

**CONQUEST RESOURCES LIMITED**  
*(A Development Stage Company)*

**CONSOLIDATED FINANCIAL STATEMENTS**

**December 31, 2010 and 2009**

(Expressed in \$000's)

**CONQUEST RESOURCES LIMITED**  
*(A Development Stage Company)*

**CONSOLIDATED FINANCIAL STATEMENTS**

**December 31, 2010 and 2009**

<b><i>INDEX</i></b>	<b><i>PAGE</i></b>
Auditors' Report	1
Consolidated Balance Sheets	2
Consolidated Statements of Operations, Comprehensive Income (Loss) and Deficit	3
Consolidated Statements of Cash Flows	4
Notes to the Consolidated Financial Statements	5 - 17



McGovern, Hurley, Cunningham, LLP  
Chartered Accountants

INDEPENDENT AUDITORS' REPORT

To the Shareholders of  
**Conquest Resources Limited**

We have audited the accompanying consolidated financial statements of Conquest Resources Limited, which comprise the consolidated balance sheets as at December 31, 2010 and 2009, and the consolidated statements of operations, comprehensive income (loss) and deficit, and the consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Conquest Resources Limited as at December 31, 2010 and 2009, and its financial performance and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements indicating the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

McGOVERN, HURLEY, CUNNINGHAM, LLP

Chartered Accountants  
Licensed Public Accountants

TORONTO, Canada  
March 10, 2011

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

	2010	2009
(Expressed in \$000's)	\$	\$
<b>ASSETS</b>		
Current		
Cash and cash equivalents	572	951
Restricted cash (Note 9(a))	1,710	825
Marketable securities (Note 4)	3,008	20
Amounts receivable	95	56
Prepaid expense	54	-
	<u>5,439</u>	<u>1,852</u>
<b>MINERAL PROPERTY INTERESTS (Note 5)</b>	<u>4,429</u>	<u>3,471</u>
	<u>9,868</u>	<u>5,323</u>
<b>LIABILITIES</b>		
Current		
Accounts payable and accrued liabilities (Note 6, 7 and 9)	284	131
<b>LONG-TERM LIABILITY (Note 9(c))</b>	-	163
<b>FUTURE INCOME TAX LIABILITY (Note 8(b))</b>	<u>706</u>	<u>37</u>
	<u>990</u>	<u>331</u>
<b>SHAREHOLDERS' EQUITY</b>		
Capital stock (Note 6(a))	13,332	10,976
Warrants (Note 6(b))	137	254
Contributed surplus (Note 6(d))	1,906	1,844
	<u>15,375</u>	<u>13,074</u>
Accumulated other comprehensive income	-	-
Deficit	(6,497)	(8,082)
	<u>(6,497)</u>	<u>(8,082)</u>
	<u>8,878</u>	<u>4,992</u>
	<u>9,868</u>	<u>5,323</u>

Commitments and contingencies (Notes 1, 2, 5 and 9)

APPROVED ON BEHALF OF THE BOARD:

Signed "John F. Kearney" , DirectorSigned "T.N. McKillen" , Director

See accompanying notes to the consolidated financial statements

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

	2010	2009
(Expressed in \$000's, except share and per share amounts)	\$	\$
<b>Expenses</b>		
Stock-based compensation	-	160
Professional fees	109	147
Office and general	144	57
Corporate expenses	77	80
Travel	20	11
	<u>350</u>	<u>455</u>
Loss before the undernoted		
Change in fair value of marketable securities (Note 4)	(16)	(12)
Write-down of mineral property interests (Note 5)	976	-
Gain on sale of mineral property interests (Note 5)	(3,358)	-
Settlement of lawsuit (Note 9)	-	162
	<u>(2,398)</u>	<u>150</u>
Income (loss) before income taxes	2,048	(605)
Future income taxes (Note 8(a))	(463)	92
	<u>1,585</u>	<u>(513)</u>
<b>Net income (loss) and comprehensive income (loss) for the year</b>		
<b>DEFICIT</b> , beginning of year	<u>8,082</u>	<u>7,569</u>
<b>DEFICIT</b> , end of year	<u><u>6,497</u></u>	<u><u>8,082</u></u>
<b>Net earnings (loss) per common share</b>		
- Basic	0.019	(0.007)
- Diluted	0.017	(0.007)
<b>Weighted average common share outstanding</b>		
- Basic	84,340,012	72,921,907
- Diluted	90,911,264	72,921,907

