

CONQUEST RESOURCES LIMITED

Report to Shareholders for the year ended December 31, 2006

Since 2001, the Company has focused its efforts on exploration in Canada where it has acquired a number of advanced gold projects, either directly or through joint venture, that have significant upside potential for the development of resources. In the past year, rather than limit ourselves solely to Canada, we have widened our search to include opportunities not only for gold but also for silver and other minerals within North and South America.

During 2006 and in the first quarter of 2007, we completed two phases of drilling at the **King Bay Property** in the search for the source of high grade gold boulders with historic results of up to 521.1 g/t gold (15.2 ounces per ton). The average of the Eastern boulder train is 18.9 g/t gold (0.55 ounces per ton), the Central boulder train average is 18.2 g/t gold (0.53 ounces per ton), and the Western train average is 5.14 g/t gold (0.15 ounces per ton).

Poor ice conditions limited the 2006 program to a partial investigation of one of the geophysical anomalies under the water of King Bay where one hole intersected an altered quartz stockwork containing visible gold, with the most significant interval returning 22.7 gm/t gold over 0.3 metres. In January and February of 2007, we returned to the W-Series magnetic anomalies and completed a total of 1,053 metres in 11 holes. The 2007 drill program focussed on investigating the W1, W2, W3, W4 and W5 magnetic anomalies which are clustered within a circular area of about 100 metres in diameter situated immediately up ice from the Western boulder train. Gold mineralization was encountered in 9 of the holes and in all of the five W-Series anomalies. Gold mineralization occurs with blue-black quartz (BBQ) veining within intensely altered quartz-feldspar porphyry (QFP). It is significant that four samples of BBQ veining from the W4 anomaly contained fine grained free gold (visible gold).

BBQ veining was encountered over widths up to 17.5 metres but gold mineralization was confined to narrow widths (max. 1.05 metres). After assessing all of the data, Conquest considers the W-Series anomalies to be the sources of the Western, lower grade, boulder train. Within this source area further drill investigation both along strike and down dip of anomalies W3, W4 and W5 is warranted. The source of the higher grade boulders delineated in the Eastern and Central boulder trains has yet to be found. Exploration will now focus within a much more restricted area (200m x 400m) of search to locate the source of those higher grade boulder trains.

Hole No.	BBQ Interval	From (m)	To (m)	Width (m)	Gold (g/t)	Gold (oz/t)	
W4-01	29.00m-46.50m (17.5m)	36.18	36.92	0.74	5.75	0.168	
		37.82	37.89	0.07	2.20	0.064	
		42.87	43.19	0.32	22.66	0.662	
		(including)	42.87	42.98	0.11	43.00	1.256
W4-02	36.85m-40.50m (3.65m)	38.18	38.92	0.74	8.44	0.246	
		(including)	38.18	38.62	0.44	13.51	0.394
		(including)	65.78	65.85	0.07	3.41	0.100
W4-03	31.80m-36.70m (4.90m)	35.65	36.00	0.35	1.13	0.033	
		103.20m-118.00m (14.80m)	103.2	103.45	0.25	74.55	2.177
W4-04	33.00m-50.00m (17.00m)	32.25	32.75	0.50	1.57	0.046	
		36.94	37.70	0.76	20.51	0.599	
		(including)	37.48	37.70	0.22	68.62	2.004
		39.40	39.60	0.20	1.87	0.055	
W4-05	34.70m-34.92m (0.22m)	34.70	34.92	0.22	19.90	0.581	
		43.70	44.00	0.30	17.14	0.500	
W1-01	72.38m-72.46m (0.08m)	72.38	72.46	0.08	2.85	0.083	
		71.42	71.48	0.06	3.27	0.095	
W2-02	33.00m-34.05m (1.05m)	33.00	34.05	1.05	1.52	0.044	
W5-01	49.00m-49.20m (0.20m)	49.00	49.20	0.20	11.14	0.325	
		48.53m-50.22m (1.69m)	48.53	48.81	0.28	23.12	0.675
W5-02	49.65m-50.22m (0.57m)	49.65	50.22	0.57	2.71	0.079	
		130.65m-131.10m (0.45m)	130.65	131.10	0.45	4.90	0.143
	(including)	130.96	131.10	0.14	13.45	0.393	

*King Bay
Drill Results*

Subsequent to the 2007 drill program, we completed a detailed magnetometer survey to the east along the entire length of King Bay to cover the full extent of the King Bay quartz-feldspar porphyry intrusive. In addition, a summer program of overburden drilling from a barge, in the suspected source area of the Eastern and Central boulder trains, is being considered as a lead up to further diamond drilling from the ice next winter or from a barge during the summer and fall.

The **Alexander Property** at Red Lake, Ontario, remains Conquest's main exploration property. Its location adjacent to the Goldcorp Red Lake mine has prompted at least one independent commentator (Lawrence Raulston - January 2003) to refer to Conquest as *"the junior with the best address in the Red Lake district"* During 2006, we continued our data evaluation and fined tuned our conceptual thinking which suggests there is a possibility that the Red Lake mine sequence may be brought into the southern part of the Alexander Property along the flank of a major synclinal fold. We also pursued a new initiative with respect to revitalizing our Red Lake initiative by searching for additional prospective claim holdings that might be added to our existing property.

We have developed a new two-year exploration strategy for the Alexander Project which will include significant additional drilling to test identified and postulated targets. This will comprise a combination of relatively shallow to moderately deep diamond drilling, together with the possibility of underground drilling, if a suitable agreement can be negotiated with Goldcorp to access the Alexander property from within the Red Lake mine underground workings.

On the **Aurora Project** at Detour Lake our joint venture partner, Trade Winds Ventures Inc. completed 12 diamond drill holes during the year for a total of 3,324 metres of NQ drilling. The drill program was designed to test a number of geophysical targets identified in former surveys that had not previously been tested. The cause of the IP and resistivity anomalies were generally due to lithological or structural contrasts with only very minor gold mineralization being encountered (best intersection was 2.01g/t gold over 2.01 metres) within mafic volcanoclastics.

Conquest holds a 100% interest in the nearby **Sunday Lake** and **Nash Creek** Properties. The former property is located immediately east of the former Detour gold mine along the Sunday Lake Deformation Zone, the same structure that hosted the Detour deposit and which is the target of a very significant new exploration initiative by Detour Gold Mines Inc. Subsequent to year-end, Detour Gold raised over \$34 million for a 50,000 metre drill and feasibility program in order to expand the existing 3.4 million ounce resource at the Detour deposit.

In Tanzania, Barrick Gold farmed-out its option to explore the Company's **Suguti Property** in the Lake Victoria area to RandGold Resources Limited of Australia, while in Zimbabwe the Company's projects in the **Midland's Goldfield** have remained on a care and maintenance pending an improvement in the local political, economic and security situation.

During the year, we identified and reviewed a number of advanced gold and silver exploration and development projects located in North and South America. One such advanced project appeared to satisfy all our technical criteria but we were not able to conclude a satisfactory business arrangement with the owners. We plan to continue to pursue this particular opportunity further in 2007 as well as to continue to review exploration and development opportunities in Canada and elsewhere.

The Company is adequately financed to pursue its general plans for 2007, however, additional equity financing will be necessary if we are to more aggressively pursue plans for the Alexander and King Bay projects, or if we identify and/or acquire any additional projects.

We acknowledge the continuing contribution of our directors and technical consultants over the past year and the continued patience of our shareholders. I would particularly like to recognise the contribution made by Brian Hester who retired from the Board during the year and to wish him well in retirement. I am delighted that he has agreed to remain available as a special advisor to management. For more information on Conquest, please visit our web site at www.conquestresources.net or on our Annual Information Form which is available at www.sedar.com.

