

CONQUEST RESOURCES LIMITED

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited – prepared by management

Second Quarter

For the six month period ended June 30, 2011

(Expressed in Canadian \$000's)

**NOTICE OF NO AUDITOR REVIEW OF
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim consolidated financial statements, they must be accompanied by a notice indicating that the interim consolidated financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

CONQUEST RESOURCES LIMITED

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited – prepared by management

Second Quarter

For the six month period ended June 30, 2011

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CONQUEST RESOURCES LIMITED
Condensed Interim Consolidated Statement of Financial Position
Unaudited - prepared by management
As at June 30, 2011

		June 30, 2011	December 31, 2010 (Audited)
		\$	\$
ASSETS			
Current			
Cash and cash equivalents	5	399	572
Restricted cash	5	-	1,710
Marketable securities	6	2,847	3,008
Amounts receivable	7	117	95
Prepaid expense	7	15	54
		<u>3,378</u>	<u>5,439</u>
Non-current assets			
Intangible assets	9	5,774	4,429
Property, plant and equipment	8	14	-
Prepaid expenses and other non-current assets	10	389	-
		<u>9,555</u>	<u>9,868</u>
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	11	323	284
Flow-through share premium liability	12	-	190
		<u>323</u>	<u>474</u>
DEFERRED INCOME TAX LIABILITY			
		<u>1,134</u>	<u>706</u>
		<u>1,457</u>	<u>1,180</u>
SHAREHOLDERS' EQUITY			
Capital stock	13 (a)	14,248	14,248
Warrants	13 (b)	137	137
Share-based payment reserve	13 (c)	262	242
		<u>14,647</u>	<u>14,627</u>
Deficit		<u>(6,549)</u>	<u>(5,939)</u>
		<u>8,098</u>	<u>8,688</u>
		<u>9,555</u>	<u>9,868</u>

Commitments and contingencies (Notes 1, 9 and 14)

The financial statements were approved by the Board of Directors on August 19, 2011 and signed on its behalf by:

Signed "John F. Kearney" , Director

Signed "T.N. McKillen" , Director

See accompanying notes to the condensed consolidated interim financial statements

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

	Three months ended June 30		Six months ended June 30	
	2011	2010	2011	2010
(Expressed in thousands of Canadian dollars)	\$	\$	\$	\$
Expenses				
Share-based payments	84	-	84	-
Corporate expenses	30	24	76	61
Professional fees	28	50	61	81
Office and general	22	15	49	32
Travel	3	7	7	14
	<u>167</u>	<u>96</u>	<u>277</u>	<u>188</u>
Loss from operations	167	96	277	188
Finance costs				
Interest income	(1)	-	(1)	-
Other expenses (income)				
Change in fair value of investments	<u>273</u>	<u>8</u>	<u>161</u>	<u>(10)</u>
Loss before income taxes	(439)	(104)	(437)	(178)
Deferred income taxes	<u>-</u>	<u>-</u>	<u>237</u>	<u>(117)</u>
Net loss and comprehensive loss for the period	<u><u>(439)</u></u>	<u><u>(104)</u></u>	<u><u>(674)</u></u>	<u><u>(61)</u></u>
Net loss per common share				
- Basic and diluted	(0.005)	(0.001)	(0.007)	(0.001)
Weighted average common share outstanding				
- Basic and diluted	90,741,420	77,876,371	90,512,068	77,769,893

See accompanying notes to the condensed consolidated interim financial statements

CONQUEST RESOURCES LIMITED**Condensed Interim Consolidated Statements of Changes in Equity***Unaudited - prepared by management***As at June 30, 2011**

(Expressed in thousands of Canadian dollars)	Share Capital \$	Warrants \$	Share-based payment reserve \$	Deficit \$	Total \$
Balance at January 1, 2010	11,876	254	349	(7,810)	4,669
Value of warrants granted on private placements					-
Exercise of stock options	90	-	-	-	90
Valuation allocation on exercise of stock options	54	-	(54)	-	-
Common shares issued for exploration and evaluation of assets	200	-	-	-	200
Income for the period	-	-	-	(61)	(61)
Balance, June 30, 2010	<u>12,220</u>	<u>254</u>	<u>295</u>	<u>(7,871)</u>	<u>4,898</u>
Private placement	1,519	-	-	-	1,519
Value of warrants granted on private placements	-	27	-	-	27
Exercise of stock options	46	-	-	-	46
Valuation allocation on exercise of stock options	28	-	(28)	-	-
Common shares issued for exploration and evaluation of assets	594	-	-	-	594
Share issue costs	(159)	-	-	-	(159)
Stock options expired	-	-	(25)	25	-
Warrants expired	-	(144)	-	144	(0)
Income for the period	-	-	-	1,763	1,763
Balance, December 31, 2010	<u>14,248</u>	<u>137</u>	<u>242</u>	<u>(5,939)</u>	<u>8,688</u>
Stock based compensation					-
Recognition of share-based payments	-	-	84	-	84
Share-based payments expired	-	-	(64)	64	-
Loss for the period	-	-	-	(674)	(674)
Balance, June 30, 2011	<u>14,248</u>	<u>137</u>	<u>262</u>	<u>(6,549)</u>	<u>8,098</u>