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,

	2010	2009
(Expressed in \$000's)	\$	\$
<b>CASH FLOWS USED IN OPERATING ACTIVITIES</b>		
Net income (loss) and comprehensive income (loss) for the year	1,585	(513)
Adjustments for:		
Stock-based compensation	-	160
Future income tax	463	(92)
Write-down of mineral property interests	976	-
Gain on sale of mineral property interests	(3,358)	-
Loss on settlement of lawsuit	-	162
Change in fair value of marketable securities	(16)	(12)
	<u>(350)</u>	<u>(295)</u>
Changes in non-cash working capital balances	<u>(78)</u>	<u>(38)</u>
Cash flows from operating activities	<u>(428)</u>	<u>(333)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Private placements	1,710	1,870
Issue costs	(173)	(96)
Options exercised	136	-
	<u>1,673</u>	<u>1,774</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
(Increase) in restricted cash	(885)	(325)
Proceeds on sale of mineral property interests	2,000	-
Payments for mineral property interests	(500)	-
Mineral property interests	(2,239)	(550)
	<u>(1,624)</u>	<u>(875)</u>
Increase (decrease) in cash and cash equivalents	<u>(379)</u>	<u>566</u>
Cash and cash equivalents, beginning of year	<u>951</u>	<u>385</u>
Cash and cash equivalents, end of year	<u><u>572</u></u>	<u><u>951</u></u>

**Cash and cash equivalents are composed of the following:**

Cash	71	881
Cash equivalents	501	70
	<u>572</u>	<u>951</u>

**SUPPLEMENTAL INFORMATION:**

Interest paid	-	-
Income taxes paid	-	-
Broker warrants issued for issue costs	27	47
Change in accrued mineral property interests	15	9
Change in long-term liability regarding settlement of charges	(162)	162
Flow-through renunciation income tax effect	206	145
Share issue cost income tax asset	-	16
Marketable securities received for sale of mineral property interests	2,972	-
Shares issued for mineral property interests	794	-
Compensation shares issued for issue costs	45	-

See accompanying notes to the consolidated financial statements

**CONQUEST RESOURCES LIMITED**  
*(A Development Stage Company)*  
**Notes to the Consolidated Financial Statements**  
(Expressed in \$000's)  
**For the years ended December 31, 2010 and 2009**

---

**1. CONTINUANCE OF 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, as defined by the Canadian Institute of Chartered Accountants ("CICA") Accounting Guideline 11, 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 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 operation. 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 consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles 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 consolidated financial statements. Such adjustments could be material.

**2. NATURE OF OPERATIONS**

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.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"), consistently applied, which include the following significant accounting policies.

**(a) Basis of consolidation**

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. Inter-company transactions have been eliminated on consolidation.

**(b) Mineral property interests**

Exploration and development expenses relating to mineral properties in which the Company has an interest are deferred until the properties are brought into production, at which time they are amortized on a unit-of-production basis. Other general exploration expenses are charged to operations as incurred. The cost of mineral properties abandoned or sold and their related deferred exploration costs are expensed to operations in the year of abandonment or sale.

**CONQUEST RESOURCES LIMITED**  
*(A Development Stage Company)*  
**Notes to the Consolidated Financial Statements**  
(Expressed in \$000's)  
**For the years ended December 31, 2010 and 2009**

---

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(b) Mineral property interests (continued)**

Costs include the cash consideration and the fair market value of shares issued for the acquisition of mineral properties. The carrying value is reduced by option proceeds recorded until such time as the mineral property interest is reduced to a nominal amount and subsequently recorded in the statement of operations. Properties acquired under option agreements or by joint ventures, whereby payments are made at the sole discretion of the Company are recorded in the accounts at the time of payment.

