

CONQUEST RESOURCES LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

(Expressed in Canadian \$000's)

CONQUEST RESOURCES LIMITED
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Conquest Resources Limited

We have audited the accompanying consolidated financial statements of Conquest Resources Limited and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2013 and 2012, and the consolidated statements of operations and comprehensive loss, consolidated statements of changes in equity and 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards 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 and its subsidiaries as at December 31, 2013 and 2012, and their financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates that the Company had continuing losses during the year ended December 31, 2013 and an accumulated deficit as at December 31, 2013. These conditions along with other matters set forth in Note 1 indicate 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
April 17, 2014

CONQUEST RESOURCES LIMITED
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31,

(Expressed in thousands of Canadian dollars)	Notes	2013 \$	2012 \$
ASSETS			
Current			
Cash		9	2
Marketable securities	5	80	1,056
Amounts receivable		4	6
Prepaid expense		7	7
Total current assets		100	1,071
Non-current assets			
Exploration assets	4, 6	7,670	7,581
Total assets		7,770	8,652
LIABILITIES			
Current			
Accounts payable and accrued liabilities	7	54	46
Deferred income tax liability	13	890	914
Total liabilities		944	960
SHAREHOLDERS' EQUITY			
Capital stock	8	14,414	14,414
Warrants	9	-	110
Share-based payment reserve	11	239	239
		14,653	14,763
Deficit		(7,827)	(7,071)
Total shareholders' equity		6,826	7,692
Total liabilities and shareholders' equity		7,770	8,652
Commitments and contingencies (Notes 1, 6 and 12)			

The financial statements were approved by the Board of Directors on April 17, 2014 and signed on its behalf by:

Signed "John F. Kearney" _____, Director

Signed "Robert Kinloch" _____, Director

See accompanying notes to the consolidated financial statements

CONQUEST RESOURCES LIMITED
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
FOR THE YEARS ENDED DECEMBER 31,

(Expressed in thousands of Canadian dollars, except per share amounts)	Notes	2013 \$	2012 \$
Expenses			
Corporate expenses		28	74
Professional fees		67	144
Office and general		85	137
Travel		<u>4</u>	<u>20</u>
Loss from operations		184	375
Other expenses			
Change in fair value of investments	5	<u>706</u>	<u>3</u>
Loss before income taxes		(890)	(378)
Deferred income taxes	13	<u>38</u>	<u>102</u>
Net loss and comprehensive loss for the year		<u><u>(852)</u></u>	<u><u>(276)</u></u>
Net loss per common share			
- Basic and diluted		(0.009)	(0.003)
Weighted average common share outstanding			
- Basic and diluted		95,477,728	95,477,728

See accompanying notes to the consolidated financial statements

CONQUEST RESOURCES LIMITED
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31,

(Expressed in thousands of Canadian dollars)	Capital Stock \$	Warrants \$	Share-based payment reserve \$	Deficit \$	Total \$
Balance at December 31, 2011	14,414	127	262	(6,835)	7,968
Stock options expired	-	-	(23)	23	-
Warrants expired	-	(17)		17	-
Loss for the year	-	-	-	(276)	(276)
Balance, December 31, 2012	14,414	110	239	(7,071)	7,692
Warrants expired	-	(110)		110	-
Tax effect of warrant expiry	-	-	-	(14)	(14)
Loss for the year	-	-	-	(852)	(852)
Balance December 31, 2013	14,414	-	239	(7,827)	6,826

See accompanying notes to the consolidated financial statements

CONQUEST RESOURCES LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,

	2013	2012
(Expressed in thousands of Canadian dollars)	\$	\$
CASH FLOWS USED IN OPERATING ACTIVITIES		
Net loss for the year	(852)	(276)
Adjustments for:		
Loss on disposal of vehicle	-	12
Deferred income taxes	(38)	(102)
Change in fair value of marketable securities	706	3
	<u>(184)</u>	<u>(363)</u>
Movements in working capital		
Decrease in amounts receivable and prepaid expense	1	66
Increase/(decrease) in accounts payable and accrued liabilities	8	(43)
	<u>(175)</u>	<u>(340)</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Disposal of marketable securities	270	899
Investment in exploration assets	(89)	(704)
	<u>181</u>	<u>195</u>
Net cash generated by investing activities	<u>181</u>	<u>195</u>
Increase (decrease) in cash	6	(145)
Cash, beginning of year	<u>2</u>	<u>147</u>
Cash, end of year	<u><u>9</u></u>	<u><u>2</u></u>