See accompanying notes to the condensed consolidated interim financial statement

CONQUEST RESOURCES LIMITED
Condensed Interim Consolidated Statements of Cash Flows
Unaudited - prepared by management
For the six month period ended June 30,

(Expressed in thousands of Canadian dollars)	2011 \$	2010 \$
CASH FLOWS USED IN OPERATING ACTIVITIES		
Net loss for the period	(674)	(61)
Adjustments for:		
Share-based payments	84	-
Depreciation	3	-
Income taxes on flow-through shares	237	(117)
Interest income	1	-
Change in fair value of investments	161	(10)
	<u>(188)</u>	<u>(188)</u>
Movements in working capital		
(Increase) decrease in trade and other receivables	(371)	(30)
Decrease in trade and other payable	39	74
	<u>(332)</u>	<u>(56)</u>
Net cash generated by/used in operating activities	<u>(520)</u>	<u>(144)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Options exercised	<u>-</u>	<u>90</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Decrease in restricted cash	1,710	825
Interest income	(1)	-
Investment in equipment	(17)	-
Investment in mineral properties	(1,345)	(923)
	<u>347</u>	<u>(98)</u>
(Decrease) increase in cash and cash equivalents	(173)	(152)
Cash and cash equivalents, beginning of period	<u>572</u>	<u>951</u>
Cash and cash equivalents, end of period	<u><u>399</u></u>	<u><u>799</u></u>
Cash and cash equivalents are composed of the following:		
Cash	48	199
Cash equivalents	351	600
	<u><u>399</u></u>	<u><u>799</u></u>

See accompanying notes to the condensed consolidated interim financial statements

CONQUEST RESOURCES LIMITED
Notes to the Condensed Interim Consolidated Financial Statements
Unaudited – prepared by management
(Expressed in thousands of Canadian Dollars)
For the six month period ended June 30, 2011

1. NATURE OF OPERATIONS AND GOING CONCERN

Conquest Resources Limited (the “Company”) is a development stage entity. The exploration activities of the Company are directed towards the search, evaluation and development of mineral resources in Canada.

There has been no determination whether the Company’s interests in its properties contain ore reserves which are economically recoverable. The Company’s exploration and development operations are subject to government legislation, policies and controls relating to prospecting, development, production, environmental protection, mining taxes and labour 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 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, 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 its mineral property interests and related assets. Although the Company has taken steps to verify title to properties in which it has an interest in accordance with industry standards for the current stage of development of such properties, these procedures do not guarantee the Company’s title. Property title may be subject to unregistered prior agreements, unregistered claims, aboriginal claims and regulatory and environmental claims.

The Company’s head office is located at 220 Bay Street, Suite 700, Toronto, Ontario, M5J 2W4.

The Company has a need for equity capital and financing for working capital and exploration and development of its properties. Because of continuing operating losses, the Company’s continuance as a going concern is dependent upon its ability to obtain adequate financing and to reach profitable levels of operations. Management believes it will be successful in raising the necessary funding to continue operations in the normal course of operations; however, there is no assurance that these funds will be available on terms acceptable to the Company or at all.

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Reporting Standards (“IFRS”) applicable to a going concern. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying condensed consolidated interim financial statements. Such adjustments could be material.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of Compliance

These IFRS condensed interim consolidated financial statements are for the second quarter of the period covered by the first IFRS annual consolidated financial statements to be presented in accordance with IFRS for the year ending December 31, 2011, and IFRS 1 First-Time Adoption of IFRS has been applied. The impact of the transition from Canadian Generally Accepted Accounting Principles (“Canadian GAAP”) to IFRS is explained in Note 17.

These condensed interim consolidated financial statements were prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*. They do not include all of the information required for full annual consolidated financial statements and should be read in conjunction with the Company’s first condensed interim consolidated financial statements prepared in accordance with IAS 34 and IFRS for the period ended March 31, 2011, as well as the Company’s audited consolidated financial statements for the year ended December 31, 2010 prepared in accordance with Canadian GAAP. The results presented are not necessarily indicative of the results anticipated for the year ended December 31, 2011.

