</u>	<u>390,672</u>	<u>260,448</u>
	(65,612)	(64,458)	(174,482)	(257,880)
Changes in non-cash working capital balances	(99,302)	(520,533)	(158,355)	(497,232)
Cash flows from (used in) operating activities	(164,914)	(584,991)	(332,837)	(755,112)
<b>Cash Flow From (Used in) Financing Activities</b>				
Mineral properties	(44,991)	358,492	-	440,587
Convertible debentures	-	-	-	(960,000)
Interest on debentures	-	(260,643)	(175,879)	(260,643)
Issuance of shares	<u>1,200,410</u>	<u>648,643</u>	<u>1,376,289</u>	<u>2,316,643</u>
	1,155,419	746,492	1,200,410	1,536,587
<b>Cash Flow From (Used in) Investing Activities</b>				
Investment in Oxus Gold (Norox Mining Co.)	816,993	(318,990)	816,993	(628,435)
Mineral properties & deferred exploration expenditures	-	<u>(27,623)</u>	<u>(595,426)</u>	<u>(58,266)</u>
	<b>816,993</b>	<b>(346,613)</b>	<b>221,565</b>	<b>(686,701)</b>
<b>Increase (Decrease) in cash and short-term investment</b>	1,807,498	(185,112)	1,089,138	94,774
<b>Cash and short-term investments, beginning of period</b>	53,138	288,729	771,498	8,843
<b>Cash and short-term investments, end of period</b>	<b>1,860,635</b>	<b>103,617</b>	<b>1,860,635</b>	<b>103,617</b>

# Conquest Resources Limited

## Notes to Interim Consolidated Financial Statements

30 September, 2003

Canadian Funds

Unaudited

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### 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 September 30, 2003 are not necessarily indicative of the results that may be expected for the full year ended December 31, 2003. For further information, see the Company's consolidated financial statements including the notes thereto for the year ended December 31, 2002.

### 2. Accounting Changes

#### *(a) 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.

#### *(b) Capital Assets and Amortization*

Capital assets are recorded at cost. Amortization of plant and equipment is provided on a straight line basis at a rate of 30% per annum (20% in prior years).

### 3. Issuance of Capital Stock

6,721,939 common shares were issued during the quarter ended September 30, 2003 in a private placement financing of \$1,277,168. The private placement financing comprised 6,721,939 Units at a price of \$0.19 per Unit. Each Unit comprised one common share and one share purchase warrant. Each share purchase warrant entitles the holder to purchase a further common share of the Company at an exercise price of \$0.25 per share at any time up to March 17, 2005. Of the placement, 6,012,810 Units were flow through Units comprising one flow through share and one non-flow through share purchase warrant.

### 4. Convertible Debentures

The Company has issued and outstanding \$2.2 million of 8% unsecured convertible debentures of which \$2.0 million are due April 30, 2006 and the balance due August 31, 2006. The Debentures are convertible at the option of the holder into common shares of the Company at any time prior to maturity 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 have been 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.

## 5. Capital Stock

a) *The capital stock is as follows:*

Authorized  
 Unlimited common shares  
 Issued  
 46,052,863 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 outstanding as at September 30, 2003:

Number of Common shares	Exercise Price \$	Expiry Date
1,430,000	0.20	Feb 12, 2005
600,000	0.10	May 7, 2006
200,000	0.20	May 10, 2007
800,000	0.20	Oct 1, 2007
150,000	0.30	Mar 17, 2008
<u>1,350,000</u>	0.20	Sep. 24, 2008
4,530,000		

c) *Warrants*

As at September 30, 2003, the Company has issued and outstanding 7,307,454 share purchase warrants valued at \$591,404. Each warrant entitles the holder to purchase one common share of the Company. A summary of outstanding warrants is as follows:

Warrants	Exercise Price	Expiry Date
2,000,000	\$0.25	30 Jun, 2004
222,400	\$0.18	19 Dec, 2003
363,115	\$0.19	17 Mar. 2005
<u>6,721,939</u>	\$0.25	17 Mar. 2005
9,307,454		

## 6. (Loss) earnings per share

	<u>Sept 30, 2003</u>	<u>Sept 30, 2002</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 38,769,433 common shares.

For the three months ended September 30, 2003, the existence of convertible debentures, stock options, conversion rights and warrants would effectively eliminate the fully diluted earnings per share.

## **7. Mineral Properties & Deferred Exploration Expenditures**

The Company has made a provision against net deferred exploration expenditure on its African mineral properties in the amount of \$183,106.

## **8. Sale of Interest in Jerooy Gold Project**

In May 2003, the Company agreed to sell its 7% share holding in Norox Mining Company Limited to Oxus Gold plc in consideration of the issue by Oxus of 1,250,000 common shares of Oxus and warrants entitling the Company to purchase an additional 250,000 shares of Oxus at a purchase price of £0.25 per share at any time for a period of five years. The Share Sale, Option and Joint Venture Agreement dated May 2002 between the Company and Oxus in relation to the Jerooy gold project was terminated. During the quarter, the Company sold 800,000 common shares of Oxus Gold plc for total proceeds of \$816,993 which was added to working capital. Subsequent to the end of the quarter the Company sold an additional 100,000 shares for \$161,469.