

GOLDQUEST MINING CORP.

Condensed Consolidated Interim Financial Statements

March 31, 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 three months ended March 31, 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)

<i>As at</i>	March 31, 2011	December 31, 2010	January 1, 2010
		<i>(Note 17)</i>	<i>(Note 17)</i>
ASSETS			
Current assets			
Cash and cash equivalents (note 4)	\$ 3,179,771	\$ 2,055,664	\$ 766,410
Amounts receivable (note 5)	37,533	128,668	5,720
Prepaid expenses	164,629	19,527	186,342
Deposits	25,567	22,188	-
	3,407,500	2,226,047	958,472
Non-current assets			
Equipment (note 6)	110,271	94,497	121,972
Evaluation and exploration assets (note 7)	1,247,000	1,247,000	1,247,000
	1,357,271	1,341,497	1,368,972
TOTAL ASSETS	\$ 4,764,771	\$ 3,567,544	\$ 2,327,444
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities (notes 9 & 11)	\$ 528,182	\$ 249,770	\$ 120,469
Current portion of lease obligation	9,389	8,175	-
	537,571	257,945	120,469
Non-current liabilities			
Lease obligation	6,590	9,463	-
TOTAL LIABILITIES	544,161	267,408	120,469
EQUITY			
Share capital (note 10)	\$ 16,495,953	\$ 14,122,659	\$ 11,843,445
Shares subscribed	-	16,000	-
Other reserve (note 10(e))	6,195,172	5,960,882	5,540,607
Stock options reserve (note 10(d)&(e))	884,371	973,705	1,101,616
Warrants reserve (note 10(c)&(e))	112,690	591,952	-
Deficit	(19,467,576)	(18,365,062)	(16,278,693)
TOTAL EQUITY	4,220,610	3,300,136	2,206,975
TOTAL EQUITY AND LIABILITIES	\$ 4,764,771	\$ 3,567,544	\$ 2,327,444

Corporate information and continuance of operations (note 1)

Commitments and contingencies (notes 12(a)&(b))

Segmented information (note 13)

Subsequent events (note 16)

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

APPROVED BY THE BOARD:

/s/ Julio Espailat, Director

/s/ Anthony Warrender, Director

GoldQuest Mining Corp.
Condensed Consolidated Interim Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars – unaudited)

	For the three months ended	
	March 31, 2011	March 31, 2010
		<i>(Note 17)</i>
EXPENSES		
Depreciation	\$ 3,096	\$ 798
Evaluation and exploration costs (note 8)	579,633	344,018
Foreign exchange loss (gain)	8,690	(25,422)
General and administrative	369,497	89,342
Share-based payments (note 10(d))	144,956	93,344
	1,105,872	502,080
OTHER EXPENSES (INCOME)		
Interest income	(3,358)	(190)
TOTAL LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD	\$ 1,102,514	\$ 501,890
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
Weighted average number of common shares outstanding	101,439,099	70,229,122

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)

	Note	Share capital				Reserves				Total
		Number of shares	Amount	Shares subscribed	Other reserve	Stock options		Deficit		
						reserve	Warrants reserve			
Balance at January 1, 2010	17	70,145,551	\$ 11,843,445	\$ -	\$ 5,540,607	\$ 1,101,616	\$ -	\$ (16,278,693)	\$ 2,206,975	
Shares issued for cash - private placement		7,605,000	746,273	-	-	-	204,352	-	950,625	
Share issue costs		-	(126,994)	-	-	-	-	-	(126,994)	
Share-based payments		-	-	-	-	93,344	-	-	93,344	
Net loss for the period		-	-	-	-	-	-	(501,890)	(501,890)	
Balance at March 31, 2010	17	77,750,551	\$ 12,462,724	\$ -	\$ 5,540,607	\$ 1,194,960	\$ 204,352	\$ (16,780,583)	\$ 2,622,060	
Shares issued for cash - private placement		13,895,800	1,403,490	-	-	-	333,485	-	1,736,975	
Share issue costs		-	(282,536)	-	-	-	149,192	-	(133,344)	
Share subscribed		-	-	16,000	-	-	-	-	16,000	
Shares issued for cash - warrant exercise		1,717,350	325,191	-	-	-	-	-	325,191	
Shares issued for cash - stock option exercise		435,000	61,500	-	-	-	-	-	61,500	
Reclassification of grant-date fair value on exercise of warrants		-	95,077	-	-	-	(95,077)	-	-	
Reclassification of grant-date fair value on exercise of stock options		-	57,213	-	-	(57,213)	-	-	-	
Reclassification of grant-date fair value on expired options		-	-	-	420,275	(420,275)	-	-	-	
Share-based payments		-	-	-	-	256,233	-	-	256,233	
Net loss for the period		-	-	-	-	-	-	(1,584,479)	(1,584,479)	
Balance at December 31, 2010	17	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 - warrant exercise		9,509,900	1,894,032	(16,000)	-	-	-	-	1,878,032	
Reclassification of grant-date fair value on exercise of warrants		-	479,262	-	-	-	(479,262)	-	-	
Reclassification of grant-date fair value on expired options		-	-	-	234,290	(234,290)	-	-	-	
Share-based payments		-	-	-	-	144,956	-	-	144,956	
Net loss for the period		-	-	-	-	-	-	(1,102,514)	(1,102,514)	
Balance at March 31, 2011		103,308,601	\$ 16,495,953	\$ -	\$ 6,195,172	\$ 884,371	\$ 112,690	\$ (19,467,576)	\$ 4,220,610	