On behalf of the Board of Directors,



Terence N. McKillen
President & CEO

April 12, 2007

***The Annual & Special Meeting of Shareholders will be held
at 9:30 a.m. on Tuesday, June 19, 2007
at the offices of the Corporation in Toronto***

Conquest's shares trade on the TSX Venture Exchange - Symbol: "CQR"

Conquest Resources Limited
Management's Discussion and Analysis
For Year Ended December 31, 2006
51-102F2
(Dated April 17, 2007)

Company Overview

Conquest Resources Limited (the "Company" or "Conquest") is a Toronto, Canada based public company incorporated in 1945 and whose shares are listed on the TSX Venture Exchange (TSXV) under the symbol "CQR". The Company is a reporting issuer in the Provinces of Ontario, British Columbia and Alberta.

The Company is principally engaged in the acquisition, exploration and development 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.

The significant industry and economic factors affecting the Company remained substantially unchanged during the year with the exception of an increase in the gold price.

Operations Highlights 2006

During the year, Conquest's exploration activities continued to be mainly concentrated in Canada on the Alexander Property at Red Lake, the Aurora Property at Detour Lake and the King Bay Property at Sturgeon Lake, all in Ontario. The Company also evaluated a number of gold and silver projects, some with near-term production capability, in Canada and Mexico.

On the Alexander Property at Red Lake, Conquest continued data evaluation and pursued a new initiative with respect to the potential revitalization of its Red Lake project. Conquest's Alexander property lies immediately east of Goldcorp's Red Lake mine and is almost completely surrounded by Goldcorp claimholdings. The Red Lake mine is claimed by Goldcorp to be the richest gold mine in the world with historic and current gold resources of over 25 million ounces of gold. A new two-year exploration strategy which will include significant additional drilling to test identified and postulated targets is planned and will require significant financing.

On the Aurora Project at Detour Lake joint venture partner, Trade Winds Ventures Inc. completed 12 diamond drill holes during the year which tested a number of geophysical targets identified in former surveys that had not previously been tested. No significant gold mineralization was encountered. Conquest holds a 100% interest in the nearby Sunday Lake and Nash Creek Properties. The Sunday Lake property is located immediately east of the former Detour gold mine along the Sunday Lake Deformation Zone, the same structure that hosted the Detour deposit and which is the target of a very significant new exploration initiative by Detour Gold Mines Inc.

On the King Bay Property at Sturgeon Lake, poor ice conditions in the early part of 2006 limited drilling to a partial investigation of one of the geophysical anomalies under the water of King Bay where the initial hole intersected an altered quartz stockwork containing visible gold, with the most significant interval returning 22.7 gm/t gold over 0.3 meters. In January and February of 2007 drilling on the same W-Series magnetic anomalies resulted in gold mineralization being encountered in 9 out of 11 holes and in all of the five W-Series anomalies. It is significant that four samples of blue-black quartz (BBQ) veining from the W4 anomaly contained fine grained free gold (visible gold). Significant gold values (up to a maximum of 74.55g/t gold) were intersected over narrow widths (maximum 1.05 metres).

Conquest considers the W-Series anomalies to be the sources of the Western, lower grade, boulder train. Within this source area further drill investigation both along strike and down dip of anomalies W3, W4 and W5 is warranted. The source of the higher grade boulders delineated in the Eastern and Central boulder trains has yet to be found. Exploration will now focus within a much more restricted area (200m x 400m) of search to locate the source of those higher grade boulder trains. Following the completion of the winter 2007 drilling program Conquest has earned a 60% interest in the King Bay project.

Subsequent to the end of the year, Barrick has advised that it intends to return the Suguti property, Tanzania to the Company, while in Zimbabwe the Company's projects in the Midland's Goldfield have remained on a care and maintenance pending an improvement in the local political, economic and security situation.

During the third quarter, Brian Hester's retirement from the Board was accepted with regret. Mr. Hester has had a distinguished career in the international minerals industry over the past 56 years and had been a director of the Company since early 2000. Mr. Hester will remain as a special advisor to the Company. On August 9, 2006, the Company was pleased to announce the addition of Peter Palframan to its Board of Directors. Mr. Palframan will also serve on Conquest's Audit Committee. He is a Chartered Accountant and currently Senior Vice President of Operations at CHUM Television in Toronto. He is currently a Director and Chair of the Audit Committee of Cannasat Therapeutics Inc. Mr. Palframan was previously a member of the board of Conquest from March 2000 to May 2002.

Mineral Properties - Schedule of Deferred Exploration Expenditures
For the Year Ended December 31, 2006
Canadian Funds

Mineral Properties	Alexander	Aurora	King Bay	Tanzania	Total
Recovery		\$(33,500)		\$(11,800)	\$(45,300)
Geology, geophysics, geochemistry	\$12,096	\$5,706	\$52,689		\$70,491
Drilling	\$306	-	\$105,221		\$105,527
Travel and accommodation	-	-	\$13,354		\$13,354
Equipment, property lease & other	-	\$7,581	\$10,695		\$18,276
Total	\$12,402	(\$20,213)	\$181,959	\$(11,800)	\$162,348

The recovery for Aurora represents receipt of 50,000 shares of Trade Winds Ventures Inc and reimbursement of property lease costs by Trade Winds.

**Mineral Properties - Schedule of Deferred Exploration Expenditures
For the Year Ended December 31, 2005
Canadian Funds**

Mineral Properties	Alexander	Aurora	King Bay	Tanzania	Peru	Total
Recovery		\$(68,000)				\$(68,000)
Geology, geophysics, geochemistry	\$36,900	\$3,041	\$20,194		\$34,553	\$94,688
Drilling	\$16,460	\$285	\$194,064		-	\$210,809
Travel and accommodation	-	-	\$1,883		\$5,261	\$7,144
Equipment, property lease & other	\$7,027	\$(721)	\$16,358		-	\$22,664
Recovery, Tanzania				\$(11,600)		\$(11,600)
Total	\$60,387	\$(65,395)	\$232,499	\$(11,600)	\$39,814	\$255,705

The recovery for Aurora represents receipt of 50,000 shares of Trade Winds Ventures Inc.

Selected Annual Financial Information

The following selected annual financial information has been derived from the financial statements of the Company, which have been prepared in accordance with Canadian generally accepted accounting principles.

	2006 \$	2005 \$	2004 \$
Loss before amortization, write downs and gain on sale of investments	469,202	424,266	300,532
Net loss per common share	0.01	0.01	0.01
Total assets	4,500,589	4,637,116	4,700,421
Cash and cash equivalents	1,295,821	1,624,131	1,613,784
Long-term debt and capital leases	Nil	Nil	Nil
Shareholders equity	4,314,306	4,426,817	4,468,310

The Company is at the exploration and development stage and does not generate any revenue or operating cash flow. The loss for each of the years 2004, 2005 and 2006 largely represents administrative expenses.

Review of Financial Results

The Company recorded no revenue during 2006 or 2005.

In 2006, the Company recorded a loss before write down of investment of \$469,202, compared to a loss of \$118,403 in 2005.

In 2006, after the write down of investment, the Company recorded a net loss of \$539,702 for 2006. The equivalent loss in 2005 was \$118,403 before a future income tax recovery of \$72,240 for a net loss of \$46,163.

Administrative expenses for 2006 were \$469,202 compared to \$424,266 in 2005. Included in 2006 expenses were stock-based compensation of \$92,050 and property evaluation expense of \$59,488 compared to stock based compensation of \$96,000 in 2005.