The Company reviews capitalized costs on its mineral properties on a periodic basis and will recognize impairment in value based upon current exploration or production results, if any, and upon management's assessment of the future probability of profitable revenues from the property or from the sale of the property. Management's assessment of the property's estimated current value may also be based upon a review of other property transactions that have occurred in the same geographic area as that of the property under review.

**(c) Asset retirement obligations**

The Company will record a liability for the estimated future costs associated with legal obligations relating to the reclamation and closure of its mining properties. This amount is initially recorded at its discounted present value with subsequent annual recognition of an accretion expense on the discounted liability. An equivalent amount is recorded as an increase to mineral property interests and amortized over the useful life of the properties. Management is currently not aware of any existing asset retirement obligations and the Company does not currently have any legal obligations relating to the reclamation of its mineral property interests.

**(d) Interests in joint ventures**

A portion of the Company's exploration activities is conducted jointly with others wherein the Company enters into agreements that provide for specified percentage interests in mineral properties. Expenditures on these properties are capitalized to exploration properties. Joint venture accounting, which reflects the Company's proportionate interest in exploration properties, is applied by the Company only when the parties have earned their respective interests and enter into formal comprehensive agreements for ownership and exploration participation. As at December 31, 2009 and 2010, no joint ventures existed for accounting purposes.

**(e) Use of estimates**

The preparation of consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions about future events that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses during the year. During the fiscal years presented, management has made a number of significant estimates and valuation assumptions, including the recoverability of mineral property interests, the future costs associated with environmental remediation and site restoration matters, fair value of financial instruments, valuation of investments, valuation of contingent liabilities and related expected insurance proceeds, valuation of tax accounts and factors affecting the valuation of stock-based compensation and 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.

**(f) 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 mineral property interests.

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. The Company has indemnified the subscribers of the flow-through shares for any tax related amounts that become payable in connection with their flow-through share subscriptions.

**CONQUEST RESOURCES LIMITED**  
*(A Development Stage Company)*  
**Notes to the Consolidated Financial Statements**  
(Expressed in \$000's)  
**For the years ended December 31, 2010 and 2009**

---

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(g) Income taxes**

The Company follows the asset and liability method of accounting for income taxes. Using 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 enacted or 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.

**(h) Income (loss) per share**

Basic income (loss) per share is calculated using the weighted average number of shares outstanding. Diluted income (loss) per share is calculated using the treasury stock method. In order to determine diluted income (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 income (loss) per share calculation. The diluted income (loss) per share calculation excludes any potential conversion of options and warrants that would decrease income (loss) per share, as a result, all outstanding convertible securities at December 31, 2009 have been excluded from diluted income (loss) per share and 488,636 warrants at December 31, 2010 have been excluded from diluted loss per share.

**(i) Foreign currency translation**

The functional and reporting currency of the Company is the Canadian dollar. Transactions in foreign currencies are translated into the currency of measurement at the exchange rates in effect on the transaction date. Monetary balance sheet items expressed in foreign currencies are translated into Canadian dollars at the exchange rates in effect at the balance sheet date. The resulting exchange gains and losses are recognized in operations.

The Company's integrated foreign subsidiaries are financially or operationally dependent on the Company. The Company uses the temporal method to translate the accounts of its integrated operations into Canadian dollars. Monetary assets and liabilities are translated at the exchange rates in effect at the balance sheet date. Non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at average rates for the period, except for amortization, which is translated on the same basis as the related asset. The resulting exchange gains or losses are recognized in operations.

**(j) 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.

Cash and cash equivalents exclude restricted cash. Restricted cash represents amounts that must be spent on the mineral properties as a result of the issuance of flow-through shares.

**(k) Stock-based compensation**

The Company records stock-based compensation based on the fair value method of accounting for stock-based compensation. The fair value of stock options is estimated 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.