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 three months ended	
	March 31, 2011	March 31, 2010
	<i>(Note 17)</i>	
Cash flows provided from (used by):		
OPERATING ACTIVITIES		
Net loss for the period	\$ (1,102,514)	\$ (501,890)
Adjustments for items not affecting cash:		
Depreciation	17,385	10,774
Share-based payments	144,956	93,344
Exchange rate effect on lease obligation	562	-
	(939,611)	(397,772)
Net changes in non-cash working capital items:		
Amounts receivable	91,135	(29,073)
Prepaid expenses	(145,102)	153,613
Deposits	(3,379)	-
Accounts payable and accrued liabilities	278,412	(945)
Net cash flows (used in) operating activities	(718,545)	(274,177)
FINANCING ACTIVITIES		
Proceeds from share issuance	1,878,032	913,831
Share issue costs	-	(90,200)
Lease payments	(2,221)	-
Net cash flows from financing activities	1,875,811	823,631
INVESTING ACTIVITIES		
(Purchase) disposal of equipment	(33,159)	58,938
Net cash flows from (used in) investing activities	(33,159)	58,938
Net increase in cash and cash equivalents	1,124,107	608,392
Cash and cash equivalents, beginning of period	2,055,664	766,410
Cash and cash equivalents, end of period	\$ 3,179,771	\$ 1,374,802
Cash and cash equivalents consist of :		
Cash	1,669,771	274,802
Term deposits	1,510,000	1,100,000
	\$ 3,179,771	\$ 1,374,802

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

GoldQuest Mining Corp.
Notes to the Condensed Consolidated Interim Financial Statements
For the Three Months Ended March 31, 2011
(Expressed in Canadian Dollars – unaudited)

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 March 31, 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 three months ended March 31, 2011 were reviewed by the Audit Committee and approved and authorized by the Board of Directors on June 27, 2011.

GoldQuest Mining Corp.
Notes to the Condensed Consolidated Interim Financial Statements
For the Three Months Ended March 31, 2011
(Expressed in Canadian Dollars – unaudited)

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

a) *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, being the first IFRS 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.

b) *Basis of preparation*

These condensed consolidated interim financial statements have been prepared on a historical cost basis. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

These condensed consolidated interim financial statements, including comparatives, have been prepared on the basis of IFRS standards that are published at the time of preparation and that are effective or available for adoption on December 31, 2011, the Company’s first annual reporting date.

The preparation of these condensed consolidated interim financial statements resulted in changes to the accounting policies as compared with the most recent annual financial statements prepared under Canadian GAAP. The accounting policies set out below have been applied consistently to all periods presented in these condensed consolidated interim financial statements. They also have been applied in preparing an opening IFRS balance sheet at January 1, 2010 for the purposes of the transition to IFRS, as required by IFRS 1, First Time Adoption of International Financial Reporting Standards (“IFRS 1”). The impact of the transition from Canadian GAAP to IFRS is explained in Note 17.

GoldQuest Mining Corp.
Notes to the Condensed Consolidated Interim Financial Statements
For the Three Months Ended March 31, 2011
(Expressed in Canadian Dollars – unaudited)

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

c) Basis of consolidation

These condensed interim consolidated financial statements comprise the accounts of the Company and the following wholly-owned subsidiaries of the Company:

- GoldQuest Mining (BVI) Corp, a company incorporated under the laws of British Virgin Islands (“BVI”);
- GoldQuest Mining (Spain) Corp., a company incorporated under the laws of BVI;
- INEX Ingeniería y Exploración, S. A., a company incorporated under the laws of Dominican Republic; and
- GoldQuest Iberica S.L., a company incorporated under the laws of Spain.

All subsidiaries have a reporting date of December 31.

i. Subsidiaries

A subsidiary is an entity over which the Company has power to govern the operating and financial policies in order to obtain benefits from its activities. The consolidated financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiaries after eliminating inter-entity balances and transactions.

ii. Acquisitions and disposals

The results of businesses acquired during the reporting period are brought into the consolidated financial statements from the date the control is transferred; the results of businesses sold during the reporting period are included in the consolidated financial statements for the period up to the date the control is ceased.

Gains or losses on disposal are calculated as the difference between the sales proceeds (net of expenses) and the net assets attributable to the interest which has been sold. Where a disposal represents a separate major line of business or geographical area of operations, the net results attributable to the disposed entity are shown separately in the income statement.

GoldQuest Mining Corp.
Notes to the Condensed Consolidated Interim Financial Statements
For the Three Months Ended March 31, 2011
(Expressed in Canadian Dollars – unaudited)

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

d) Significant management judgment and estimates in applying accounting policies

The following are significant management judgments in applying the accounting policies of the Company that have the most significant effect on the condensed consolidated interim financial statements.

Management estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Information about significant judgments, estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses are discussed below.

Deferred tax assets

The assessment of the probability of future taxable income in which deferred tax assets can be utilized is based on the Company's estimates of future profits or losses adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. The tax rules in the numerous jurisdictions in which the Company operates are also carefully taken into consideration. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, especially when it can be utilized without a time limit, that deferred tax asset is usually recognized in full. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties is assessed individually by management based on the specific facts and circumstances.Impairment

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows management makes assumptions about future gross profits. These assumptions relate to future events and circumstances. The actual results may vary, and may cause significant adjustments to the Company's assets within the next financial year.

In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors.

Useful lives of depreciable assets

Management reviews the useful lives of depreciable assets at each reporting date.

Fair value of share-based payments

Determining the fair value of certain share-based payments involves estimates of interest rates, expected life of options, share price volatility and the application of the Black-Scholes option pricing model. The Black-Scholes option pricing model requires the input of highly subjective assumptions that can materially affect the fair value estimate.

GoldQuest Mining Corp.
Notes to the Condensed Consolidated Interim Financial Statements
For the Three Months Ended March 31, 2011
(Expressed in Canadian Dollars – unaudited)

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

d) Significant management judgment and estimates in applying accounting policies (continued)

Provisions for decommissioning and site restoration costs

Provision is made for environmental remediation costs when the related environmental disturbance occurs, based on the net present value of estimated future costs.