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of Preparation

These condensed interim consolidated financial statements have been prepared on a historical cost basis. In Addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting, except cash flow information. These financial statements are expressed in Canadian Dollars.

The accounting policies as described in the first condensed interim consolidated financial statements for the period ended March 31, 2011 have been applied consistently to all periods presented in preparing the opening balance sheet at January 1, 2010 (Note 17) for purposes of transition to IFRS. The accounting policies have been applied consistently by the Company.

The standards and interpretations within IFRS are subject to change and accordingly, the accounting policies for the annual report that are relevant to these condensed interim consolidated financial statements will be finalized only when the first annual IFRS financial statements are prepared for the year ended December 31, 2011.

(c) Accounting Changes

These condensed interim financial statements follow the same accounting policies and methods of their application as the Company's first condensed interim consolidated financial statements prepared in accordance with IAS 34 and IFRS, and as such should be read in conjunction with the Company's condensed interim consolidated financial statements for the three months ended March 31, 2011.

IFRS Standards issued but not yet effective:

IFRS 9	Financial Instruments
IFRS 7 (Amendment)	Financial Instruments: Disclosure
IAS 12 (Amendment)	Income Taxes
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 13	Fair Value Measurement
IAS 27 (Amendment)	Separate Financial Statements
IAS 28 (Amendment)	Investments in Associates and Joint Ventures

The Company has not yet determined the impact of these amendments on its financial statements.

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For the six month period ended June 30, 2011

3. RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed.

Related Party Transactions	June 30, 2011	June 30, 2010
	\$	\$
Salaries and fees	83	82
Equipment rental	13	-
Office and general	8	4
	<u>104</u>	<u>86</u>
Directors Remuneration	<u>65</u>	<u>82</u>
Capitalized as exploration assets	<u>41</u>	<u>3</u>

4. SEGMENTAL ANALYSIS

The Company conducts its business as a single operating segment being the mining business in Ontario. All mineral properties and equipment are situated in Ontario, Canada.

5. CASH AND CASH EQUIVALENTS

	June 30, 2011	December 31, 2010
	\$	\$
Cash	48	71
Cash equivalents	<u>351</u>	<u>501</u>
	<u>399</u>	<u>572</u>

At June 30, 2011, the Company held a total of \$399 in cash and cash equivalents. Cash and cash equivalents comprise cash balances held for the purposes of meeting short-term cash commitments and investments which are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value. Where investments are categorised as cash equivalents, the related balances have a maturity of three months or less from the date of investment. Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the cash requirements of the Company, and earn interest at the respective short-term deposit rates at floating rates.

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6. MARKETABLE SECURITIES

Fair value through profit and loss investments:

	June 30, 2011 \$	Change in fair value \$	December 31, 2010 \$
Detour Gold Corporation	2,795	(124)	2,919
Trade Winds Ventures Inc.	51	(38)	89
Dynamic Resources	1	1	-
	<u>2,847</u>	<u>(161)</u>	<u>3,008</u>

7. AMOUNTS RECEIVABLE AND PREPAID EXPENSE

	June 30, 2011 \$	December 31, 2010 \$
Trade receivable	1	1
Receivable sales taxes	116	94
Prepaid expenses	<u>15</u>	<u>54</u>
	<u>132</u>	<u>149</u>

8. PROPERTY, PLANT AND EQUIPMENT

	June 30, 2011 \$	Additions \$	December 31, 2010 \$
Automotive at cost	17	17	-
Accumulated depreciation	<u>(3)</u>	<u>(3)</u>	<u>-</u>
Net book value	<u>14</u>	<u>14</u>	<u>-</u>

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9. INTANGIBLE ASSETS

The following table shows the exploration and evaluation assets:

	June 30, 2011	Additions	December 31, 2010
	\$	\$	\$
Alexander	5,394	1,299	4,095
Sunday Lake	335	1	334
Smith Lake	45	45	-
Aurora Detour	-	-	-
King Bay	-	-	-
Total	<u>5,774</u>	<u>1,345</u>	<u>4,429</u>

Alexander Property, Red Lake, Ontario

The Company has earned a 100% interest in the Alexander Property, a group of patented mining claims situated in Central Balmer Township, Red Lake Mining District, Ontario, subject to a 2% net smelter return (“NSR”) in favour of Energold Minerals Inc. (“Energold”). Energold is controlled by a director of the Company.

Sunday Lake Properties, Detour Lake, Ontario

The properties comprise a group of mining leases and mining claims situated at Detour Lake, Ontario.

