GOLDQUEST
TSX: GQC

GOLDQUEST MINING CORP.

Condensed Consolidated Interim Financial Statements

JUNE 30, 2011

(Unaudited)

(Expressed in Canadian Dollars)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

The accompanying unaudited interim financial statements of GoldQuest Mining Corp. for the six months ended June 30, 2011 have been prepared by the management of the Company and approved by the Company's Audit Committee and the Company's Board of Directors.

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

GoldQuest Mining Corp.

Condensed Consolidated Interim Statements of Financial Position

(Expressed in Canadian Dollars – unaudited)

As at		June 30, 2011		December 31, 2010
ASSETS				
Current assets				
Cash and cash equivalents (note 4)	$	**2,222,711**	$	2,055,664
Amounts receivable (note 5)		**89,018**		128,668
Prepaid expenses		**98,908**		19,527
Deposits		**25,575**		22,188
		2,436,212		2,226,047
Non-current assets				
Equipment (note 6)		**119,830**		94,497
Evaluation and exploration assets (note 7)		**1,247,000**		1,247,000
		1,366,830		1,341,497
TOTAL ASSETS	$	**3,803,042**	$	3,567,544
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities (notes 9 &11)	$	**173,140**	$	249,770
Current portion of lease obligation		**10,318**		8,175
		183,458		257,945
Non-current liabilities				
Lease obligation		**4,501**		9,463
TOTAL LIABILITIES		**187,959**		267,408
EQUITY				
Share capital (note 10)	$	**16,539,516**	$	14,122,659
Shares subscribed		**-**		16,000
Other reserve (note 10(e))		**6,195,172**		5,960,882
Stock options reserve (note 10(d)&(e))		**906,498**		973,705
Warrants reserve (note 10(c)&(e))		**98,127**		591,952
Deficit		**(20,124,230)**		(18,365,062)
TOTAL EQUITY		**3,615,083**		3,300,136
TOTAL EQUITY AND LIABILITIES	$	**3,803,042**	$	3,567,544

Corporate information and continuance of operations (note 1)
Commitments and contingencies (notes 12(a)&(b))
Segmented information (note 13)
Subsequent event (note 16)

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

APPROVED BY THE BOARD:

/s/ Julio Espaillat Director *\/s/ Florian Siegfried Director*

GoldQuest Mining Corp.

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

(Expressed in Canadian Dollars – unaudited)

	For the three months ended		For the six months ended	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
		(Note 17)		*(Note 17)*
EXPENSES				
Depreciation	**4,519**	487	**$ 7,615**	$ 1,285
Evaluation and exploration costs (note 8)	**271,387**	432,778	**851,020**	776,796
Foreign exchange loss (gain)	**(92)**	(45,815)	**8,598**	(71,237)
General and administrative	**362,122**	148,271	**731,619**	237,613
Share-based payments (note 10(d))	**22,127**	31,553	**167,083**	124,897
	660,063	567,274	**1,765,935**	1,069,354
OTHER EXPENSES (INCOME)				
Interest income	**(3,409)**	(439)	**(6,767)**	(629)
TOTAL LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD	**$ 656,654**	$ 566,835	**$ 1,759,168**	$ 1,068,725
Basic and diluted loss per share for the period attributable to common shareholders (warrants and options not included as the impact would be anti-dilutive)	**$ 0.01**	$ 0.01	**$ 0.02**	$ 0.01
Weighted average number of common shares outstanding	**103,477,832**	88,935,481	**102,464,097**	79,634,438

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

GoldQuest Mining Corp.
Condensed Consolidated Interim Statements of Changes in Equity
(Expressed in Canadian Dollars – unaudited)

	Share capital			Reserves				
	Number of shares	Amount	Shares subscribed	Other reserve	Stock options reserve	Warrants reserve	Deficit	Total
Balance at January 1, 2010	70,145,551	$ 11,843,445	$ -	$ 5,540,607	$ 1,101,616	$ -	$ (16,278,693)	$ 2,206,975
Shares issued for cash - private placement	21,500,800	2,149,763	-	-	-	537,837	-	2,687,600
Share issue costs	-	(318,605)	-	-	-	56,528	-	(262,077)
Reclassification of grant-date fair value on expired options	-	-	-	67,484	(67,484)	-	-	-
Share-based payments	-	-	-	-	124,897	-	-	124,897
Net loss for the period	-	-	-	-	-	-	(1,068,725)	(1,068,725)
Balance at June 30, 2010	91,646,351	$ 13,674,603	$ -	$ 5,608,091	$ 1,159,029	$ 594,365	$ (17,347,418)	$ 3,688,670
Balance at January 1, 2011	**93,798,701**	**$ 14,122,659**	**$ 16,000**	**$ 5,960,882**	**$ 973,705**	**$ 591,952**	**$ (18,365,062)**	**$ 3,300,136**
Shares issued for cash - exercise of warrants	**9,709,900**	**1,923,032**	**(16,000)**	**-**	**-**	**-**	**-**	**1,907,032**
Reclassification of grant-date fair value on exercise of warrants	**-**	**493,825**	**-**	**-**	**-**	**(493,825)**	**-**	**-**
Reclassification of grant-date fair value on expired options	**-**	**-**	**-**	**234,290**	**(234,290)**	**-**	**-**	**-**
Share-based payments	**-**	**-**	**-**	**-**	**167,083**	**-**	**-**	**167,083**
Net loss for the period	**-**	**-**	**-**	**-**	**-**	**-**	**(1,759,168)**	**(1,759,168)**
Balance at June 30, 2011	**103,508,601**	**$ 16,539,516**	**$ -**	**$ 6,195,172**	**$ 906,498**	**$ 98,127**	**$ (20,124,230)**	**$ 3,615,083**

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

GoldQuest Mining Corp.
Condensed Consolidated Interim Statements of Cash Flows
(Expressed in Canadian Dollars – unaudited)

	For the six months ended June 30, 2011	June 30, 2010
Cash flows provided from (used by):		
OPERATING ACTIVITIES		
Net loss for the period	**$ (1,759,168)**	$ (1,068,725)
Adjustments for items not affecting cash:		
Depreciation	**38,082**	17,085
Share-based payments	**167,083**	124,897
Exchange rate effect on lease obligation	**962**	-
	(1,553,041)	(926,743)
Net changes in non-cash working capital items:		
Amounts receivable	**39,650**	(40,982)
Prepaid expenses	**(79,381)**	153,591
Deposits	**(3,387)**	-
Accounts payable and accrued liabilities	**(76,630)**	(68,892)
Net cash flows (used in) operating activities	**(1,672,789)**	(883,026)
FINANCING ACTIVITIES		
Proceeds from issuance of shares	**1,907,032**	2,425,523
Lease payments	**(3,781)**	-
Net cash flows from financing activities	**1,903,251**	2,425,523
INVESTING ACTIVITIES		
(Purchase) disposal of equipment	**(63,415)**	62,370
Net cash flows from (used in) investing activities	**(63,415)**	62,370
Net increase in cash and cash equivalents	**167,047**	1,604,867
Cash and cash equivalents, beginning of period	**2,055,664**	766,410
Cash and cash equivalents, end of period	**$ 2,222,711**	$ 2,371,277
Cash and cash equivalents consist of :		
Cash	**702,711**	152,293
Term deposits	**1,520,000**	2,218,984
	$ 2,222,711	$ 2,371,277
Cash paid during the period for interest	**-**	-
Cash paid during the period for income taxes	**-**	-

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

1. CORPORATE INFORMATION AND CONTINUANCE OF OPERATIONS

GoldQuest Mining Corporation (the "Company" or "GoldQuest") is a publicly listed company incorporated in British Columbia on July 12, 1989 and its shares are listed on the TSX Venture Exchange under the symbol "GQC". The Company together with its subsidiaries (collectively referred to as the "Company") is engaged in the identification, acquisition, exploration and development of mineral properties in the Dominican Republic and Spain.

The Company's head office is located at Suite 720, 700 West Pender Street, Vancouver, British Columbia, V6C 1G8. The Company's registered and records office is located at Suite 2600, 595 Burrard Street, Vancouver, British Columbia, V7X 1L3.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of exploration properties and the Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise alternative financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write-downs of the carrying values. The Company's exploration assets are located outside of Canada and are subject to the risk of foreign investment, including increases in taxes and royalties, renegotiation of contracts and currency exchange fluctuations.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements, unregistered claims, other land claims and non-compliance with regulatory and environmental requirements. Assets located outside of North America are subject to the risk of foreign investment, including restrictions and political uncertainty.

These unaudited condensed consolidated interim financial statements have been prepared on the assumption that the Company and its subsidiaries will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. As at June 30, 2011 the Company had not advanced its property to commercial production and is not able to finance day to day activities through operations. The Company's continuation as a going concern is dependent upon the successful results from its mineral property exploration activities and its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. Management intends to finance operating costs over the next twelve months with funds currently on hand and / or through raising equity.

The unaudited condensed consolidated interim financial statements of GoldQuest for the six months ended June 30, 2011 were reviewed by the Audit Committee and approved and authorized by the Board of Directors on August 24, 2011.

(Expressed in Canadian Dollars – unaudited)

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

Statement of compliance and conversion to International Financial Reporting Standards

These condensed consolidated interim financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). These financial statements comply with International Accounting Standard 34, Interim Financial Reporting ("IAS 34").

This interim financial report does not include all of the information required of a full annual financial report and is intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Company for the year ended December 31, 2010. However, this interim financial report provides selected significant disclosures that are required in the annual financial statements under IFRS. The disclosures concerning the transition from Canadian Generally Accepted Accounting Principles ("Canadian GAAP") to IFRS are provided in Note 17.

3. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. This listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt those standards when they become effective. The Company has not completed its evaluation of the effects of adopting these standards on its financial statements.