The ultimate cost of environmental disturbance is uncertain and cost estimates can vary in response to many factors including changes to the relevant legal requirements, the emergence of new restoration techniques or experience at other mine sites.

The expected timing of expenditure can also change, for example, in response to changes in ore reserves or production rates or economic conditions. As a result there could be significant adjustments to the provision for decommissioning and site restoration, which would affect future financial results.

The Company assesses its provisions for decommissioning and site restoration costs using the information available as at the year-end date, unless significant differences are identified in the interim period. Significant estimates and assumptions are made in determining the provisions for decommissioning and site restoration costs, as there are numerous factors that will affect the ultimate liability amount. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases and changes in discount rates. Those uncertainties may result in future actual expenditures differing from the amounts currently provided. The provision at the consolidated statement of financial position date represents management's best estimate of the present value of the future rehabilitation costs required. Changes to estimated future costs are recognized in the consolidated statement of financial position by adjusting the rehabilitation asset and liability. If, for mature mines, the revised mine assets net of rehabilitation provisions exceeds the carrying value, that portion of the increase is charged directly to expense.

GoldQuest Mining Corp.
Notes to the Condensed Consolidated Interim Financial Statements
For the Three Months Ended March 31, 2011
(Expressed in Canadian Dollars – unaudited)

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

e) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held on call with banks, highly liquid investments that are readily convertible into known amount of cash and which are subject to insignificant risk of changes in value, net of bank overdrafts which are repayable on demand. Cash and cash equivalents normally have a term to maturity of three months or less from the date of acquisition.

f) Financial instruments

Financial Assets

Financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held-to-maturity, available-for-sale, loans and receivables or at fair value through profit or loss (“FVTPL”).

Financial assets classified as loans and receivables are measured at amortized cost less impairment. The Company has classified its amounts receivable as loans and receivables.

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through earnings. The Company has classified its cash and cash equivalents as FVTPL.

Financial assets classified as held-to-maturity are measured at amortized cost. The Company has no financial assets classified as held-to-maturity.

Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered other than temporary. The Company has no financial assets classified as available-for-sale.

Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

Financial Liabilities

Financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or classified as other financial liabilities.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. Subsequently, they are measured at amortized cost using the effective interest method. The Company has classified its accounts payable and accrued liabilities and lease obligations as other financial liabilities.

Financial liabilities classified as FVTPL include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as FVTPL. Fair value changes on financial liabilities classified as FVTPL are recognized through the statement of loss. The Company has no financial liabilities classified as FVTPL.

GoldQuest Mining Corp.
Notes to the Condensed Consolidated Interim Financial Statements
For the Three Months Ended March 31, 2011
(Expressed in Canadian Dollars – unaudited)

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

f) *Financial instruments (continued)*

Derecognition of financial assets and liabilities

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The rights to receive cash flows from the asset have expired.
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the condensed consolidated interim statement of loss.

Impairment of financial assets

The Company assesses at each consolidated statement of financial position date whether a financial asset is impaired.

Financial assets carried at amortized cost

If there is objective evidence that an impairment loss on loans and receivables and held-to-maturity investments carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred, discounted at the effective interest rate computed at initial recognition. The carrying amount of the asset is reduced and the amount of the loss is recognized in profit or loss. Objective evidence of impairment of loans and receivables exists if the counter-party is experiencing significant financial difficulty, there is a breach of contract, concessions are granted to the counter-party that would not normally be granted, or it is probable that the counter-party will enter into bankruptcy or a financial reorganization.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

GoldQuest Mining Corp.
Notes to the Condensed Consolidated Interim Financial Statements
For the Three Months Ended March 31, 2011
(Expressed in Canadian Dollars – unaudited)

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

g) Taxation

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable profit; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a future tax asset will be recovered, it provides a valuation allowance against that excess.

h) Loss per share

Basic loss per share is calculated using the weighted-average number of shares outstanding during the year. The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on earnings per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the year.

GoldQuest Mining Corp.
Notes to the Condensed Consolidated Interim Financial Statements
For the Three Months Ended March 31, 2011
(Expressed in Canadian Dollars – unaudited)

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

i) Share-based payments

Share-based payment transactions

Employees (including directors and senior executives) of the Company receive a portion of their remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments (“equity-settled transactions”).

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment. Otherwise, share-based payments issued to non-employees are measured at the fair value of goods or services received.

Equity-settled transactions

The costs of equity-settled transactions with employees are measured by reference to the fair value at the date on which they are granted.

The costs of equity-settled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the “vesting date”). The cumulative expense is recognized for equity-settled transactions at each reporting date until the vesting date reflects the Company’s best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and the corresponding amount is represented in stock option reserve. No expense is recognized for awards that do not ultimately vest.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

The dilutive effect of outstanding options is reflected as additional dilution in the computation of earnings per share unless it is considered to be anti-dilutive.

GoldQuest Mining Corp.
Notes to the Condensed Consolidated Interim Financial Statements
For the Three Months Ended March 31, 2011
(Expressed in Canadian Dollars – unaudited)

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

j) Evaluation and Exploration

Evaluation and Exploration Assets

Evaluation and exploration assets include acquired mineral rights for mineral properties held by the Company. The amount of consideration paid (in cash or share value) for mineral rights is capitalized. The amounts shown for evaluation and exploration assets represent costs of acquisition, other than transaction costs, incurred to date (excluding transaction costs), less recoveries, and do not necessarily reflect present or future values. These costs will be amortized against revenue from future production or written off if the evaluation and exploration assets are abandoned or sold. Included in the cost of evaluation and exploration assets is the cost of the estimated decommissioning liability. The Company has classified evaluation and exploration assets as intangible in nature. Depletion of costs capitalized on projects put into commercial production will be recorded using the unit-of-production method based upon estimated proven and probable reserves.

