

CONQUEST RESOURCES LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

CONQUEST RESOURCES LIMITED
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

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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, 2017 and 2016, 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, 2017 and 2016, 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 Conquest Resources Limited had continuing losses during the year ended December 31, 2017 and a cumulative deficit and limited working capital as at December 31, 2017. 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 ability of Conquest Resources Limited to continue as a going concern.

UHY McGovern Hurley LLP



Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
April 23, 2018

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

Expressed in Canadian dollars

	Notes	2017 \$	2016 \$
ASSETS			
Current			
Cash		215,635	58,768
Amounts receivable		20,587	4,538
Marketable securities		1,065	-
Prepaid expense		3,723	3,707
Total current assets		<u>241,010</u>	<u>67,013</u>
Long-term assets			
Exploration and evaluation assets	5	627,900	-
Mineral properties	5	1	1
Total long-term assets		<u>627,901</u>	<u>1</u>
Total assets		<u><u>868,911</u></u>	<u><u>67,014</u></u>
LIABILITIES			
Current			
Accounts payable and accrued liabilities	4, 6	214,362	52,284
Share premium liability		16,020	-
Total liabilities		<u>230,382</u>	<u>52,284</u>
SHAREHOLDERS' EQUITY			
Capital stock	7	14,959,021	14,189,057
Warrants	8	24,030	-
Share-based payment reserve	9	67,000	67,000
		<u>15,050,051</u>	<u>14,256,057</u>
Deficit		(14,411,522)	(14,241,327)
Total shareholders' equity		<u>638,529</u>	<u>14,730</u>
Total liabilities and shareholders' equity		<u><u>868,911</u></u>	<u><u>67,014</u></u>

Commitments and contingencies (Notes 1, 5 and 10)
Subsequent events (Note 14)

The financial statements were approved by the Board of Directors on April 23, 2018 and signed on its behalf by:

Signed "John F. Kearney" _____, Director

Signed "Benjamin Batson" _____, Director

See accompanying notes to the consolidated financial statement

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

	Notes	2017 \$	2016 \$
Expenses			
Corporate expenses		18,251	24,857
Professional fees	4	75,103	50,872
Office and general		20,431	18,732
Exploration and evaluation expenses	5	56,410	50,300
Net loss and comprehensive loss for the year		<u>170,195</u>	<u>144,761</u>
Net loss per common share			
- Basic and diluted		0.002	0.002
Weighted average common share outstanding			
- Basic and diluted		96,306,386	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, 2017 AND 2016
Expressed in Canadian dollars

	Capital Stock \$	Warrants \$	Share-based payment reserve \$	Deficit \$	Total \$
Balance, December 31, 2015	14,189,057	-	151,000	(14,180,566)	159,491
Share-based payments expired	-	-	(84,000)	84,000	-
Loss for the year	-	-	-	(144,761)	(144,761)
Balance, December 31, 2016	14,189,057	-	67,000	(14,241,327)	14,730
Acquisition of Northern Nickel	550,000	-	-	-	550,000
Advisory fee paid to broker	33,000	-	-	-	33,000
Proceeds from private placement	240,300	-	-	-	240,300
Less share issue costs	(13,286)	-	-	-	(13,286)
Less reserve for warrants	(24,030)	24,030	-	-	-
Less share premium liability	(16,020)	-	-	-	(16,020)
Loss for the year	-	-	-	(170,195)	(170,195)
Balance December 31, 2017	14,959,021	24,030	67,000	(14,411,522)	638,529

See accompanying notes to the consolidated financial statements

CONQUEST RESOURCES LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,
Expressed in Canadian dollars

	2017	2016
	\$	\$
Cash flows from operating activities		
Net loss for the year	(170,195)	(144,761)
Movements in working capital		
(Increase)/decrease in amounts receivable and prepaid expense	(17,130)	6,652
Increase/(decrease) in accounts payable and accrued liabilities	154,078	(28,631)
Net cash used in operating activities	<u>(33,247)</u>	<u>(166,740)</u>
Cash flows from investing activities		
Costs incurred on acquisition of Northern Nickel	<u>(44,900)</u>	-
	<u>(44,900)</u>	-
Cash flows from financing activities		
Proceeds from issue of common share units and flow-through shares	240,300	-
Less share issue costs	<u>(5,286)</u>	-
Net cash received from financing activities	<u>235,014</u>	-
Increase/(decrease) in cash	156,867	(166,740)
Cash, beginning of year	<u>58,768</u>	<u>225,508</u>
Cash, end of year	<u><u>215,635</u></u>	<u><u>58,768</u></u>