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

(Expressed in Canadian Dollars – unaudited)

4. CASH AND CASH EQUIVALENTS

The Company's cash and cash equivalents are broken down as follows:

		June 30, 2011		December 31, 2010
Cash	$	**702,711**	$	542,766
Term deposits		**1,520,000**		1,512,898
	$	**2,222,711**	$	2,055,664

5. AMOUNTS RECEIVABLE

The Company's amounts receivable are broken down as follows:

		June 30, 2011		December 31, 2010
Harmonized sales tax receivable	$	**88,925**	$	18,511
Other receivables		**93**		110,157
	$	**89,018**	$	128,668

6. EQUIPMENT

The Company's equipment is broken down as follows:

		Computer equipment		Field equipment		Office equipment		Vehicles		Total
Cost										
As at December 31, 2010	$	39,211	$	90,850	$	25,077	$	137,849	**$**	**292,987**
Additions		-		28,395		4,761		30,259		**63,415**
Balance as at June 30, 2011	**$**	**39,211**	**$**	**119,245**	**$**	**29,838**	**$**	**168,108**	**$**	**356,402**
Depreciation										
As at December 31, 2010	$	(30,404)	$	(75,603)	$	(10,269)	$	(82,214)	**$**	**(198,490)**
Charged for the period		(1,299)		(16,169)		(1,492)		(19,122)		**(38,082)**
Balance as at June 30, 2011	**$**	**(31,703)**	**$**	**(91,772)**	**$**	**(11,761)**	**$**	**(101,336)**	**$**	**(236,572)**
Net book value										
As at December 31, 2010	$	8,807	$	15,247	$	14,808	$	55,635	$	94,497
As at June 30, 2011	**$**	**7,508**	**$**	**27,473**	**$**	**18,077**	**$**	**66,772**	**$**	**119,830**

(Expressed in Canadian Dollars – unaudited)

7. EVALUATION AND EXPLORATION ASSETS

The Company's evaluation and exploration assets are broken down as follows:

	Balance as at January 1, 2010	Additions	Balance as at December 31, 2010	Additions	Balance as at June 30, 2011
Dominican Republic	**$ 1,247,000**	$ -	**$ 1,247,000**	$ -	**$ 1,247,000**

a) Dominican Republic – 100% owned

On August 5, 2009, the Company entered into a purchase agreement with Gold Fields Dominican Republic BVI Limited ("GFL") to regain full ownership of its gold-focused portfolio in the Dominican Republic, thereby terminating the Agreement with GFL. As consideration for GFL's 60% interest in the joint venture projects, the Company issued 8,600,000 common shares and granted a 1.5% Net Smelter Royalty ("NSR") on the claims in favour of GFL. The Purchase Agreement also terminated GFL's right of first refusal on the Company's projects excluded from the joint venture.

The transaction was completed November 18, 2009 with the issuance of the shares at an estimated fair value of $1,247,000.

b) Eastern Dominican Republic – 51% owned

The Company also has earned a majority interest from Energold Drilling Corp. in two additional properties that were formally part of the former joint venture with GFL. These properties are also subject to a 1.5% NSR in favour of GFL and an additional 1% NSR in favour of Canyon Research Corp. and Battle Mountain (Dominican Republic) Inc. up to an aggregate maximum royalty of $1,000,000.

c) Spain – 100% owned

The Company completed the acquisition of GoldQuest Iberica S.L. ("Iberica"), (formerly known as Lundin S.L. "Lundin"), in January 2010.

The shares of Iberica were purchased for an NSR of 1.25% and a contingent Production Commencement Payment ("PCP") of $5,000,000 payable thirty days after commencement of commercial production. Lundin holds a back-in right to acquire 51% of the Toral property following identification of not less than 1,000,000 contained lead zinc metal as confirmed by an independent NI 43-101 resource estimate. In order to exercise the back in right, Lundin must fund 250% of the total expenditures made by the Company on the Toral property.

If Lundin exercises this right, the NSR and the PCP are no longer exigible. Lundin may acquire a further 15% of the project by funding a bankable feasibility study to bring the property to production.

(Expressed in Canadian Dollars – unaudited)

8. EVALUATION AND EXPLORATION COSTS

The evaluation and exploration costs for the Company during the six months ended June 30, 2011 and 2010 are broken down as follows:

	For the six months ended June 30, 2011		
	Dominican Republic	Spain	Total
Depreciation	$ 30,467	$ -	$ 30,467
Drilling	273,524	-	273,524
Field office administration	128,160	44,448	172,608
Geological	196,091	119,325	315,416
Legal	-	1,045	1,045
Sample analysis	57,960	-	57,960
	$ 686,202	$ 164,818	$ 851,020

	For the six months ended June 30, 2010		
	Dominican Republic	Spain	Total
Depreciation	$ 15,800	$ -	$ 15,800
Drilling	157,083	-	157,083
Field office administration	117,755	97,005	214,760
Geological	168,355	21,237	189,592
Legal	-	158,989	158,989
Sample analysis	40,572	-	40,572
	$ 499,565	$ 277,231	$ 776,796

The evaluation and exploration costs for the Company on a cumulative basis are broken down as follows:

	Dominican Republic	Spain	Total
Cumulative evaluation and exploration costs, December 31, 2010	**$ 7,841,994**	**$ 426,882**	**$ 8,268,876**
Current period activity	686,202	164,818	851,020
Cumulative evaluation and exploration costs, June 30, 2011	**$ 8,528,196**	**$ 591,700**	**$ 9,119,896**

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The Company's accounts payable and accrued liabilities are broken down as follows:

	June 30, 2011	December 31, 2010
Trade payables	**$ 103,049**	$ 224,083
Accrued liabilities	**70,091**	25,687
	$ 173,140	$ 249,770

(Expressed in Canadian Dollars – unaudited)

10. SHARE CAPITAL

a) Authorized share capital

Unlimited number of common shares without par value.

b) Issued share capital

At June 30, 2011, the Company had 103,508,601 common shares issued and outstanding (December 31, 2010 – 93,798,701).

c) Warrants

The changes in warrants during the six months ended June 30, 2011 and the year ended December 31, 2010 are as follows:

	June 30, 2011		December 31, 2010	
	Number outstanding	**Weighted average exercise price**	Number outstanding	Weighted average exercise price
Outstanding, beginning of period	**10,948,150**	**$ 0.19**	-	$ -
Issued	**-**	**-**	12,665,500	0.19
Exercised	**(9,709,900)**	**0.20**	(1,717,350)	0.19
Outstanding, end of period	**1,238,250**	**$ 0.15**	10,948,150	$ 0.19

c) Warrants (continued)

The following warrants were outstanding at June 30, 2011:

Expiry date	**Warrants outstanding**	**Exercise price**	**Estimated grant date fair value**	**Weighted average remaining contractual life (in years)**
March 31, 2012	206,650	$ 0.145	$ 15,047	0.75
April 9, 2012	326,500	0.145	26,330	0.78
April 26, 2012	705,100	0.145	56,750	0.82
	1,238,250		**$ 98,127**	**0.80**

(Expressed in Canadian Dollars – unaudited)

10. SHARE CAPITAL (continued)

d) Stock Options

Under the Company's stock option plan, the board of directors may grant options for the purchase of up to a total of 10% of the total number of issued and outstanding common shares of the Company. Options granted under the plan may vest over a period of time at the discretion of the board of directors.

Options to purchase common shares have been granted to directors, employees and consultants at exercise prices determined by reference to the market value of the Company's common shares on the date of the grant. The changes in options during the six months ended June 30, 2011 and the year ended December 31, 2010 are as follows:

	June 30, 2011		December 31, 2010	
	Number outstanding	**Weighted average exercise price**	Number outstanding	Weighted average exercise price
Outstanding, beginning of period	**6,095,000**	**$ 0.22**	5,470,000	$ 0.29
Granted	**1,300,000**	**0.41**	2,900,000	0.14
Exercised	**-**	**-**	(435,000)	0.14
Expired	**(940,000)**	**0.39**	(1,415,000)	0.40
Forfeited	**(650,000)**	**0.14**	(425,000)	0.18
Outstanding, end of period	**5,805,000**	**$ 0.26**	6,095,000	$ 0.22

The following summarizes information about stock options outstanding and exercisable at June 30, 2011:

Expiry date	**Options outstanding**	**Options exercisable**	**Exercise price**	**Estimated grant date fair value**	**Weighted average remaining contractual life (in years)**
March 31, 2012	375,000	375,000	$ 0.100	$ 33,976	0.75
March 31, 2012	400,000	400,000	0.140	54,232	0.75
March 31, 2012	50,000	50,000	0.360	12,236	0.75
March 31, 2012	275,000	275,000	0.400	67,305	0.75
May 8, 2012	325,000	325,000	0.400	134,571	0.86
June 11, 2013	705,000	705,000	0.400	214,320	1.95
April 1, 2014	525,000	525,000	0.100	50,926	2.76
June 1, 2015	900,000	900,000	0.140	96,852	3.92
July 16, 2015	750,000	412,500	0.140	99,226	4.05
September 24, 2015	300,000	-	0.145	26,689	4.24
January 20, 2016	200,000	-	0.360	15,115	4.56
March 1, 2016	1,000,000	250,000	0.420	101,050	4.67
	5,805,000	**4,217,500**		**$ 906,498**	**2.99**

(Expressed in Canadian Dollars – unaudited)

10. SHARE CAPITAL (continued)

d) Stock Options (continued)

There were 1,300,000 options granted to an officer and director of the Company during the six months ended June 30, 2011 (June 30, 2010 – 900,000). The estimated fair value of the options granted was calculated using the Black-Scholes Option Pricing Model with the following assumptions:

	For the six months ended	
	June 30, 2011	June 30, 2010
Risk-free interest rate	**2.20%**	2.54%
Expected annual volatility	**118%**	121%
Expected life	**4.23**	5.00
Expected dividend yield	**0%**	0%
Weighted average grant date fair value per option	**$ 0.30**	$ 0.11

During the six months ended June 30, 2011, the Company recognized share-based payments expense of $167,083 (June 30, 2010 – $124,897). For the six months ended June 30, 2011 and 2010, share-based payments expense consists of the following:

	For the six months ended	
	June 30, 2011	June 30, 2010
For services in respect of:		
Directors' fees	**$ 8,952**	$ 85,643
Investor relations	**20,404**	-
Management fees	**115,422**	19,180
Salaries and wages	**22,305**	20,074
	$ 167,083	$ 124,897

e) Reserves

Other reserve

Other reserve records the fair value of the expired options and warrants initially recorded in stock options reserve and warrants reserve.

Warrants reserve

The warrants reserve records fair value of the warrants issued until such time that the warrants are exercised, at which time the corresponding amount will be transferred to share capital. If the warrants expire unexercised, the amount recorded is transferred to other reserve.

Stock options reserve

The stock options reserve records items recognized as share-based payments expense until such time that the stock options are exercised, at which time the corresponding amount will be transferred to share capital. If the options expire unexercised, the amount recorded is transferred to other reserve.