Ownership in evaluation and exploration assets involves certain inherent risks, including geological, metal prices, operating costs, and permitting risks. Many of these risks are outside the Company's control. The ultimate recoverability of the amounts capitalized for the evaluation and exploration assets is dependent upon the delineation of economically recoverable ore reserves, obtaining the necessary financing to complete their development, obtaining the necessary permits to operate a mine, and realizing profitable production or proceeds from the disposition thereof. Management's estimates of recoverability of the Company's investment in its evaluation and exploration assets have been based on current and expected conditions. However, it is possible that changes could occur which could adversely affect management's estimates and may result in future write downs of evaluation and exploration assets carrying values.

Evaluation and Exploration Costs

Evaluation and exploration costs, other than those described above, are expensed as incurred until such time as either mineral reserves are proven or probable, or permits to operate the mineral resource property are received and financing to complete development has been obtained. Following confirmation of mineral reserves or receipt of permits to commence mining operations and obtaining necessary financing, evaluation and exploration costs are capitalized as deferred development expenditures included within evaluation and exploration assets.

GoldQuest Mining Corp.
Notes to the Condensed Consolidated Interim Financial Statements
For the Three Months Ended March 31, 2011
(Expressed in Canadian Dollars – unaudited)

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

k) Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the asset is tested as part of a larger CGU. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

Impairment losses of continuing operations, including impairment of inventories, are recognized in net loss in those expense categories consistent with the function of the impaired asset.

l) Currency translation

The presentation currency and the functional currency of the Company and each of its subsidiaries is the Canadian dollar.

The functional currency for each entity in the Company is determined as the currency of the primary economic environment in which it operates. Transactions other than those in the functional currency of the entity are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in currencies other than the functional currency are retranslated at period end exchange rates. Gains and losses on retranslation are included in net profit or loss for the period.

The functional currency of the entities in the Company has remained unchanged during the reporting period.

GoldQuest Mining Corp.
Notes to the Condensed Consolidated Interim Financial Statements
For the Three Months Ended March 31, 2011
(Expressed in Canadian Dollars – unaudited)

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

m) Equipment

Equipment and vehicles are initially recognized at cost. As well as the purchase price, cost includes directly attributable costs and the estimated present value of any future costs of dismantling and removing items. The corresponding liability is recognized within provisions. All items of equipment and vehicles are subsequently carried at depreciated cost less impairment losses, if any.

Depreciation is provided on all items of equipment and vehicles to write off the carrying value of items over their expected useful economic lives. Depreciation is provided on a straight line basis over the estimated useful lives of the equipment at the following annual rates:

- Computer Equipment 15%
- Vehicles 25%
- Office and Field Equipment 10% or 30%

Material residual value estimates and estimates of useful life are updated as required, but at least annually.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset as appropriate, only when it's probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replacement part is derecognized. All other repairs and maintenance are charged to the condensed consolidated interim statements of loss and comprehensive loss during the financial period in which they are incurred.

n) Employee benefits

Wages, salaries and annual vacation leave

Liabilities arising in respect of wages and salaries, vacation leave and any other employee benefits expected to be settled within twelve months of the financial position reporting date are measured at undiscounted amounts based on remuneration rates which are expected to be paid when the liabilities are settled. In respect of employees' services up to the financial position reporting date, wages and salaries are recognized in trade and other payables and other employee benefits including annual vacation leave are recognized in current provisions.

Employee and management bonus plans

A liability is recognized for the amount expected to be paid under the Company's bonus plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably. Where the effect is material, the liabilities for bonus payments not expected to be settled within twelve months are discounted using a pre-tax risk-free rate, which most closely match the terms of maturity of the related liabilities.

Bonus liabilities expected to be settled within twelve months of the consolidated statement of financial position date are recognized in current provisions, and those that are not expected to settle within twelve months are recognized in non-current provisions.

GoldQuest Mining Corp.
Notes to the Condensed Consolidated Interim Financial Statements
For the Three Months Ended March 31, 2011
(Expressed in Canadian Dollars – unaudited)

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

o) Rehabilitation provision

The Company records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation and re-vegetation of affected areas.

The obligation generally arises when the asset is installed or the ground / environment is disturbed at the production location. When the liability is initially recognized, the present value of the estimated costs is capitalised by increasing the carrying amount of the related mining assets to the extent that it was incurred by the development / construction of the mine. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability.

The periodic unwinding of the discount is recognized in profit or loss as a finance cost. Additional disturbances or changes in rehabilitation costs will be recognized as additions or charges to the corresponding assets and rehabilitation liability when they occur.

For closed sites, changes to estimated costs are recognized immediately in profit or loss.

p) Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date: whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognized as an operating expense in profit or loss on a straight-line basis over the lease term.

GoldQuest Mining Corp.
Notes to the Condensed Consolidated Interim Financial Statements
For the Three Months Ended March 31, 2011
(Expressed in Canadian Dollars – unaudited)

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

q) Contingencies

Contingent assets

Contingent assets are not recognized in the financial statements but they are disclosed by way of note if they are deemed probable.

Contingent liabilities

Contingent liabilities are possible obligations whose existence will only be confirmed by future events not wholly within the control of the Company. Contingent liabilities are recognized in the financial statements unless the possibility of an outflow of economic resources is considered remote, in which case they are disclosed in the notes to the consolidated financial statements.