Supplemental information:

Shares issued on acquisition of Northern Nickel	550,000	-
Shares issued as advisory fees relating to the acquisition of Northern Nickel	33,000	-
Share issue costs included in accounts payable and accrued liabilities	8,000	-

See accompanying notes to the consolidated financial statements

CONQUEST RESOURCES LIMITED
Notes to the Consolidated Financial Statements
For the years ended December 31, 2017 and 2016
Expressed in Canadian dollars

1. NATURE OF OPERATIONS AND GOING CONCERN

Conquest Resources Limited (the “Company” or “Conquest”) has interests in exploration and evaluation properties located in northern Ontario. Substantially all of the Company’s efforts are devoted to exploring and developing these properties. The Company’s head office is located at 55 University Ave, Suite 1805, Toronto, Ontario, M5J 2H7.

There has been no determination whether the Company’s interests in its properties contain mineral resource 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 Company’s continued existence 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. 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, social licensing requirements, unregistered prior agreements, unregistered claims, aboriginal claims and non-compliance with regulatory requirements. The Company’s properties 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 material uncertainty and significant doubt about the Company’s ability to continue as a going concern.

At December 31, 2017, the Company had limited working capital, 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 has relied on equity financing to fund its working capital requirements. The Company will need to generate additional financial resources in order to fund its planned exploration programs (see Note 5). 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 may be required to discontinue operations and exploration activities.

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 23, 2018.

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.

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., African Gold B.V., Netherlands, and Northern Nickel Mining Inc., Toronto, Ontario). Subsidiaries consist of entities over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date control is transferred to the Company and are de-consolidated from the date control ceases. The financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiaries after eliminating inter-entity balances and transactions.

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.

CONQUEST RESOURCES LIMITED
Notes to the Consolidated Financial Statements
For the years ended December 31, 2017 and 2016
Expressed in Canadian dollars

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Exploration and evaluation expenditures

Exploration and evaluation assets include acquired mineral use rights for mineral properties held by the Company. The amount of consideration paid (in cash or share value) for mineral use rights is capitalized. 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.

Exploration and evaluation costs are expensed as incurred and included in the statement of operations until technical feasibility and commercial viability of extraction of reserves are demonstrable. Once a mine development decision has been made by the Company, subsequent expenditures incurred to develop the mine are capitalized to mineral properties. Exploration costs include an allocation of administration and salary costs (including share-based payments) as determined by management, where they relate to specific projects.

(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. Management is currently not aware of any existing significant legal or constructive obligations relating to the reclamation of its mineral property interests and therefore no such liability has been recorded at December 31, 2017 and 2016.

(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 operations.

(e) Cash

Cash is comprised of cash on hand, deposits in banks and highly liquid investments having original terms to maturity of 90 days or less when acquired.

(f) 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.

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 operations. Gains and losses arising from changes in fair value are presented in the statement of operations 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 operations 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.

CONQUEST RESOURCES LIMITED
Notes to the Consolidated Financial Statements
For the years ended December 31, 2017 and 2016
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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Financial instruments (continued)

(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.

(g) 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.

(h) 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 operations.

(i) 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.

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.

(i) 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 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.

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Notes to the Consolidated Financial Statements
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Expressed in Canadian dollars

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) 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:

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.

Income, value added, withholding and other taxes

The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

Assets' carrying values and impairment charges

In the determination of carrying values and impairment charges, management looks at the higher of recoverable amount or fair value less costs to sell in the case of assets and at objective evidence, significant or prolonged decline of fair value on financial assets indicating impairment. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period.

Commitments and contingencies

See Note 10.

(k) 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, 2017 and 2016 have been excluded from diluted loss per share.

CONQUEST RESOURCES LIMITED
Notes to the Consolidated Financial Statements
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Expressed in Canadian dollars

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) 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.

(m) Changes in Accounting Policies

During the year ended December 31, 2017, the Company adopted a number of new IFRS standards, interpretations, amendments and improvements of existing standards. These included IAS 7, IAS 12 and IFRS 12. These new standards and changes did not have any material impact on the Company's financial statements.