Pursuant to an Asset Purchase Agreement dated September 27, 2010, the Company sold to Detour Gold 100% interest in the Aurora Property for \$2,000 in cash and 100,000 shares of Detour Gold.

In addition, the Company granted Detour Gold an option to acquire a 50% joint venture interest in the Sunday Lake Property by incurring \$1,000 in exploration expenditures on the Sunday Lake Property prior to September 30, 2012, with a minimum of \$500 to be expended prior to September 30, 2011. The Sunday Lake property remains subject to a 7.5% net profits interest.

Smith Lake Property, Missinabie, Ontario

The Company holds six patented claims and 24 mining claims in the Missinabie area of Northern Ontario, in Leeson and Rennie Townships, Sault Ste. Marie Mining Division, located approximately 100 kilometres northeast of Wawa.

10. PREPAID EXPENSES AND OTHER NON-CURRENT ASSETS

	June 30, 2011	December 31, 2010
	\$	\$
Prepaid expenses and other non-current assets	<u>389</u>	<u>-</u>

An amount of \$500 was advanced to a drilling contractor on the current drilling program, as at June 30, 2011, \$389 remained outstanding.

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11. TRADE AND OTHER PAYABLES

	June 30, 2011 \$	December 31, 2010 \$
Trade payable	123	42
Payable to related parties	9	42
Accrued liabilities	191	200
Accounts payable and accrued liabilities	<u>323</u>	<u>284</u>

12. FLOW-THROUGH SHARE PREMIUM LIABILITY

	June 30, 2011 \$	December 31, 2010 \$
Flow-through share premium liability	<u>-</u>	<u>190</u>

The Company entered into flow-through share subscription agreements in December 2010 whereby it is committed to incur on or before December 31, 2011, a total of \$1,710 of qualifying Canadian Exploration Expenses. The value of the flow-through shares in excess of the quoted market value of shares on date of issuance is set-up as a liability at the time the shares are issued. See Note 17.

13. CAPITAL STOCK

(a) Common shares

	Common shares (000's)
Authorized	
Unlimited common shares	
Issued and fully paid	
Balance at December 31, 2010 and June 30, 2011	<u>95,478</u>

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13. CAPITAL STOCK (continued)

(b) Share Purchase Warrants

Summary of warrants outstanding at June 30, 2011:

	<u>Number of warrants</u> (000's)	<u>Grant Date Fair Value</u> \$	<u>Exercise Price</u> \$	<u>Expiry Date</u>
	10,000	110	0.10	December 30, 2013
	239	10	0.22	December 22, 2011
	250	17	0.20	December 31, 2012
Total	<u>10,489</u>	<u>137</u>		

Share purchase warrant transactions for the respective periods were as follows:

	<u>Warrants</u> (000's)	<u>Weighted Average Exercise Price</u> \$	<u>Grant Date Fair Value</u> \$
Balance at December 31, 2010 and June 30, 2011	<u>10,489</u>	0.11	<u>137</u>

The weighted average grant date fair value of warrants granted during the period was \$nil (December 31, 2010 - \$0.06)

(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 stock options, to acquire a proprietary interest in the Company and to benefit from its growth.

The maximum number of common shares reserved for issuance upon the exercise of options is not to exceed ten percent of the total number of common shares outstanding immediately prior to such an issuance. The maximum number of common shares reserved for issuance to any one participant upon the exercise of options is not to exceed five percent of the total number of common shares outstanding immediately prior to such an issuance. The options are non-assignable and may be granted for a term not exceeding ten years. The exercise price of the options is fixed by the board of directors at the market price of the shares at the time of grant, subject to all applicable regulatory requirements.

On June 2, 2011, the Company granted 1,200,000 incentive stock options to directors, officers and employees pursuant to its Stock Option Plan. All of the options are exercisable at a price of \$0.11 per share for a period of five years from the date of issue. Directors and officers received 1,000,000 options. The grant date fair value of these options is \$84 which has been recorded to share-based payments and share-based payment reserve. The following assumptions were used in calculating the fair value of options granted, using the Black-Scholes option pricing model: expected dividend yield of 0%, expected volatility of 81%, risk-free interest rate of 1.36% and expected life of five years.

On June 15, 2011, 600,000 stock options expired unexercised.

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13. CAPITAL STOCK (continued)

The following table summarizes the stock options outstanding and exercisable as at June 30, 2011:

Number of Common shares (000's)	Exercise Price \$	Expiry Date
300	0.13	March 18, 2012
3,100	0.10	March 13, 2014
1,200	0.11	June 1, 2016
<u>4,600</u>	<u>0.11</u>	

The weighted average remaining contractual life of options outstanding at June 30, 2011 is 2.8 years.