**(l) Financial instruments**

Financial assets and liabilities, including derivative instruments, are initially recognized and subsequently measured based on their classification as "held-for-trading", "available-for-sale" financial assets, "held-to-maturity", "loans and receivables", or "other" financial liabilities. Held-for-trading financial instruments are measured at their fair value with changes in fair value recognized in operations or net income (loss) for the period. Available-for-sale financial assets are measured at their fair value and changes in fair value are included in other comprehensive income (loss) until the asset is removed from the balance sheet or until impairment is assessed as other than temporary. Held-to-maturity investments, loans and receivables and other financial liabilities are measured at amortized cost using the effective interest rate method. Derivative instruments, including embedded derivatives, are measured at their fair value with changes in fair value recognized in net income (loss) for the period, unless the instrument is a cash flow hedge and hedge accounting applies, in which case changes in fair value are recognized in other comprehensive income (loss).

**CONQUEST RESOURCES LIMITED**  
*(A Development Stage Company)*  
**Notes to the Consolidated Financial Statements**  
 (Expressed in \$000's)  
**For the years ended December 31, 2010 and 2009**

---

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(l) Financial instruments (continued)**

The Company's marketable securities are classified as "held-for-trading" and measured at fair value. Changes in value are recognized in net income (loss) for the year. Investments in securities having quoted market values and which are publicly traded on a recognized securities exchange and for which no sales restrictions apply are recorded at values based on quoted market prices.

**(m) Comprehensive income (loss)**

Comprehensive income (loss), composed of net income (loss) and other comprehensive income (loss), is defined as the change in shareholders' equity from transactions and other events from non-owner sources. Other comprehensive income (loss) for the Company includes unrealized gains and losses on available-for-sale securities and changes in fair market value of derivatives designated as cash flow hedges, all net of related income taxes. The components of comprehensive income (loss) are disclosed in the statement of operations and comprehensive income (loss). Cumulative changes in other comprehensive income (loss) are included in accumulated other comprehensive income (loss) ("AOCL") which is presented as a separate category in shareholders' equity. As at December 31, 2010 and 2009, other comprehensive income (loss) equalled net income (loss) and no separate statement was prepared.

**(n) Future Accounting Changes**

*International Financial Reporting Standards ("IFRS"):*

On February 13, 2008, the Accounting Standards Board ("AcSB") confirmed that publicly accountable entities will be required to prepare financial statements in accordance with IFRS for interim and annual financial statements for fiscal years beginning on or after January 1, 2011. The Company has assessed the impact of the implementation of IFRS and has prepared an opening balance sheet as at January 1, 2010 in accordance with IFRS. The conversion to IFRS will affect the Company's accounting policies, information technology and data systems.

*Sections 1582, Business Combinations, 1601, Consolidations and 1602, Non-controlling Interests*

In January 2009, the CICA issued these new sections to replace Section 1581, "Business Combinations" and Section 1600, "Consolidated Financial Statements". Section 1582 will apply to a transaction in which the acquirer obtains control of one or more businesses. Most assets acquired and liabilities assumed, including contingent liabilities that are considered to be improbable, will be measured at fair value. A bargain purchase will result in the recognition of a gain. Acquisition costs will be expensed. Any non-controlling interest will be recognized as a separate component of shareholders' equity and net income will be allocated between the controlling and non-controlling interests. These new standards will apply to fiscal years beginning on or after January 1, 2011. The Company does not believe that these new Sections will have an impact on its consolidated financial statements.

**4. MARKETABLE SECURITIES**

**Held for Trading Securities**

	December 31 2008	Change in fair value	December 31 2009	Additions Disposals	Change in fair value	December 31 2010
	\$	\$	\$	\$	\$	\$
Detour Gold Corporation	-	-	-	2,972	(53)	2,919
Trade Winds Ventures Inc.	8	12	20	-	69	89
	8	12	20	2,972	16	3,008

**Investment in Detour Gold Corporation**

On September 27, 2010, the sale of the Company's Aurora property to Detour Gold Corporation ("Detour Gold") was concluded and 100,000 shares of Detour Gold with a quoted market value of \$2,972 were issued to the Company as part of the transaction.

**Investment in Trade Winds Ventures Inc.**

As at December 31, 2010, the Company owned 200,000 shares of Trade Winds Ventures Inc. ("Trade Winds"), a company listed on the TSX Venture Exchange, with a quoted market value of \$89.