SUPPLEMENTAL INFORMATION:

Interest paid	-	-
Income taxes paid	-	-

See accompanying notes to the consolidated financial statements

CONQUEST RESOURCES LIMITED

Notes to the Consolidated Financial Statements

(Expressed in thousands of Canadian Dollars, except per share amounts)

For the years ended December 31, 2013 and 2012

1. NATURE OF OPERATIONS AND GOING CONCERN

Conquest Resources Limited (the "Company") has interests in exploration and evaluation properties located in northern Ontario. Substantially all of the Company's efforts are devoted to financing and developing these properties. The Company's head office is located at 220 Bay Street, Suite 700, Toronto, Ontario, M5J 2W4.

There has been no determination whether the Company's interests in its properties contain ore reserves which are economically recoverable. The Company's exploration operations are subject to government legislation, policies and controls relating to prospecting, development, production, environmental protection, mining taxes and 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 exploration assets 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 exploration 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 government licensing requirements, unregistered prior agreements, unregistered claims, aboriginal claims and non-compliance with regulatory requirements. The Company's assets may also be subject to increases in taxes and royalties, renegotiating contracts and political uncertainty.

These consolidated financial statements are prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. Several conditions discussed below create a significant doubt about the Company's ability to continue as a going concern.

At December 31, 2013, the Company had not achieved profitable operations, had an accumulated deficit since inception and expects to incur further losses in the development of its business. The Company will need to generate additional financial resources in order to fund its planned exploration program. There is a risk that additional financing will not be available to the Company on a timely basis or on acceptable terms. There are no assurances that the Company will continue to obtain additional financial resources and/or achieve positive cash flows or profitability. If the Company is unable to obtain adequate additional financing, the Company will be required to curtail operations and exploration activities. Furthermore, failure to continue as a going concern would require that the Company's assets and liabilities be restated on a liquidation basis which would differ significantly from the going concern basis.

2. BASIS OF PREPARATION

These consolidated financial statements of the Company and its subsidiaries are prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). The policies set out below were consistently applied to all the periods presented, unless otherwise noted.

These consolidated financial statements were authorized for issuance by the Board of Directors on April 17, 2014.

These consolidated financial statements have been prepared on a historical cost basis except for marketable securities which are measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except cash flow information.

CONQUEST RESOURCES LIMITED

Notes to the Consolidated Financial Statements

(Expressed in thousands of Canadian Dollars, except per share amounts)

For the years ended December 31, 2013 and 2012

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its wholly-owned subsidiaries, Baobab Minerals Inc., Vancouver, B.C., and African Gold B.V., Netherlands). Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of operations from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Company. All material intra-company transactions, balances, income and expenses are eliminated on consolidation.

(b) Exploration assets

Exploration expenditure relates to the initial search for precious and base metals. Evaluation expenditure arises from a detailed assessment of deposits that have been identified as having economic potential.

The costs of exploration properties and leases, which include the cost of acquiring prospective properties and exploration rights and costs incurred in exploration and evaluation activities, are capitalised as exploration assets.

Once a licence to explore an area has been secured, exploration costs are capitalised as exploration assets. When the technical feasibility and commercial viability of extraction of reserves are demonstrable, the capitalised exploration costs are re-classified to property, plant and equipment. Exploration costs include an allocation of administration and salary costs (including share-based payments) as determined by management, where they relate to specific projects.

Prior to any reclassification to property, plant and equipment, exploration and evaluation assets are assessed for impairment and any impairment loss recognised immediately in the consolidated statement of loss.

(c) Rehabilitation Provisions

The Company will record a liability for the estimated future costs associated with legal and constructive obligations relating to the reclamation and closure of its exploration assets. 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 exploration assets and amortized over the useful life of these assets. Management is currently not aware of any existing significant legal or constructive obligations relating to the reclamation of its interest in exploration assets and therefore no such liability has been recorded at December 31, 2013 and 2012.