The weighted average exercise price for options that are exercisable at June 30, 2011 amounted to \$0.11 per option.

The weighted average grant date fair value of options granted during the period ended June 30, 2011 was \$0.07 per option.

Stock option transactions for the period ended June 30, 2011 were as follows:

	Number of Options (000's)	Weighted Average Exercise Price \$
Balance, December 31, 2010	4,000	0.11
Expired	(600)	0.10
Granted	1,200	0.11
Balance, June 30, 2011	<u>4,600</u>	0.11

14. COMMITMENTS AND CONTINGENCIES

The Company entered into flow-through share subscription agreements in December 2010 whereby it is committed to incur on or before December 31, 2011, a total of \$1,710 of qualifying Canadian Exploration Expenses as described in the Income Tax Act. As at June 30, 2011, \$1,307 of expenditure had been incurred, leaving a balance of \$403 to be incurred on or before December 31, 2011. The Company has advanced \$389 to a drilling contractor on the current drilling program. The Company has indemnified the subscribers for any tax related amounts that may become payable by the subscribers as a result of the Company not meeting its expenditure commitments.

The Company's mining and exploration activities are subject to various federal and provincial laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

On December 14, 2009, the Company and its directors were served with a Statement of Claim on behalf of the estate and family of the contractor involved in an accident at the King Bay project. The estate is claiming damages of \$1,000 for alleged negligence and breach of contract while the family is claiming \$1,500 for alleged loss of care and companionship pursuant to the Family Law Act of Ontario. The Company denies any negligence or breach of contract on its part and has referred the Claim to its insurers which have engaged counsel to defend the action. The Company has joined its joint venture partner, KBG Minerals Corporation, and the supervisor of the project in the action. The claim against the Company's directors and officers was dismissed by order of the Court on June 14, 2010. The Company is unable at the current time to determine the likelihood, or quantum, of any potential damages against the Company and no provision has been made in these consolidated financial statements.

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15. FINANCIAL INSTRUMENTS

The Company's risk exposures and the impact on the Company's financial instruments are summarized below. There have been no changes in the risks, objectives, policies and procedures from the previous period.

Fair value

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 term of these instruments. The marketable securities are stated at the quoted market value.

Interest rate risk

The Company has cash and cash equivalent balances and no interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by major Canadian banks. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

Credit risk

Credit risk is the risk that a client or vendor will be unable to pay or receive any amounts owed or owing by the Company. Management's assessment of the Company's risk is low as it is primarily attributable to funds held in Canadian banks and commodity taxes recoverable from the Government of Canada, which are included in amounts receivable.

Commodity price risk

The ability of the Company to develop its properties and the future profitability of the Company is directly related to the market price of certain minerals, particularly gold.

Liquidity Risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. At June 30, 2011, the Company had cash and cash equivalents of \$399 to settle accounts payable and accrued liabilities of \$323. All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

Market Risk

Market risk incorporates a range of risks. Movements in risk factors, such as market price risk and currency risk, affect the fair values of financial assets and liabilities. The Company is exposed to these risks as the ability of the Company to develop or market its properties and the future profitability of the Company is related to the market price of certain minerals.

Capital Risk

The Company manages its capital to ensure that there are adequate capital resources for the Company to maintain and explore its mineral properties. The capital structure of the Company consists of cash, cash equivalents and shareholders' equity.

Sensitivity Analysis

The Company has designated its cash and cash equivalents, restricted cash and marketable securities as held-for-trading, which are measured at fair value. Amounts receivable are classified as loans and receivables, which are measured at amortized costs. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost.

As at June 30, 2011, the carrying value of the Company's financial instruments approximate their fair value.

Cash equivalents are invested in investment-grade short-term deposit certificates. Based on management's knowledge and experience in the financial markets, sensitivity to a plus or minus 1% change in rates, based on the current balance of cash equivalents, including restricted cash, would affect the net income by plus or minus \$4 during a one-year period.

Based on management's knowledge and experience in the financial markets, sensitivity to a plus or minus 10% change in the share price of marketable securities, based on the quoted market price at June 30, 2011, would affect net income by plus or minus \$285 during a one year period.

As at June 30, 2011, the Company did not hold any material balances in foreign currencies that would give rise to exposure to foreign exchange risk.