**CONQUEST RESOURCES LIMITED**  
*(A Development Stage Company)*  
**Notes to the Consolidated Financial Statements**  
 (Expressed in \$000's)  
**For the years ended December 31, 2010 and 2009**

---

**5. MINERAL PROPERTY INTERESTS**

The following table shows the mineral property interests:

	December 31 2008 \$	Additions (Write down) \$	December 31 2009 \$	Additions (Sale/Write down) \$	December 31 2010 \$
Alexander	1,430	528	1,958	2,137	4,095
Sunday Lake	209	3	212	122	334
Aurora Detour	303	22	325	(325)	-
King Bay	970	6	976	(976)	-
<b>Total</b>	<b>2,912</b>	<b>559</b>	<b>3,471</b>	<b>958</b>	<b>4,429</b>

**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.

**Aurora and Sunday Lake Properties, Detour Lake, Ontario**

The properties comprise a group of mining leases and mining claims situated at Detour Lake, Ontario. A 60% working interest in these properties was acquired pursuant to a series of option agreements and amending agreements, in consideration of exploration expenditures of at least \$350 and the issue of 1,000,000 common shares of the Company.

Pursuant to an Amending and Acquisition Agreement dated August 5, 2010, the Company acquired the remaining 40% interest in these properties and acquired a 2% net smelter royalty interest for a consideration of \$1,000 satisfied by a payment of \$500 in cash and the issuance of 3,125,000 common shares of the Company, which had a fair value of \$594, based on the quoted market value of the shares on completion of the transaction. This transaction was completed on September 27, 2010. (Note 6(a)(iii)).

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.

A gain of \$3,358 after fees paid was realized on the sale of the Aurora Property. See Note 7.

**King Bay Property, Sturgeon Lake, Ontario**

Pursuant to an agreement dated August 18, 2004 with KBG Minerals Corporation ("KBG"), the Company earned a 60% working interest in the King Bay gold project by expending \$600 on exploration whereupon a joint venture was formed with the Company as the Operator. If either party's working interest is reduced below 10% due to non-participation, its interest will be converted to a 10% net profits interest ("NPI"). The property is subject to an underlying agreement under which a 1.5% NSR exists on any production from the property. The Company has commenced litigation to seek reimbursement from KBG of its share of certain joint venture costs (See Note 9(c)).

During 2010, the Company wrote down the carrying value of the King Bay Property by \$976, as required by CICA Accounting Guideline 11.17, which requires a write-down in the event that development activity has been delayed beyond three years.

**CONQUEST RESOURCES LIMITED**  
*(A Development Stage Company)*  
**Notes to the Consolidated Financial Statements**  
(Expressed in \$000's)  
**For the years ended December 31, 2010 and 2009**

**6. CAPITAL STOCK**

**(a) Common shares**

**Authorized**

Unlimited common shares

**Issued**

	Shares (000's)	Amount \$
Balance at December 31, 2008	72,664	9,466
Private placement (i)	9,050	1,879
Warrant valuation (i)	-	(144)
Exercise of stock options	100	10
Exercise of stock options - value reallocation	-	6
Share issue costs (i)	-	(96)
Flow-through income tax effect	-	(145)
Balance at December 31, 2009	81,814	10,976
NVI Mining (Breakwater) Detour Lake Agreement (ii)	1,000	200
NVI Mining (Breakwater) Detour Lake Agreement (iii)	3,125	594
Private placement (iv)	5,739	1,255
Private placement (v)	2,500	500
Share issue costs (iv)(v)	-	(205)
Exercise of stock options	1,300	136
Exercise of stock options - value reallocation	-	82
Flow-through income tax effect	-	(206)
Balance at December 31, 2010	<u>95,478</u>	<u>13,332</u>

- (i) In December 2009, the Company completed a private placement of 3,585,869 flow-through shares at \$0.23 per share, and 5,300,895 non flow-through units ("units") at \$0.19 per unit, for total proceeds of \$1,832. Each unit comprises one common share and one-half of a common share purchase warrant ("warrant"). Each whole warrant entitles the holder to purchase one common share of the Company at an exercise price of \$0.26 per share for one year. The fair value of the warrants, in the amount of \$125, was estimated on the date of issue using the Black-Scholes option pricing model under the following assumptions: expected dividend yield of 0%, expected volatility of 109%, risk free interest rate of 1.36% and an expected life of one year.