(Expressed in Canadian Dollars – unaudited)

11. RELATED PARTY TRANSACTIONS AND BALANCES

a) Related party balances

The balances due to related parties included in trade payables and accrued liabilities were $35,637 as at June 30, 2011 (December 31, 2010 – $68,303). These amounts are unsecured and non-interest bearing.

b) Key management personnel compensation

The remuneration of directors and other members of key management were as follows:

	For the six months ended	
	June 30, 2011	**June 30, 2010**
Short-term employee benefits - management fees	**$ 129,486**	$ 118,250
Short-term employee benefits - directors' fees	**90,500**	9,000
Share-based payments - management fees	**115,422**	19,180
Share-based payments - directors' fees	**8,952**	85,643
	$ 344,360	$ 232,073

12. COMMITMENTS AND CONTINGENCIES

a) Commitments

The Company has entered into a lease for its office premises in Vancouver. The entire lease is for a five year period ending May 31, 2013. The amounts due to the termination of the lease are approximately as follows:

Year	
2011	$ 9,250
2012	18,800
2013	3,100
	$ 31,150

b) Contingencies

The Company's mining and exploration activities are subject to various federal, provincial and international laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company conducts its operations so as to protect public health and the environment and 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.

(Expressed in Canadian Dollars – unaudited)

13. SEGMENTED INFORMATION

The Company has one reportable segment, being the exploration and development of mineral exploration properties in two geographic regions: Dominican Republic and Spain. The Company's assets and liabilities are as follows:

	Canada	Dominican Republic	Spain	Total
As at June 30, 2011				
Evaluation and exploration assets	$ -	$ 1,247,000	$ -	**$ 1,247,000**
Other assets	2,178,031	238,598	139,413	**2,556,042**
Liabilities	(114,575)	(20,245)	(53,139)	**(187,959)**
	$ 2,063,456	**$ 1,465,353**	**$ 86,274**	**$ 3,615,083**
As at December 31, 2010				
Evaluation and exploration assets	$ -	$ 1,247,000	$ -	**$ 1,247,000**
Other assets	2,105,911	130,722	83,911	**2,320,544**
Liabilities	(180,965)	(17,946)	(18,661)	**(217,572)**
	$ 1,924,946	**$ 1,359,776**	**$ 65,250**	**$ 3,349,972**

	Canada	Dominican Republic	Spain	Total
Net loss:				
For the six months ended June 30, 2011	$ 760,401	$ 779,244	$ 219,523	**$ 1,759,168**
For the six months ended June 30, 2010	$ 291,929	$ 499,565	$ 277,231	**$ 1,068,725**

14. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to pursue the development of its mineral exploration properties and to maintain a flexible capital structure, which optimizes the costs of capital at an acceptable risk. In the management of capital, the Company includes the components of share capital as well as cash and cash equivalents.

There were no changes to the Company policy for capital management during the six months ended June 30, 2011.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new shares, acquire or dispose of assets, or adjust the amount of cash and cash equivalents and short-term investments. In order to maximize ongoing development efforts, the Company does not pay out dividends.

The Company and its subsidiaries are not subject to any externally imposed capital requirements.

The Company's investment policy is to invest its excess cash in highly liquid investments that are readily convertible into cash with maturities of three months or less from the original date of acquisition or when it is needed, selected with regards to the expected timing of expenditures from continuing operations. The Company expects that its current capital resources will be sufficient to carry out its full exploration plans and operations through the coming twelve months.

15. FINANCIAL INSTRUMENTS

a) Fair value

The carrying values of cash and cash equivalents, and accounts payable and accrued liabilities approximate their fair values due to the relatively short period to maturity of those financial instruments.

Financial instruments recorded at fair value on the condensed consolidated interim statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of the fair value hierarchy are as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2: 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); and

Level 3: Inputs that are not based on observable market data.

As at June 30, 2011 and December 31, 2010, the financial instruments recorded at fair value on the consolidated statement of financial position are cash equivalents which are measured using Level 2 of the fair value hierarchy.

(Expressed in Canadian Dollars – unaudited)

15. FINANCIAL INSTRUMENTS (continued)

b) Financial risk management

Credit risk

The Company is exposed to credit risk with respect to its cash and cash equivalents. Cash and cash equivalents have been placed on deposit with major Canadian, Dominican and Spanish financial institutions.

The risk arises from the non-performance of counterparties of contractual financial obligations. The Company manages credit risk, in respect of cash and cash equivalents, by purchasing term deposits held at a major Canadian financial institution.

Concentration of credit risk exists with respect to the Company's cash and cash equivalents as the majority of the amounts are held at a single Canadian financial institution. The Company's concentration of credit risk and maximum exposure thereto is as follows:

		June 30, 2011
Held at major Canadian financial institution:		
Cash	$	581,412
Short-term money market instruments		1,520,000
		2,101,412
Held at major Dominican Republic financial institution:		
Cash	$	95,626
Held at major Spanish financial institution:		
Cash	$	25,673
Total cash and short-term investments	**$**	**2,222,711**

The credit risk associated with cash and cash equivalents is minimized by ensuring the majority of these financial assets are held with major Canadian, Dominican and Spanish financial institutions with strong investment-grade ratings by a primary rating agency.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Company manages liquidity by maintaining adequate cash balances to meet liabilities as they become due.

The Company's expected source of cash flow in the upcoming year will be through equity financings.

The Company maintained sufficient cash and cash equivalents at June 30, 2011 in the amount of $2,222,711, in order to meet short-term business requirements. At June 30, 2011, the Company had accounts payable and accrued liabilities of $173,140 and current portion of lease obligation of $10,318. All accounts payable and accrued liabilities are current.

15. FINANCIAL INSTRUMENTS (continued)

b) Financial risk management (continued)

Market Risk

The significant market risks to which the Company is exposed are interest rate risk, currency risk and commodity price risk.

Interest Rate Risk

Interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's cash and cash equivalents primarily include highly liquid investments that earn interest at market rates that are fixed to maturity. The Company also holds a portion of cash and cash equivalents in bank accounts that earn variable interest rates. Because of the short-term nature of these financial instruments, fluctuations in market rates do not have a significant impact on estimated fair values as of June 30, 2011.

The Company's interest rate risk principally arises from the interest rate impact of interest earned on cash and cash equivalents. A 10% change in interest rates on cash and cash equivalents outstanding at June 30, 2011 would result in a $13,680 change to the Company's net loss for the three months ended June 30, 2011.

Currency risk

The Company is exposed to currency risk to the extent that monetary assets and liabilities held by the Company are not denominated in Canadian dollars. The Company has not entered into any foreign currency contracts to mitigate this risk.

The Company's cash and cash equivalents, amounts receivable, accounts payable and accrued liabilities and lease obligations are held in Canadian dollars, US dollars ("USD"), Dominican Pesos ("DOP") and Euros ("Euro"); therefore, USD, DOP and Euro accounts are subject to fluctuation against the Canadian dollar.

The Company had the following balances in foreign currency as at June 30, 2011:

	in CAD	in USD	in DOP	in EURO
Cash and cash equivalents	2,093,092	92,981	570,616	18,271
Amounts receivable	-	-	3,630	-
Accounts payable and accrued liabilities	(114,575)	-	(793,902)	(27,272)
Lease obligations	-	-	-	(10,546)
	1,978,517	**92,981**	**(219,656)**	**(19,547)**
Rate to convert to $1.00 CAD	1.000	1.0241	39.2157	0.7117
Equivalent to Canadian dollars	**1,978,517**	**90,797**	**(5,601)**	**(27,465)**

(Expressed in Canadian Dollars – unaudited)

15. FINANCIAL INSTRUMENTS (continued)

b) Financial risk management (continued)

Currency risk (continued)

Based on the above net exposures as at June 30, 2011, and assuming that all other variables remain constant, a 10% appreciation or depreciation of the CAD against the USD, DOP and EURO by 10% then this would have had the following impact:

	Additional foreign exchange gain (loss) (before tax) (in CAD)			
	USD	DOP	EURO	Total
For the six months ended June 30, 2011				
If CAD appreciated by 10%	(8,254)	509	2,497	(5,247)
If CAD depreciated by 10%	10,088	(622)	(3,052)	6,414

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices other than those arising from interest rate risk, financial market risk, or currency risk. The Company is not exposed to significant other price risk.

16. SUBSEQUENT EVENT

Subsequent to June 30, 2011, the Company granted 2,875,000 options with an exercise price of $0.20 to various directors, officers, employees and consultants.

17. TRANSITION TO IFRS

As result of the Accounting Standards Board of Canada's decision to adopt IFRS for publicly accountable entities for financial reporting periods beginning on or after January 1, 2011, the Company has adopted IFRS in these financial statements. In prior years, the Company applied the available standards under previous Canadian GAAP that were issued by the Accounting Standards Board of Canada.

As required by IFRS 1 "First-time Adoption of International Financial Reporting Standards", January 1, 2010 has been considered to be the date of transition to IFRS by the Company. Therefore, the comparative figures that were previously reported under previous Canadian GAAP have been restated in accordance with IFRS.

Exemptions applied
The Company has applied the following optional transition exemptions to full retrospective application of IFRS:

- IFRS 2 "Share-based Payment" has not been applied to equity instruments that were granted on or before November 7, 2002, or equity instruments that were granted subsequent to November 7, 2002 and vested before the later of the date of transition to IFRS and January 1, 2005. The Company has elected not to apply IFRS 2 to awards that vested prior to January 1, 2010, which have been accounted for in accordance with Canadian GAAP.
- IFRS 3 "Business Combinations" has not been applied to the business combinations that occurred before the date of transitions to IFRSs.
- IAS 21 "The Effects of Changes in Foreign Exchange Rates" has not been applied to cumulative translation differences that existed at the date of transition to IFRS. The Company has eliminated the cumulative translation difference and adjusted retained earnings by the same amount at the date of transition to IFRS. If, subsequent to adoption, a foreign operation is disposed of, the translation differences that arose before the date of transition to IFRS will not affect the gain or loss on disposal.
- In accordance with IFRS 1, if a company elects to apply IFRS 3 "Business Combinations" retrospectively, IAS 27 "Consolidated and Separate Financial Statements" must be applied retrospectively. As the Company elected to apply IFRS 3 prospectively, the Company has also elected to apply IAS 27 prospectively.