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

GoldQuest Mining Corp.
Notes to the Condensed Consolidated Interim Financial Statements
For the Three Months Ended March 31, 2011
(Expressed in Canadian Dollars – unaudited)

4. CASH AND CASH EQUIVALENTS

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

	March 31, 2011		December 31, 2010		January 1, 2010	
Cash	\$	1,669,771	\$	542,766	\$	66,410
Term deposits		1,510,000		1,512,898		700,000
	\$	3,179,771	\$	2,055,664	\$	766,410

5. AMOUNTS RECEIVABLE

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

	March 31, 2011		December 31, 2010		January 1, 2010	
Harmonized sales tax receivables	\$	37,533	\$	18,511	\$	5,720
Other receivables		-		110,157		-
	\$	37,533	\$	128,668	\$	5,720

GoldQuest Mining Corp.
Notes to the Condensed Consolidated Interim Financial Statements
For the Three Months Ended March 31, 2011
(Expressed in Canadian Dollars – unaudited)

6. EQUIPMENT

The Company's equipment is broken down as follows:

	Computer equipment	Field equipment	Office equipment	Vehicles	Total
Cost					
As at January 1, 2010	\$ 33,380	\$ 90,850	\$ 19,532	\$ 294,179	\$ 437,941
Additions	5,831	-	8,163	24,522	38,516
Disposals	-	-	(2,618)	(180,852)	(183,470)
Balance as at December 31, 2010	\$ 39,211	\$ 90,850	\$ 25,077	\$ 137,849	\$ 292,987
Depreciation					
As at January 1, 2010	\$ (29,156)	\$ (72,316)	\$ (10,881)	\$ (203,616)	\$ (315,969)
Charged for the period	(1,248)	(3,287)	(1,583)	(9,999)	(16,117)
Eliminated on disposal	-	-	2,195	131,401	133,596
Balance as at December 31, 2010	\$ (30,404)	\$ (75,603)	\$ (10,269)	\$ (82,214)	\$ (198,490)
Net book value					
As at January 1, 2010	\$ 4,224	\$ 18,534	\$ 8,651	\$ 90,563	\$ 121,972
As at December 31, 2010	\$ 8,807	\$ 15,247	\$ 14,808	\$ 55,635	\$ 94,497

	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	-	28,398	4,761	-	33,159
Balance as at March 31, 2011	\$ 39,211	\$ 119,248	\$ 29,838	\$ 137,849	\$ 326,146
Depreciation					
As at December 31, 2010	\$ (30,404)	\$ (75,603)	\$ (10,269)	\$ (82,214)	\$ (198,490)
Charged for the period	(649)	(7,374)	(746)	(8,616)	(17,385)
Balance as at March 31, 2011	\$ (31,053)	\$ (82,977)	\$ (11,015)	\$ (90,830)	\$ (215,875)
Net book value					
As at December 31, 2010	\$ 8,807	\$ 15,247	\$ 14,808	\$ 55,635	\$ 94,497
As at March 31, 2011	\$ 8,158	\$ 36,271	\$ 18,823	\$ 47,019	\$ 110,271

During the year ended December 31, 2010, the Company disposed of office equipment and vehicle with a net book value of \$49,874 for proceeds of \$86,662. This amount was credited to operations as a gain on disposal.

GoldQuest Mining Corp.
Notes to the Condensed Consolidated Interim Financial Statements
For the Three Months Ended March 31, 2011
(Expressed in Canadian Dollars – unaudited)

7. EVALUATION AND EXPLORATION ASSETS

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

	Note	Balance as at January 1, 2010	Additions	Balance as at December 31, 2010	Additions	Balance as at March 31, 2011
Dominican Republic	17	\$ 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.

GoldQuest Mining Corp.
Notes to the Condensed Consolidated Interim Financial Statements
For the Three Months Ended March 31, 2011
(Expressed in Canadian Dollars – unaudited)

8. EVALUATION AND EXPLORATION COSTS

The evaluation and exploration costs for the Company during the three months ended March 31, 2011 and 2010 are broken down as follows:

	For the three months ended March 31, 2011		
	Dominican Republic	Spain	Total
Depreciation	\$ 14,289	\$ -	\$ 14,289
Drilling	273,524	-	273,524
Field office administration	76,330	29,043	105,373
Field technicians	46,928	-	46,928
Geological	35,455	57,536	92,991
Lodging and food	15,854	-	15,854
Sample analysis	30,674	-	30,674
	\$ 493,054	\$ 86,579	\$ 579,633

	For the three months ended March 31, 2010		
	Dominican Republic	Spain	Total
Depreciation	\$ 9,976	\$ -	\$ 9,976
Field office administration	56,881	62,249	119,130
Geological	55,923	-	55,923
Legal	-	158,989	158,989
	\$ 122,780	\$ 221,238	\$ 344,018

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	493,054	86,579	579,633
Cumulative evaluation and exploration costs, March 31, 2011	\$ 8,335,048	\$ 513,461	\$ 8,848,509

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	March 31, 2011	December 31, 2010	January 1, 2010
Trade payables	\$ 480,682	\$ 224,083	\$ 120,469
Accrued liabilities	47,500	25,687	-
	\$ 528,182	\$ 249,770	\$ 120,469

GoldQuest Mining Corp.
Notes to the Condensed Consolidated Interim Financial Statements
For the Three Months Ended March 31, 2011
(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 March 31, 2011, the Company had 103,308,601 common shares issued and outstanding (December 31, 2010 – 93,798,701 and January 1, 2010 – 70,145,551).

c) Warrants

The changes in warrants during the three months ended March 31, 2011 and the year ended December 31, 2010 are as follows:

	<u>March 31, 2011</u>		<u>December 31, 2010</u>	
	<u>Number outstanding</u>	<u>Weighted average exercise price</u>	<u>Number outstanding</u>	<u>Weighted average exercise price</u>
Outstanding, beginning of period	10,948,150	\$ 0.19	-	\$ -
Issued	-	-	12,665,500	0.19
Exercised	<u>(9,509,900)</u>	<u>0.20</u>	<u>(1,717,350)</u>	0.19
Outstanding, end of period	<u>1,438,250</u>	<u>\$ 0.15</u>	<u>10,948,150</u>	<u>\$ 0.19</u>

The following summarizes information about warrants outstanding at March 31, 2011:

