

GOLDQUEST MINING CORP.
(A Development Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2009 and 2008

(AMOUNTS ARE IN CANADIAN DOLLARS UNLESS OTHERWISE STATED)



McGovern, Hurley, Cunningham, LLP
Chartered Accountants

AUDITORS' REPORT

To the Shareholders of
Goldquest Mining Corp
(A Development Stage Company)

We have audited the consolidated balance sheets of Goldquest Mining Corp. (a Development Stage Company) as at December 31, 2009 and 2008 and the consolidated statements of operations, comprehensive loss and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

McGOVERN, HURLEY, CUNNINGHAM, LLP

A handwritten signature in cursive script that reads 'McGovern, Hurley, Cunningham, LLP'.

**Chartered Accountants
Licensed Public Accountants**

TORONTO, Canada
April 1, 2010
except for Note 15, which is as at
April 9, 2010

GOLDQUEST MINING CORP.
(A DEVELOPMENT STAGE COMPANY)

**CONSOLIDATED
BALANCE SHEETS
AS AT DECEMBER 31**

	December 31, 2009 \$	December 31, 2008 \$
ASSETS		
Current		
Cash and cash equivalents	766,410	1,744,175
Amounts receivable	5,720	22,484
Prepaid expenses and deposits	186,342	101,985
Total Current Assets	958,472	1,868,644
Equipment (Note 9)	121,972	200,736
Mineral exploration properties and deferred exploration expenditures (Note 10)	8,398,442	6,911,262
TOTAL ASSETS	9,478,886	8,980,642
LIABILITIES		
Current		
Accounts payable and accrued liabilities	120,469	157,944
Future income tax liability (Note 13)	846,000	1,002,077
TOTAL LIABILITIES	966,469	1,160,021
SHAREHOLDERS' EQUITY		
Common shares (Note 11(a))	11,843,445	10,596,445
Currency translation adjustment (Note 3)	269,442	269,442
Warrants - (Note 11(b))	-	230,031
Contributed surplus (Note 11(d))	6,642,223	5,991,141
Deficit	(10,242,693)	(9,266,438)
TOTAL EQUITY	8,512,417	7,820,621
TOTAL LIABILITIES AND EQUITY	9,478,886	8,980,642

Commitments and contingencies (Note 12)

Approved on behalf of the Board,

Signed "Neil MacDonald"

Chairman, Director

Signed "Anthony Warrender"

Audit Committee Chairman, Director

GOLDQUEST MINING CORP.
(A DEVELOPMENT STAGE COMPANY)

**CONSOLIDATED STATEMENTS OF OPERATIONS,
 COMPREHENSIVE LOSS AND DEFICIT
 FOR THE YEARS ENDED DECEMBER 31**

	2009 \$	2008 \$
Revenue		
Interest	10,201	61,009
Expenses		
General and administrative	948,583	959,903
Foreign exchange (gain)/loss	(143,792)	444,219
Amortization	4,575	10,105
	809,366	1,414,227
Loss before the undernoted	(799,165)	(1,353,219)
Write-down of exploration properties and deferred exploration expenditures (Note 10)	(374,167)	(723,945)
Loss before income taxes	(1,173,332)	(2,077,163)
Future income tax recovery	197,077	198,621
Net loss for the year	(976,255)	(1,878,542)
Deficit, beginning of year	(9,266,438)	(7,387,896)
Deficit, end of year	(10,242,693)	(9,266,438)
Basic and diluted net loss per share	0.016	0.03
Weighted average number of shares outstanding	62,727,320	61,359,436