CONQUEST RESOURCES LIMITED

Notes to the Condensed Interim Consolidated Financial Statements

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(Expressed in thousands of Canadian Dollars)

For the six month period ended June 30, 2011

15. FINANCIAL INSTRUMENTS (continued)

Fair Value Hierarchy and Liquidity Risk Disclosure

The fair value hierarchy have the following levels: (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1); (b) inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (Level 2); and (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3). At June 30, 2011, the Company's financial instruments that are carried at fair value, consisting of cash equivalents and marketable securities have been classified as Level 1 within the fair value hierarchy.

16. CAPITAL MANAGEMENT

The capital of the Company consists primarily of its shareholders' equity.

The Company's objective when managing capital is to maintain adequate levels of funding to support the acquisition, development and exploration of mineral properties and maintain the necessary corporate and administrative functions to facilitate these activities. This is done primarily through equity financing. Future financings are dependent on market conditions and there can be no assurance the Company will be able to raise funds in the future. All equity financings require the approval of the Board of Directors.

The Company invests all capital that is surplus to its immediate operational needs in short term, highly-liquid financial instruments, such as short term guaranteed investment certificates, held with a major Canadian financial institution.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes to the Company's approach to capital management during the period ended June 30, 2011. The Company is not subject to externally imposed capital requirements.

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17. TRANSITION TO IFRS

An explanation of how the transition from previous Canadian GAAP to IFRS has affected the Company's financial position and comprehensive loss is set out in this note.

The accounting policies set out in note 3 have been applied in preparing the condensed interim consolidated financial statements for the period ended June 30, 2011, the comparative information presented in these financial statements for the period ended June 30, 2010, and in the preparation of the opening IFRS statements of financial position as at 1 January 2010 (the Company's date of transition).

IFRS 1 "First-time Adoption of International Financial Reporting Standards" (IFRS 1)

IFRS 1 generally requires that first-time adopters retrospectively apply all effective IFRS standards and interpretations in effect as at the reporting date. IFRS 1 also provides for certain optional exemptions and certain mandatory exceptions to this general principle.

The Company has elected under IFRS 1 to not apply the following:

- IFRS 2 – *Share-Based Payments*, equity instruments which vested before the Company's date of transition to IFRS. The Company elected not to apply IFRS 2 to equity instruments which vested before the Company's date of transition to IFRS.
- IFRS 3 – *Business Combinations*, option to apply retrospectively or prospectively from the Transition Date. The Company elected to apply IFRS 3 prospectively from the Transition date. The retrospective basis would require restatement of all business combinations that occurred prior to the Transition Date. The Company did not apply IFRS 3 retrospectively to business combinations that occurred prior to its Transition Date and such business combinations have not been restated. Any goodwill arising on such business combinations before the Transition Date has not been adjusted from the carrying value previously determined under Canadian GAAP as a result of applying this exemption.
- IAS 32 – *Compound Financial Instruments*, not revalue compound financial instruments where the liability component does not exist as of the transition date.

Adjustments on transition to IFRS

IFRS has many similarities with Canadian GAAP as it is based on a similar conceptual framework. However, there are important differences with regard to recognition, measurement and disclosure. While adoption of IFRS did not change the Company's actual cash flows, it resulted in changes to the Company's statements of financial position and condensed interim consolidated statements of comprehensive income (loss) and condensed interim consolidated statement of changes in equity as set out below.

Flow-through shares

Under Canadian GAAP, specific guidance on accounting for flow-through shares was given in the Canadian Institute of Chartered Accountants, Accounting Handbook Section 3465 and the Emerging Issues Committee 146. Under IFRS such specific guidance does not exist and an appropriate alternative treatment of the flow-through shares had to be determined under IFRS.

As flow-through shares are a unique Canadian tax incentive with no specific guidance under IFRS, US GAAP which has specific guidance is applied in accordance with IAS12. As a result, the value of the flow-through shares in excess of the quoted market value of shares on date of share issuance is set-up as a liability at the time the shares are issued. When the flow-through expenditures are renounced to the investors, a deferred tax liability is set up and the initial premium liability is reversed, with the difference being recognized in the statement of operations. Where there is no premium over the quoted market value of the shares, no premium liability needs to be set-up.

As the Company has recognized the full flow-through shares in share capital and then reduced share capital by the future tax effect under Canadian GAAP, all reductions to share capital for past flow-through renunciations and future tax effects have been reversed since inception. The quoted value of the shares with the flow-through feature was determined and share capital was adjusted by the amount of the premium received for the flow-through shares and the previous tax effect. All differences have been adjusted to deficit.