(n) New standards and interpretations not yet adopted

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods on or after January 1, 2018 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 2 – Share-based Payment (“IFRS 2”) was amended by the IASB in June 2016 to clarify the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled. The amendments are effective for annual periods beginning on or after January 1, 2018.

IFRS 9 – Financial Instruments (“IFRS 9”) was issued by the IASB as a complete standard in July 2014 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. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

IFRS 10 – Consolidated Financial Statements (“IFRS 10”) and IAS 28 – Investments in Associates and Joint Ventures (“IAS 28”) were amended in September 2014 to address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The effective date of these amendments is yet to be determined, however early adoption is permitted.

IFRS 16 – Leases (“IFRS 16”) was issued in January 2016 and replaces IAS 17 – Leases as well as some lease related interpretations. With certain exceptions for leases under twelve months in length or for assets of low value, IFRS 16 states that upon lease commencement a lessee recognises a right-of-use asset and a lease liability. The right-of-use asset is initially measured at the amount of the liability plus any initial direct costs. After lease commencement, the lessee shall measure the right-of-use asset at cost less accumulated depreciation and accumulated impairment. A lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognise the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. IFRS 16 requires that lessors classify each lease as an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise it is an operating lease. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Earlier adoption is permitted if IFRS 15 has also been applied.

CONQUEST RESOURCES LIMITED
Notes to the Consolidated Financial Statements
For the years ended December 31, 2017 and 2016
Expressed in Canadian dollars

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) New standards and interpretations not yet adopted (continued)

IFRIC 23 – Uncertainty Over Income Tax Treatments (“IFRIC 23”) was issued in June 2017 and clarifies the accounting for uncertainties in income taxes. The interpretation committee concluded that an entity shall consider whether it is probable that a taxation authority will accept an uncertain tax treatment. If an entity concludes it is probable that the taxation authority will accept an uncertain tax treatment, then the entity shall determine taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates consistently with the tax treatment used or planned to be used in its income tax filings. If an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the entity shall reflect the effect of uncertainty in determining the related taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates. IFRIC 23 is effective for annual periods beginning on or after January 1, 2019. Earlier adoption is permitted.

4. RELATED PARTY TRANSACTIONS

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

No fees were paid by the Company to directors for their services as directors of the Company in the years ended December 31, 2017 or December 31, 2016.

During the year ended December 31, 2017, the Company expensed \$27,720 (2016- \$Nil) for legal fees payable to Steenberglaw Professional Corporation, a company controlled by a director of the Company.

Included in accounts payable and accrued liabilities at December 31, 2017 is \$97,720 (2016 - \$24,700) due to related parties. Such amounts are due on demand, unsecured and non-interest bearing. An amount of \$27,720 was payable to Steenberglaw Professional Corporation and \$70,000 (2016 - \$24,700) was payable to officers of the Company for geological and management services.

On January 29, 2018, \$70,000 was settled through the issue of 1,400,000 common shares valued at \$0.05 per share, 600,000 shares to Robert Kinloch, Director, and 800,000 common shares to Benjamin Batson, President.

See Note 6.

5. MINERAL PROPERTIES – EXPLORATION AND EVALUATION EXPENDITURES

In December 2017, Conquest completed an agreement with Northern Nickel Mining Inc. (“Northern Nickel”), a private company, and its shareholders to acquire Northern Nickel, and with it the Golden Rose Property which encompasses the former Golden Rose gold mine located 65 kilometres northeast of Sudbury, Ontario, through the issue of 10,000,000 shares of Conquest to the shareholders of Northern Nickel at a value of \$0.055 per share in exchange for all of the shares of Northern Nickel. The Company has determined that the transaction does not meet the definition of a business combination as defined by IFRS 3. An advisory fee of \$33,000 was paid to a financial advisor to Northern Nickel by the issue of 600,000 shares of Conquest. In addition, the Company capitalized \$44,900 on due diligence and transaction costs, for a total asset acquisition value of \$627,900.