(Expressed in Canadian Dollars – unaudited)

17. TRANSITION TO IFRS (continued)

Reconciliation of loss and comprehensive loss for the three and six month period ended June 30, 2010

		For the three months ended June 30, 2010			For the six months ended June 30, 2010		
	Notes	*Canadian GAAP*	*Effect of Transition*	*IFRS*	*Canadian GAAP*	*Effect of Transition*	*IFRS*
EXPENSES							
Depreciation	17(b)	$ 487	$ -	$ 487	$ 1,285	-	$ 1,285
Foreign exchange gain		(45,815)	-	(45,815)	(71,237)	-	(71,237)
General and administrative		148,271	-	148,271	237,613	-	237,613
Evaluation and exploration costs	17(b)	-	432,778	432,778	-	776,796	776,796
Share-based payments	17(c)	31,553	-	31,553	124,897	-	124,897
		134,496	432,778	567,274	292,558	776,796	1,069,354
OTHER EXPENSES (INCOME)							
Interest income		(439)	-	**(439)**	(629)	-	**(629)**
TOTAL LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD		**$ 134,057**	**$ 432,778**	**$ 566,835**	**$ 291,929**	**$ 776,796**	**$ 1,068,725**
Basic and diluted loss per share basic for the period attributable to common shareholders (warrants and options not included as the impact would be anti-dilutive)		**0.00**	**0.00**	**0.01**	**0.00**	**0.01**	**0.01**
Weighted average number of common shares outstanding		**88,935,481**	**88,935,481**	**88,935,481**	**79,634,438**	**79,634,438**	**79,634,438**

(Expressed in Canadian Dollars – unaudited)

17. TRANSITION TO IFRS (continued)

Reconciliation of equity

	Notes		June 30, 2010
Equity previously reported under Canadian GAAP		$	10,770,908
Adjustments upon adoption of IFRS:			
Differences arising from change in accounting policy for evaluation and exploration costs	17(b)		(7,082,238)
Equity reported under IFRS		$	3,688,670

Reconciliation of comprehensive loss for the six month period ended June 30, 2010

	Notes		
Comprehensive loss previously reported under Canadian GAAP		$	291,929
Adjustments upon adoption of IFRS:			
Differences arising from change in accounting policy for mineral property expenditures	17(b)		776,796
Comprehensive loss reported under IFRS		$	1,068,725

Reconciliation of comprehensive loss for the three month period ended June 30, 2010

	Notes		
Comprehensive loss previously reported under Canadian GAAP		$	134,057
Adjustments upon adoption of IFRS:			
Differences arising from change in accounting policy for mineral property expenditures	17(b)		432,778
Comprehensive loss reported under IFRS		$	566,835

17. TRANSITION TO IFRS (continued)

Notes to reconciliations

a) Functional and presentation currency

IFRS requires that the functional currency of each entity in the consolidated Group be determined separately in accordance with the indicators as per IAS 21 "The Effects of Changes in Foreign Exchange Rates" and should be measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The Company and its subsidiaries' functional currency and presentation currency remains the Canadian dollar.

As permitted under IFRS 1, the cumulative impact of the Company's change in functional currency as at January 1, 2010 was recorded as an adjustment to deficit.

b) Evaluation and exploration expenditures

Under Canadian GAAP, the direct property acquisition costs, holding costs, field exploration and field supervisory costs relating to specific properties are deferred until the properties to which they relate are brought into production, at which time they will be amortized on a unit of production basis, or until the properties are sold, abandoned or allowed to lapse, at which time they will be written off.

Under IFRS, all direct costs including option payments related to the acquisition of mineral interests (excluding related transaction costs) are capitalized into intangible assets on a property by property basis. Evaluation and exploration costs, net of incidental revenues, are charged to operations in the period incurred until such time as it has been determined that a property has economically recoverable resources, in which case subsequent exploration costs and the costs incurred to develop a property are capitalized into "Mineral Interests". On the commencement of commercial production, depletion of each mining property will be provided on a unit-of-production basis using estimated resources as the depletion base.

c) Share-based payments

The Company grants stock options that have a graded vesting schedule. Under Canadian GAAP, the Company accounted for grants of options with graded vesting as a single award and determined the fair value using the average life of the options granted. Stock-based compensation was recognized on a straight-line basis over the total vesting period. Under IFRS, the Company treats each installment as its own award. Therefore, each installment is measured and recognized separately.

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

17. TRANSITION TO IFRS (continued)

d) Reserves

Under Canadian GAAP, amounts recorded in relation to the fair value of stock options granted and warrants issued were recorded to contributed surplus. Under IFRS, these amounts have been reclassified as reserves. The fair value of the expired stock options and warrants has been reclassified as other reserve.

GOLDQUEST
TSX: GQC

GOLDQUEST MINING CORP.

Management's Discussion and Analysis

June 30, 2011

This management's discussion and analysis ("MD&A") focuses on significant factors that affected GoldQuest Mining Corp. and its subsidiaries ("GoldQuest" or the "Company") during the six months ended June 30, 2011 and to the date of this report. The MD&A supplements, but does not form part of, the audited consolidated financial statements of the Company and the notes thereto for the year ended December 31, 2010, which were prepared under Canadian Generally Accepted Accounting Principles ("CAGAAP"). Consequently, the following discussion of performance and financial condition should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2010 and the notes thereto. The June 30, 2011 unaudited condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts presented in this MD&A are in Canadian dollars unless otherwise indicated.

Additional information related to GoldQuest is available on SEDAR at www.sedar.com and on the Company's website at www.goldquestcorp.com.

This MD&A contains information up to and including August 26, 2011.

FORWARD-LOOKING INFORMATION

Statements in this report that are not historical facts are forward-looking statements involving known and unknown risks and uncertainties, which could cause actual results to vary considerably from these statements. Readers are cautioned not to put undue reliance on forward-looking statements. For more information on forward-looking information, please refer to page 19 of this MD&A.

OVERVIEW

GoldQuest is engaged in the identification, acquisition, exploration and development of mineral properties in the Dominican Republic and Spain. The Company operates through its wholly-owned British Virgin Islands subsidiaries, GoldQuest Mining (BVI) Corp. and GoldQuest Mining (Spain) Corp. and their wholly owned subsidiaries, INEX Ingeniería y Exploración S.A. in the Dominican Republic, and GoldQuest Iberica S.L. (formerly known as Lundin Mining Exploration SL) in Spain. There has been no determination whether the Company's interests in exploration properties contain mineral reserves which are economically recoverable.

The Company's head office is located at Suite 720, 700 West Pender Street, Vancouver, BC, Canada, V6C 168. The Company's registered and records office is located at Blake, Cassels & Graydon LLP, 595 Burrard Street, Vancouver, BC, Canada V7X 1L3.

The Company is a reporting issuer in British Columbia, Alberta and Ontario and trades on the TSX Venture Exchange under the symbol "GQC". The Company is also listed on the Berlin and Frankfurt stock Exchanges under the symbol "M1W".

EVALUATION AND EXPLORATION ASSETS

William Fisher P.Geo, a director of the Company, is the Qualified Person, as defined by National Instrument 43-101 ("NI 43-101"), who has reviewed the technical information relating to the evaluation and exploration assets disclosed in the Company's MD&A.

DOMINICAN REPUBLIC

The Company holds exploration permits and applications to 30 concessions in the Dominican Republic. These projects are grouped into the following districts:

- San Juan District, including La Escandalosa, Jengibre, El Barrero, Los Comios, Loma El Cachimbo, El Crucero, La Bestia, Los Chicharrones and Tocon de Pino concessions.
- Las Animas District, including the Loma Oculta, Las Animas II, La Cerca, Arroyo Largo, Junumucu, La Orquesta, Rutillo, Roblito, Guazumita and La Ceniza concessions.
- Pueblo Viejo District, including the Platanal, Arroyo Manteca and Lajita concessions.
- Regional Exploration, including the El Candongo, Loma El Catey, El Meche, Sueño, Guanumita, Siete Picos, Los Mineros and Pino Mocho concessions.

LA ESCANDALOSA PROJECT (FORMERLY KNOWN AS LAS TRES PALMAS)

The La Escandalosa Gold Project (100% owned) is an intermediate sulphidation epithermal-style gold project, which encompasses 3,997 hectares in the province of San Juan, Dominican Republic. GoldQuest discovered gold mineralization at La Escandalosa in late 2003 as the result of a regional stream sediment exploration program carried out in a joint venture with Gold Fields.

On November 16, 2010, the Company announced an initial NI 43-101 compliant resource. The initial inferred resource is 4,862,835 tonnes grading 2.596 g/t gold at a nominal cut-off of 0.3 g/t of gold containing 405,924 ounces of gold (refer to table below). Drilling completed in the first quarter of 2011, closed the mineralization to the south leaving it open to the north towards another discovery of gold mineralization by the Company at Hondo Valle, approximately 1.2 kilometres north of La Escandalosa.

Inferred mineral resources for Escandalosa Sur									
Cutoff grade Au (g/t)	Tonnes	Au (g/t)	Au (ounces)	Cu (%)	Cu (tonnes)	Zn (%)	Zn (tonnes)	Ag (g/t)	Ag (ounces)
0.3	4,862,835	2.60	405,924	0.16	7,583	0.21	10,179	2.34	366,456

The sub-horizontal deposit is approximately 600 metres along strike and 500 metres wide with the average thickness of 13.3 metres.

In November 2010, the concession containing both La Escandalosa and Hondo Valle received a 3 year exploration permit extension, which may be further extended for another 2 years.

During the six months ended June 30, 2011

The fourth phase of diamond drilling was completed during the second quarter of 2011. A total of 3,413 metres of core drilling in twenty four (24) diamond drill holes, averaging 142.2 metres in depth per hole, were drilled at La Escandalosa Sur and Hondo Valle zones. The objective of the program was to test a combination of targets within the La Escandalosa Concession to better prove the mineralization at La Escandalosa Sur, follow-up mineralization trends defined by favorable geology and previous drilling (lateral extensions to the known mineralization under a barren cover) at both La Escandalosa and Hondo Valle, and to increase confidence levels of areas with known high grade mineralization at or near surface.

On April 19 and May 16, 2011, the Company released the new results from the fourth phase of diamond drilling. Mineralization, as documented in the NI 43-101 compliant report for La Escandalosa, was intercepted at both the Escandalosa Sur and Hondo Valle zones. These mineralized zones are interpreted to be an epithermal intermediate sulphidation type system hosted in a flat-lying to shallowly dipping sequence of andesitic to rhyolitic volcaniclastic tuffs, tuff breccias, and lavas, with interbedded limestones.

The drill results from each of the holes are contained in the following table:

Table of length-weighted average grades from the Phase IV drill program at a cut off of 0.3 g/t Au.