Liquidity and Capital Resources

Total assets decreased to \$4,500,589 at December 31, 2006 from \$4,637,116 at December 31, 2005 primarily as a result of the administrative expenses and exploration expenditures. Total liabilities decreased to \$180,283 at December 31, 2006 from \$210,299 at December 31, 2005. The Company had a working capital surplus of \$1,213,117 at December 31, 2006 compared to \$1,444,976 at December 31, 2005. Cash and short-term investments of \$1.3 million at December 31, 2006 were down from \$1.6 million at December 31, 2005 primarily as funds were expended on the Ontario exploration projects and administrative expenses.

At December 31, 2006, the Company had mineral properties with a total book value of \$3,017,189. The balance sheet values may not represent that which could be obtained were the properties to be offered for sale at this time.

Upon the acquisition of 50,000 shares of Trade Winds Ventures Inc. in May 2006 at a value of \$33,500 the investment in Trade Winds was increased to 200,000 shares at a cost of \$160,500. At December 31, 2006 a write down of \$70,500 was taken reducing the carrying value to \$90,000 and the investment is treated as a long term.

In December 2006, the Company closed a non-brokered private placement of \$376,500 of which \$300,000 was realized through the sale of 2,307,692 flow-through units ("FT Units") at \$0.13 each to the MineralFields Group. Each Unit is comprised of one flow-through common share and one transferable non-flow-through share purchase warrant. Each share purchase warrant entitles the holder to purchase one common share of Conquest at an exercise price of \$0.20 per share within the first twelve months and at an exercise price of \$0.30 per share after the first twelve month period and before the end of twenty-four months.

MineralFields Group received a \$15,000 cash finder's fee plus reimbursement of due diligence and other expenses together with 230,769 compensation options, valid for a period of twenty-four months, to purchase Units on the same terms as the Unit placement, equal in number to 10% of the units subscribed for by MineralFields.

Insiders of the Corporation subscribed for an additional 588,463 Units of the placement for gross proceeds of \$71,500 (representing 20.3% of the total placement).

Pursuant to a Normal Course Issuer Bid approved in 2005, between September 1, 2005 and August 31, 2006 the Company purchased 204,000 common shares for cancellation at an average price of \$0.094 per share. The purchases were made by Conquest through the facilities and in accordance with the rules of the TSXV, and the prices that Conquest paid for any common shares were the market price of such shares at the time of acquisition.

Conquest is adequately financed to undertake its stated goals for 2007 but will likely require additional funding to more aggressively pursue exploration on the Alexander and King Bay Properties and to pursue any new project acquisitions.

Summary of Quarter and Fourth Quarter Results

	1QR05	2QR05	3QR05	4QR05	1QR06	2QR06	3QR06	4QR06
Net Income (loss) per share	(0.01)	(0.01)	(0.01)	0.01	(0.01)	(0.01)	(0.01)	(0.01)
Net Income (loss) before taxes & write downs	(159,644)	(111,211)	(158,060)	382,752	(83,424)	(154,551)	(73,203)	(158,624)
Total assets	4,581,118	4,451,821	4,291,374	4,637,116	4,463,018	4,392,779	4,304,707	4,500,589

In the fourth quarter of 2006, expenditures on exploration properties in Canada, primarily King Bay were \$34,770 and property evaluation expense in Mexico was \$59,488. The company generated gross proceeds of \$376,500 before issue cost of \$52,206 through a private placement of 2,896,153 flow-through units.

Contractual and Lease Commitments

The Company is committed to a minimum rental under a lease for its premises, which will expire on April 30, 2011. Pursuant to agreements with sub-tenants, the Company's share of the rent is not expected to exceed \$42,000 per year.

The minimum lease commitments for future years are as follows:

2007	\$107,071
2008	107,071
2009	107,071
2010	107,071
2011	<u>35,690</u>
	<u>\$463,974</u>

Related Party Transactions

Transactions with related parties have occurred in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. The expenses for the year include expenses incurred by directors or to corporations owned by or that employ directors for exploration expenses of \$32,550, corporate and administrative expenses of \$113,890, share issue legal costs of \$11,360 and legal and consulting services of \$11,106.

Included in accounts payable and accrued liabilities at December 31, 2006 is \$104,843 due to these related parties. All amounts were incurred in the normal course of business and are measured at the exchange amount.

Significant Accounting Policies

The Company's Accounting Policies have been disclosed in the Financial Statements for the Year Ended December 31, 2006 as well as in the Company's Annual Information Form (AIF). Risk factors have been disclosed in the Company's AIF for the Year Ending December 31, 2006. These documents are available from the Company upon request or can be viewed online on SEDAR at www.sedar.com.

Management considers the following to be the most critical in understanding the judgments that are involved in preparing the Company's financial statements and the uncertainties that could impact its results of operations, financial condition and future cash flows.

Use of Estimates - the preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements. The most significant estimates are related to the carrying value of resource interests and its recoverability, site restoration costs and asset retirement and related obligations. Actual results could differ from those estimates.

Exploration Properties and Deferred Exploration Expenditures - In accordance with its accounting policies the Company capitalizes exploration and development costs incurred on its exploration properties. Management's estimates of the recoverable reserves and resources, operating and capital costs and future metal prices are all subject to risks and uncertainties which may affect the assessment of recoverability of amounts recorded for resource interests. Upon commencement of production capitalized costs will be subject to depreciation and depletion over the estimated useful life of the project.

Stock Based Compensation - The Company records compensation cost on the grant of stock options to employees and non-employees. The fair value of each option is estimated on the date of the grant using the 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.

Financial Instruments

Fair Value - Canadian generally accepted accounting principles require that the Company disclose information about the fair value of its financial assets and liabilities. Fair value estimates are made at the balance sheet date, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties in significant matters of judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates. The carrying amounts for cash and cash equivalents, amounts receivable and accounts payable and accrued liabilities on the consolidated balance sheets approximate fair value because of the limited terms of these instruments.

Foreign Exchange Risk - Certain of the Company's expenses are incurred in Zimbabwean, Tanzanian and United States currencies and are therefore subject to gains or losses due to fluctuations in these currencies against the Canadian Dollar.

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 commodities.

Disclosure on Outstanding Share Capital

The Company has unlimited authorized share capital of a single class of common shares of which, at December 31, 2006, 62,663,830 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 December 31, 2006, the Company had 3,357,691 share purchase warrants outstanding and 5,100,000 share options issued pursuant to the Company's Stock Option Plan. The share purchase warrants will expire on December 15, 2008

As of April 17, 2007 the Company had 62,663,830 shares, 3,357,691 share purchase warrants and 5,400,000 share options outstanding.

Disclosure Controls and Procedures

Management is responsible for the information disclosed in this management discussion and analysis and has in place the appropriate information systems, procedures and controls to ensure that information used internally by management and disclosed externally is, in all material respects, complete and reliable. As of the financial year-ended December 31, 2006, an evaluation was carried out by the Chief Executive Officer and Chief Financial Officer, on the effectiveness of the Company's disclosure, controls and procedures, as defined in Multilateral Instrument 52-109 – Certification of Disclosure in Issuer's Annual and Interim Filings. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the design and operation of these disclosure, controls and procedures were effective as of December 31, 2006 to provide reasonable assurance that material information relating to the Company and its consolidated subsidiaries is made known to us, particularly during the period in which the annual filings are being prepared .

Internal Controls over Financial Reporting

Internal controls over financial reporting is a process designed by management to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with Canadian generally accepted accounting principles. Management has determined that no changes in internal control over financial reporting have occurred during the most recent interim period that have materially affected, or are reasonably likely to materially affect, the internal control over financial reporting.

Industry Trends and Outlook

The price of gold continued to reach new highs during the year. Despite the buoyant metals market, some resource companies, particularly in the junior sector, continued to exhibit generally weak share prices. Continued low market capitalization, reflected in depressed share prices may result in less receptive equity markets for junior mining shares which could impact upon the Company's ability to finance ongoing exploration activities.