The following table shows the Company’s cumulative exploration and evaluation expenditures which have been expensed according to the Company’s accounting policy:

	December 31, 2017	Additions	December 31, 2016	Additions	December 31, 2015
	\$	\$	\$	\$	\$
Alexander	6,243,184	1,792	6,241,392	5,542	6,235,850
Golden Rose	34,676	34,676	-	-	-
Smith Lake	1,244,189	15,472	1,228,717	41,089	1,187,628
King Bay	996,742	4,470	992,272	3,669	988,603
Total	8,518,791	56,410	8,462,381	50,300	8,412,081

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5. MINERAL PROPERTIES – EXPLORATION AND EVALUATION EXPENDITURES (continued)

Alexander Property, Red Lake, Ontario

The Company has earned a 100% interest in the Alexander Property, a group of patented mining claims situated in 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.

Golden Rose, Emerald Lake, Ontario

Through its wholly owned subsidiary, Northern Nickel Mining Inc., the Company holds four (4) mining leases and thirty-three (33) staked mining claims situated in Afton and Scholes townships at Emerald Lake approximately 65 km northeast of Sudbury, Ontario. This contiguous land package is known as the Golden Rose Property. A portion of the Golden Rose property comprising the unpatented staked claims is subject to a 1.5% NSR in favour of Osisko Gold Royalties Ltd., and the remaining patented claims and leases are subject to a 2% NSR in favour of EnerMark Inc.

Smith Lake Property, Missinabie, Ontario

The Company holds six (6) patented claims and sixteen (16) unpatented 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.

King Bay Property, Sturgeon Lake, Ontario

The King Bay property comprises one Mining Lease and thirteen (13) Patented Mining Claims at Sturgeon Lake, in northwestern Ontario.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2017	December 31, 2016
	\$	\$
Trade payables	71,212	9,584
Payable to related parties (Note 4)	97,720	24,700
Accrued liabilities	45,430	18,000
Accounts payable and accrued liabilities	<u>214,362</u>	<u>52,284</u>

\$70,000 of the amount payable to related parties was settled on January 29, 2018 through the issue of 1,400,000 shares, 600,000 shares to Robert Kinloch and 800,000 shares to Benjamin Batson. The Company also settled an account payable in the amount of \$27,000 to a consultant for geological services through the issue of 540,000 shares at \$0.05 per share.

7. CAPITAL STOCK

Common shares

	Common shares	Amount \$
Authorized		
Unlimited common shares, with no par value		
Issued and fully paid		
Balance at December 31, 2016 and 2015	95,477,728	14,189,057
Acquisition of Northern Nickel Mining	10,000,000	550,000
Advisory fee re above paid to Added Capital	600,000	33,000
Private placement	4,806,000	240,300
Less share issue costs	-	(13,286)
Less reserve for warrants	-	(24,030)
Less share premium liability	-	(16,020)
Balance at December 31, 2017	<u>110,883,728</u>	<u>14,959,021</u>

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7. CAPITAL STOCK (continued)

On December 8, 2017, the Company issued 10,000,000 shares of the Company to the shareholders of Northern Nickel in exchange for a 100% interest of Northern Nickel. An advisory fee was paid to a financial advisor to Northern Nickel by the issuance of 600,000 shares of the Company. The fair value of these shares was based on the quoted market price of the Company's shares on the date the transaction closed.

On December 21, 2017, the Company completed a private placement of 1,602,000 units for the aggregate subscription price of \$0.15 per unit. Each unit consists of one common share and two flow-through shares and one-half of a common share purchase warrant. Each whole warrant entitles the holder to purchase one common share of the Company at an exercise price of \$0.075 per share for one year. A Director of the Company subscribed for 1,000,000 units for gross proceeds of \$150,000.

The fair value of the 801,000 warrants issued, in the amount of \$24,030, 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 164%, risk free interest rate of 1.86% and an expected life of one year. Expected volatility is based on the historical share price volatility of the Company's shares over the past year.

See Note 14.

8. WARRANTS

The following warrants were in existence at December 31, 2017:

	# of Warrants	Weighted Average exercise price \$	Expiry Date
Balance at December 31, 2016 and 2015	-	-	-
Warrants on units	801,000	0.075	2018-12-21
Balance at December 31, 2017	<u>801,000</u>	<u>0.075</u>	

The weighted average life of the outstanding warrants at December 31, 2017 was 0.97 year.

9. SHARE-BASED PAYMENT RESERVE

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.

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9. SHARE-BASED PAYMENT RESERVE (continued)

The following table summarizes the stock options outstanding and exercisable as at December 31, 2017 and 2016:

Number of stock options exercisable	Weighted Average exercise price \$	Expiry Date
5,800,000	0.05	May 20, 2019

The weighted average remaining contractual life of options outstanding at December 31, 2017 is 1.4 years (2016 – 2.4 years).