Hole No.	Zone	From (m)	To (m)	Interval (m)	Au (g/t)	Cu (%)	Ag (g/t)
LTP-43	Escandalosa Sur	No significant values (NSV)					
LTP-44	Escandalosa Sur	NSV					
LTP-45	Escandalosa Sur	58.88	62.05	3.17	2.62	NSV	NSV
LTP-46	Escandalosa Sur	56.48	62.00	5.52	1.01	NSV	NSV
LTP-47	Escandalosa Sur	110.00	126.00	16.00	2.45	NSV	NSV
LTP-48	Escandalosa Sur	88.78	98.00	9.22	3.54	NSV	NSV
LTP-49	Escandalosa Sur	74.00	94.00	20.00	1.32	0.39	1.50
including	Escandalosa Sur	74.00	86.00	12.00	2.04	0.24	1.80
LTP-50	Escandalosa Sur	NSV					
LTP-51	Escandalosa Sur	NSV					
LTP-52	Escandalosa Sur	46.00	58.00	12.00	0.32	NSV	NSV
LTP-53	Escandalosa Sur	84.00	92.00	8.00	0.46	NSV	NSV
LTP-54	Escandalosa Sur	57.00	63.00	6.00	0.40	NSV	NSV
LTP-55	Escandalosa Sur	NSV					
LTP-56	Escandalosa Sur	45.00	61.00	16.00	0.49	NSV	NSV
Including	Escandalosa Sur	55.00	61.00	6.00	0.97	NSV	NSV
LTP-57	Escandalosa Sur	76.00	82.00	6.00	0.41	NSV	14.00
and	Escandalosa Sur	138.00	142.00	4.00	0.45	0.28	3.50
LTP-58	Escandalosa Sur	NSV					
LTP-59	Escandalosa Sur	NSV					
LTP-60	Escandalosa Sur	NSV					
LTP-61	Escandalosa Sur	NSV					
LTP-62	Escandalosa Sur	63.50	100.00	36.50	2.74	NSV	NSV
including	Escandalosa Sur	63.50	76.63	13.13	6.60	NSV	NSV
and	Escandalosa Sur	90.00	100.00	10.00	0.83	NSV	NSV
LTP-63	La Escandalosa	NSV					
LTP-64	Hondo Valle	1.07	40.00	38.93	0.71	NSV	4.20
including	Hondo Valle	1.07	16.00	14.93	1.24	NSV	8.50
and	Hondo Valle	48.00	56.00	8.00	0.31	NSV	1.00
LTP-65	Hondo Valle	50.00	79.00	29.00	2.18	0.25	4.20
including	Hondo Valle	58.00	75.00	17.00	3.45	0.42	5.00
including	Hondo Valle	67.61	69.05	1.44	14.20	2.04	9.00
LTP-66	Hondo Valle	111.82	133.97	22.15	0.66	0.12	1.90

From the commencement of exploration on this project and up to the date of this MD&A, a total of 8,809 metres have been drilled in 67 diamond drilling holes at La Escandalosa. Highlights include:

- 26.0 metres grading 11.4 g/t Au, including an interval of 18.0 metres at 16.3 g/t Au in drill hole LTP-39;
- 53.0 metres grading 3.0 g/t Au, including an interval of 16.0 metres at 9.4 g/t Au in drill hole LTP-41;
- 16.0 metres grading 2.45 g/t gold in drill hole LTP-47;
- 9.2 metres grading 3.54 g/t gold in hole LTP-48;
- 36.5 metres grading 2.74 g/t gold, including 13.13 metres grading 6.60 g/t gold in drill hole LTP-62; and,
- 29.0 metres grading 2.18 g/t gold, including 17.0 metres grading 3.45 g/t gold and 1.44 metres grading 14.20 g/t gold in drill hole LTP-65.

Activities Contemplated in the Future

The Company is in the process of carrying out a 15.7 square kilometre Induced Polarization (IP) and magnetic ground geophysical survey from 2 kilometres north of Hondo Valle to 2 kilometres south of Escandalosa Sur. Forty three (43) East-West lines spaced at 200 and 100 metres (depending on the priority of the zones) for a total of 80.0 line kilometres were cut and picked every 25 metres on the lines as base for the 75 kilometre ground geophysical program. Once this work is completed, the Company intends to conduct up to 3,000 metres of additional diamond drilling during the second half of 2011, to test the extension of known mineralization and potential new targets being defined by the ongoing geology, geochemical and geophysical programs (IP and Mag). The planned ground geophysical survey (field work) will take approximately twelve weeks. GoldQuest expects to finish the program and receive the final interpretation reports by the end of August 2011. Metallurgical samples from La Escandalosa Sur were sent to Resource Development Inc (RDI) in Denver for testing. Results from the first set of samples of La Escandalosa returned recoveries around 80% of gold. Further samples and optimization testing will soon be completed on the mineralization. GoldQuest has also contracted Micon International Limited ("Micon") to conduct a preliminary economic assessment on the La Escandalosa Sur property. Results and conclusions are expected by the end of September 2011.

JENGIBRE PROJECT

Background

The Jengibre Project (100% owned) is located in a remote area of western Dominican Republic, approximately 30 kilometres south east of the La Escandalosa project. Jengibre has been previously tested with soil sampling, channel sampling and a seven drilling hole program that provided prospective results. A Channel sampled over 59.5 metres on the main mineralized outcrop, returned an average grade of 1.58 grams per tonne gold and one drill hole (JG-02) intercepted 54 metres grading 1.03 grams per ton gold. Reconnaissance exploration work of new areas in the vicinity of the drilled zones and a magnetic survey is proposed for 2011

During the six months ended June 30, 2011

During this period, the Company completed mapping and soil sampling that will help to define areas within the concession that justify further exploration programs. Geochemical anomalies and alteration zones mapped within the Jengibre Concession defined new target areas near the known mineralized zone.

Activities Contemplated in the Future

The Company is planning to focus on the specific zones that warrant detailed exploration work. These zones were defined during previous programs. Work will include detail mapping, sampling, ground geophysics (Mag survey) and potentially drilling. These activities are considered for the second half of 2011, and are programmed to initially test the precious and base metal potential of the new project zones.

Ongoing reconnaissance work on the whole concession package will be maintained. Targets generated will be followed up with detailed exploration programs.

LOMA OCULTA PROJECT (FORMERLY KNOWN AS LAS ANIMAS)

Background

Loma Oculta, which contains the Las Animas mineralization, is the key property within the Jarabacoa – Las Animas massive sulphide district. In a press release dated May 7, 2009, the following mineral resources were reported:

- An indicated mineral resource of 1.00 million tonnes grading 2.95 g/t Au, 2.70% Cu, 3.36% Zn and 58.6 g/t Ag containing 95,185 oz Au, 60 million lb Cu, 74 million lb Zn, and 1.90 million oz Ag.

- An inferred mineral resource of 0.62 million tonnes grading 1.66 g/t Au, 3.32% Cu, 3.99% Zn and 31.4 g/t Ag containing 33,357 ounces Au, 0.6 million ounces Ag, 46 million pounds Cu and 55 million pounds Zn.

During the six months ended June 30, 2011

The Company continues with its ongoing general exploration program in the district. Samples for metallurgical testing from the oxide ore (gossan zone) and the sulphide ore (lower zone) were collected from outcrops and diamond drill holes core. Testing will be performed by RDI in Denver, CO.

Activities Contemplated in the Future

The Company is planning a comprehensive detailed mapping, sampling and ground geophysical program to define infill drilling, identify new targets that may warrant drilling in the vicinity of the known massive sulphide that remains open at depth, and better define the regional trend of the mineralized horizon. Concurrent with these activities, the Company has commissioned RDI to perform a metallurgical study to define recoveries from the gold and silver rich gossan and from the poly-metallic sulphide under the oxidized zone. Micon was also contracted to complete a preliminary economic assessment of the project. Results of both metallurgical testing and economic assessment will be received no earlier than the end of October 2011.

SPAIN

The Company completed the acquisition of Lundin Mining and Exploration, S.L. ("Lundin SL"), a subsidiary of Lundin Mining Corp. ("Lundin") (TSE: LUN), in January 2010. Lundin SL was subsequently renamed GoldQuest Iberica S.L. ("Iberica").

The shares of Lundin SL were purchased for a Net Smelter Royalty ("NSR") of 1.25% and a Production Commencement Payment ("PCP") of $5,000,000 payable thirty days after commencement of commercial production. Lundin holds a back-in right to acquire 51% of the Toral property following identification of not less than one million tonnes contained lead-zinc metal as confirmed by an independent NI 43-101 resource estimate. In order to exercise the back in right, Lundin must fund 250% of the total expenditures made by the Company on the Toral property. If Lundin exercises this right, the NSR and the PCP are no longer exigible. Lundin may acquire a further 15% of the project by funding a bankable feasibility study to bring the property to production.

TORAL PROJECT

Background

The Company holds the exploration permit for the Toral Project, a highly prospective mineralized area in a mining and investment friendly region. The mineralization is contained within steeply dipping, sheet-like structures that includes silver and coarse-grained zinc-lead sulphides. The Toral Project permit was recently renewed for a further three year period.

The Toral Project area was originally explored by Peñarroya-España and Associates ("Peñarroya-España") from 1975 to 1985 and included over 42,000 metres of diamond drilling. These drill holes reportedly delineated a zone of mineralization that is 1,100 metres in length by about 3.7 metres wide and over 400 metres high. This block is a continuous, sub-vertical, tabular zone of coarse-grained lead-zinc-silver sulphide mineralization that is still open along strike and down dip.

During the six months ended June 30, 2011

GoldQuest commissioned Micon to perform a NI 43-101 resource calculation using data from the extensive prior work. Due to the availability of both drill core and assay data from the previous Peñarroya-España and Lundin drill programs, no further confirmation drilling was required.

On March 3, 2011, the Company announced an initial NI 43-101 compliant resource. The initial mineral resource estimate includes an indicated mineral resource of 4.04 million tonnes of 11.8% lead (Pb) + zinc (Zn) and an inferred mineral resource of 4.67 million tonnes of 9.8% Pb + Zn, representing a 15% increase over historical estimates. An economic cut-off grade of 7 % Pb + Zn was used to define the Toral mineral resources.