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

GOLDQUEST MINING CORP.
(A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31

	2009 \$	2008 \$
Operating Activities		
Net loss for the year	(976,255)	(1,878,542)
Operating items not involving cash		
Stock based compensation	414,305	343,257
Amortization	4,575	10,105
Future income tax recovery	(197,077)	(198,621)
Unrealised foreign exchange gain/(loss)	-	85,842
Write-down of exploration properties	374,167	723,945
Net changes in non-cash working capital balances	(81,054)	(447,476)
Cash used in operating activities	(461,339)	(1,361,490)
Investing Activities		
Additions to mineral properties	(515,292)	(1,580,086)
Additions to equipment	(1,134)	(66,731)
Cash flows from investing activities	(516,426)	(1,646,817)
Financing Activities		
Exercise of options	-	101,500
Exercise of warrants	-	468,000
Cash flows from financing activities	-	569,500
Foreign exchange effect on cash	-	(85,843)
Net (decrease) in cash and cash equivalents	(977,765)	(2,524,650)
Cash and cash equivalents, beginning of year	1,744,175	4,268,825
Cash and cash equivalents, end of year	766,410	1,744,175

Cash and cash equivalents are composed of the following:

Cash	66,410	183,984
Cash equivalents	700,000	1,560,191
	766,410	1,744,175

Supplemental Information

Interest paid	-	-
Taxes paid	-	-
Stock based compensation included in deferred exploration	6,788	-
Amortization included in deferred exploration	72,613	77,084
Shares issued for property	1,247,000	-
Change in deferred exploration included in accounts payable	(24,056)	(165,294)

1. NATURE OF OPERATIONS AND BASIS OF PRESENTATION

GoldQuest Mining Corp. (the "Company" or "GoldQuest") is a development stage company as defined by the Canadian Institute of Chartered Accountants (the "CICA") Accounting Guideline 11 and currently has interests in exploration and development properties in the Dominican Republic through its wholly owned subsidiary GoldQuest Mining (BVI) Corp. (BVI) (previously Exploration and Discovery Latin America (Panama) Inc. ("EDLA")). Substantially all of the Company's efforts are devoted to financing and developing these properties. There has been no determination whether the Company's interests in exploration properties contain mineral reserves which are economically recoverable.

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 currency exchange fluctuations and restrictions and political uncertainty.

2. GOING CONCERN

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") applicable to a going concern, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. Accordingly, these consolidated financial statements do not reflect any adjustments in the carrying values of the assets and liabilities, the reported expenses, and the balance sheet classifications used that would be necessary if the going concern assumption were not appropriate. Such adjustments could be material.

As at December 31, 2009, the Company had no source of operating cash flow and has an accumulated deficit of \$10,242,693 (December 31, 2008: \$9,266,438). Operations for the year ended December 31, 2009 have been funded primarily from the issuance of common shares. The Company's ability to meet its obligations and continue as a going concern is dependent upon its ability to obtain additional financing, the discovery, development or sale of mining reserves and the achievement of profitable operations. The Company is planning to meet its future expenditures and obligations by raising funds through public offerings, private placements or by farm-outs of its mineral property interests. It is not possible to predict whether these efforts will be successful or whether the Company will attain profitable levels of operation.

3. CHANGE IN ACCOUNTING POLICY

Effective December 31, 2008, the Company changed its reporting currency from US dollars to Canadian dollars in order to provide more meaningful information to its financial statement users. The Company's functional currency also changed from US dollars to Canadian dollars as the majority of the Company's operating, investing and financing activities are now conducted in Canadian dollars. To effect this conversion, the comparative amounts in the consolidated financial statements have been translated into Canadian dollars using the current rate method. Using this method, assets and liabilities are translated using the year rate of exchange and revenues and expenses are translated using the average rate of exchange for the year. The related foreign exchange gains and losses arising on this translation are included in shareholders' equity as currency translation adjustments.

4. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and their basis of application is consistent with that of the previous year, except as disclosed. Outlined below are those policies considered particularly significant:

a) BASIS OF CONSOLIDATION

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant inter-company transactions and balances have been eliminated.

b) USE OF ESTIMATES

The preparation of consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditures during the reporting period.