The Company plans an ongoing program of exploration on its Canadian projects during 2007 with significant emphasis on diamond drilling. Sufficient funds are available directly or through joint venture contributions to support continued exploration activities for 2007 but the Company will have to seek additional financing to more aggressively pursue exploration on its Alexander and King Bay properties and/or to complete the acquisition of any new projects. 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.



McGovern, Hurley, Cunningham, LLP
Chartered Accountants

AUDITORS' REPORT

To the Shareholders of
Conquest Resources Limited
(A Development Stage Company)

We have audited the consolidated balance sheets of Conquest Resources Limited (a development stage company) as at December 31, 2006 and 2005 and the consolidated statements of operations and deficit and cash flows for each of the years in the two-year period ended December 31, 2006. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2006 and 2005 and the results of its operations and its cash flows for each of the years in the two year period ended December 31, 2006 in accordance with Canadian generally accepted accounting principles.

McGOVERN, HURLEY, CUNNINGHAM, LLP

Chartered Accountants
Licensed Public Accountants

TORONTO, Canada
March 28, 2007

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CONQUEST RESOURCES LIMITED
(A Development Stage Company)
CONSOLIDATED BALANCE SHEETS
AS AT DECEMBER 31

	2006 \$	2005 \$
ASSETS		
CURRENT		
Cash and cash equivalents	1,295,851	1,624,131
Amounts receivable	87,584	18,362
Prepaid expense	<u>9,965</u>	<u>12,782</u>
	1,393,400	1,655,275
INVESTMENTS (Note 4)	90,000	127,000
EXPLORATION PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES (Note 5)	<u>3,017,189</u>	<u>2,854,841</u>
	<u>4,500,589</u>	<u>4,637,116</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (Note 7)	<u>180,283</u>	<u>210,299</u>
SHAREHOLDERS' EQUITY		
CAPITAL STOCK (Note 6(a))	9,217,228	9,023,233
WARRANTS (Note 6(b))	147,146	45,000
CONTRIBUTED SURPLUS (Note 6(d))	1,519,740	1,382,690
DEFICIT	<u>(6,563,808)</u>	<u>(6,024,106)</u>
	<u>4,320,306</u>	<u>4,426,817</u>
	<u>4,500,589</u>	<u>4,637,116</u>
COMMITMENTS AND CONTINGENCIES (Notes 1, 5 and 10)		

APPROVED ON BEHALF OF THE BOARD:

Signed "T. N. McKILLEN" _____, Director

Signed "JOHN F. KEARNEY" _____, Director

CONQUEST RESOURCES LIMITED
(A Development Stage Company)
CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
FOR THE YEARS ENDED DECEMBER 31

	2006 \$	2005 \$
EXPENSES		
Office and general	256,050	290,690
Corporate expenses	95,180	73,455
Professional fees	45,332	53,500
Property evaluation expense	59,488	-
Travel	<u>13,152</u>	<u>6,621</u>
Loss before the under-noted	<u>469,202</u>	<u>424,266</u>
Amortization	-	4,106
Write down of investment (Note 4)	70,500	-
Gain on sale of investments (Note 4)	-	(449,783)
Write down of exploration properties and deferred exploration expenditures	<u>-</u>	<u>139,814</u>
	<u>70,500</u>	<u>(305,863)</u>
Loss before income taxes	539,702	118,403
Future income tax (Note 8(a))	<u>-</u>	<u>(72,240)</u>
NET LOSS FOR THE YEAR	539,702	46,163
DEFICIT , beginning of year	<u>6,024,106</u>	<u>5,977,943</u>
DEFICIT , end of year	<u>6,563,808</u>	<u>6,024,106</u>
NET LOSS PER COMMON SHARE – Basic and diluted	0.01	0.00
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	59,894,632	59,869,677

See accompanying notes to the consolidated financial statements.

CONQUEST RESOURCES LIMITED
(A Development Stage Company)
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31

	2006 \$	2005 \$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss for the year	(539,702)	(46,163)
Adjustments for:		
Amortization	-	4,106
Stock-based compensation	92,050	96,000
Future income tax	-	(72,240)
Gain on sale of investments (Note 4)	-	(449,783)
Write down of investment (Note 4)	70,500	-
Write down of exploration properties and deferred exploration expenditures	-	139,814
	<u>(377,152)</u>	<u>(328,266)</u>
Changes in non-cash working capital balances	<u>(111,142)</u>	<u>12,761</u>
Cash flows from operating activities	<u>(488,294)</u>	<u>(315,505)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Private placement of flow-through shares and warrants, net (Note 6)	341,141	-
Shares repurchased (Note 6)	-	(19,090)
Cash flows from financing activities	<u>341,141</u>	<u>(19,090)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Exploration properties and deferred exploration expenditures, net of recoveries	(181,127)	(323,705)
Plant and equipment	-	(4,106)
Sale of investments, net (Notes 4 and 5)	-	672,753
Cash flows from investing activities	<u>(181,127)</u>	<u>344,942</u>
Increase (decrease) in cash and short-term investments	<u>(328,280)</u>	<u>10,347</u>
Cash and cash equivalents, beginning of year	<u>1,624,131</u>	<u>1,613,784</u>
Cash and cash equivalents, end of year	<u>1,295,851</u>	<u>1,624,131</u>
SUPPLEMENTAL INFORMATION (Note 9)		

See accompanying notes to the consolidated financial statements.

CONQUEST RESOURCES LIMITED
(A Development Stage Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2006 and 2005

1. ONGOING OPERATIONS

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a "going concern", which assume that Conquest Resources Limited (the "Company") will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. The Company is in the development stage with no history of profitability. There is no guarantee that the Company's exploration programs will yield positive results or that the Company will be able to obtain the necessary financing to carry out the exploration and development of its properties.

The Company's continued operation is dependent upon its ability to obtain the financing necessary to provide adequate working capital for the foreseeable future. Management believes that the Company has sufficient working capital for the next year. Management continues to actively pursue additional financing and strives to obtain and thereafter maintain profitable operations to support the validity of the "going concern" assumption.

2. NATURE OF OPERATIONS

The Company is engaged in the search, evaluation and development of gold, precious metals and other resources in Canada and the continent of Africa (Tanzania and Zimbabwe). The Company's assets that are located outside of North America are subject to the risk of foreign investment, including increases in taxes and royalties, renegotiation of contracts, currency exchange fluctuations and political uncertainty.

The exploration activities of the Company are directed towards the search, evaluation and development of exploration properties. There has been no determination whether the Company's interests in exploration properties contain ore reserves which are economically recoverable. The Company's exploration operations are subject to government legislation, policies and controls relating to prospecting, development, production, environmental protection, mining taxes and labor standards. In order for the Company to carry out its exploration and mining activities, the Company is required to hold certain permits. There is no assurance that the Company's existing permits will be renewed or that new permits that have been applied for will be granted. Major expenditures are required to locate and establish ore reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. The recoverability of valuations assigned to mineral properties is dependent upon discovery of economically recoverable reserves, the ability to obtain necessary financing to complete development and future profitable production or proceeds from disposition. Management reviews the carrying value of the Company's interest in each property and where necessary, exploration properties are written down to their estimated recoverable amount. Although management has made its best estimate of these factors, it is reasonably possible that certain events could adversely affect management's estimates of recoverable amounts and the need for, as well as the amount of, provision for impairment in the carrying value of exploration properties and related assets.

Although the Company has taken steps to verify title to exploration properties in which it has an interest in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements or regulations, unregistered prior agreements or transfers or native land claims, and title may be affected by undetected defects.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Company and its subsidiaries are in accordance with Canadian generally accepted accounting principles and their basis of application is consistent with that of the previous year. Outlined below are those policies considered particularly significant.