(d) Impairment of non-financial assets

At the end of each reporting period, non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly. Any impairment is recognized in loss.

(e) Interests in joint arrangements

A joint arrangement involves the use of assets and/or other resources of the Company and other venturer rather than the establishment of a corporation, partnership or other entity. The Company accounts for the assets it controls and the liabilities and expenses it incurs. As at December 31, 2012, no joint arrangement existed for accounting purposes. See Note 6 for details of the joint arrangement entered into during 2013.

(f) Cash and cash equivalents

Cash and cash equivalents are comprised of cash on hand, deposits in banks and highly liquid investments having original terms to maturity of 180 days or less when acquired. Cash equivalents can be redeemed at any time without interest or penalty.

(g) Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

CONQUEST RESOURCES LIMITED

Notes to the Consolidated Financial Statements

(Expressed in thousands of Canadian Dollars, except per share amounts)

For the years ended December 31, 2013 and 2012

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Financial instruments (continued)

At initial recognition, the Company classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired:

(i) Financial assets and liabilities at fair value through profit or loss: A financial asset or liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short term. Marketable securities are included in this category. Financial instruments in this category are recognized initially and subsequently at fair value. Transaction costs are expensed in the statement of loss. Gains and losses arising from changes in fair value are presented in the statement of loss in the period in which they arise.

(ii) Available-for-sale investments: Available-for-sale investments are non-derivatives that are either designated in this category or not classified in any of the other categories. The Company does not have any instruments classified in this category. Available-for-sale investments are recognized initially at fair value plus transaction costs and are subsequently carried at fair value. Gains or losses arising from changes in fair value are recognized in other comprehensive income. When an available-for-sale investment is sold or impaired, the accumulated gains or losses are moved from accumulated other comprehensive income (loss) to the statement of loss and are included in other gains and losses.

(iii) Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's loans and receivables comprise cash and amounts receivable. Loans and receivables are initially recognized at the amount expected to be received, less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment.

(iv) Financial liabilities at amortized cost: Financial liabilities at amortized cost include accounts payable and accrued liabilities. Accounts payable and accrued liabilities are initially recognized at the amount required to be paid, less, when material, a discount to reduce the payables to fair value. Subsequently, accounts payable and accrued liabilities are measured at amortized cost using the effective interest method. Financial liabilities are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities.

(h) Impairment of financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be measured reliably.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(i) Functional and presentation currencies

The functional currency of the Company and its subsidiaries is the Canadian dollar. In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items denominated in foreign currencies are retranslated at the rates prevailing on the transaction dates. Foreign currency translation differences are recognized in the consolidated statement of loss.

(j) Flow-through financing

The Company finances a portion of its project exploration and development through the issuance of flow-through shares.

Under the terms of the flow-through common share issues, the tax attributes of the related expenditures are renounced to investors and deferred income tax expense and income tax liabilities are increased by the estimated income tax benefits renounced by the Company to the investors. On the date of issuance of the flow-through shares, the premium relating to the proceeds received in excess of the closing market price of the Company's common shares is allocated to liabilities. The premium liability is reduced pro-rata based on the percentage of flow-through expenditures renounced in comparison to renunciations required under the terms of the flow-through share agreement. The reduction to the premium liability in the period of renunciation is recognized through profit or loss.

CONQUEST RESOURCES LIMITED

Notes to the Consolidated Financial Statements

(Expressed in thousands of Canadian Dollars, except per share amounts)

For the years ended December 31, 2013 and 2012

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Flow-through financing (continued)

Where the Company has unused tax benefits on loss carry forwards and tax pools in excess of book value available for deduction which have not been previously accounted for as deferred tax assets, the Company records a deferred tax asset to offset the increase in deferred tax liabilities resulting in an offsetting recovery of deferred income taxes being recognized through profit or loss in the reporting period.

(k) Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The Company records compensation cost based using the fair value method of accounting for share-based payments. The fair value of stock options is determined using the Black-Scholes option pricing model. The fair value of the options is recognized over the vesting period as share-based payments expense and share-based payment reserve. When options are exercised, the proceeds received, together with any related amount in share-based payment reserve, will be credited to capital stock.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service. On expiry, any related amount in share-based payment or warrant reserve will be credited to deficit.