The Company regularly reviews the estimates and assumptions that affect the consolidated financial statements and actual results could differ from those estimates. Significant areas where management judgment is applied are asset valuations, the allocation of proceeds on the purchase or sale of assets, the recoverability of exploration and development expenditures on mineral properties, the valuation of stock-based compensation, warrants, tax accounts, asset retirement obligations, and contingent liabilities. In the opinion of management, all adjustments considered necessary for fair presentation of the results for the periods presented are reflected in the consolidated financial statements. Actual results could differ from those estimated.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) MINERAL EXPLORATION PROPERTIES AND DEFERRED EXPLORATION PROPERTIES

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.

Costs include the cash consideration paid and the fair market value of the shares as they are issued, if any, on the acquisition of exploration properties. Properties acquired under option agreements whereby payments are made at the sole discretion of the Company are recorded in the accounts at such time as the payments are made. The proceeds from options granted are applied to the cost of the related property and any excess is included in income for the year. Costs incurred for administration and general exploration that are not project specific, are charged to operations.

The recorded amounts for acquisition costs of properties and their related capitalized exploration and development expenses represent actual expenditures incurred and are not intended to reflect present or future values. The Company, however, reviews the capitalized costs on its properties on a periodic basis and will recognize an impairment in value based upon the stage of exploration and/or development, work programs proposed, current exploration results and upon management's assessment of the future probability of profitable revenues from each property, or from the sale of the relevant property.

Management's assessment of a property's estimated current fair market value may also be based upon a review of other property transactions that have occurred in the same geographic area as that of the property under review.

d) FOREIGN CURRENCY TRANSLATION

The Canadian dollar is the functional currency of the Company. Monetary assets and liabilities of the Company's foreign operations denominated in a currency other than the Canadian dollar are translated into Canadian dollars at the exchange rate prevailing as at the balance sheet date. Non-monetary assets and liabilities are translated at historical exchange rates prevailing at each transaction date. Revenue and expenses are translated at the average exchange rates prevailing during the year, with the exception of depreciation and amortization, which is translated at historical rates. Exchange gains and losses on translation are included in the Consolidated Statements of Operations.

e) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on account and highly liquid investments with a n original maturities of three months or less.

f) EQUIPMENT

Equipment is carried at cost less accumulated amortization. Amortization is provided on a straight line basis over their estimated useful lives at the following annual rates:

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

An impairment loss is recognized when the undiscounted cash flows expected from the use and the eventual disposition of the asset are less than the carrying amount of the asset. An impairment charge is recorded to reduce the carrying value of the asset to its fair value.

4. Significant Accounting Policies (Continued)

g) ASSET RETIREMENT OBLIGATIONS

The Company's mineral exploration and development activities are subject to various Dominican Republican laws and regulations regarding the protection of the environment. As a result of these, the Company is expected to incur expenses from time to time to discharge its obligations under these laws and regulations. Reclamation and closure costs are estimated based on the Company's interpretation of current regulatory and operating licence requirements and measured at fair value.

Fair value is determined based on the net present value of future cash expenditures expected upon reclamation and closure and subsequent annual recognition of an accretion amount on the discounted liability. Reclamation and closure costs are capitalized as property development costs. Management is not aware of any legal obligations relating to the reclamation of its mineral properties.

h) Income Taxes

The Company accounts for and measures the future tax assets and liabilities in accordance with the asset and liability method. Under this method, future tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment of the change. When the future realization of income tax assets does not meet the test of being more likely than not to occur, a valuation allowance in the amount of the potential future benefit is taken and no net asset is recognized.

l) STOCK-BASED COMPENSATION

All stock-based payments have been accounted for using a fair value-based method of accounting. The fair value of each stock option is accounted for in operations, over the vesting period thereof, and the related credit is included in contributed surplus. If and when the stock options are ultimately exercised and are issued, the applicable units of contributed surplus will be transferred to share capital. The fair value is calculated based on the Black-Scholes option pricing model. This model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable.