Mineral Resources for Toral Estimated by Micon as of February 2011

Indicated						Inferred					
Mt	Pb (%)	Zn (%)	Cu (%)	Ag (g/t)	(Pb+Zn)%	Mt	Pb (%)	Zn (%)	Cu (%)	Ag (g/t)	(Pb+Zn)%
4.04	5.30	6.50	0.11	41	11.8	4.67	4.44	5.40	0.14	32	9.8

Indicated					Inferred				
Pb(t)	Zn (t)	Cu (t)	Ag (t)	Pb+Zn (t)	Pb (t)	Zn (t)	Cu (t)	Ag (t)	Pb+Zn (t)
214,416	262,562	4,285	165	476,978	207,316	252,348	6,447	149	459,664

New geological maps and interpretation were completed in the first semester of 2011. Large soil geochemical data bases with results of 32 elements per sample were received from the lab. Projections and maps of the data, revealed the potential existences of two mineralized horizons that will be further proved by ground geophysics and drilling.

Activities Contemplated in the Future

Interpretation of the data generated from the geochemical soil and rock sampling program has been used to define a new set of parallel anomalies that may represent repetition of the mineralized horizon.

A ground geophysical program consisting of 5,000 metres of electrical tomography and 1,000 metres of VLF (very low frequency) geophysics, to prove the existence near surface of the postulated repetition of the mineralized horizon, will be completed by the end of 2011. Detail structural geology applied to the mineral resource will be completed in parallel to the ground geophysical program.

Subject to satisfactory completion of these surveys and the interpretation of all the integrated data, the Company intends to define and commit to a drill program that will confirm and evaluate the mineral potential of the property during the last quarter of 2011. It is anticipated that, in order to be cost-effective, a combined reverse circulation and diamond drill program will be designed to prove areas in which wide drill spacing exists from previous drilling, and to prove the existence of potential repetitions of mineralized horizons at the Toral Project

LAGO PROJECT

Background

In addition to the acquisition of the Toral Project and as part of the same transaction, GoldQuest acquired the Lago Project, a polymetallic (lead and zinc) project located in the province of Galicia, in northwest part of Spain.

During the six months ended June 30, 2011

The required activities and paper work for the concession application and permitting for the Lago Investigation Permit were completed. The required concession survey (demarcation) was finalized and the Investigation Permit with 68 mining units was granted by the Government of Galicia on May 19, 2011.

The application for the Lago II and Lago III exploration permits with 396 and 15 mining units respectively were submitted by GoldQuest to the government of Galicia and a decision from the mining Galician government mining agency is expected shortly.

Compilation of existing geological (lithological, structural and alteration), geochemical, geophysical and drilling data was initiated.

Activities Contemplated in the Future

Detailed geological and alteration mapping programs will be initiated to help define structures that favor the accumulation of mineralization (ore shoots). Specific grids will be cut to complete geochemical (soil and rock) and geophysical surveys required to define drill targets. A program of both reverse circulation and diamond drilling will be recommended on targets that warrant drilling. Interpretation of data and digital plotting and modeling will also be completed.

RESULTS FROM OPERATIONS

Selected Information

	For the three months ended (1)		
	June 30, 2011	June 30, 2010	June 30, 2009
Operating expenses	$ 1,765,935	$ 1,069,354	$ 460,183
Interest and miscellaneous income	(6,767)	(629)	(9,131)
Net loss	1,759,168	1,068,725	451,052
Basic and diluted loss per share	0.02	0.01	0.01

As at:	June 30, 2011	December 31, 2010	January 1, 2010
Working capital	$ 2,252,754	$ 1,968,102	$ 838,003
Total assets	3,803,042	3,567,544	2,327,444
Total liabilities	187,959	267,408	120,469
Share capital	16,539,516	14,122,659	11,843,445
Deficit	20,124,230	18,365,062	16,278,693

(1) Financial information for the fiscal year 2011 and 2010 has been reported under IFRS.
Financial information for the fiscal year 2009 has been reported under CAGAAP.

Three Months Ended June 30, 2011 compared with the Three Months Ended March 31, 2011

The Company incurred a net loss of $656,654 for the three months ended June 30, 2011, representing a decrease of $445,860 when compared with $1,102,514 for the three months ended March 31, 2011. The decrease in net loss during the three months ended June 30, 2011 was primarily the result of the following:

- Decrease in evaluation and exploration costs by $308,246; and
- Decrease in share-based payments by $122,829.

Evaluation and exploration costs decreased by $308,246, to $271,387 for the three months ended June 30, 2011, from $579,633 for the three months ended March 31, 2011. This decrease was primarily the result of the completion of drilling program at the La Escandalosa project in the Dominican Republic in the beginning of the second quarter. The Company incurred $nil on the drilling activities at the La Escandalosa project in the Dominican Republic for the three months ended June 30, 2011 compared to $273,524 for the three months ended March 31, 2011.

Share-based payments were $22,127 for the three months ended June 30, 2011 versus $144,956 for the three months ended March 31, 2011. This decrease in stock-based compensation expense for the three months ended June 30, 2011 resulted from the decreased number of options vesting during the period and a corresponding recognition of the related expense.

Three Months Ended June 30, 2011 compared with the Three Months Ended June 30, 2010

The Company incurred a net loss of $656,654 for the three months ended June 30, 2011, representing an increase of $89,819 when compared with $566,835 for the three months ended June 30, 2010. The increase in net loss during the three months ended June 30, 2011 was primarily the result of the following:

- Increase in general and administrative expenses by $213,851; and
- Decrease in foreign exchange gain by $45,723.

This increase was partially offset by the decrease in evaluation and exploration costs by $161,391.

General and administrative expenses increased by $213,851, to $362,122 for the three months ended June 30, 2011, from $148,271 for the three months ended June 30, 2010. Approximately $215,783 of this increase relates to certain general and administrative expenses incurred in the Dominican Republic and Spain during the second quarter of 2010 which were capitalized to mineral properties under CAGAAP and have been subsequently classified under IFRS as "Evaluation and exploration costs".

Foreign exchange gain decreased by $45,723, to $92 for the three months ended June 30, 2011, from $45,815 for the three months ended June 30, 2010, due to fluctuations in the foreign currency exchange rates between the Canadian dollar, Dominican Peso and Euro.

Evaluation and exploration costs decreased by $161,391, to $271,387 for the three months ended June 30, 2011, from $432,778 for the three months ended June 30, 2010. This decrease was primarily the result of the completion of drilling program at the La Escandalosa project in the Dominican Republic in the beginning of the second quarter. The Company incurred $nil on the drilling activities at the La Escandalosa project in the Dominican Republic for the three months ended June 30, 2011 compared to $157,083 for the three months ended June 30, 2011.

Six months ended June 30, 2011 compared with the Six months ended June 30, 2010

The Company incurred a net loss of $1,759,168 for the six months ended June 30, 2011, representing an increase of $690,443 when compared with $1,068,725 for the six months ended June 30, 2010. The increase in net loss during the six months ended June 30, 2011 was primarily the result of the following:

- Increase in general and administrative expenses by $494,006;
- Increase in foreign exchange loss by $79,835;
- Increase in evaluation and exploration costs by $74,224; and
- Increase in share-based payments by $42,186.

General and administrative expenses increased by $494,006, to $731,619 for the six months ended June 30, 2011, from $237,613 for the six months ended June 30, 2010. Approximately $280,283 of this increase relates to certain general and administrative expenses incurred in the Dominican Republic and Spain during the six months ended June 30, 2010 which were capitalized to mineral properties under CAGAAP and have been subsequently classified under IFRS as "Evaluation and exploration costs". The remainder of the increase in general and administrative expenses was the result of an increase in business activities relating to higher levels of exploration activity in the Dominican Republic and Spain as previously referred to, the resumption of directors fees' (which were not paid or accrued in the first two quarters of 2010 due to economic conditions), higher management remuneration resulting from the hiring of a new Chief Executive Officer during the first quarter of 2011, payment of retrospective compensation to the Company's outgoing interim Chief Executive Officer, expenses associated with exhibiting at both the PDAC and Cambridge House investor conferences, including related travel expenses, a corporate rebranding initiative, including a new corporate website, and professional fees and expenses incurred in connection with the conversion of warrants.

Foreign exchange loss increased by $79,835, to $8,598 for the six months ended June 30, 2011, from a foreign exchange gain of $71,237 for the six months ended June 30, 2010, due to fluctuations in the foreign currency exchange rates between the Canadian dollar, Dominican Peso and Euro.

Evaluation and exploration costs increased by $74,224, to $851,020 for the six months ended June 30, 2011, from $776,796 for the six months ended June 30, 2010. This increase was primarily the result of increased activity in Spain and the ongoing drilling program at the La Escandalosa project in the Dominican Republic.

Share-based payments were $167,083 for the six months ended June 30, 2011 versus $124,897 for the six months ended June 30, 2011. This increase in stock-based compensation expense for the six months ended June 30, 2011 resulted from the increased number of options vesting during the period and a corresponding recognition of the related expense.

SUMMARY OF QUARTERLY RESULTS

	Three months ended (1)			
	June 30, 2011	March 31, 2011	December 31, 2010	September 30, 2010
Interest income	$ 3,409	$ 3,358	$ 3,135	$ 2,457
Net loss	(656,654)	(1,102,514)	(678,606)	(339,038)
Basic and diluted loss per share	(0.01)	(0.01)	(0.01)	-

	Three months ended (1)			
	June 30, 2010	March 31, 2010	December 31, 2009	September 30, 2009
Interest income	$ 439	$ 190	$ 869	$ 202
Net loss	(566,835)	(501,890)	(266,872)	(258,331)
Basic and diluted loss per share	(0.01)	(0.01)	-	-

(1) Financial information for the fiscal year 2011 and 2010 has been reported under IFRS.
Financial information for the fiscal year 2009 has been reported under CAGAAP.

LIQUIDITY AND CAPITAL RESOURCES

As at June 30, 2011, the Company had working capital of $2,252,754 (December 31, 2010 – $1,968,102), including cash and cash equivalents of $2,222,711 (December 31, 2010 – $2,055,664).

The Company expects to obtain financing in the future primarily through further equity financings. At present, the Company has no operations that generate cash flow and its financial success is dependent on management's ability to discover economically viable mineral deposits, raise required funding through future equity issuances, asset sales or a combination thereof. The mineral exploration process can take many years and is subject to factors that are beyond the Company's control. The Company relies on equity financings and the exercise of options and warrants to fund its exploration activities and its corporate and overhead expenses. Many factors influence the Company's ability to raise funds, including the health of the resource market, the climate for mineral exploration investment, the Company's track record, and the experience and caliber of its management. Actual funding requirements may vary from those planned due to a number of factors, including the progress of exploration activities.

