

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

**Interim Financial Statements**

*(Note: These Financial Statements have not been reviewed by the Company's Auditors)*

**June 30, 2006**

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Conquest Resources Limited  
(A Development Stage Company)  
**Interim Consolidated Balance Sheet**

As at June 30, 2006

Canadian Funds

Unaudited - these financial statements have not been reviewed by the Company's Auditors

	June 30	December 31
	2006	2005
	\$	\$
<b>ASSETS</b>		
Current assets		
Cash and short-term investments	1,177,677	1,624,131
Amounts receivable	69,326	18,362
Prepaid expense	-	12,782
	1,247,003	1,655,275
Other assets		
Long-term investment in Trade Winds Ventures Inc.	160,500	127,000
Mineral properties	2,985,276	2,854,841
	3,145,776	2,981,841
	<b><u>4,392,779</u></b>	<b><u>4,637,116</u></b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities		
Accounts payable and accrued liabilities	117,237	210,299
Shareholders' equity		
Capital stock	9,023,233	9,023,233
Warrants	-	45,000
Contributed surplus	1,514,390	1,382,690
Deficit	(6,262,081)	(6,024,106)
	4,275,542	4,426,817
	<b><u>4,392,779</u></b>	<b><u>4,637,116</u></b>

ON BEHALF OF THE BOARD:

"Terence N. McKillen" Director

"John F. Kearney" Director

See Accompanying Notes

Conquest Resources Limited  
(A Development Stage Company)

**Interim Consolidated Statement of Loss and Deficit**

For the Three Months and Six Months Periods Ended June 30, 2006

Canadian Funds

Unaudited - these financial statements have not been reviewed by the Company's Auditors

	Three Months Ended June 30		Six Months Ended June 30	
	2006	2005	2006	2005
	\$	\$	\$	\$
<b>Expenses</b>				
Stock-based compensation	86,700	-	86,700	96,000
Property investigation	7,770	30,774	7,770	30,774
Office and general	14,798	26,320	62,211	44,675
Corporate expenses	26,193	29,230	43,049	51,779
Salaries and benefits	6,401	3,948	12,527	11,819
Professional fees	9,988	18,150	19,315	27,800
Travel and Entertainment	2,701	2,789	6,403	3,902
Loss before the undernoted	154,551	111,211	237,975	266,749
Amortization	-	-	-	4,106
<b>Net loss for the period</b>	<b>154,551</b>	<b>111,211</b>	<b>237,975</b>	<b>270,855</b>
<b>Deficit, beginning of period</b>	6,107,530	6,137,587	6,024,106	5,977,943
<b>Deficit, end of period</b>	<b><u>6,262,081</u></b>	<b><u>6,248,798</u></b>	<b><u>6,262,081</u></b>	<b><u>6,248,798</u></b>
<b>Net loss per common share</b>	<b>0.01</b>	<b>0.01</b>	<b>0.01</b>	<b>0.01</b>

- See Accompanying Notes -

**Conquest Resources Limited***(A Development Stage Company)***Interim Consolidated Statement of Cash Flows**

For the Three Months and Six Months Periods Ended June 30, 2006

*Canadian Funds**Unaudited - these financial statements have not been reviewed by the Company's Auditors*