(a) Consolidation

These consolidated financial statements include the accounts of the Company and its subsidiaries. All references to the Company should be treated as references to the Company and its subsidiaries. All significant inter-company balances and transactions have been eliminated on consolidation.

(b) Translation of Foreign Currencies

The Canadian dollar is the functional currency of all of the Company's operations, which are classified as integrated for foreign translation purposes.

Under the temporal method, monetary assets and liabilities are translated at the rate of exchange prevailing at the year end; plant and equipment and exploration properties are translated at the rates prevailing at the acquisition dates; and revenue and expenses are translated at average rates of exchange during the year, with the exception of amortization which is translated at historical exchange rates. Exchange gains and losses are included in the consolidated statements of operations and deficit.

(c) Cash and cash equivalents

Cash and cash equivalents include cash and highly liquid investments with original maturities of three months or less. The Company invests cash in term deposits maintained in high credit quality institutions.

(d) Exploration Properties and Deferred Exploration Expenditures

These assets are carried at historical cost. The cost of exploration properties and related exploration and development costs are deferred. These costs will be amortized over the estimated useful life of the properties following commencement of commercial production or written off if the properties are sold, allowed to lapse, or the property shows no promise from prior exploration results, or management determines that there is a permanent and significant impairment in value. All of the Company's properties are considered to be in the exploration or development stage and none have achieved commercial production. Accordingly, any revenue generated from testing or pilot plant processing is credited to deferred exploration expense. The Company does not accrue the future costs to keep the properties in good standing. Administrative expenditures, not directly related to property maintenance, are charged to operations as incurred.

(e) Plant and Equipment and Amortization

Plant and equipment are recorded at cost. Amortization of plant and equipment is provided on the straight-line basis at a rate of 20% per annum.

(f) Asset Retirement Obligations

The Company follows the CICA accounting standard on "Asset retirement obligations". Under the standard the Company is required to record a liability for the estimated future costs associated with legal obligations relating to the reclamation and closure of its mineral exploration properties. This amount is initially recorded at its discounted present value with subsequent annual recognition of an accretion amount on the discounted liability. An equivalent amount is recorded as an increase to exploration properties and deferred exploration expenditures and is amortized over the useful life of the property. Management is not aware of any asset retirement obligations.

(g) Use of Estimates

The preparation of the consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities and the reported amounts of revenue and expenses during the year. Actual results could differ from estimates. During the fiscal years presented, management has made a number of significant estimates and valuation assumptions, including the recoverability of investments in exploration properties, the future costs associated with environmental remediation and site restoration matters, fair value of financial instruments, valuation of investments, valuation of tax accounts and factors affecting the valuation of stock-based compensation and share purchase warrants. These estimates and valuation assumptions are based on present conditions and management's planned course of action, as well as an assumption about future business and economic conditions. Should the underlying valuation assumptions and estimates change, the recorded amounts could change by a material amount.

(h) Flow-through Financing

The Company has financed a portion of its exploration activities in Canada through the issuance of flow-through shares, which transfer the tax deductibility of exploration expenditures to the investor. Proceeds received on the issue of such shares have been credited to capital stock and the related exploration costs have been charged to exploration properties and deferred exploration expenditures.

Resource expenditure deductions for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with income tax legislation. When these expenditures are renounced, temporary taxable differences created by the renunciation will reduce share capital.

(i) Income Taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on differences between the financial statement carrying values and the income tax bases of assets and liabilities, and are measured using the substantively enacted income tax rates and laws that are expected to be in effect when the temporary differences are expected to reverse. The effect on future income tax assets and liabilities of a change in income tax rates is recognized in the period that includes the date of enactment or substantive enactment of the change. When the future realization of income tax assets does not meet the test of being more likely than not to occur, a valuation allowance in the amount of the potential future benefit is taken and no net asset is recognized.

(j) Loss Per Share

Basic loss per share is calculated using the weighted average number of shares outstanding. Diluted loss per share is calculated using the treasury stock method. In order to determine diluted loss per share, the treasury stock method assumes that any proceeds from the exercise of dilutive stock options and warrants would be used to repurchase common shares at the average market price during the period, with the incremental number of shares being included in the denominator of the diluted loss per share calculation. The diluted loss per share calculation excludes any potential conversion of options and warrants that would increase earnings per share or decrease loss per share.

(k) Investments

Investments are recorded at cost. If it is determined by management that an investment has suffered a decline in value that is other than temporary, the investment is written down to its net realizable value.

CONQUEST RESOURCES LIMITED
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(i) **Stock-based compensation**

The Company records compensation cost based on the fair value method of accounting for stock-based compensation. The fair value of stock options is determined using the Black-Scholes option pricing model. The fair value of the options

is recognized over the vesting period as compensation expense and contributed surplus. When options are exercised, the proceeds received, together with any related amount in contributed surplus, will be credited to capital stock.

4. INVESTMENTS

Investment in Oxus Gold PLC ("Oxus") and Marakand Minerals Limited ("Marakand")

On January 1, 2004, the Company held 350,000 common shares of Oxus and the 250,000 share purchase warrants of Oxus with an exercise price of £0.25 (Cdn\$ 0.58). During 2004, the Company received 35,000 shares of Marakand Minerals Limited ("Marakand") at no cost upon a reorganization of Oxus where shares of Marakand were distributed to Oxus shareholders. During 2005, the Company sold all its holdings of Oxus (350,000 shares and 250,000 warrants) and Marakand (35,000 shares). A gain of \$449,783 was recorded on the sales.

Investment in Trade Winds Ventures Inc.

As at December 31, 2006, the Company owned 200,000 shares of Trade Winds Ventures Inc. ("Trade Winds"), a company listed on the TSX Venture Exchange. During 2004, 50,000 shares of Trade Winds with market value of \$59,000 were received. On April 25, 2005, the Company received 100,000 shares of Trade Winds with a market value of \$68,000. On May 8, 2006, the Company received 50,000 shares of Trade Winds with a market value of \$33,500 (cumulative 200,000 shares at a value of \$160,500). These shares were received pursuant to an agreement whereby the Company granted rights to Trade Winds to earn a 60% interest in part of the Aurora property (Note 5(c)). The quoted market value of the 200,000 Trade Winds shares held at December 31, 2006 was approximately \$78,000. At December 31, 2006, the investment in Trade Winds was written down by \$70,500 to \$90,000.

5. EXPLORATION PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES

	Balance December 31, <u>2005</u> \$	Additions (Recoveries) \$	Balance December 31, <u>2006</u> \$
<u>CANADA</u>			
a) Alexander Property			
Exploration	1,398,722	12,402	1,411,124
b) Smith Lake Property			
Exploration	635,069	-	635,069
c) Aurora Property			
Exploration	733,528	13,287	746,815
Recovery	(227,000)	(33,500)*	(260,500)
d) King Bay Property			
Exploration	287,162	181,959	469,121
Others			
Exploration	<u>5,960</u>	<u>-</u>	<u>5,960</u>
Total Canada	<u>2,833,441</u>	<u>174,148</u>	<u>3,007,589</u>
<u>AFRICA</u>			
e) Tanzania Properties	21,400	(11,800)	9,600
f) Zimbabwe Properties	-	-	-
Total Africa	<u>21,400</u>	<u>(11,800)</u>	<u>9,600</u>
TOTAL	<u>2,854,841</u>	<u>162,348</u>	<u>3,017,189</u>

* Trade Winds Ventures Inc. shares received

The additions of \$181,127 in the Consolidated Statements of Cash Flows are after a non-cash recovery of \$45,300 and an increase in property related accounts payable of \$26,521.