(l) Operating loss

Operating loss comprises general administrative costs incurred by the Company, which are not specific to evaluation and exploration projects, and all impairment charges relating to exploration assets and financial assets during the year. Operating loss is stated before change in fair value of investments.

(m) Critical accounting judgements and key sources of estimation uncertainty

In the process of applying the Company's accounting policies above, management has identified the judgemental areas that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations), which are dealt with below:

Exploration assets

The assessment of whether general administration costs and salary costs are capitalised or expensed involves judgement. Management considers the nature of each cost incurred and whether it is deemed appropriate to capitalise it within exploration assets. Costs which can be demonstrated as project related are included within exploration assets. Exploration assets relate to prospecting, exploration and related expenditure in Canada. The Company's exploration activities are subject to a number of significant and potential risks including:

- exploration, development and operating risk
- no assurance of production
- factors beyond the Company's control
- failure to obtain additional financing
- insurance and uninsured risks
- environmental risks and hazards
- government regulation and permitting
- delays
- infrastructure
- price volatility of publicly traded securities
- fluctuating mineral prices

The recoverability of these exploration assets is dependent on the discovery and successful development of economic reserves, including the ability to raise finance to develop future projects. Should this prove unsuccessful, the value included in the consolidated statement of financial position would be written off to operations.

Preparation of financial statements requires directors to make estimates and assumptions that affect the amounts reported for assets and liabilities as at the statement of financial position date and the amounts reported for revenues and expenses during the year. The nature of estimation means that actual outcomes could differ from those estimates. The key sources of estimation uncertainty are discussed below:

CONQUEST RESOURCES LIMITED

Notes to the Consolidated Financial Statements

(Expressed in thousands of Canadian Dollars, except per share amounts)

For the years ended December 31, 2013 and 2012

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Critical accounting judgements and key sources of estimation uncertainty (continued)

Key sources of estimation uncertainty

Preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported for assets and liabilities as at the statement of financial position date and the amounts reported for revenues and expenses during the period. The nature of estimation means that actual outcomes could differ from those estimates. The key sources of estimation uncertainty are discussed below:

Mineral reserve estimates

The figures for mineral reserves and mineral resources are determined in accordance with National Instrument 43-101, "Standards of Disclosure for Mineral Projects", issued by the Canadian Securities Administrators. There are numerous uncertainties inherent in estimating mineral reserves and mineral resources, including many factors beyond the Company's control. Such estimation is a subjective process, and the accuracy of any mineral reserve or mineral resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation. Differences between management's assumptions including economic assumptions such as metal prices and market conditions could have a material effect in the future on the Company's financial position and results of operation.

Share-based payments

Estimation of share-based payment costs requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The Company has made estimates as to the volatility of its own shares, the probable life of options granted and the time of exercise of those options. The model used by the Company is the Black-Scholes valuation model.

Warrants

The fair value of the warrants is estimated at the issue date using the Black-Scholes option pricing model with estimates of the volatility based on the Company's historical common share trading prices, the probable life of the warrants, expected dividend yield and a risk-free interest rate.

Income taxes and recoverability of potential deferred tax assets

In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. The Company considers relevant tax planning opportunities that are within the Company's control, are feasible and within management's ability to implement. Examination by applicable tax authorities is supported based on individual facts and circumstances of the relevant tax position examined in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting period.

Impairment of exploration assets

The assessment of exploration assets for any indications of impairment involves judgement. If an indication of impairment exists, a formal estimate of recoverable amount is performed and an impairment loss recognised to the extent that carrying amount exceeds recoverable amount. Recoverable amount is determined as the higher of fair value less costs to sell and value in use. The assessment requires judgement as to the likely future commerciality of the asset and when such commerciality should be determined; future revenues, capital and operating costs and the discount rate to be applied to such revenues and costs.

(n) Loss per share

Basic loss per share is calculated using the weighted average number of shares outstanding. Diluted loss per share assumes that any proceeds from the exercise of dilutive stock options and warrants would be used to repurchase common shares at the average market price during the period, with the incremental number of shares being included in the denominator of the diluted loss per share calculation. The diluted loss per share calculation excludes any potential conversion of options and warrants that would decrease loss per share. As a result, all outstanding convertible securities during the years ended December 31, 2013 and 2012 have been excluded from diluted loss per share.