Common shares issued for non-monetary consideration are recorded at their fair market value based on the trading price of the Company's shares on the TSX Venture Exchange on the date of the agreement to issue the shares.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J) EARNINGS (LOSS) PER SHARE

Basic earnings (loss) per share is computed by dividing the income (loss) available to common shareholders by the weighted average number of common shares outstanding during the period. The computation of diluted earnings (loss) per share, according to the treasury stock method, assumes that any proceeds from the exercise of dilutive stock options and warrants would be used to repurchase common shares at the average market price during the period, with the incremental number of shares being included in the denominator of the diluted earnings (loss) per share calculation. The diluted earnings (loss) per share calculation assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on earnings (loss) per share. Stock options and share purchase warrants outstanding as at December 31, 2009 and 2008 were not included in the computation of diluted earnings (loss) per share as their inclusion would be anti-dilutive.

K) FINANCIAL INSTRUMENTS

Financial assets and liabilities, including derivative instruments, are initially recognized and subsequently measured based on their classification as "held-for-trading", "available-for-sale" financial assets, "held-to maturity", "loans and receivables", or "other" financial liabilities. Held-for-trading financial instruments are measured at their fair value with changes in fair value recognized in net loss for the period. Available-for sale financial assets are measured at their fair value and changes in fair value are included in other comprehensive income until the asset is removed from the balance sheet or until impairment is assessed as other than temporary. Held-to-maturity investments, loans and receivables and other financial liabilities are measured at amortized cost using the effective interest rate method.

Derivative instruments, including embedded derivatives, are measured at their fair value with changes in fair value recognized in net loss for the period, unless the instrument is a cash flow hedge and hedge accounting applies, in which case changes in fair value are recognized in other comprehensive income.

During the year ended December 31, 2009, Section 3862 "Financial Instruments – Disclosure" was expanded to include additional disclosures about fair value measurements of financial instruments. The revised standard did not change the Company's methodology for measuring the fair value of financial assets and liabilities. The additional disclosures are included in Note 8.

L) COMPREHENSIVE LOSS

Comprehensive loss, composed of net loss and other comprehensive loss, is defined as the change in shareholders' equity from transactions and other events from non-owner sources. Other comprehensive loss for the Company includes unrealized gains and losses on available-for-sale securities and changes in the fair market value of derivatives designated as cash flow hedges, all net of related income taxes. The components of comprehensive loss are disclosed in the statement of operations and comprehensive loss. Cumulative changes in other comprehensive loss are included in accumulated other comprehensive loss ("AOCL") which is presented as a new category in shareholders' equity. The only item in AOCL is the current translation adjustment.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M) COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the presentation adopted in the current year.

N) NEW ACCOUNTING POLICIES

MINING EXPLORATION COSTS

On March 27, 2009, the Emerging Issues Committee of the CICA approved an abstract EIC-174, "Mining Exploration Costs", which provides guidance on capitalization of exploration costs related to mining properties in particular and on impairment of long-lived assets in general. The adoption of this abstract had no impact on the Company's presentation of its financial position or results of operations as at December 31, 2009.

CREDIT RISK AND THE FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

In January 2009, the Emerging Issues Committee of the CICA issued EIC-173, "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities", which applies to interim and annual financial statements for periods ending on or after January 20, 2009. The adoption of this standard had no impact on the Company's presentation of its financial position or results of operations as at December 31, 2009.

The Company is continually evaluating its counterparties and their credit risks.

5. FUTURE CHANGE IN ACCOUNTING STANDARDS

a) INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

In February 2008, the CICA Accounting Standards Board ("AcSB") confirmed that the use of International Financial Reporting Standards ("IFRS") will be required in 2011 for public companies in Canada (IFRS will replace Canadian GAAP for public companies). The official changeover date will apply for interim and annual financial statements relating to the Company's fiscal year beginning on January 1, 2011. The Company is currently assessing the impact of the implementation of IFRS and developing a changeover plan. While IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences in accounting policy which must be addressed. The Company has begun assessing the adoption of IFRS and is developing a changeover plan; however, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

b) BUSINESS COMBINATIONS

CICA Handbook Section 1582 "Business Combinations", replaces Section 1581 - "Business Combinations" and provides the Canadian equivalent to International Financial Reporting Standards ("IFRS") 3 - Business Combinations. This applies to a transaction in which the acquirer obtains control of one or more businesses. Most assets acquired and liabilities assumed, including contingent liabilities that are considered to be improbable, will be measured at fair value. Any interest in the acquiree owned prior to obtaining control will be remeasured at fair value at the acquisition date, eliminating the need for guidance on step acquisitions. Additionally, a bargain purchase will result in recognition of a gain and acquisition costs must be expensed. The Company expects to adopt this standard on January 1, 2011.