CONQUEST RESOURCES LIMITED
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	Balance December 31, <u>2004</u> \$	Additions (Recoveries) \$	Impairment Provisions and Write offs \$	Balance December 31, <u>2005</u> \$
<u>CANADA</u>				
a) Alexander Property				
Exploration	1,338,335	60,387	-	1,398,722
b) Smith Lake Property				
Exploration	635,069	-	-	635,069
c) Aurora Property				
Exploration	730,923	2,605	-	733,528
Recovery	(159,000)	(68,000)**	-	(227,000)
d) King Bay Property				
Exploration	54,663	232,499	-	287,162
Others				
Exploration	<u>5,960</u>	<u>39,814</u>	<u>(39,814)*</u>	<u>5,960</u>
Total Canada	<u>2,605,950</u>	<u>267,305</u>	<u>(39,814)</u>	<u>2,833,441</u>
<u>AFRICA</u>				
e) Tanzania Properties	33,000	(11,600)	-	21,400
f) Zimbabwe Properties	<u>100,000</u>	<u>-</u>	<u>(100,000)</u>	<u>-</u>
Total Africa	<u>133,000</u>	<u>(11,600)</u>	<u>(100,000)</u>	<u>21,400</u>
TOTAL	<u>2,738,950</u>	<u>255,705</u>	<u>(139,814)</u>	<u>2,854,841</u>

* Property evaluation costs written-off

** Trade Winds Ventures Inc. shares received

The additions of \$323,705 in the Consolidated Statements of Cash Flows are after a non-cash recovery of \$68,000.

CANADA

(a) Alexander Property, Red Lake, Ontario

Pursuant to a Letter Agreement dated April 25, 2002 with Energold Minerals Inc. ("Energold"), the Company has earned a 100% interest in the Alexander Property, a group of 27 patented mining claims situated in Central Balmer Township, Red Lake Mining District, Ontario, subject to a 2% net smelter return ("NSR") in favour of Energold, by spending a total of \$500,000 on exploration and development before December 31, 2006. Cumulative expenditures at December 31, 2006 were \$1.4 million. Energold is controlled by a director of the Company.

(b) Smith Lake Property, Missinabie, Ontario

The Company holds six patented claims in the Missinabie area of Northern Ontario, in Leeson Township, Sault Ste. Marie Mining Division, located approximately 100 kilometres northeast of Wawa.

(c) Aurora Property, Detour Lake, Ontario

Pursuant to a Letter Agreement dated March 7, 2002 with Prism Resources Inc. ("Prism"), as amended March 3, 2004 and as further amended July 25, 2004, the Company acquired all of Prism's rights to earn up to a 100% interest in the Aurora Property, subject to a 7.5% net profits interest payable ("NPI") to Prism.

The Aurora Property consists of a group of 11 mining leases and 18 mining claims situated at Detour Lake, Ontario, comprising three blocks named Aurora, Sunday Lake and Nash Creek, which are subject to an underlying Joint Venture Agreement between Prism and Boliden Westmin (Canada) Limited ("Boliden Canada"). The Company earned an initial 60% interest in the Aurora Property by spending in excess of \$350,000 on exploration and development prior to June 30, 2004. The Company has elected to earn a further 40% (total 100%) interest in the property, subject to a 2% NSR payable to Boliden Canada and a 7.5% NPI payable to Prism, by spending a cumulative \$4,385,816 on exploration and development programs by December 31, 2012.

In order for the Company to be vested with its initial 60% interest, Prism was required to make a payment of \$200,000 to Boliden Canada by July 1, 2004. In 2004, the Company negotiated an agreement with Boliden Canada which provided that the \$200,000 payment could be satisfied by the issue to Boliden Canada of 1,000,000 common shares of the Company at a deemed price of \$0.20 per share and Boliden Canada agreed to extend the deadline for such payment. In July 2004 Boliden Canada was acquired by Breakwater Resources Limited. The above-mentioned agreement with Boliden Canada has not yet been consummated and the payment to Boliden Canada has not been made.

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Pursuant to a Letter of Intent dated April 13, 2004 with Trade Winds Ventures Inc. ("Trade Winds") the Company granted Trade Winds the right to earn up to a 60% interest in the Aurora block part of the Aurora Property by: (i) paying Conquest \$100,000 (paid); (ii) issuing to Conquest 200,000 common shares by May 7, 2006 (issued); (iii) subscribing for a \$500,000 private placement of Units of the Company at a price of \$0.40 per Unit, with each Unit consisting of one common share and one non transferable common share purchase warrant, exercisable for a period of eighteen months to January 15, 2006 at a price of \$0.60 per share (subscribed); and (iv) maintaining the property in good standing and completing annual exploration commitments totaling \$4,400,000 by April 30, 2008. At December 31, 2006, Trade Winds had advised the Company that it had expended in excess of \$800,000.

Trade Winds can increase its interest in the Aurora block to 70% by issuing to the Company a further 200,000 shares (to a maximum market value at the time of issue of \$1,000,000) and expending a further \$2,000,000 on exploration and development by April 13, 2010, subject to the Company having increased its overall ownership of the property to 100%.

The Trade Winds interest is subject to the underlying agreement with Boliden Canada being consummated.

(d) King Bay Property, Sturgeon Lake, Ontario

Pursuant to an agreement dated August 18, 2004 with KBG Minerals Corporation ("KBG"), the Company may earn a 60% working interest in the King Bay gold project by expending \$600,000 on exploration prior to April 30, 2008 of which \$100,000 was to be expended prior to April 30, 2005 and an additional \$100,000 prior to April 30, 2006. Cumulative expenditures to December 31, 2006 were \$469,121.

Upon the Company acquiring its 60% interest, a joint venture will be formed with the Company as the Operator of the joint venture. If either party's working interest is reduced below 10% due to non-participation, the interest will be converted to a 10% net profits royalty.

The property is subject to an underlying agreement between KBG and Tribute Minerals Corporation ("Tribute") under which Tribute holds a 1.5% NSR on any production from the Property.

AFRICA

The Company has properties in Tanzania and Zimbabwe.

(e) Tanzania Properties

The Suguti property is 100% owned by the Company and is located in the Lake Victoria Gold Field, Tanzania. The property consists of prospecting licence number 337/95 originally granted to subsidiary Sampo Resources (Tanzania) Limited ("Sampo") in 1995. The property is optioned to a subsidiary of Barrick Gold Corporation ("Barrick"), at an option payment of US\$10,000 per year. Barrick can acquire a 100% interest in the property by completing a bankable feasibility study. The Company will retain a 2% NSR on gold production, which can be purchased by Barrick for US\$1,000,000. Subsequent to the end of the year, Barrick has advised that it intends to return the Suguti property to the Company

(f) Zimbabwe Properties

The political and economic difficulties in Zimbabwe have interrupted the Company's exploration and development of its properties in Zimbabwe; however, management believes the properties have potential and expects to be able to resume its planned programs. As a result of the various difficulties, management has written-off the carrying value of the Zimbabwe properties completely.

Piper Moss Property

The Piper Moss property, a former producing gold mine, is located 3km north of Kwe Kwe, in the Midlands area of central Zimbabwe and consists of six claims comprising 54.9 hectares. The property was acquired in 1996 and is 100% owned by the Company.

Babs, Beehive and Eva Properties

The Beehive property is located approximately 10km north of Kwe Kwe, 6km north of the Company's Piper Moss property and comprises three contiguous claims amounting to approximately 30 hectares. The Babs property is located 30km west of Kwe Kwe and comprises five contiguous claims amounting to approximately 50 hectares. The Eva exploration property is located adjacent to the Beehive property and comprises six contiguous claims amounting to approximately 56 hectares.