CONQUEST RESOURCES LIMITED

Notes to the Consolidated Financial Statements

(Expressed in thousands of Canadian Dollars, except per share amounts)

For the years ended December 31, 2013 and 2012

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Income taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred income tax assets also result from unused loss carry forwards, resource related pools and other deductions. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(p) Changes in Accounting Policies

The Company has adopted the following new standards, along with any consequential amendments, effective January 1, 2013. These changes were made in accordance with the applicable transitional provisions.

IFRS 10 – Consolidated Financial Statements (“IFRS 10”) was issued by the IASB in May 2011 and will replace IAS 27 Consolidated and Separate Financial Statements and SIC 12 Consolidation – Special Purpose Entities. IFRS 10 is a new standard which identifies the concept of control as the determining factor in assessing whether an entity should be included in the consolidated financial statements of the parent company. Control is comprised of three elements: power over an investee; exposure, or rights, to variable returns from involvement with the investee; and the ability to use power over the investee to affect returns. The adoption of this standard did not result in any changes in the consolidation status of the Company’s subsidiaries.

IFRS 11 – Joint Arrangements (“IFRS 11”) was issued by the IASB in May 2011 and will replace IAS 31 Interest in Joint Ventures and SIC 13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers. IFRS 11 is a new standard which focuses on classifying joint arrangements by their rights and obligations rather than their legal form. Entities are classified into two groups: joint operations and joint ventures. A joint operation exists when the parties have rights to the assets and obligations for the liabilities of a joint arrangement. A joint venture exists when the parties have rights to the net assets of a joint arrangement. Assets, liabilities, revenues and expenses in a joint operation are accounted for in accordance with the arrangement. Joint ventures are accounted for using the equity method. The adoption of this standard did not result in any changes to the Company’s investments in joint ventures.

IFRS 12 – Disclosure of Interests in Other Entities (“IFRS 12”) was issued by the IASB in May 2011. IFRS 12 is a new standard which provides disclosure requirements for entities reporting interests in other entities, including joint arrangements, special purpose vehicles and off balance sheet vehicles. The adoption of this standard did not result in any changes to the Company’s disclosure requirements for interests in other entities.

IFRS 13 – Fair Value Measurement (“IFRS 13”) was issued by the IASB in May 2011. IFRS 13 is a new standard which provides a precise definition of fair value and a single source of fair value measurement considerations for use across IFRS. IFRS 13 clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions. It also establishes disclosures about fair value measurement. The adoption of this standard did not result in any significant changes to the Company’s disclosures of its financial instruments.

IAS 1 – Presentation of Financial Statements (“IAS 1”) was amended by the IASB in June 2011. As a result of the amendment, items in other comprehensive income will be required to be presented in two categories: items that will be reclassified into profit or loss and those that will not be reclassified. The flexibility to present a statement of comprehensive income as one statement or two separate statements of profit and loss and other comprehensive income remains unchanged. The adoption of the amendments to this standard has not resulted in any disclosure requirements as the Company’s net loss is equal to the Company’s comprehensive loss.

IAS 27 - Separate Financial Statements (“IAS 27”) was amended during 2011 and replaces IAS 27 Consolidated and Separate Financial Statements. IAS 27 has been reissued to reflect the change of including the consolidation guidance in IFRS 10. In addition, IAS 27 will now only prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when the Company prepares separate financial statements. The adoption of the amendments to this standard did not result in any changes to the Company’s consolidated financial statements.

CONQUEST RESOURCES LIMITED

Notes to the Consolidated Financial Statements

(Expressed in thousands of Canadian Dollars, except per share amounts)

For the years ended December 31, 2013 and 2012

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) New standards and interpretations not yet adopted

IAS 28 - Investments in Associates and Joint Ventures ("IAS 28") was issued by the IASB in May 2011 and supersedes IAS 28 Investments in Associates and prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. IAS 28 defines significant influence as the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies. IAS 28 also provides guidance on how the equity method of accounting is to be applied and also prescribes how investments in associates and joint ventures should be tested for impairment. The adoption of the amendments to this standard did not result in any changes to the Company's investments in joint ventures.