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For the six month period ended June 30, 2011**17. TRANSITION TO IFRS (CONTINUED)**Impact on Consolidated Statement of Financial Position

	December 31, 2010	June 30, 2010	January 1, 2010
Premium liability	190	-	323
Future income tax liability	-	206	-
Capital stock	916	900	900
Adjustment to deficit	(1,106)	(1,106)	(1,223)

Share-based payments

On transition to IFRS the Company elected to change its accounting policy for the treatment of share-based payments whereby amounts recorded for expired unexercised stock options are transferred to deficit on expiry. Previously, the Company's Canadian GAAP policy was to leave such amounts in contributed surplus.

Impact on Consolidated Statement of Financial Position

	December 31, 2010	June 30, 2010	January 1, 2010
Share-based payments reserve	242	295	349
Contributed surplus	(608)	(636)	(690)
Adjustment to deficit	366	341	341

Warrants

On transition to IFRS the Company elected to change its accounting policy for the treatment of warrants whereby amounts recorded for expired warrants are transferred to deficit on expiry. Previously, the Company's Canadian GAAP policy was to transfer such amounts to contributed surplus.

Impact on Consolidated Statement of Financial Position

	December 31, 2010	June 30, 2010	January 1, 2010
Contributed surplus	(1,298)	(1,154)	(1,154)
Adjustment to deficit	1,298	1,154	1,154

Full reconciliation to previously reported financial statements**Reconciliation to previously reported financial statements**

A reconciliation of the above noted changes is included in the following Statements of Financial Position and Statement of Operations and Comprehensive Income (Loss). The effects of transition from Canadian GAAP to IFRS on the cash flow are immaterial. Therefore, a reconciliation of cash flows has not been presented.

- Reconciliation of consolidated statement of financial position as of January 1, 2010.
- Reconciliation of consolidated statement of financial position as of June 30, 2010.
- Reconciliation of consolidated statement of operations and comprehensive income (loss) for the three months ended June 30, 2010.
- Reconciliation of consolidated statement of financial position as of December 31, 2010.
- Reconciliation of consolidated statement of operations and comprehensive income (loss) for the twelve months ended December 31, 2010.

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Reconciliation of consolidated statement of financial Position as of January 1, 2010

	Canadian GAAP Balances	IFRS reclassifications	IFRS
ASSETS			
Current			
Cash and cash equivalents	951	-	951
Restricted cash	825	-	825
Marketable securities	20	-	20
Amounts receivable	56	-	56
Prepaid expense	-	-	-
	<u>1,852</u>	<u>-</u>	<u>1,852</u>
Non-current assets			
Investment in mineral properties	3,471	-	3,471
Equipment	-	-	-
Prepaid expenses and other non-current assets	-	-	-
	<u>3,471</u>	<u>-</u>	<u>3,471</u>
	<u>5,323</u>	<u>-</u>	<u>5,323</u>
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	131	-	131
Premium liability	-	323	323
	<u>131</u>	<u>323</u>	<u>454</u>
LONG TERM LIABILITY (Note 8)	163	-	163
FUTURE/DEFERRED INCOME TAX LIABILITY	<u>37</u>	<u>-</u>	<u>37</u>
	<u>331</u>	<u>323</u>	<u>654</u>
SHAREHOLDERS' EQUITY			
Capital stock	10,976	900	11,876
Warrants	254	-	254
Contributed surplus	1,844	(1,844)	-
Share-based payment reserve	-	349	349
	<u>13,074</u>	<u>(595)</u>	<u>12,479</u>
Deficit	<u>(8,082)</u>	<u>272</u>	<u>(7,810)</u>
	<u>4,992</u>	<u>(323)</u>	<u>4,669</u>
	<u>5,323</u>	<u>-</u>	<u>5,323</u>

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Reconciliation of consolidated statement of financial position as of June 30, 2010

	Canadian GAAP Balances	IFRS reclassifications	IFRS
ASSETS			
Current			
Cash and cash equivalents	799	-	799
Restricted cash	-	-	-
Marketable securities	30	-	30
Amounts receivable	41	-	41
Prepaid expense	45	-	45
	<u>915</u>	<u>-</u>	<u>915</u>
Non-current assets			
Investment in mineral properties	4,594	-	4,594
Equipment	-	-	-
Prepaid expenses and other non-current assets	-	-	-
	<u>4,594</u>	<u>-</u>	<u>4,594</u>
	<u>5,509</u>	<u>-</u>	<u>5,509</u>
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	205	-	205
Premium liability	-	-	-
	<u>205</u>	<u>-</u>	<u>205</u>
LONG TERM LIABILITY (Note 8)	163	-	163
FUTURE/DEFERRED INCOME TAX LIABILITY	<u>37</u>	<u>206</u>	<u>243</u>
	<u>405</u>	<u>206</u>	<u>611</u>
SHAREHOLDERS' EQUITY			
Capital stock	11,320	900	12,220
Warrants	254	-	254
Contributed surplus	1,790	(1,790)	-
Share-based payment reserve	-	295	295
	<u>13,364</u>	<u>(595)</u>	<u>12,769</u>
Deficit	<u>(8,260)</u>	<u>389</u>	<u>(7,871)</u>
	<u>5,104</u>	<u>(206)</u>	<u>4,898</u>
	<u>5,509</u>	<u>-</u>	<u>5,509</u>