<u>Expiry date</u>	<u>Warrants outstanding</u>	<u>Exercise price</u>	<u>Estimated grant date fair value</u>	<u>Weighted average remaining contractual life (in years)</u>
March 31, 2012	406,650	\$ 0.145	\$ 29,610	1.00
April 9, 2012	326,500	0.145	26,330	1.03
April 26, 2012	705,100	0.145	56,750	1.07
	<u>1,438,250</u>		<u>\$ 112,690</u>	<u>1.04</u>

GoldQuest Mining Corp.
Notes to the Condensed Consolidated Interim Financial Statements
For the Three Months Ended March 31, 2011
(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 three months ended March 31, 2011 and the year ended December 31, 2010 are as follows:

	<u>March 31, 2011</u>		<u>December 31, 2010</u>	
	<u>Number outstanding</u>	<u>Weighted average exercise price</u>	<u>Number outstanding</u>	<u>Weighted average exercise price</u>
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	(790,000)	0.39	(1,415,000)	0.40
Forfeited	(100,000)	0.10	(425,000)	0.18
Outstanding, end of period	<u>6,505,000</u>	<u>\$ 0.25</u>	<u>6,095,000</u>	<u>\$ 0.22</u>

The following summarizes information about stock options outstanding and exercisable at March 31, 2011:

<u>Expiry date</u>	<u>Options outstanding</u>	<u>Options exercisable</u>	<u>Exercise price</u>	<u>Estimated grant date fair value</u>	<u>Weighted average remaining contractual life (in years)</u>
May 8, 2012	600,000	600,000	\$ 0.400	\$ 156,276	1.11
June 11, 2013	855,000	855,000	0.400	259,920	2.20
April 1, 2014	700,000	350,000	0.100	64,822	3.01
July 14, 2014	300,000	200,000	0.100	23,639	3.29
June 1, 2015	900,000	450,000	0.140	85,080	4.17
July 16, 2015	1,550,000	775,000	0.140	175,542	4.30
September 24, 2015	300,000	-	0.145	21,544	4.49
January 20, 2016	300,000	50,000	0.360	22,699	4.81
March 1, 2016	1,000,000	250,000	0.420	74,849	4.92
	<u>6,505,000</u>	<u>3,530,000</u>		<u>\$ 884,371</u>	<u>3.65</u>

GoldQuest Mining Corp.
Notes to the Condensed Consolidated Interim Financial Statements
For the Three Months Ended March 31, 2011
(Expressed in Canadian Dollars – unaudited)

10. SHARE CAPITAL (continued)

d) Options (continued)

There were 1,300,000 options granted to the Company's officers and directors during the three months ended March 31, 2011 (March 31, 2010 – nil). The estimated fair value of the options granted was calculated using the Black-Scholes Option Pricing Model with the following assumptions:

	For the three months ended	
	March 31, 2011	March 31, 2010
Risk-free interest rate	2.20%	N/A
Expected annual volatility	118%	N/A
Expected life	4.23	N/A
Expected dividend yield	0%	N/A
Weighted average grant date fair value per option	\$ 0.30	N/A

During the three months ended March 31, 2011, the Company recognized share-based payments expense of \$144,956 (March 31, 2010 – \$93,344). For the three months ended March 31, 2011 and 2010, share-based payments expense consists of the following:

	For the three months ended	
	March 31, 2011	March 31, 2010
For services in respect of:		
Directors' fees	\$ 40,964	\$ 67,962
Investor relations	10,923	-
Management fees	84,076	15,627
Salaries and wages	8,993	9,755
	\$ 144,956	\$ 93,344

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.

GoldQuest Mining Corp.
Notes to the Condensed Consolidated Interim Financial Statements
For the Three Months Ended March 31, 2011
(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 \$71,108 as at March 31, 2011 (December 31, 2010 – \$68,303; January 1, 2010 - \$698). 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 three months ended	
	March 31, 2011	March 31, 2010
Short-term employee benefits - management fees	\$ 86,000	\$ 56,250
Short-term employee benefits - directors' fees	45,250	-
Share-based payments - management fees	84,751	8,694
Share-based payments - directors' fees	44,892	40,285
	\$ 260,893	\$ 105,229

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	\$ 13,875
2012	18,800
2013	3,100
	\$ 35,775

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.

GoldQuest Mining Corp.
Notes to the Condensed Consolidated Interim Financial Statements
For the Three Months Ended March 31, 2011
(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
<i>As at March 31, 2011</i>				
Evaluation and exploration assets	\$ -	\$ 1,247,000	\$ -	\$ 1,247,000
Other assets	3,232,025	179,459	106,287	3,517,771
Liabilities	(436,380)	(20,150)	(87,631)	(544,161)
	\$ 2,795,645	\$ 1,406,309	\$ 18,656	\$ 4,220,610
<i>As at December 31, 2010</i>				
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
<i>As at January 1, 2010</i>				
Evaluation and exploration assets	\$ -	\$ 1,247,000	\$ -	\$ 1,247,000
Other assets	948,406	132,038	-	1,080,444
Liabilities	(83,904)	(36,565)	-	(120,469)
	\$ 864,502	\$ 1,342,473	\$ -	\$ 2,206,975

GoldQuest Mining Corp.
Notes to the Condensed Consolidated Interim Financial Statements
For the Three Months Ended March 31, 2011
(Expressed in Canadian Dollars – unaudited)

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 three months ended March 31, 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 March 31, 2011, December 31, 2010 and January 1, 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.