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods on or after January 1, 2014 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

IFRS 9 – Financial Instruments ("IFRS 9") was issued by the IASB in November 2009 with additions in October 2010 and May 2013 and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. This standard is required to be applied for accounting periods on or after January 1, 2018 with earlier adoption permitted.

IAS 32 – Financial Instruments: Presentation ("IAS 32") was amended by the IASB in December 2011 to clarify certain aspects of the requirements on offsetting. The amendments focus on the criterion that an entity currently has a legally enforceable right to set off the recognized amounts and the criterion that an entity intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously. The amendments to IAS 32 are effective for annual periods beginning on or after January 1, 2014.

IAS 36 – Impairments of Assets ("IAS 36") was amended by the IASB in May 2013 to clarify the requirements to disclose the recoverable amounts of impaired assets and require additional disclosures about the measurement of impaired assets when the recoverable amount is based on fair value less costs of disposal, including the discount rate when a present value technique is used to measure the recoverable amount. The amendments to IAS 36 are effective for annual periods beginning on or after January 1, 2014.

IAS 39 – Financial Instruments: Recognition and Measurement ("IAS 39") was amended by the IASB in June 2013 to clarify that novation of a hedging derivative to a clearing counterparty as a consequence of laws or regulations or the introduction of laws or regulations does not terminate hedge accounting. The amendments to IAS 39 are effective for annual periods beginning on or after January 1, 2014.

4. RELATED PARTY TRANSACTIONS

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

Transactions with related parties that are not subsidiaries were as follows:

	December 31, 2013	December 31, 2012
	\$	\$
Office and general	14	14
Key Management Personnel		
Professional fees	62	257
Equipment rental	-	15
	62	272
Capitalized as exploration assets	-	84

CONQUEST RESOURCES LIMITED

Notes to the Consolidated Financial Statements

(Expressed in thousands of Canadian Dollars, except per share amounts)

For the years ended December 31, 2013 and 2012

4. RELATED PARTY TRANSACTIONS (continued)

The above 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.

No fees were paid by the Company to directors and officers for their services as directors and officers of the Company in the years ended December 31, 2013 or December 31, 2012. Directors' remuneration comprises administration, geological, investor relations and legal services provided by persons or corporations controlled by persons who are directors.

Included in accounts payable and accrued liabilities at December 31, 2013 is \$15 (December 31, 2012 - \$2) due to the above noted related parties. Such amounts are due on demand, unsecured and non-interest bearing.

See also Note 6.

5. MARKETABLE SECURITIES

Fair value through profit and loss investments:

	December 31, 2013	Change in fair value	(Disposals)	December 31, 2012	Change in fair value	(Disposals)	December 31, 2011
	\$	\$	\$	\$	\$	\$	\$
Detour Gold Corporation	80	(706)	(270)	1,056	(3)	(899)	1,958
	80	(706)	(270)	1,056	(3)	(899)	1,958

During the year ended December 31, 2013, the Company sold 23,000 Detour Gold Corporation ("Detour Gold") shares for gross proceeds of \$270. During the year ended December 31, 2012, the Company sold 35,400 Detour Gold shares for gross proceeds of \$899. At December 31, 2013, the Company owned 19,440 shares of Detour Gold (December 31, 2012 – 42,440).

6. EXPLORATION ASSETS

The following table shows the Company's exploration and evaluation assets:

	December 31, 2013	Additions	December 31, 2012	Additions	December 31, 2011
	\$	\$	\$	\$	\$
Alexander	6,224	15	6,209	66	6,143
Sunday Lake	343	1	342	7	335
Smith Lake	1,103	73	1,030	631	399
Total	7,670	89	7,581	704	6,877

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 Property, Detour Lake, Ontario

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

The Sunday Lake Property was subject to an option granted to Detour Gold in September 2010 to acquire a 50% interest in the Sunday Lake Property by incurring \$1,000 in exploration expenditures prior to September 30, 2013. Having made the required exploration expenditures of \$1,000, Detour Gold has earned its 50% undivided interest in the Sunday Lake Property. Detour Gold and the Company are now deemed to be in a joint operation relationship wherein Detour Gold Corporation is the operator. The Sunday Lake property remains subject to a 7.5% net profits interest. The Company retains an undivided 50% interest in the Sunday Lake property.