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**Reconciliation of consolidated statement of operations and comprehensive income (loss)
for the six months ended June 30, 2010**

	Canadian GAAP Balances	IFRS reclassifications	IFRS
Expenses			
Corporate expenses	60	-	60
Professional fees	81	-	81
Office and general	33	-	33
Travel	<u>14</u>	<u>-</u>	<u>14</u>
Loss from operations	188	-	188
Other income			
Change in fair value of investments	<u>(10)</u>	<u>-</u>	<u>(10)</u>
Loss before income taxes	178	-	178
Income taxes recovery	<u>-</u>	<u>(117)</u>	<u>(117)</u>
Net income (loss) and comprehensive income (loss) for the period	<u><u>(178)</u></u>	<u><u>117</u></u>	<u><u>(61)</u></u>

**Reconciliation of consolidated statement of operations and comprehensive income (loss)
for the three month period ended June 30, 2010**

	Canadian GAAP Balances	IFRS reclassifications	IFRS
Expenses			
Corporate expenses	15	-	15
Professional fees	24	-	24
Office and general	50	-	50
Travel	<u>7</u>	<u>-</u>	<u>7</u>
Loss from operations	96	-	96
Other income			
Change in fair value of investments	<u>8</u>	<u>-</u>	<u>8</u>
Loss before income taxes	104	-	104
Income taxes recovery	<u>-</u>	<u>-</u>	<u>-</u>
Net income (loss) and comprehensive income (loss) for the period	<u><u>(104)</u></u>	<u><u>-</u></u>	<u><u>(104)</u></u>

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Reconciliation of consolidated statement of financial position as of December 31, 2010

	Canadian GAAP Balances	IFRS reclassifications	IFRS
ASSETS			
Current			
Cash and cash equivalents	572	-	572
Restricted cash	1,710	-	1,710
Marketable securities	3,008	-	3,008
Amounts receivable	95	-	95
Prepaid expense	54	-	54
	<u>5,439</u>	<u>-</u>	<u>5,439</u>
Non-current assets			
Investment in mineral properties	4,429	-	4,429
Equipment	-	-	-
Prepaid expenses and other non-current assets	-	-	-
	<u>4,429</u>	<u>-</u>	<u>4,429</u>
	<u>9,868</u>	<u>-</u>	<u>9,868</u>
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	284	-	284
Premium liability	-	190	190
	<u>284</u>	<u>190</u>	<u>474</u>
FUTURE/DEFERRED INCOME TAX LIABILITY			
	<u>706</u>	<u>-</u>	<u>706</u>
	<u>990</u>	<u>190</u>	<u>1,180</u>
SHAREHOLDERS' EQUITY			
Capital stock	13,332	916	14,248
Warrants	137	-	137
Contributed surplus	1,906	(1,906)	-
Share-based payment reserve	-	242	242
	<u>15,375</u>	<u>(748)</u>	<u>14,627</u>
Deficit	<u>(6,497)</u>	<u>558</u>	<u>(5,939)</u>
	<u>8,878</u>	<u>(190)</u>	<u>8,688</u>
	<u>9,868</u>	<u>-</u>	<u>9,868</u>

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Reconciliation of consolidated statement of operations and comprehensive income (loss)
for the twelve months ended December 31, 2010

	Canadian GAAP Balances	IFRS reclassifications	IFRS
Expenses			
Corporate expenses	77	-	77
Professional fees	109	-	109
Office and general	144	-	144
Travel	20	-	20
	<u>350</u>	-	<u>350</u>
Other income			
Change in fair value of investments	(16)	-	(16)
Write-down of mineral property interests	976	-	976
Gain on sale of mineral property interests	<u>(3,358)</u>	-	<u>(3,358)</u>
Income before income taxes	2,048	-	2,048
Income taxes	<u>(463)</u>	<u>117</u>	<u>(346)</u>
Net income and comprehensive income for the period	<u><u>1,585</u></u>	<u><u>117</u></u>	<u><u>1,702</u></u>