	Three Months Ended June 30		Six Months Ended June 30	
	2006	2005	2006	2005
	\$	\$	\$	\$
<b>CASH FLOW FROM (USED IN) OPERATING ACTIVITIES</b>				
Net loss for the period	(154,551)	(111,211)	(237,975)	(270,855)
Item not involving cash				
Stock-based compensation	86,700	-	86,700	96,000
Amortization	-	-	-	4,106
	(67,851)	(111,211)	(151,275)	(170,749)
Changes in non-cash working capital balances	<u>(7,797)</u>	<u>(8,048)</u>	<u>(131,244)</u>	<u>(1,281)</u>
Cash flows (used in) operating activities	(75,648)	(119,259)	(282,519)	(172,030)
<b>CASH FLOW FROM (USED IN) INVESTING ACTIVITIES</b>				
Mineral properties and deferred exploration expenditures	(50,090)	(27,619)	(130,435)	(253,745)
Fixed assets	-	-	-	(4,106)
Investment in Trade Winds Ventures Inc.	<u>(33,500)</u>	<u>-</u>	<u>(33,500)</u>	<u>-</u>
	(83,590)	(27,619)	(163,935)	(257,851)
<b>CASH FLOW FROM (USED IN) FINANCING ACTIVITIES</b>				
Issue costs	-	-	-	<u>(38,978)</u>
<b>Increase (Decrease) in cash and short-term investments</b>	<b>(159,238)</b>	<b>(146,878)</b>	<b>(446,454)</b>	<b>(468,859)</b>
<b>Cash and short-term investments, beginning of period</b>	1,336,915	1,291,802	1,624,131	1,613,783
<b>Cash and short-term investments, end of period</b>	<b><u>1,177,677</u></b>	<b><u>1,144,924</u></b>	<b><u>1,177,677</u></b>	<b><u>1,144,924</u></b>

- See Accompanying Notes -



b) *Stock Options*

Pursuant to a stock option plan approved by the Board of Directors, the maximum number of common shares reserved for issuance to various directors, officers, consultants and employees may not exceed 10% of the common shares outstanding immediately before such issuance. The following table summarizes the stock options outstanding as at June 30, 2006:

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

Options held by a director of the Company on 600,000 shares exercisable at \$0.10 per share expired unexercised on May 7, 2006. New options on 600,000 shares were granted to the director at an exercise price of \$0.15 with an expiration date of June 16, 2011. Stock-based compensation of \$63,600 has been recorded for these options.

The Company issued share options of a total of 300,000 to an officer exercisable at a price of \$0.12 per share at any time until March 12, 2011. Stock-based compensation of \$23,100 has been recorded for these options.

On June 16, 2006, 100,000 options were granted to a person providing investor relation services with an exercise price of \$0.13 and expiration date of June 16, 2011. These options will vest in stages over a twelve months period with no more than 25% vesting in any three months period. None of the options were vested as of June 30, 2006. The cost of these options will be recorded as they are vested.

c) *Warrants*

All share purchase warrants expired unexercised on January 15, 2006

**4. Profit and Loss Per Share**

	Three Months Ended June 30		Six Months Ended June 30	
	2006	2005	2006	2005
Net loss for the three months and six months ended June 30, 2006 and 2005	\$ 154,551	\$ 111,211	\$237,965	\$ 270,855
Basic net loss per common share	\$(0.01)	\$(0.01)	\$(0.01)	\$(0.01)

Basic loss per share was calculated on the basis of the weighted average number of common shares outstanding for the periods, which amounted to 59,767,677 common shares. For the three months and six months ended June 30, 2006 and 2005, the existence of stock options and warrants affects the calculation of loss per share on a fully diluted basis. As the effect of this dilution is to reduce the reported loss per share, fully diluted loss per share has not been shown.

**5. Mineral Properties & Deferred Exploration Expenditures**  
 [Segmented according to Property and by category]

**5 (A) Schedule of Mineral Properties**  
**For Six Month Period Ended June 30, 2006**  
*Canadian Funds*

	Dec 31, 2005	Additions	June 30, 2006
<b>CANADA</b>			
Alexander	\$1,398,722	\$6,626	\$1,405,348
Smith Lake	635,069	-	635,069
King Bay	287,162	144,512	431,674
Aurora	512,488	(20,703)	491,785
Total Canada	\$2,833,441	\$130,435	\$2,963,876
<b>AFRICA</b>			
Tanzania	21,400	-	21,400
Total	\$2,854,841	\$130,435	\$2,985,276
The expenditures on Aurora are net of recovery of \$33,500 represented by receipt of 50,000 shares of Trade Winds Ventures Inc.			