The share issue costs for the private placement were \$96 comprised of legal fees of \$30 paid to a director and officer of the Company, compensation paid to a director and officer of the Company of \$10, future income tax asset of \$16, compensation paid to the broker for the flow-through portion of the private placement of \$25, 163,043 compensation shares valued at \$28 and 326,086 broker warrants valued at \$19. Each broker warrant entitles the holder to purchase one common share of the Company at an exercise price of \$0.23 per share for one year. The fair value of the broker warrants was estimated on the date of issue using the Black-Scholes option pricing model under the following assumptions: expected dividend yield of 0%, expected volatility of 109%, risk free interest rate of 1.36% and an expected life of one year.

- (ii) On March 15, 2010, the Company issued to NVI Mining Ltd., 1,000,000 common shares to complete the acquisition by the Company of a 60% interest in the Aurora and Sunday Lake properties, located at Detour Lake, Ontario (Note 5). The share price was estimated based on the trading price of a common share on the date of issuance.

**CONQUEST RESOURCES LIMITED**  
*(A Development Stage Company)*  
**Notes to the Consolidated Financial Statements**  
 (Expressed in \$000's)  
**For the years ended December 31, 2010 and 2009**

---

**6. CAPITAL STOCK (continued)**

- (iii) On September 27, 2010, the Company issued to NVI Mining Ltd. 3,125,000 common shares to complete the acquisition by the Company of the remaining 40% interest in the Aurora and Sunday Lake properties at Detour Lake, Ontario, (Note 5). The share price was estimated based on the trading price of a common share on the date of issuance.
- (iv) On December 22, 2010, the Company completed a private placement of 5,500,455 flow-through shares at \$0.22 per share, for total proceeds of \$1,210.

The share issue costs for the private placement included \$55 compensation paid to the brokers, 238,636 compensation shares valued at \$45 and 238,636 broker warrants valued at \$10. The fair value of the compensation shares was based on the market price of the common shares at the time of grant. Each broker warrant entitles the holder to purchase one common share of the Company at an exercise price of \$0.22 per share for one year. The fair value of the broker warrants was estimated on the date of issue using the Black-Scholes option pricing model under the following assumptions: expected dividend yield of 0%, expected volatility of 72%, risk free interest rate of 1.36% and an expected life of one year.

- (v) On December 31, 2010, the Company completed a private placement of 2,500,000 flow-through shares at \$0.20 per share, for total proceeds of \$500.

The share issue costs for the private placement included \$52 compensation paid to the brokers, and 250,000 broker warrants valued at \$17. Each broker warrant entitles the holder to purchase one common share of the Company at an exercise price of \$0.20 per share for two years. The fair value of the broker warrants was estimated on the date of issue using the Black-Scholes option pricing model under the following assumptions: expected dividend yield of 0%, expected volatility of 87%, risk free interest rate of 1.36% and an expected life of two years.

Other share issue costs for the above two private placements were \$25 comprised of \$24 of legal fees paid to a director and officer of the Company, and \$1 of sundry expenditures.

**(b) Share Purchase Warrants**

Summary of warrants outstanding at December 31, 2010:

<u>Number of warrants</u>	<u>Grant Date Fair Value</u>		<u>Exercise Price</u>	<u>Expiry Date</u>
(000's)	\$		\$	
10,000	110		0.10	December 30, 2013
239	10	Note 6(a)(iv))	0.22	December 22, 2011
250	17	Note 6(a)(v))	0.20	December 31, 2012
<u>10,489</u>	<u>137</u>			

**CONQUEST RESOURCES LIMITED**  
*(A Development Stage Company)*  
**Notes to the Consolidated Financial Statements**  
(Expressed in \$000's)  
**For the years ended December 31, 2010 and 2009**

---

**6. CAPITAL STOCK (continued)**

**(b) Share Purchase Warrants (continued)**

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

	<u>Warrants</u> (000's)	<u>Weighted Average</u> <u>Exercise Price</u> \$	<u>Grant Date</u> <u>Fair Value</u> \$
Balance, December 31, 2008	10,000	0.10	110
Issued	<u>2,977</u>	0.26	<u>144</u>
Balance, December 31, 2009	12,977	0.14	254
Expired	(2,977)	0.26	(144)
Issued	<u>489</u>	0.21	<u>27</u>
Balance, December 31, 2010	<u><u>10,489</u></u>	0.11	<u><u>137</u></u>

The weighted average grant date fair value of warrants granted in the year was \$0.06 (2009 - \$0.05).