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6. CAPITAL STOCK

(a) Common shares

Authorized Unlimited common shares		
Issued	<u>2006</u>	<u>2005</u>
	\$	\$
62,663,830 Common shares (2005 - 59,767,677)	<u>9,217,228</u>	<u>9,023,233</u>
Transactions during the years 2005 and 2006 are as follows:	<u>Shares</u>	<u>Amount</u>
	#	\$
Balance, December 31, 2004	59,971,677	9,114,563
Future income tax recovery on flow-through shares issued in 2004	-	<u>(72,240)</u>
Balance, December 31, 2005	59,971,677	9,042,323
Issued:		
Flow-through private placement, net of cash issue costs (ii)	2,896,153	341,141
Less: Amount allocated to Warrants (ii)	-	(130,300)
Amount allocated to Broker compensation options (iii)		(16,846)
Shares cancelled (i)	<u>(204,000)</u>	<u>(19,090)</u>
Balance, December 31, 2006	<u>62,663,830</u>	<u>9,217,228</u>

- i) On August 11, 2005, the Company filed a Notice of Intention to make a Normal Course Issuer Bid under which the Company could purchase for cancellation up to 2,998,583 of its outstanding common shares (approximately 5%), through the facilities and in accordance with the rules of the stock exchange, at prevailing market prices until August 31, 2006. As at December 31, 2005, 204,000 common shares were purchased for \$19,090 at an average price of \$0.094. These were being held for cancellation at December 31, 2005 and were cancelled in 2006.
- ii) In December 2006, the Company completed a private placement of 2,896,153 flow-through units at a price of \$0.13 per unit for gross proceeds of \$376,500. The brokered portion of the placement was 2,307,691 units for gross proceeds of \$300,000. Each unit consisted of one flow-through common share and one common share purchase warrant. Each warrant entitles the holder to purchase one common share of the Company at an exercise price of \$0.20 until December 15, 2007 and at an exercise price of \$0.30 between December 16, 2007 and December 15, 2008. The fair value of the share purchase warrants, determined to be \$130,300, was estimated using the Black-Scholes option pricing model based on the following assumptions: risk-free interest rate of 3.95%, expected life of 2 years, expected dividend rate of 0%, and expected volatility of 107%. See Note 6(b).
- iii) The issue costs for the private placement were \$52,206 comprised of legal fees of \$11,360, compensation paid to the broker for the brokered portion of the private placement of \$24,000 and 230,769 compensation options to purchase units at \$0.13 per unit, each unit comprised of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one common share of the Company at an exercise price of \$0.20 until December 15, 2007 and at an exercise price of \$0.30 between December 16, 2007 and December 15, 2008. The fair value of the options, determined to be \$16,846, was estimated using the Black-Scholes option pricing model based on the following assumptions: risk-free interest rate of 3.95%, expected life of 2 years, expected dividend rate of 0%, and expected volatility of 107%. As at December 31, 2006, these compensation options remained outstanding.

(b) Share Purchase Warrants

As at December 31, 2006, the Company had the following outstanding share purchase warrants:

<u>Warrants</u>	<u>Value</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
#	\$	\$	
2,896,153	130,300	0.20 and 0.30	December 15, 2008 See Note 6(a) (ii)
*461,538	16,846	020 and 0.30	December 15, 2008
<u>3,357,691</u>	<u>147,146</u>		

* Comprised of 230,769 broker compensation options exercisable into units and 230,769 warrants included from such units. See Note 6(a)(iii)

Each warrant entitles the holder to purchase one common share of the Company.

CONQUEST RESOURCES LIMITED
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Share purchase warrant transactions for the respective years were as follows:

	<u>Warrants</u>	<u>Weighted average</u> <u>Exercise Price</u>
	#	\$
Balance, December 31, 2004	11,310,054	0.34
Expired	<u>(10,060,054)</u>	0.31
Balance, December 31, 2005	1,250,000	0.60
Expired	<u>(1,250,000)</u>	0.60
Granted pursuant to private placement	<u>3,357,691</u>	0.25
Balance, December 31, 2006	<u>3,357,691</u>	0.25

(c) 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 share 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.

During 2006, 600,000 stock options issued in 2000 expired and the Company granted 1,000,000 (2005-1,600,000) stock options to officers, directors and a consultant of the Company. 300,000 stock options are exercisable at \$0.12 (2005-\$0.10) and expire on March 12, 2011 (2005-March 1, 2010), 600,000 stock options are exercisable at \$0.15 and expire on June 16, 2011 and 100,000 stock options are exercisable at \$0.13 and expire on June 16, 2011. The grant date fair value of the options was \$0.08, \$0.11 and \$0.11 respectively (2005-\$0.06). The 100,000 stock option grant was to be vested equally over the four quarters following the grant date.

The fair value of each option was estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions: expected dividend yield of 0% (2005 – 0%), expected volatility of 79%, 119% and 119% respectively (2005 – 61%), a risk free interest rate of 2.0% (2005 – 2.0%) and expected life of the options of five years (2005-five years).

At December 31, 2006, the Company had the following stock options outstanding:

<u>Number of</u> <u>Common shares</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
	\$	
200,000	0.20	May 6, 2007
800,000	0.20	September 26, 2007
150,000	0.30	March 17, 2008
1,350,000	0.20	September 24, 2008
1,600,000	0.10	March 1, 2010
300,000	0.12	March 12, 2011
600,000	0.15	June 16, 2011
<u>100,000</u>	0.13	June 16, 2011
<u>5,100,000</u>		

Stock option transactions for the respective years were as follows:

	<u>Number of</u> <u>Options</u>	<u>Weighted</u> <u>Average</u> <u>Exercise Price</u>
	#	\$
Balance, December 31, 2004	4,330,000	0.18
Granted	1,600,000	0.20
Expired	<u>(1,230,000)</u>	0.20
Balance, December 31, 2005	4,700,000	0.19
Granted	1,000,000	0.14
Expired	<u>(600,000)</u>	0.20
Balance, December 31, 2006	<u>5,100,000</u>	0.16

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(d) Contributed Surplus

Contributed surplus transactions for the respective years were as follows:

Balance, December 31, 2004		\$ 590,730
Value of expired warrants		695,960
Stock-based compensation on grant of options to:	employees	90,000
	non-employees	<u>6,000</u>
Balance, December 31, 2005		1,382,690
Value of expired warrants		45,000
Stock-based compensation on grant of options to:	employees	86,700
	non-employees	<u>5,350</u>
Balance, December 31, 2006		<u>\$1,519,740</u>

7. RELATED PARTY TRANSACTIONS

Transactions with related parties have occurred in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

	<u>2006</u>	<u>2005</u>
	\$	\$
Amounts paid and accrued include the following expenditures incurred with directors and corporations controlled by directors of the Company:		
Office and general	71,890	72,336
Corporate expenses	42,000	52,008
Exploration expenditures	32,550	72,115
Consulting and professional fees	666	1,300
Share issue legal costs	11,360	-
Legal fees	10,440	14,071

Included in accounts payable and accrued liabilities at December 31, 2006 is \$104,843 (2005 - \$148,262) due to the above-related parties. See Note 6(a)(ii).

In 2006, four directors of the Company subscribed for shares as part of a flow-through private placement. 550,000 units were issued for gross proceeds of \$71,500.