The Company's operations to date have been financed by issuing common shares. The continuing operations of the Company are dependent upon its ability to raise adequate financing and to commence profitable operations in the future. There is no guarantee that the Company will be able to secure additional financings in the future at terms that are favorable. To date, the Company has not used debt or other means of financing to further its exploration programs, and the Company has no plans to use debt financing at the present time.

Based on the cash position on hand as at the date of this MD&A and expected cash flow requirements of the Company for the 2011 fiscal year, management believes that the Company is sufficiently capitalized to fund its present operational commitments and working capital needs for the remainder of fiscal 2011.

OUTSTANDING SHARE DATA

As at June 30, 2011 and the date of this MD&A, the Company had 103,508,601 common shares issued and outstanding.

In addition, the Company had the following warrants and stock options outstanding at the date of this MD&A:

- 1,238,250 warrants, each of which is exercisable for one common share at an exercise price of $0.145 through April 2012;
- 8,680,000 stock options, each of which is exercisable for one common share at prices ranging from $0.10 to $0.42 per share.

Financing activities during the six months ended June 30, 2011:

- The Company issued 9,365,400 shares for cash proceeds of $1,873,080, of which $16,000 was received during the year ended December 31, 2010, from the exercise of warrants.
- The Company issued 344,500 shares for cash proceeds of $49,953 from the exercise of agents' warrants.
- The Company granted 1,300,000 options to certain directors and officers.

Financing activities subsequent to June 30, 2011:

- The Company granted 2,875,000 options with an exercise price of $0.20 to various directors, officers, employees and consultants.

TRANSACTIONS WITH RELATED PARTIES

Key management personnel compensation

The remuneration of directors and other members of key management were as follows:

	For the six months ended	
	June 30, 2011	**June 30, 2010**
Short-term employee benefits - management fees	**$ 129,486**	$ 118,250
Short-term employee benefits - directors' fees	**90,500**	9,000
Share-based payments - management fees	**115,422**	19,180
Share-based payments - directors' fees	**8,952**	85,643
	$ 344,360	$ 232,073

Related party balances

The balances due to related parties included in trade payables and accrued liabilities were $35,637 as at June 30, 2011 (December 31, 2010 – $68,303). These amounts are unsecured and non-interest bearing.

CONTRACTUAL OBLIGATIONS

The Company has entered into a lease for its office premises in Vancouver. The lease is for a five year period ending May 31, 2013. The amounts due to the termination of the lease are approximately as follows:

Year		
2011	$	9,250
2012		18,800
2013		3,100
	$	**31,150**

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, amounts receivable, deposits and accounts payable and accrued liabilities. The carrying values of cash and cash equivalents, amounts receivable, deposits, and accounts payable and accrued liabilities approximate their fair values due to the relatively short period to maturity of those financial instruments.

The Company is exposed to credit risk with respect to its cash and cash equivalents. Cash and cash equivalents have been placed on deposit with a major Canadian, Dominican Republic and Spanish financial institutions. Credit risk arises from the non-performance of counterparties of contractual financial obligations. The Company manages credit risk, in respect of cash and cash equivalents, by purchasing term deposits held at a major Canadian financial institution.

The Company's cash and cash equivalents include term deposits. The Company is not exposed to significant interest rate risk due to the short-term maturity of these monetary assets given fluctuations in market rates do not have a significant impact on estimated fair values at June 30, 2011. Future cash flows from interest on cash and cash equivalents will be affected by interest rate fluctuations. The Company manages interest rate risk by investing in highly liquid investments with maturities of three months or less.

Foreign exchange risk is the risk arising from changes in foreign currency fluctuations. The Company does not use any derivative instruments to reduce its exposure to fluctuations in foreign currency rates. The Company maintains a portion of its cash, accounts receivable, deposits and accounts payable in U.S. dollars (USD), European dollars (EURO) and Dominican Republic Peso (DOP). Also, a significant portion of the Company's exploration is conducted in Spain and Dominican Republic, and as a result current resource property expenditures may fluctuate dependent upon the current exchange rate between the Canadian, USD, EURO and DOP.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or currency risk. The Company is not exposed to significant other price risk.

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Company manages liquidity by maintaining adequate cash balances to meet liabilities as they become due. The Company's expected source of cash flow in the upcoming year will be through equity financings. The Company maintained sufficient cash and cash equivalents at June 30, 2011 in the amount of $2,222,711, in order to meet short-term business requirements. At June 30, 2011, the Company had accounts payable and accrued liabilities of $173,140 and current portion of lease obligation of $10,318. All accounts payable and accrued liabilities are current.

OUTLOOK

The Company believes that there is exploration potential in the Dominican Republic for the discovery of additional mineralization in structural feeder zones or possibly related to porphyry copper-gold type mineralization. The La Escandalosa property contains stratiform gold mineralization with copper, silver and zinc of intermediate sulfidation epithermal style. Alteration and mineralization has been traced for 2,200 metres from Hondo Valle to La Hilguera. Based on recent 43-101 technical reports at both La Escandalosa and Las Animas projects in Dominican Republic, the Company has decided to accelerate the process towards a production decision. Concurrent with this strategy, GoldQuest will continue with an aggressive exploration program on the key properties in an effort to add more tonnes and value to shareholders. Specifically, metallurgical studies and a preliminary economic assessment have been initiated at both La Escandalosa and Las Animas projects. Ground geophysics is also being used to define new drill targets that warrant future drilling.

In Spain, the Company continues with general exploration on its Toral Lead/Zinc/Silver project, including mapping, geochemistry and ground geophysical work in anticipation of drilling. Possible synergies with other base metal opportunities are being considered by GoldQuest in order to increase critical mass and utilize existing infrastructure in the area.

RISKS AND UNCERTAINTIES

The Company is in the business of acquiring, exploring and developing gold and base metal properties. It is exposed to a number of risks and uncertainties that are common to other mineral exploration companies in the same business. The industry is capital intensive at all stages and is subjected to variations in commodity prices, market sentiment, exchange rates for currency, inflations and other risks. The Company currently has no source of revenue other than interest income. The Company will rely mainly on equity financing to fund exploration activities on its mineral properties.

The risks and uncertainties described in this section are considered by management to be the most important in the context of the Company's business. The risks and uncertainties below are not inclusive of all the risks and uncertainties the Company may be subject to and other risks may apply.

1. Going Concern

The Company's capability to continue as a going concern is dependent upon its ability to obtain additional debt or equity financing to meet its obligations as they come due. If the Company were unable to continue as a going concern, then significant adjustments would be required to the carrying value of assets and liabilities, and to the balance sheet classifications currently used.

GoldQuest has no history of profitable operations and its present business is at an early stage. As such, the Company is subject to many risks common to other companies in the same business, including under-capitalization, cash shortages, and limitations with respect to personnel, financial and other resources and the lack of revenues.

The Company plans to obtain financing in the future primarily through further equity financing, as well as through joint venturing and/or optioning out the Company's properties to qualified mineral exploration companies. There can be no assurance that the Company will succeed in obtaining additional financing, now or in the future. Failure to raise additional financing on a timely basis could cause the Company to suspend its operation and eventually to forfeit or sell its interest in its mineral properties.

Management has initiated a strict cost control program to effectively control expenditures. As a result of these cost control measures, it is expected that the current cash position will be sufficient to fund the Company's needs for the 2011 fiscal year. Management will review several funding options including equity financing and seeking joint venture partners to further its mineral property interests at the appropriate time. While the Company has been successful in raising funds in the past, there are no assurances that additional funding and/or suitable joint venture agreements will be obtained.

2. Exploration and Mining Risks

The business of exploration for minerals and mining involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. At present, the Company's properties have no known body of commercial ore. Unusual or unexpected formations, formation pressures, fires, power outages, labor disruptions, flooding, explorations, cave-ins, landslides and the inability to obtain suitable adequate machinery, equipment or labor are other risks involved in the operation of mines and the conduct of exploration programs. The Company has relied on and may continue to rely upon consultants and others for exploration and development expertise. Substantial expenditures are required to establish ore reserves through drilling, to develop metallurgical processes to extract the metal from the ore and, in the case of new properties, to develop the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineral deposit, no assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations or that funds required for development can be obtained on a timely basis. The economics of developing gold, copper and other mineral properties is affected by many factors including the cost of operations, variations in the grade of ore mined, fluctuations in metal markets, costs of processing equipment and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals and environmental protection. The Company has no producing mines at this time. All of the properties in which the Company may earn an interest are at the exploration stage only. Most exploration projects do not result in the discovery of commercially mineable deposits of ore.

3. Development Risks

The marketability of any minerals which may be acquired or discovered by the Company may be affected by numerous factors which are beyond the control of the Company and which cannot be accurately predicted, such as market fluctuations, the proximity and capacity of milling facilities, mineral markets and processing equipment, and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals, and environmental protection.

4. Loss of Interest in and Value of Properties

The Company's ability to maintain its interests in its mineral properties and to fund ongoing exploration costs will be entirely dependent on its ability to raise additional funds by equity financings. If the Company is unable to raise such funds it may suffer dilution or loss of its interest in its mineral properties. The amounts attributed to the Company's interests in mineral properties in its financial statements represent acquisition and exploration costs, and should not be taken to reflect realizable value.

5. Financing Risks

The Company has no history of earnings and no source of operating cash flow and, due to the nature of its business, there can be no assurance that the Company will be profitable. The Company has paid no dividends on its shares since incorporation and does not anticipate doing so in the foreseeable future. The only present source of funds available to the Company is through the sale of its equity shares. Even if the results of exploration are encouraging, the Company may not have sufficient funds to conduct the further exploration that may be necessary to determine whether or not a commercially mineable deposit exists. While the Company may generate additional working capital through further equity offerings or through the sale or possible syndication of its property, there is no assurance that any such funds will be available. If available, future equity financings may result in substantial dilution to purchasers under the Offering. At present it is impossible to determine what amounts of additional funds, if any, may be required.

6. Metal Prices

The mining industry in general is intensely competitive and there is no assurance that, even if commercial quantities of ore are discovered, a profitable market may exist for the sale of minerals produced by the Company. Factors beyond the control of the Company may affect the marketability of any substances discovered. Mineral prices, in particular gold prices, have fluctuated widely in recent years. The marketability of minerals is also affected by numerous other factors beyond the control of the Company. These other factors include government regulations relating to price, royalties, allowable production and importing and exporting of minerals.