**5 (B) Mineral Properties - Schedule of Deferred Exploration Expenditures**  
**For Six Month Period Ended June 30, 2006**  
*Canadian Funds*

	Alexander	Aurora	King Bay	Total
Geology, geophysics and geochemistry	\$6,320	\$5,216	\$22,582	\$34,118
Drilling	306	-	97,881	98,187
Travel and accommodation	-	-	13,354	13,354
Equipment, property lease and other	-	7,581	10,695	18,276
Recovery	-	(33,500)	-	(33,500)
<b>Total additions, net</b>	<b>\$6,626</b>	<b>(\$20,703)</b>	<b>\$144,512</b>	<b>\$130,435</b>

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

**For Six Month Period Ended June 30, 2005**

	Alexander	Aurora	King Bay	Total
Geology, geophysics and geochemistry	\$22,513	-	\$16,169	\$38,682
Drilling	12,976	-	193,738	206,714
Travel and accommodation	-	-	1,883	1,883
Equipment, property lease and other	7,026	(16,677)	16,117	6,466
<b>Total additions, net</b>	<b>\$42,515</b>	<b>(\$16,677)</b>	<b>\$227,907</b>	<b>\$253,745</b>

The recovery for Aurora represents reimbursement of property lease costs by Trade Winds Ventures Inc.

**Form 52-109F2 - Certification of Interim Filings**

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

1. I have reviewed the interim filings (as this term is defined in Multilateral Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*) of Conquest Resources Limited (the issuer) for the period ended June 30, 2006;

2. Based on my knowledge, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings; and

3. Based on my knowledge, the interim financial statements together with the other financial information included in the interim filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, as of the date and for the periods presented in the interim filings.

4. The issuer's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures for the issuer, and we have designed such disclosure controls and procedures, or caused them to be designed under our supervision, to provide reasonable assurance that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which the interim filings are being prepared.

Date: August 22, 2006

*signed "Terence N. McKillen"*

Terence N. McKillen  
Chief Executive Officer

## FORM 52-109FT2 - CERTIFICATION OF INTERIM FILINGS

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

1. I have reviewed the interim filings (as this term is defined in Multilateral Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*) of Conquest Resources Limited (the issuer) for the period ended June 30, 2006;
2. Based on my knowledge, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings; and
3. Based on my knowledge, the interim financial statements together with the other financial information included in the interim filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, as of the date and for the periods presented in the interim filings.
4. The issuer's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures for the issuer, and we have designed such disclosure controls and procedures, or caused them to be designed under our supervision, to provide reasonable assurance that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which the interim filings are being prepared.

Date: August 22, 2006

*signed "Danesh Varma"*  
Danesh Varma  
Chief Financial Officer

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

FOR THE INTERIM PERIOD ENDED JUNE 30, 2006

(Form 52-109FT2)

**CONQUEST RESOURCES LIMITED**  
*(A Development Stage Company)*  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE INTERIM PERIOD ENDED JUNE 30, 2006**  
*(Dated August 22, 2006)*  
(Form 51-109F2)

**Company Overview**

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

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

The significant industry and economic factors affecting the Company remained substantially unchanged during the period.

**Operational Highlights - 2QR 2006**

During the second quarter of 2006, Conquest's activities continued to be mainly concentrated in Canada where activities focused on property evaluation and exploration on the Alexander Property at Red Lake, the Aurora and Sunday Lake Properties at Detour Lake and the King Bay Property at Sturgeon Lake, all in Ontario.

Following its short winter drill program at the King Bay Property, Sturgeon Lake in which one of the holes intersected a quartz stockwork containing visible gold, Conquest has been evaluating options with respect to conducting a follow-up drill program from a barge or other floating platform in the late summer or early fall of 2006. The target mineralization, as indicated by the drilling and from the three boulder trains, is high grade gold contained in blue-black quartz veins in a hydrothermally altered quartz porphyry together with pyrrhotite. Through the limited drill programs to date, the presence of the key blue-black quartz, extensive hydrothermal alteration and gold mineralization have been confirmed to a depth of 200 meters along the flanks of two of the target areas.