8. INCOME TAXES

(a) Provision for Income Taxes

Major items causing the Company's income tax rate to differ from the Canadian statutory rate of approximately 36% (2005 - 36%) were as follows:

	<u>2006</u>	<u>2005</u>
	\$	\$
Loss before income taxes	<u>(539,702)</u>	<u>(118,403)</u>
Expected income tax benefit based on statutory rate	(194,000)	(43,000)
Adjustments to benefit resulting from:		
Write down of investment	25,000	-
Share issue costs	(13,000)	(19,000)
Expiring losses	4,000	-
Non-deductible write down of exploration properties and deferred exploration expenditures	-	51,000
Stock-based compensation	33,000	35,000
Difference in capital gain tax rate	-	(81,000)
Option payments	(16,000)	-
Other permanent differences	161,000	-
Future income tax assets not previously recognized	-	72,240
Valuation allowance	<u>-</u>	<u>57,000</u>
Provision for future income taxes	<u>-</u>	<u>(72,240)</u>

(b) Future Income Tax Balances

The tax effects of temporary differences that give rise to future income tax assets and liabilities in Canada at December 31, approximate the following:

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	<u>2006</u>	<u>2005</u>
	\$	\$
Future income tax assets (liabilities)		
Non-capital losses	612,000	476,000
Exploration properties	(638,000)	(510,000)
Fixed assets	2,000	2,000
Share issue costs	<u>24,000</u>	<u>32,000</u>
Future income tax liability	<u>-</u>	<u>-</u>

(c) Tax Loss Carry-Forwards

The Company has approximately \$1,230,000 of Canadian development and exploration expenditures which, under certain circumstances, may be utilized to reduce taxable income of future years.

As at December 31, 2006, the Company has approximately \$1,701,000 of non-capital losses in Canada, which can be used to reduce taxable income of future years and expire as follows:

2007	\$ 9,000
2008	248,000
2009	408,000
2010	296,000
2011	372,000
2026	<u>368,000</u>
	<u>\$ 1,701,000</u>

Management believes that the Company has tax losses in Zimbabwe and Tanzania that, under certain circumstances, may be carried forward to offset future taxable income, but has not estimated these losses and the resulting future income tax assets at this time. Had the tax losses been determined at this time, a valuation allowance equal to the total amount of any future income tax assets would have been recorded to offset any such benefit.

9. STATEMENT OF CASH FLOWS SUPPLEMENTAL INFORMATION:

	<u>2006</u>	<u>2005</u>
	\$	\$
Investment in Trade Wind Ventures Inc. received for property interest	33,500	68,000
Cash and cash equivalents are composed of the following:		
Cash	334,818	831,324
Cash equivalents	<u>961,033</u>	<u>792,807</u>
	<u>1,295,851</u>	<u>1,624,131</u>

10. COMMITMENTS

- (a) The Company is committed to a minimum rental under a lease for its premises, which will expire on April 30, 2011. Pursuant to agreements with sub-tenants, the Company's share of the rent is not expected to substantially exceed \$42,000 per year.

The minimum lease commitments for future years are as follows:

2007	\$107,071
2008	107,071
2009	107,071
2010	107,071
2011	<u>35,690</u>
	<u>\$ 463,974</u>

- (b) During December 2006, 2,896,153 flow-through shares were issued through a private placement. The Company entered into flow-through share subscription agreements during the year ended December 31, 2006 whereby it renounced to investors a total of \$376,500 of qualifying Canadian Exploration Expenses as defined in the Income Tax Act of Canada. The Company is committed to incur the expenditure on or before December 31, 2007. Commencing March 1, 2007 the Company is liable to pay a tax of approximately 7% per annum, calculated monthly on the unexpended portion of the commitment. As of December 31, 2006, the Company has incurred costs of approximately \$20,000 related to these flow-through commitments.

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11. FINANCIAL INSTRUMENTS

Fair value

Canadian generally accepted accounting principles require that the Company disclose information about the fair value of its financial assets and liabilities. Fair value estimates are made at the balance sheet date, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties in significant matters of judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

The carrying amounts for cash and cash equivalents, amounts receivable and accounts payable and accrued liabilities on the consolidated balance sheets approximate fair value because of the limited terms of these instruments.

Foreign exchange risk

Certain of the Company's expenses are incurred in Zimbabwean, Tanzanian and United States currencies and are therefore subject to gains or losses due to fluctuations in these currencies against the Canadian Dollar.

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 commodities.

12. SUBSEQUENT EVENTS

Subsequent to the year end, the Company granted 300,000 options to a director, exercisable at \$0.13 per share for five years.

Corporate Information

Board of Directors

Peter Palframan¹ (appointed August 2006)
John F. Kearney¹
Terence N. McKillen
Neil J.F. Steenberg
D. Brett Whitelaw
Gerald J. Gauthier¹
Brian Hester (retired August 2006)

¹ Member of Audit Committee

Officers & Senior Management

John F. Kearney – *Chairman*
Terence N. McKillen - *President & C.E.O*
D. Brett Whitelaw - *Vice President*
Neil J. F. Steenberg – *Secretary*
Danesh K. Varma – *Chief Financial Officer*

Solicitors

Neil J.F. Steenberg, Barristers & Solicitor

Auditors

McGovern, Hurley, Cunningham, LLP, Toronto

Registrar and Transfer Agency

Equity Transfer & Trust Company
200 University Avenue, Suite 400, Toronto, ON, M5H 4H1

Executive & Head Office

111 Richmond Street West, Suite 1002, Toronto, ON, M5H 2G4
Tel: 416-362-8243 Fax: 416-368-5344

Stock Quotation TSX Venture Exchange (TSX-V) - "CQR"
Reporting Issuer Ontario, British Columbia & Alberta

Investor Relations: Brett Whitelaw: 778-836-5891

Website: www.conquestresources.net

Form 52-109F1 – Certification of Annual Filings

I, Danesh K. Varma, Chief Financial Officer of Conquest Resources Limited certify that:

1. I have reviewed the annual filings (as this term is defined in Multilateral Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*) of Conquest Resources Limited. (the issuer) for the period ending December 31, 2006;
2. Based on my knowledge, the annual filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the annual filings;
3. Based on my knowledge, the annual financial statements together with the other financial information included in the annual filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, as of the date and for the periods presented in the annual filings;
4. The issuer's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting for the issuer, and we have:
 - a. designed such disclosure controls and procedures, or caused them to be designed under our supervision, to provide reasonable assurance that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which the annual filings are being prepared;
 - b. designed such internal control over financial reporting, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP; and
 - c. evaluated the effectiveness of the issuer's disclosure controls and procedures as of the end of the period covered by the annual filings and have caused the issuer to disclose in the annual MD&A our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by the annual filings based on such evaluation; and
5. I have caused the issuer to disclose in the annual MD&A any change in the issuer's internal control over financial reporting that occurred during the issuer's most recent annual period that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting.

Date: April 30, 2007

"Danesh K. Varma"
Chief Financial Officer

Form 52-109F1 – Certification of Annual Filings

I, Terence N. McKillen, President & Chief Executive Officer of Conquest Resources Limited certify that:

1. I have reviewed the annual filings (as this term is defined in Multilateral Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*) of Conquest Resources Limited. (the issuer) for the period ending December 31, 2006;
2. Based on my knowledge, the annual filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the annual filings;
3. Based on my knowledge, the annual financial statements together with the other financial information included in the annual filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, as of the date and for the periods presented in the annual filings;
4. The issuer's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting for the issuer, and we have:
 - a. designed such disclosure controls and procedures, or caused them to be designed under our supervision, to provide reasonable assurance that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which the annual filings are being prepared;
 - b. designed such internal control over financial reporting, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP; and
 - c. evaluated the effectiveness of the issuer's disclosure controls and procedures as of the end of the period covered by the annual filings and have caused the issuer to disclose in the annual MD&A our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by the annual filings based on such evaluation; and
5. I have caused the issuer to disclose in the annual MD&A any change in the issuer's internal control over financial reporting that occurred during the issuer's most recent annual period that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting.

Date: April 30, 2007

"Terence N. McKillen"
President & Chief Executive Officer