GoldQuest Mining Corp.
Notes to the Condensed Consolidated Interim Financial Statements
For the Three Months Ended March 31, 2011
(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:

	March 31, 2011
Held at major Canadian financial institution:	
Cash	\$ 1,624,358
Short-term money market instruments	1,510,000
	3,134,358
Held at major Dominican Republic financial institution:	
Cash	\$ 38,945
Held at major Spanish financial institution:	
Cash	\$ 6,468
Total cash and short-term investments	\$ 3,179,771

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 March 31, 2011 in the amount of \$3,179,771, in order to meet short-term business requirements. At March 31, 2011, the Company had accounts payable and accrued liabilities of \$528,182 and current portion of lease obligation of \$9,389. All accounts payable and accrued liabilities are current.

GoldQuest Mining Corp.
Notes to the Condensed Consolidated Interim Financial Statements
For the Three Months Ended March 31, 2011
(Expressed in Canadian Dollars – unaudited)

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 March 31, 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 March 31, 2011 would result in a \$13,590 change to the Company's net loss for the three months ended March 31, 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 March 31, 2011:

	in CAD	in USD	in DOP	in EURO
Cash and cash equivalents	3,077,465	96,688	71,818	4,719
Accounts payable and accrued liabilities	(185,377)	(258,181)	(787,093)	(52,278)
Lease obligations	-	-	-	(11,659)
	2,892,088	(161,493)	(715,275)	(59,218)
Rate to convert to \$1.00 CAD	1.000	1.0286	39.0625	0.7296
Equivalent to Canadian dollars	2,892,088	(157,003)	(18,311)	(81,164)

GoldQuest Mining Corp.
Notes to the Condensed Consolidated Interim Financial Statements
For the Three Months Ended March 31, 2011
(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 March 31, 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
<i>For the three months ended March 31, 2011</i>				
If CAD appreciated by 10%	14,273	1,665	7,379	23,317
If CAD depreciated by 10%	(17,445)	(2,035)	(9,018)	(28,498)

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 EVENTS

Subsequent to March 31, 2011, 200,000 warrants with an exercise price of \$0.145 were exercised for cash proceeds of \$29,000.

GoldQuest Mining Corp.
Notes to the Condensed Consolidated Interim Financial Statements
For the Three Months Ended March 31, 2011
(Expressed in Canadian Dollars – unaudited)

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, making them the first condensed consolidated interim financial statements of the Company under IFRS. The Company previously 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.

GoldQuest Mining Corp.
Notes to the Condensed Consolidated Interim Financial Statements
For the Three Months Ended March 31, 2011
(Expressed in Canadian Dollars – unaudited)

17. TRANSITION TO IFRS (continued)

Reconciliation of assets

	Notes	As at December 31, 2010		As at March 31, 2010		As at January 1, 2010	
		Effect of		Effect of		Effect of	
		Canadian GAAP	IFRS	Canadian GAAP	IFRS	Canadian GAAP	IFRS
ASSETS							
Current assets							
Cash and cash equivalents		\$ 2,055,664	\$ -	\$ 1,374,802	\$ 1,374,802	\$ 766,410	\$ -
Amounts receivable		128,668	-	34,793	34,793	5,720	-
Prepaid expenses		19,527	-	32,729	32,729	186,342	-
Deposits		22,188	-	-	-	-	-
		2,226,047	-	1,442,324	1,442,324	958,472	-
Non-current assets							
Equipment		94,497	-	52,260	52,260	121,972	-
Evaluation and exploration assets	17(b)	9,515,876	(8,268,876)	8,742,460	(7,495,460)	8,398,442	(7,151,442)
		9,610,373	(8,268,876)	8,794,720	(7,495,460)	8,520,414	(7,151,442)
TOTAL ASSETS		\$ 11,836,420	\$ (8,268,876)	\$ 10,237,044	\$ (7,495,460)	\$ 9,478,886	\$ (7,151,442)
							\$ 2,327,444

GoldQuest Mining Corp.
Notes to the Condensed Consolidated Interim Financial Statements
For the Three Months Ended March 31, 2011
(Expressed in Canadian Dollars – unaudited)

17. TRANSITION TO IFRS (continued)

Reconciliation of loss and comprehensive loss for the three month period ended March 31, 2010

	Notes	For the three months ended March 31, 2010		
		Canadian GAAP	Effect of Transition	IFRS
EXPENSES				
Depreciation	17(b)	\$ 798	\$ -	\$ 798
Foreign exchange gain		(25,422)	-	(25,422)
General and administrative		89,342	-	89,342
Evaluation and exploration costs	17(b)	-	344,018	344,018
Share-based payments	17(c)	93,344	-	93,344
		158,062	344,018	502,080
OTHER EXPENSES (INCOME)				
Interest income		(190)	-	(190)
TOTAL LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD		\$ 157,872	\$ 344,018	\$ 501,890

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	0.01	0.01
Weighted average number of common shares outstanding	70,229,122	-	70,229,122

GoldQuest Mining Corp.
Notes to the Condensed Consolidated Interim Financial Statements
For the Three Months Ended March 31, 2011
(Expressed in Canadian Dollars – unaudited)

17. TRANSITION TO IFRS (continued)

Reconciliation of loss and comprehensive loss for the year ended December 31, 2010

		For the year ended December 31, 2010		
	Notes	Canadian GAAP	Effect of Transition	IFRS
EXPENSES				
Depreciation	17(b)	\$ 2,200	\$ -	2,200
Foreign exchange loss (gain)	17(b)	(178,269)	181,852	3,583
General and administrative		843,984	-	843,984
Evaluation and exploration costs	17(b)	-	930,034	930,034
Share-based payments	17(c)	349,577	-	349,577
		1,017,492	1,111,886	2,129,378
OTHER EXPENSES (INCOME)				
Interest income		(6,221)	-	(6,221)
Gain on disposal		(36,788)	-	(36,788)
TOTAL LOSS AND COMPREHENSIVE LOSS FOR THE YEAR		\$ 974,483	\$ 1,111,886	\$ 2,086,369

Basic and diluted loss per share basic for the year attributable to common shareholders (warrants and options not included as the impact would be anti-dilutive)