**(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.

The following table summarizes the stock options outstanding and exercisable as at December 31, 2010:

Number of options outstanding and exercisable (000's)	Exercise Price \$	Expiry Date
600	0.15	June 15, 2011
300	0.13	March 18, 2012
<u>3,100</u>	0.10	March 13, 2014
<u><u>4,000</u></u>	0.11	

The weighted average remaining contractual life of options outstanding at December 31, 2010 is 2.64 (2009 – 2.73) years.

The weighted average exercise price for options that are exercisable at December 31, 2010 amounted to \$0.11 (2009 - \$0.11) per option.

The weighted average grant date fair value of options granted during 2010 amounted to \$Nil (2009 - \$0.05) per option.

During the year ended December 31, 2010, the weighted average exercise price and grant date fair value of options granted at an exercise price above the fair market value were \$Nil and \$Nil (2009 - \$0.10 and \$0.05), respectively, per option.

**CONQUEST RESOURCES LIMITED**  
*(A Development Stage Company)*  
**Notes to the Consolidated Financial Statements**  
 (Expressed in \$000's)  
**For the years ended December 31, 2010 and 2009**

---

**6. CAPITAL STOCK (continued)**

**(c) Stock Options (continued)**

Stock option transactions for the years ended December 31, 2010 and 2009 were as follows:

	Number of Options (000's)	Weighted Average Exercise Price \$
Balance, December 31, 2008	2,600	0.12
Issued	3,200	0.10
Exercised	<u>(100)</u>	0.10
Balance, December 31, 2009	5,700	0.11
Expired	(400)	0.10
Exercised	<u>(1,300)</u>	0.12
Balance, December 31, 2010	<u><u>4,000</u></u>	0.11

On March 13, 2009, 3,200,000 stock options were granted to directors and officers of the Company at an exercise price of \$0.10 for a period of five years. The options vested on the date of grant. The grant date fair value of these options is \$160 which has been recorded to stock-based compensation and contributed surplus. 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 87%, risk-free interest rate of 1.87% and expected life of five years.

**(d) Contributed Surplus**

Contributed surplus transactions for the years ended December 31, 2010 and 2009 were as follows:

Balance, December 31, 2008	\$ 1,690
Stock-based compensation - employees	160
Reallocated to share capital upon option exercise	<u>(6)</u>
Balance, December 31, 2009	1,844
Value of expired warrants	144
Reallocated to share capital upon option exercise	<u>(82)</u>
Balance, December 31, 2010	<u><u>\$ 1,906</u></u>

**CONQUEST RESOURCES LIMITED**  
*(A Development Stage Company)*  
**Notes to the Consolidated Financial Statements**  
(Expressed in \$000's)  
**For the years ended December 31, 2010 and 2009**

---

**7. RELATED PARTY TRANSACTIONS**

Related party transactions were 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 following expenditures were incurred with directors and officers of the Company, corporations with directors and/or officers in common with the Company, and corporations controlled by directors and/or officers of the Company.

	2010	2009
	\$	\$
Professional fees	54	43
Office and general	14	19
Fees related to the sale of the Aurora Property	119	-
Legal fees related to private placement included in share issue costs	24	30
Fees related to the private placement included in share issue costs	-	10
	<u>211</u>	<u>102</u>

Included in accounts payable and accrued liabilities at December 31, 2010 is \$42 (2009 - \$47) due to the above noted related parties. Such amounts are due on demand, unsecured and non-interest bearing.