CONQUEST RESOURCES LIMITED**Notes to the Consolidated Financial Statements**

(Expressed in thousands of Canadian Dollars, except per share amounts)

For the years ended December 31, 2013 and 2012**6. EXPLORATION ASSETS (continued)****Smith Lake Property, Missinabie, Ontario**

The Company holds six (6) patented claims and thirty four (34) mining claims in the Missinabie area of Northern Ontario, in Leeson, Stover and Rennie Townships, Sault Ste. Marie Mining Division, located approximately 100 kilometres northeast of Wawa.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2013 \$	December 31, 2012 \$
Trade payables	5	9
Payable to related parties (Note 4)	15	2
Accrued liabilities	34	35
	<u>54</u>	<u>46</u>
Accounts payable and accrued liabilities	<u>54</u>	<u>46</u>

8. CAPITAL STOCK**Common shares**

	Common shares (000's)	Amount \$
Authorized		
Unlimited common shares, with no par value		
Issued and fully paid		
Balance at December 31, 2011, 2012 and 2013	95,478	14,414

9. SHARE PURCHASE WARRANTS

	Warrants (000's)	Weighted Average Exercise Price \$	Grant Date Fair Value \$
Balance at December 31, 2011	10,250	0.10	127
Expired	(250)	0.20	(17)
Balance at December 31, 2012	10,000	0.10	110
Expired	(10,000)	0.10	(110)
Balance at December 31, 2013	<u>-</u>	<u>-</u>	<u>-</u>

On December 30, 2013, the Company's remaining 10,000,000 outstanding warrants expired unexercised.

10. 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.

CONQUEST RESOURCES LIMITED**Notes to the Consolidated Financial Statements**

(Expressed in thousands of Canadian Dollars, except per share amounts)

For the years ended December 31, 2013 and 2012**10. STOCK OPTIONS (continued)**

The following table summarizes the stock options outstanding and exercisable as at December 31, 2013:

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

The weighted average remaining contractual life of options outstanding at December 31, 2013 is 0.8 years (December 31, 2012 – 1.8 years).

The weighted average exercise price for options that are exercisable at December 31, 2013 amounted to \$0.10 per option (December 31, 2012 - \$0.10).

Share-based payment reserve transactions relate to the Company's stock options. Share-based payment transactions for the years ended December 31, 2013 and 2012 were as follows:

	Number of Options (000's)	Weighted Average Exercise Price \$
Balance, December 31, 2011	4,600	0.10
Expired	(300)	0.13
Balance, December 31, 2012 and December 31, 2013	<u>4,300</u>	<u>0.10</u>

See Note 17.

11. SHARE-BASED PAYMENT RESERVE

Share-based payment reserve transactions relate to the Company's stock options. Share-based payment transactions for the years ended December 31, 2013 and 2012 were as follows:

	\$
Balance, December 31, 2011	262
Expired	<u>(23)</u>
Balance, December 31, 2012 and December 31, 2013	<u>239</u>

12. COMMITMENTS AND CONTINGENCIES

The Company's exploration and evaluation 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.

In December, 2009, litigation against the Company and its directors and officers was commenced on behalf of the estate and family of a contractor involved in an accident at the King Bay project. The claim against the Company's directors and officers was dismissed by order of the Court on June 14, 2010. The claim against the Company was settled in September 2013 and approved by the Court in April 2014 within the Company's insurance coverage limits. The settlement amount will be paid by the Company's insurer.

CONQUEST RESOURCES LIMITED**Notes to the Consolidated Financial Statements**

(Expressed in thousands of Canadian Dollars, except per share amounts)

For the years ended December 31, 2013 and 2012**12. COMMITMENTS AND CONTINGENCIES (continued)**

The Company has indemnified the subscribers of current and previous flow-through share offerings against any tax related amounts that become payable by the shareholder as a result of the Company not meeting its expenditure commitments.