On the Alexander Property at Red Lake, Conquest is currently evaluating options with respect to testing several deeper targets, including the possibility for a repetition of the Red Lake mine sequence to occur overfolded on to the southwestern part of the Alexander Property.

On the Aurora Property at Detour Lake, joint venture partner Trade Winds Ventures Inc. decided to continue with its earn-in option for a further year. Trade Winds must contribute \$4.4 million by April 30, 2009 for exploration on the main Aurora property to earn a 60% interest in the Property. Trade Winds has spent \$1.1 million to June 30, 2006 and issued 200,000 of Trade Winds to Conquest, including 50,000 shares in May 2006 pursuant to the terms of the Joint Venture Agreement. The Sunday Lake and Nash Creek claim groups are excluded from the joint venture.

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

### Financial Highlights - 2QR 2006

Conquest incurred a loss for the second quarter of \$154,551 (\$0.01 per share) compared to a loss of \$111,211 in the second quarter of 2005. Included in the loss for the second quarter of 2006 was a non-cash charge of \$86,700 in respect to stock-based compensation. There was no charge in respect to stock-based compensation in the second quarter of 2005.

The loss for the first half of 2006 was \$237,975 (\$0.01 per share) compared to a loss of \$270,855 in the first half of 2005. Included in the loss in the first half of 2006 was a non-cash charge of \$86,700 in respect to stock-based compensation compared to \$96,000 in the first half of 2005. There was also an amortization charge of \$4,106 on plant and equipment in the first half of 2005.

The Company recorded no revenue in the second quarter or the first half of 2006 or 2005.

Administrative expense, excluding the stock-based compensation, during the first half of 2006 amounted to \$151,275 compared to \$170,749 in the first half of 2005. Administrative expense, excluding the stock-based compensation, during the second quarter of 2006 amounted to \$67,851 compared to \$111,211 in the second quarter of 2005. Expenses in the first half and the second quarter of 2006 were lower than those in the first half and second quarter of 2005 due to lower level of activity.

### Industry Trends and Risks

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

### Summary of Quarterly Results

	2  R04 (\$)	3  R04 (\$)	4  R04 (\$)	1  R05 (\$)	2  R05 (\$)	3  R05 (\$)	4  R05 (\$)	1  R06 (\$)	2  R06 (\$)
Net Income (loss) per share	(0.01)	(0.01)	(0.02)	(0.01)	(0.01)	(0.01)	0.01	(0.01)	(0.01)
Net Income (loss) before taxes	(480,748)	(180,219)	(857,343)	(159,644)	(111,211)	(58,060)	350,326	(83,424)	(154,551)
Total assets	5,072,430	5,315,497	4,700,421	4,581,118	4,451,821	4,291,374	4,637,116	4,463,018	4,392,779

### Liquidity and Capital Resources

Total assets decreased to \$4,392,779 at June 30, 2006 from \$4,637,116 at December 31, 2005 primarily as a result of the administrative expenses and exploration expenditures. Total liabilities decreased to \$117,237 at June 30, 2006 from \$210,299 at December 31, 2005. The Company had a working capital surplus of \$1,129,766 at June 30, 2006 compared to \$1,444,976 at

December 31, 2005. Cash and short-term investments of \$1.2 million at June 30, 2006 were down from \$1.6 million at December 31, 2005 primarily as funds were expended on the Ontario exploration projects and administrative expenses.

At June 30, 2006, the Company had mineral properties with a total book value of \$2,985,276. The balance sheet values may not represent that which could be obtained were the properties to be offered for sale at this time. The investment in shares of Trade Winds Ventures Inc. has gone up from \$127,000 to \$160,500 following the issuance of 50,000 shares in May 2006 and is treated as a long-term investment.

See Note 5 to the interim financial statements for details of Mineral Properties and Deferred Exploration Expenditures for the period ended June 30, 2006.