7. Uninsurable Risks

In the course of exploration, development and production of mineral properties, certain risks, and in particular, unexpected or unusual geological operating conditions including rock bursts, cave-ins, fires, flooding and earthquakes may occur. It is not always possible to fully insure against such risks and the Company may decide not to take out insurance against such risks as a result of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any future profitability and result in increasing costs and a decline in the value of the securities of the Company.

8. Environmental and Other Regulatory Requirements

Existing and possible future environmental legislation, regulations and actions could cause significant expense, capital expenditures, restrictions and delays in the activities of the Company, the extent of which cannot be predicted and which may well be beyond the capacity of the Company to fund. The Company's right to exploit the mining properties is subject to various reporting requirements and to obtaining certain government approvals and there is no assurance that such approvals, including environmental approvals, will be obtained without inordinate delay or at all.

9. No Assurance of Titles, Boundaries or Surface Rights

The Company has investigated rights of ownership of all of the mineral properties in which it has an interest and, to the best of its knowledge, all agreements relating to such ownership rights are in good standing. However, all properties may be subject to prior claims or agreement transfers, and rights of ownership may be affected by undetected defects. While to the best of the Company's knowledge, title to all properties in which it has the right to acquire an interest is in good standing, this should not be construed as a guarantee of title. Other parties may dispute title to the mining properties in which the Company has the right to acquire an interest. The properties may be subject to prior unregistered agreements or transfers or native land claims and title may be affected by undetected defects or the statutes referred to above.

10. Permits and Licenses

The operations of the Company may require licenses and permits from various governmental authorities. There can be no assurance that the Company will be able to obtain all necessary licenses and permits that may be required to carry out exploration, development and mining operations at its projects.

11. Inability to Meet Cost Contribution Requirements

The Company may, in the future, be unable to meet its share of costs incurred under agreements to which it is a party and the Company may as a result, be subject to loss of its rights to acquire interests in the properties subject to such agreements.

12. Reliance on Key Personnel

The nature of the business of the Company, the ability of the Company to continue its exploration and development activities and to thereby develop a competitive edge in the marketplace depends, in a large part, on the ability of the Company to attract and maintain qualified key management personnel. Competition for such personnel is intense, and there can be no assurance that the Company will be able to attract and retain such personnel. The development of the Company now and in the future, will depend on the efforts of key management figures, the loss of whom could have a material adverse effect on the Company. The Company does not currently maintain key-man life insurance on any of the key management employees.

CONFLICTS OF INTEREST

GoldQuest's directors and officers may serve as directors or officers, or may be associated with, other reporting companies, or have significant shareholdings in other public companies. To the extent that such other companies may participate in business or asset acquisitions, dispositions, or ventures in which GoldQuest may participate, the directors and officers of GoldQuest may have a conflict of interest in negotiating and concluding on terms with respect to the transaction. If a conflict of interest arises, GoldQuest will follow the provisions of the *Business Corporations Act (BC)* ("Corporations Act") dealing with conflict of interest. These provisions state that where a director has such a conflict, that director must, at a meeting of GoldQuest's directors, disclose his or her interest and refrain from voting on the matter unless otherwise permitted by the Corporations Act. In accordance with the laws of the Province of British Columbia, the directors and officers of GoldQuest are required to act honestly, in good faith, and in the best interest of GoldQuest.

ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

Additional disclosure concerning GoldQuest's resource property costs is provided in the Company's annual consolidated financial statements and in Note 4 of the unaudited interim consolidated financial statements for the six months ended June 30, 2011 that is available on GoldQuest's website at www.goldquestcorp.com or on SEDAR at www.sedar.com.

CHANGES IN ACCOUNTING POLICIES AND NEW ACCOUNTING DEVELOPMENTS

Conversion to International Financial Reporting Standards

The Canadian Accounting Standards Board ("AcSB") confirmed in February 2008 that IFRS will replace Canadian GAAP for publicly accountable enterprises for financial periods beginning on or after January 1, 2011.

The Company's condensed consolidated interim financial statements have been prepared in accordance with IAS 34 using accounting policies consistent with IFRS as issued by IASB and IFRIC.

The Company's condensed consolidated interim financial statements are presented in accordance with IFRS for the year ending December 31, 2011. Previously, the Company prepared its consolidated annual and consolidated interim financial statements in accordance with Canadian GAAP.

Transition to International Financial Reporting Standards

As stated in Note 2 of the Company's condensed consolidated interim financial statements for the six months ended June 30, 2011, these financial statements are prepared in accordance with IFRS and do not include all of the information and disclosures required in the annual financial statements under IFRS.

The accounting policies in Note 2 have been applied as follows:

- in preparing the Company's condensed consolidated interim financial statements for the three and six months ended June 30, 2011;
- the comparative information for the three and six months ended June 30, 2010;
- the statement of financial position as at December 31, 2010; and
- the preparation of an opening IFRS statement of financial position on the Transition Date, January 1, 2010.

In preparing the opening IFRS statement of financial position, comparative information for the three and six months ended June 30, 2010 and the financial statements for the year ended December 31, 2010, the Company has adjusted amounts reported previously in financial statements prepared in accordance with Canadian GAAP.

The guidance for the first time adoption of IFRS is set out in IFRS 1. IFRS 1 provides for certain mandatory exceptions and optional exemptions for first time adopters of IFRS. In preparing these financial statements for the transition from CAGAAP to IFRS, the Company has elected to apply the following exemptions:

IFRS 2 – Share-based payment transactions

IFRS 2 Share-based Payment has not been applied to equity instruments that were granted on or before November 7, 2002, nor has it been applied to equity instruments granted after November 7, 2002 that vested before January 1, 2010.

IFRS 2, similar to CAGAAP, requires the Company to measure share-based payments related to share purchase options granted to employees at the fair value of the options on the date of grant and to recognize such expense over the vesting period of the options. However, under IFRS 2, the recognition of such expense must be done with a "graded vesting" methodology as opposed to the straight-line vesting method allowed under CAGAAP. In addition, under IFRS, forfeitures estimates are recognized in the period they are estimated, and are revised for actual forfeitures in subsequent periods; while under CAGAAP, forfeitures of awards are recognized as they occur.

IAS 16 – Property, plant and equipment

IAS 16 Property, plant and equipment allows for property, plant and equipment to continue to be carried at cost less depreciation, same as under CAGAAP.

Reclassification within Equity Section

IFRS requires an entity to present reconciliation between the carrying amount at the beginning and end of the period for each component of equity, separately disclosing each change. The Company examined its "contributed surplus" account and concluded that as at the Transition Date, $1,101,616 relates to "Stock Options reserve" and $5,540,607 related to the grant date fair value of the expired warrants and options which was reclassed to "Other Reserve". As a result, the Company believes that a reclassification would be necessary in the equity section between "Contributed surplus" and the "Stock Options reserve", "Warrants reserve" and "Other reserve" accounts.

Cumulative Translation differences

IFRS requires that the functional currency of each entity of the Company be determined separately and record the foreign exchange resulting from the consolidation in equity rather than in the statement of operations. IFRS 1 provides an exemption that allows for such adjustments to be made as of the Transition Date, resulting in $269,442 change to the January 1, 2010 financial statements on the Transition Date.

In addition to the changes noted above, the Company has changed its accounting policy on evaluation and exploration expenditures related to mineral properties. Under CAGAAP, the direct property acquisition costs, holding costs, field exploration and field supervisory costs relating to specific properties are deferred until the properties to which they relate are brought into production, at which time they will be amortized on a unit of production basis, or until the properties are sold, abandoned or allowed to lapse, at which time they will be written off. Under IFRS, all direct costs including option payments related to the acquisition of mineral interests are capitalized into intangible assets on a property by property basis. Exploration costs, net of incidental revenues, are charged to operations in the period incurred as "Evaluation and Exploration Costs" until such time as it has been determined that a property has economically recoverable resources, in which case subsequent exploration costs and the costs incurred to develop a property are capitalized into "Evaluation and Exploration Assets". On the commencement of commercial production, depletion of each mining property will be provided on a unit-of-production basis using estimated resources as the depletion base. As the result of the changes in the accounting policy for mineral property expenditures, the Company's net loss increased by $776,796 and $1,111,886 for the three months ended March 31, 2010 and December 31, 2010, respectively.

Future Accounting Pronouncements

Certain new accounting standards and interpretations have been published that are not mandatory for the June 30, 2011 reporting period. The following standards are assessed not to have any impact on the Company's financial statements:

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

APPROVAL

The Board of Directors of GoldQuest Mining Corp. has approved the disclosure contained in this MD&A. A copy of this MD&A will be provided to anyone who requests it.

FORWARD-LOOKING INFORMATION

Statements contained in this MD&A that are not historical facts are forward-looking statements (within the meaning of the Canadian securities legislation and the U.S. Private Securities Litigation Reform Act of 1995) that involve risks and uncertainties. Forward-looking statements include, but are not limited to, statements with respect to the future price of metals; the estimation of mineral reserves and resources, the realization of mineral reserve estimates; the timing and amount of estimated future production, costs of production, and capital expenditures; costs and timing of the development of new deposits; success of exploration activities, permitting time lines, currency fluctuations, requirements for additional capital, government regulation of mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims, limitations on insurance coverage and the timing and possible outcome of pending litigation. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such risks and other factors include, among others, risks related to the integration of acquisitions; risks related to operations; risks related to joint venture operations; actual results of current exploration activities; actual results of current reclamation activities; conclusions of economic evaluations; changes in project parameters as plans continue to be refined; future prices of metals; possible variations in ore reserves, grade or recovery rates; failure of plant, equipment or processes to operate as anticipated; accidents, labor disputes and other risks of the mining industry; delays in obtaining governmental approvals or financing or in the completion of development or construction activities, as well as those factors discussed in the sections entitled "Risks and Uncertainties" in this MD&A. Although the Company has attempted to identify important factors that could affect the Company and may cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The forward-looking statements in this MD&A speak only as of the date hereof. The Company does not undertake any obligation to release publicly any revisions to these forward-looking statements to reflect events or circumstances after the date hereof to reflect the occurrence of unanticipated events.

Forward-looking statements and other information contained herein concerning the mining industry and general expectations concerning the mining industry are based on estimates prepared by the Company using data from publicly available industry sources as well as from market research and industry analysis and on assumptions based on data and knowledge of this industry which the Company believes to be reasonable. However, this data is inherently imprecise, although generally indicative of relative market positions, market shares and performance characteristics. While the Company is not aware of any misstatements regarding any industry data presented herein, the industry involves risks and uncertainties and is subject to change based on various factors.