Share-based payment reserve transactions relate to the Company's stock options. Share-based payment reserve transactions for the years ended December 31, 2017 and 2016 were as follows:

Balance, December 31, 2015	\$ 151,000
Expired	<u>(84,000)</u>
Balance, December 31, 2017 and 2016	<u>67,000</u>

10. COMMITMENTS AND CONTINGENCIES

The Company's 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.

During 2017, the Company issued \$160,200 in flow-through shares. As at December 31, 2017, the Company had not expended any funds related to these flow-through funds. This amount must be spent on qualifying Canadian Exploration Expenses by December 31, 2018. See also Note 14.

11. INCOME TAXES

a) **Provision for Income Taxes**

Major items causing the Company's income tax rate to differ from the combined Canadian federal and provincial statutory rate of approximately 25% (2016 – 25%) were as follows:

	2017 \$	2016 \$
(Loss) before income taxes	(170,195)	(144,761)
Expected income tax (recovery) based on statutory rate	(43,000)	(36,000)
Adjustments to expected income tax benefit:		
Deferred tax assets not recognized	<u>43,000</u>	<u>36,000</u>
	<u>-</u>	<u>-</u>

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11. INCOME TAXES (continued)

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

	2017	2016
	\$	\$
Non-capital loss carry-forwards	890,000	801,000
Exploration assets	3,825,000	3,774,000
Capital losses	929,000	929,000
Share issue costs	11,000	-
	<u>5,655,000</u>	<u>5,504,000</u>

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

c) **Tax loss Carry-Forwards**

The Company has approximately \$3,825,000 of Canadian exploration expenditures which, under certain circumstances, may be utilized to reduce taxable income of future years.

As at December 31, 2017, the Company has approximately \$890,000 of non-capital losses in Canada, which expire as follows:

	\$
2032	209,000
2033	60,000
2034	211,000
2035	201,000
2036	93,000
2037	116,000
	<u>890,000</u>

12. 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.

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 counterparty will be unable to pay amounts owing to 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, 2017, the Company's marketable securities were classified as Level 1 in the fair value hierarchy. At December 31, 2016, the Company had no financial instruments to classify within the fair value hierarchy.

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12. FINANCIAL INSTRUMENTS (continued)

Fair Value Hierarchy and Liquidity Risk Disclosure (continued)

The carrying amounts for cash, 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.

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, 2017, the Company had cash of \$215,635 (December 31, 2016 - \$58,768) to settle accounts payable and accrued liabilities of 214,362 (December 31, 2016 - \$52,284). 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 through its investments in marketable securities.

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.

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

Cash is invested in investment-grade short-term deposit certificates. At December 31, 2017, the Company did not hold any 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, 2017, would affect the net loss by plus or minus \$2,000 during a one-year period.

As at December 31, 2017 and 2016, the Company did not hold any material balances in foreign currencies that would give rise to exposure to foreign exchange risk.

13. 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.

The Company's capital management objectives, policies and processes have remained unchanged during the year ended December 31, 2017. The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than Policy 2.5 of the TSX Venture Exchange ("TSXV") which requires adequate working capital or financial resources of the greater of (i) CDN\$50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months. As of December 31, 2017, the Company was not compliant with Policy 2.5.

There were no changes to the Company's approach to capital management during the years ended December 31, 2017 and 2016. Neither the Company nor its subsidiaries are subject to externally imposed capital requirements.

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14. SUBSEQUENT EVENTS

On January 29, 2018, the Company completed the second tranche of the private placement for gross proceeds of \$295,000 through the issuance of units at \$0.15 per unit, comprising a total of 4,099,620 Common Shares, 1,800,000 Flow Through Shares and 983,270 Warrants. Each warrant entitles the holder to purchase one common share at \$0.075 per share for a period of one year. Included in this amount is \$90,000 of flow-through funds which must be spent on qualified Canadian Exploration Expenditures by December 31, 2019.

The Company settled debt to related parties in the amount of \$70,000 through the issue of 1,400,000 shares valued at \$0.05 per share; 600,000 shares to Robert Kinloch, director, and 800,000 shares to Benjamin Batson, president. The Company also settled an account payable in the amount of \$27,000 to a consultant for geological services through the issue of 540,000 shares at \$0.05 per share.