**Mineral Properties - Schedule of Deferred Exploration Expenditures  
For Six Month Period Ended June 30, 2006**  
*Canadian Funds*

	Alexander	Aurora	King Bay	Total
Geology, geophysics and geochemistry	\$6,320	\$5,216	\$22,582	\$34,118
Drilling	306	-	97,881	98,187
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Equipment, property lease and other	-	7,581	10,695	18,276
Recovery	-	(33,500)	-	(33,500)
<b>Total additions, net</b>	<b>\$6,626</b>	<b>(\$20,703)</b>	<b>\$144,512</b>	<b>\$130,435</b>
The recovery for Aurora represents receipt of 50,000 shares of Trade Winds Ventures Inc.				

**For Six Month Period Ended June 30, 2005**  
*Canadian Funds*

	Alexander	Aurora	King Bay	Total
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<b>Total additions, net</b>	<b>\$42,515</b>	<b>(\$16,677)</b>	<b>\$227,907</b>	<b>\$253,745</b>
The recovery for Aurora represents reimbursement of property lease costs by Trade Winds Ventures Inc.				

**Related Party Transactions**

Amounts paid and accrued in the quarter include the expenditures incurred by directors and corporations controlled by the directors for general expenses of \$15,172, exploration expenses of \$12,950, corporate expenses of \$10,500, travel and entertainment expenses of \$2,540 and legal services of \$4,160.

Included in amounts receivable, accounts payable and accrued liabilities at June 30, 2006 were \$10,000 and \$80,038, respectively, due to these related parties. All amounts were incurred in the normal course of business and are measured at the exchange amount.

### **Significant Accounting Policies & Risk Factors**

The Company's Accounting Policies have been disclosed in the Financial Statements for the Year ended December 31, 2005. The principal Risk Factors impacting the Company have been disclosed in the Company's Annual Information Form (AIF) for the year ended December 31, 2005. These documents are available from the Company upon request or can be viewed on SEDAR at [www.sedar.com](http://www.sedar.com).

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

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

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

Stock Based Compensation - In 2004 the Company adopted new recommendations on Accounting for Stock Based Compensation and the revisions thereto effective January 1, 2004. The Company records compensation cost on the grant of stock options to employees and non-employees.

### Financial Instruments

#### Fair value

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

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

#### Foreign exchange risk

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

#### Commodity Price Risk

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

### **Disclosure of Outstanding Share Capital**

The Company has unlimited authorized share capital of a single class of common shares of which, at June 30, 2006, 59,767,677 common shares were issued. Each common share entitles the holder to one vote. The common shares rank equally for dividends and for all distributions upon dissolution or wind up.

At June 30, 2006, the Company had 5,100,000 stock options issued pursuant to the Company's Stock Option Plan. The Company issued share options on a total of 300,000 exercisable at a price of \$0.12 per share at any time until March 12, 2011. Stock-based compensation of \$23,100 has been recorded for these options.

Options held by a director of the Company on 600,000 shares exercisable at \$0.10 per share expired unexercised on May 7, 2006. New options on 600,000 shares were granted to the director at an exercise price of \$0.15 with an expiration date of June 16, 2011. Stock-based compensation of \$63,600 has been recorded for these options.

On June 16, 2006, 100,000 options were granted to a person providing investor relation services with an exercise price of \$0.13 and expiration date of June 16, 2011. These options will vest in stages over a twelve months period with no more than 25% vesting in any three months period. None of the options were vested as of June 30, 2006. The value of these options will be recorded as they are vested.

### **Outlook**

The Company plans an ongoing program of exploration on its Canadian projects during 2006 with significant emphasis on diamond drilling. Sufficient funds are available directly or through joint venture contributions to support continued exploration activities for 2006 but the Company will have to seek additional financing to more aggressively pursue exploration on its Alexander and King Bay properties and to continue exploration into 2007. There is no guarantee that such financing can be secured.

### **Caution on Forward-Looking Information**

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