5. FUTURE CHANGE IN ACCOUNTING STANDARDS (CONTINUED)

c) CONSOLIDATIONS AND NON-CONTROLLING INTERESTS

CICA Handbook Sections 1601 "Consolidations" and Section 1602 "Non-Controlling Interests" replace Section 1600 "Consolidated Financial Statements". Section 1602 provides the Canadian equivalent to International Accounting Standard 27 – "Consolidated and Separate Financial Statements", for noncontrolling interests. The Company expects to adopt this standard on January 1, 2011.

6. CAPITAL MANAGEMENT

The Company defines the capital that it manages as its shareholders' equity. As at December 31, 2009 total shareholders' equity (managed capital) was \$8,512,417 (2008 - \$7,820,621). As an exploration and development stage company, the Company manages its capital structure, and makes adjustments to it, based on the funds available to the Company in order to support the acquisition, exploration and development of mineral properties.

The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The properties in which the Company currently has an interest are in the exploration stage and as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay the administrative costs, the Company will spend its existing working capital and will attempt to raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the years ended 2009 and 2008. Neither the Company nor its subsidiaries are subject to externally imposed capital requirements.

7. FINANCIAL RISK FACTORS

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

a) CREDIT RISK

The Company's credit risk is primarily attributable to cash and cash equivalents in current assets. The Company has no significant concentration of credit risk arising from operations. Cash equivalents consist of term deposits, which have been invested with reputable financial institutions, from which management believes the risk of loss to be remote. amounts receivable consist of goods and services tax due from the Federal Government of Canada, VAT due from the Government of the Dominican Republic and receivables from unrelated companies. Management believes that the credit risk concentration with respect to financial instruments is remote.

b) LIQUIDITY RISK

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2009, the Company has a cash and cash equivalents balance of \$766,410 (December 31, 2008 - \$1,744,175) to settle current liabilities of \$120,469 (December 31, 2008 - \$157,944). All of the Company's financial liabilities generally have contractual maturities of less than 30 days and are subject to normal trade terms.

7. FINANCIAL RISK FACTORS (CONTINUED)

c) INTEREST RATE RISK

The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions.

The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

d) FOREIGN CURRENCY RISK

The Company's functional currency is the Canadian dollar as major transactions are in Canadian dollars. The Company funds certain operations, exploration and administrative expenses in the Dominican Republic on a cash call basis using US dollar currency converted from its Canadian dollar bank accounts held in Canada. Management believes the foreign exchange risk derived from currency conversions is negligible and therefore does not currently hedge its foreign exchange risk.

The exposure of the Company's financial assets and liabilities to currency risk as at December 31, 2009 was as follows in Canadian dollars:

	US Dollar	Canadian Dollar	Euro	RD Peso	Total
Financial Assets					
Cash and cash equivalents	10,195	742,799	—	13,416	766,410
Amounts receivable	-	4,855	—	865	5,720
	10,195	747,654	—	14,281	772,130
Financial Liabilities					
Accounts payable and accrued liabilities	9,563	61,493	12,849	36,565	120,470

e) PRICE RISK

The Company is exposed to price risk with respect to commodity prices. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

8. FINANCIAL INSTRUMENTS

The Company has designated its cash and cash equivalents as held-for-trading, measured at fair value. Amounts receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost.

The carrying value of cash and cash equivalents, amounts receivable and accounts payable and accrued liabilities reflected in the consolidated balance sheet approximate fair value because of the limited term of these instruments.