0.01 0.01 0.02

Weighted average number of common shares outstanding

85,902,656 - 85,902,656

GoldQuest Mining Corp.
Notes to the Condensed Consolidated Interim Financial Statements
For the Three Months Ended March 31, 2011
(Expressed in Canadian Dollars – unaudited)

17. TRANSITION TO IFRS (continued)

Reconciliation of cash flows for the three month period ended March 31, 2010

		For the three months ended March 31, 2010		
	Notes	Canadian GAAP	Effect of Transition	IFRS
Cash flows provided from (used by):				
OPERATING ACTIVITIES				
Net loss for the period	17(b)&(c)	\$ (157,872)	\$ (344,018)	\$ (501,890)
Adjustments for item not affecting cash:				
Depreciation	17(b)	798	9,976	10,774
Share-based payments	17(c)	93,344	-	93,344
		(63,730)	(334,042)	(397,772)
Net changes in non-cash working capital items:				
Amounts receivable		(29,073)	-	(29,073)
Prepaid expenses		153,613	-	153,613
Accounts payable and accrued liabilities		(945)	-	(945)
Net cash flows from (used in) operating activities		59,865	(334,042)	(274,177)
FINANCING ACTIVITIES				
Proceeds from share issuance		823,631	90,200	913,831
Share issue costs		-	(90,200)	(90,200)
Net cash flows from financing activities		823,631	-	823,631
INVESTING ACTIVITIES				
Purchase of equipment	17(b)	68,914	(9,976)	58,938
Evaluation and exploration assets	17(b)	(344,018)	344,018	-
Net cash flows from (used in) investing activities		(275,104)	334,042	58,938
Net increase in cash and cash equivalents		608,392	-	608,392
Cash and cash equivalents, beginning of period		766,410	-	766,410
Cash and cash equivalents, end of period		\$ 1,374,802	\$ -	\$ 1,374,802
Cash and cash equivalents consist of :				
Cash		274,802	-	274,802
Term deposits		1,100,000	-	1,100,000
		\$ 1,374,802	\$ -	\$ 1,374,802

GoldQuest Mining Corp.
Notes to the Condensed Consolidated Interim Financial Statements
For the Three Months Ended March 31, 2011
(Expressed in Canadian Dollars – unaudited)

17. TRANSITION TO IFRS (continued)

Reconciliation of cash flows for the year ended December 31, 2010

		For the year ended December 31, 2010		
	Notes	Canadian GAAP	Effect of Transition	IFRS
Cash flows provided from (used by):				
OPERATING ACTIVITIES				
Net loss for the year	17(b)&(c)	\$ (974,483)	\$ (1,111,886)	\$ (2,086,369)
Adjustments for item not affecting cash:				
Depreciation	17(b)	2,200	13,917	16,117
Share-based payments	17(c)	349,577	-	349,577
Loss (gain) on disposal		(36,788)	-	(36,788)
Unrealized interest		(473)	-	(473)
Exchange rate effect on lease obligation		190	-	190
Exchange effects on future income tax liabilities	17(b)	(181,852)	181,852	-
		(841,629)	(916,117)	(1,757,746)
Net changes in non-cash working capital items:				
Amounts receivable		(122,948)	-	(122,948)
Prepaid expenses		147,434	-	147,434
Deposits		(2,807)	-	(2,807)
Accounts payable and accrued liabilities	17(b)	30,473	98,827	129,300
Net cash flows (used in) operating activities		(789,477)	(817,290)	(1,606,767)
FINANCING ACTIVITIES				
Proceeds from share issuance		3,074,291	-	3,074,291
Share issue costs		260,338	-	260,338
Shares subscribed		16,000	-	16,000
Lease payments		(6,601)	-	(6,601)
Net cash flows from financing activities		3,344,028	-	3,344,028
INVESTING ACTIVITIES				
Purchase of equipment		(13,993)	-	(13,993)
Evaluation and exploration assets	17(b)	(817,290)	817,290	-
Proceeds from disposal of equipment		86,662	-	86,662
Net cash flows from (used in) investing activities		(744,621)	817,290	72,669
Net increase in cash and cash equivalents		1,809,930	-	1,809,930
Cash and cash equivalents, beginning of year		766,410	-	766,410
Cash and cash equivalents, end of year		\$ 2,576,340	\$ -	\$ 2,576,340
Cash and cash equivalents consist of :				
Cash		542,766	-	542,766
Term deposits		1,512,898	-	1,512,898

GoldQuest Mining Corp.
Notes to the Condensed Consolidated Interim Financial Statements
For the Three Months Ended March 31, 2011
(Expressed in Canadian Dollars – unaudited)

17. TRANSITION TO IFRS (continued)

Reconciliation of equity

	Notes	December 31, 2010	March 31, 2010	January 1, 2010
Equity previously reported under Canadian GAAP		\$ 10,717,464	\$ 9,271,520	\$ 8,512,417
<i>Adjustments upon adoption of IFRS:</i>				
Differences arising from change in accounting policy for evaluation and exploration costs	17(b)	(7,417,328)	(6,649,460)	(6,305,442)
Equity reported under IFRS		\$ 3,300,136	\$ 2,622,060	\$ 2,206,975

GoldQuest Mining Corp.
Notes to the Condensed Consolidated Interim Financial Statements
For the Three Months Ended March 31, 2011
(Expressed in Canadian Dollars – unaudited)

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.

As a result of this change in accounting policy, the future income tax liability previously reflected under Canadian GAAP has been derecognized and the transaction costs of \$158,989 has been expensed.

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 other reserves. Previously, the Company’s Canadian GAAP policy was to leave such amounts in contributed surplus.

GoldQuest Mining Corp.
Notes to the Condensed Consolidated Interim Financial Statements
For the Three Months Ended March 31, 2011
(Expressed in Canadian Dollars – unaudited)

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.