In 2010, directors of the Company subscribed for 200,000 flow-through shares for gross proceeds of \$44 (Note 6(a)(iv)). In 2009, a director of the Company and a corporation with a director in common with the Company subscribed for 275,000 flow-through shares and 526,316 non flow-through units, respectively, for gross proceeds of \$163 (Note 6(a)(i)).

See Note 5.

**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 31% (2009 - 33%) were as follows:

	2010	2009
	\$	\$
Income (loss) before income taxes	<u>2,048</u>	<u>(605)</u>
Expected income taxes based on statutory rate	635	(200)
Adjustments to benefit resulting from:		
Expiring losses	-	118
Change in value of marketable securities	(5)	(2)
Share issue costs	(55)	-
Stock-based compensation	-	53
Change in tax rates	(166)	(19)
Other differences	54	102
Valuation allowance	<u>-</u>	<u>(144)</u>
Future income taxes (recovery)	<u>463</u>	<u>(92)</u>

**CONQUEST RESOURCES LIMITED**  
*(A Development Stage Company)*  
**Notes to the Consolidated Financial Statements**  
 (Expressed in \$000's)  
**For the years ended December 31, 2010 and 2009**

---

**8. INCOME TAXES (continued)**

**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:

	2010	2009
	\$	\$
Future income tax assets (liabilities)		
Non-capital losses	-	171
Exploration properties	(770)	(241)
Marketable securities	16	18
Share issue costs	48	15
Valuation allowance	-	-
	<u>          </u>	<u>          </u>
Future income tax liability	<u>(706)</u>	<u>(37)</u>

**c) Tax Loss Carry-Forwards**

The Company has approximately \$1,350 of Canadian development and exploration expenditures which, under certain circumstances, may be utilized to reduce taxable income of future years.

As at December 31, 2010, the Company has approximately \$nil of non-capital losses in Canada.

**9. COMMITMENTS AND CONTINGENCIES**

- a) 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 December 31, 2010, no expenditure had been incurred, leaving a balance of \$1,710 to be incurred on or before December 31, 2011. 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.
- b) 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.
- c) In September 2009, the Company negotiated a plea agreement with respect to six charges which had been issued under the Ontario Occupational Health and Safety Act relating to an accident that occurred in December 2007 involving a contractor at the King Bay Project. The Company agreed to enter a guilty plea in respect of one charge and agreed to a fine of \$130, with two years to make the payment. The fine is subject to a 25% government mandated victim impact surcharge, increasing the liability to \$162. The remaining five charges were withdrawn. The Company has commenced legal proceedings to seek indemnity and recovery of the full amount of the penalty and legal costs from its joint venture partner on the King Bay Project, KBG Minerals Corporation, which is the registered owner of the mineral claims, and from the supervisor of the Project.

## CONQUEST RESOURCES LIMITED

(A Development Stage Company)

### Notes to the Consolidated Financial Statements

(Expressed in \$000's)

For the years ended December 31, 2010 and 2009

---

#### 9. COMMITMENTS AND CONTINGENCIES (continued)

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 the 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 has 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.

#### 10. 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 December 31, 2010, the Company had cash and cash equivalents of \$572 (2009 - \$951) to settle current liabilities of \$284 (2009 - \$131). 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 December 31, 2010 and 2009, the carrying value of the Company's financial instruments approximate their fair value.

**CONQUEST RESOURCES LIMITED**  
*(A Development Stage Company)*  
**Notes to the Consolidated Financial Statements**  
(Expressed in \$000's)  
**For the years ended December 31, 2010 and 2009**

---

**10. FINANCIAL INSTRUMENTS (continued)**

**Sensitivity Analysis (Continued)**

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 \$23 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 December 31, 2010, would affect net income by plus or minus \$301 during a one year period.

As at December 31, 2010 and 2009, the Company did not hold any material balances in foreign currencies that would give rise to exposure to foreign exchange risk.

**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 December 31, 2010 and 2009, the Company's financial instruments that are carried at fair value, consisting of cash equivalents and marketable securities have been classified as Level 2 within the fair value hierarchy.

**11. 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 years ended December 31, 2010 and 2009. The Company is not subject to externally imposed capital requirements.