13. 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 25% (2012 – 25%) were as follows:

	2013 \$	2012 \$
Loss before income taxes	<u>(890)</u>	<u>(378)</u>
Expected income taxes based on statutory rate	(223)	(95)
Adjustments to benefit resulting from:		
Expenses not deductible for tax purposes	-	1
Taxable portion of gains	-	1
Deferred tax expense originated or reversed in the year	<u>185</u>	<u>(9)</u>
Deferred income tax recovery recognized in operations	(38)	(102)
Deferred taxes recognized directly in equity	14	-
Total taxation	<u><u>(24)</u></u>	<u><u>(102)</u></u>

b) Deferred Income Tax Balances

Deferred tax assets and liabilities are attributable to the following:

	2013 \$	2012 \$
Deferred income tax assets (liabilities):		
Non-capital loss carry-forwards	25	32
Exploration assets	(925)	(971)
Share issue costs	<u>10</u>	<u>25</u>
Deferred tax liability	<u><u>(890)</u></u>	<u><u>(914)</u></u>

Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	2013 \$	2012 \$
Capital losses	623	187
Marketable securities	<u>517</u>	<u>246</u>
Deferred tax assets	<u><u>1,140</u></u>	<u><u>433</u></u>

Deferred tax assets have not been recognized in respect of these items because it is not probable that future tax profit will be available against which the Company can use the benefits.

c) Tax loss Carry-Forwards

The Company has approximately \$3,970 of Canadian development and exploration expenditures which, under certain circumstances, may be utilized to reduce taxable income of future years.

As at December 31, 2013, the Company has approximately \$100 of non-capital losses in Canada of which expire as follows:

	\$
2031	23
2032	72
2033	5
	<u><u>100</u></u>

CONQUEST RESOURCES LIMITED

Notes to the Consolidated Financial Statements

(Expressed in thousands of Canadian Dollars, except per share amounts)

For the years ended December 31, 2013 and 2012

14. 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 during 2013 and 2012.

Fair value

The carrying amounts for cash, marketable securities, amounts receivable and accounts payable and accrued liabilities on the consolidated statements of financial position 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 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.

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.

Fair Value Hierarchy and Liquidity Risk Disclosure

The fair value hierarchy has 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, 2013 and December 31, 2012, the Company's financial instruments that are carried at fair value, consisting of marketable securities, have been classified as Level 1 within the fair value hierarchy.

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, 2013, the Company had cash of \$9 (December 31, 2012 - \$2) and marketable securities of \$80 (December 31, 2012 - \$1,056) to settle accounts payable and accrued liabilities of \$54 (December 31, 2012 - \$46). 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 is the risk that the fair value of, or future cash flows from, the Company's financial instruments will significantly fluctuate because of changes in market prices. The Company is exposed to market risk with respect to its marketable securities and unfavourable market conditions could result in dispositions of marketable securities at less than favorable prices.

Price Volatility of Publicly Traded Securities

Securities of exploration companies have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include macroeconomic developments in North America and globally, and market perceptions of the relative attractiveness of particular industries. The Company's share price is also likely to be significantly affected by short-term changes in metal prices or in the Company's financial condition or results of operations as reflected in quarterly earnings reports.

Capital Risk

The Company manages its capital to ensure that there are adequate capital resources for the Company to maintain and explore its exploration assets. The capital structure of the Company consists of shareholders' equity.

Sensitivity Analysis

The Company has designated its marketable securities as fair value through profit or loss, which are measured at fair value. Cash and 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, 2013 and December 31, 2012, the carrying value of the Company's financial instruments approximate their fair value.

CONQUEST RESOURCES LIMITED

Notes to the Consolidated Financial Statements

(Expressed in thousands of Canadian Dollars, except per share amounts)

For the years ended December 31, 2013 and 2012

15. FINANCIAL INSTRUMENTS (continued)

Cash is 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 at December 31, 2013, would affect the net income by plus or minus \$nil 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, 2013 and the number of shares owned, would affect net income by plus or minus \$8.

As at December 31, 2013 and 2012, the Company did not hold any material balances in foreign currencies that would give rise to exposure to foreign exchange risk.

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 year ended December 31, 2013. Neither the Company nor its subsidiaries are subject to externally imposed capital requirements.

17. SUBSEQUENT EVENT

On March 13, 2014, 3,100,000 stock options expired unexercised.