Section 3862 "Financial Instruments – Disclosures" establishes a fair value hierarchy that prioritizes the methods and assumptions used to develop fair value measurements for those financial assets where fair value is recognized on the balance sheet. These have been prioritized into three levels.

Level 1 – Quoted prices (unadjusted) 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 or indirectly

Level 3 – Inputs for the asset or liability that are not based on observable market data.

Fair value amounts represent point-in-time estimates and may not reflect fair value in the future. The measurements are subjective in nature, involve uncertainties and are a matter of significant judgement.

The following table sets for the Company's financial assets and liabilities measured at fair value by level within the fair value hierarchy as at December 31, 2009.

	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 766,410	-	-

a) SENSITIVITY ANALYSIS

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over the next year. Financial instruments include amounts held in currencies other than the Canadian dollar. A 10% change in foreign exchange rates between the Canadian dollar and these foreign currencies would affect net loss by approximately \$1,000 based on the foreign currency balances at December 31, 2009. A 1% change in interest rates affect net loss by approximately \$7,000 based on the cash equivalent balance at December 31, 2009.

9. EQUIPMENT

The following tables summarize costs of Equipment for the year ended December 31, 2009 together with results for the year ended December 31, 2008.

December 31, 2009			
	Cost \$'s	Accumulated Amortization \$'s	Net \$'s
Equipment located in Canada:			
Office Furniture	1,989	1,771	218
Computer Equipment	27,836	24,664	3,172
Field Equipment	5,089	3,706	1,383
Equipment located in the Dominican Republic	376,308	259,109	117,199
Totals	411,222	289,250	121,972

December 31, 2008			
	Cost \$'s	Accumulated Amortization \$'s	Net \$'s
Equipment located in Canada:			
Office Furniture	5,949	1,588	4,361
Computer Equipment	25,908	22,869	3,039
Field Equipment	1,988	1,110	878
Equipment located in the Dominican Republic	379,644	187,186	192,458
	413,489	212,753	200,736

10. MINERAL EXPLORATION PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES

The following tables summarize costs of mineral exploration properties and deferred exploration expenditures in Canadian currency for the year ended December 31, 2009 together with results for the year ended December 31, 2008.

	Balance December 31, 2008 \$	Additions \$	Transfer to GoldQuest \$	Write-off's \$	Balance December 31, 2009 \$
Gold Fields (a)	1,696,121	—	(1,696,121)	—	—
Other (a)	4,213,064	573,342	1,696,121	(280,462)	6,202,065
Shares issued for Gold Fields 60% interest (Note 11(a)(i))	—	1,247,000	—	—	1,247,000
Future income tax effect	1,002,077	41,000	—	(93,700)	949,377
Total exploration properties and deferred exploration expenditures	6,911,262	1,861,342	—	(374,162)	8,398,442

	Balance December 31, 2007 \$	Additions \$	Gold Fields Contributions \$	Write-off's \$	Balance December 31, 2008 \$
Gold Fields (a)	2,424,568	1,246,916	(1,373,529)	(601,834)	1,696,121
Other (a)	2,263,988	1,949,076	—	—	4,213,064
Future Income Tax Effect	898,937	330,689	—	(227,549)	1,002,077
Total exploration properties and deferred exploration expenditures	5,587,493	3,526,681	(1,373,529)	(829,383)	6,911,262

10. MINERAL EXPLORATION PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES (CONTINUED)

a) Gold Fields

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 Gold Fields. As consideration for Gold Fields' 60% interest in the joint venture projects and subject to regulatory approval, GoldQuest has agreed to issue GFL 8,600,000 million GoldQuest common shares and grant a net smelter returns royalty ("NSR") 1.5% royalty on the claims being purchased by the Company. The Purchase Agreement also terminated GFL's right of first refusal on the Company's projects excluded from the joint venture. See also Note 11.

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

This transaction superseded all prior agreements with GFL which are summarised below.

On January 31, 2006 the Company entered into a Joint-Venture Letter of Intent ("LOI") with GFL to explore certain project areas owned by the Company located in the Dominican Republic. The LOI superseded all prior agreements with Gold Fields, and its terms were formalized in a mining venture agreement (the "Agreement") which was signed in March 2007 with an effective date of January 31, 2006.

Under the terms of the Agreement, GFL had the right to earn an initial 60% interest in selected properties held by the Company in the Dominican Republic, which are not restricted by existing third party agreements, by spending US\$5,000,000 on exploration over 3 years including a minimum of US\$1,000,000 in the first year (completed). In addition, GFL paid the Company a 7% operating fee on all project costs from the commencement of the LOI until May 31, 2007, at which time Gold Fields assumed direct project management.

On November 26, 2008, GFL advised that they had completed their US\$5,000,000 expenditure requirement. The Company received verification of this and accepted that Gold Fields held a 60% interest in these projects.

The Energold properties described in Note 10(b) are included in the projects in which GFL earned an interest.

The Celestina, Las Animas, Las Animas II, El Toro, Santa Ana and El Tuerto projects are excluded from the Gold Fields agreement and are owned 100% by the Company. GFL retained a right of first offer on these properties. These properties are described as "Other" in the table above.

b) Eastern Dominican Republic – Energold Drilling Corp.

In January 2002 the Company entered into an agreement with Energold Drilling Corp. in which the Company has earned a 51% interest in Energold's Bacco y Ofir and Josefina properties.

The above properties are subject to a 1% total net smelter return royalty payable to Canyon and Battle Mountain up to an aggregate maximum royalty of \$1,000,000.

See also Note 10(a).

11. SHARE CAPITAL

(A) COMMON SHARES

Authorized:

An unlimited number of common shares

Issued:

70,145,551 common shares

Transactions during the year are as follows:

	Number of Shares	Amount \$'s
Balance, December 31, 2007	59,969,551	9,827,532
Options exercised - cash	406,000	101,500
Options exercised – valuation allocation	-	44,770
Warrants exercised - cash	1,170,000	468,000
Warrants exercised – valuation allocation	-	154,643
Balance, December 31, 2008	61,545,551	10,596,445
Shares issued to GFL for 60% interest (i)	8,600,000	1,247,000
Balance, December 31, 2009	70,145,551	11,843,445

- i. In November, 2009, the Company completed a transaction with GFL, whereby the Company acquired the 60% earned interest in 27 concessions in the Dominican Republic for consideration of 8,600,000 common shares of GoldQuest and the issuance of a 1.5% NSR. (Note 10(a))

(B) WARRANTS

	Warrants	Weighted average exercise price	Estimated Grant Date Fair Value
	#	\$	\$
Balance, December 31, 2007	3,283,074	0.39	383,166
Exercised	(1,170,000)	0.40	(136,634)
Expired	(126,000)	0.40	(16,501)
Balance, December 31, 2008	1,987,074	0.40	230,031
Expired	(1,987,074)	0.40	(230,031)
Balance, December 31, 2009	-	-	-

As at December 31, 2009 the Company had no share purchase warrants outstanding.

11. SHARE CAPITAL (CONTINUED)

(c) STOCK OPTIONS

The Company has established a stock option plan pursuant to which options to purchase common shares may be granted to certain officers, directors and employees of the Company as well as persons providing ongoing services to the Company. The maximum number of common shares reserved for issuance upon the exercise of options is not to exceed ten percent of the total number of common shares outstanding immediately prior to such an issuance. The exercise price of options equals the market price of the Company's stock on the date of grant. Under the plan, the Board of Directors has the choice of either vesting or allowing options issued to be exercisable upon issuance. Options are normally issued for a five-year term.

The following is a summary of stock option activity for the period ended December 31, 2009:

	2009		2008	
	Options #	Weighted- average exercise price \$	Options #	Weighted- average exercise price \$
Balance, beginning of the year	4,395,000	0.38	2,681,000	0.38
Granted	1,750,000	0.10	2,120,000	0.40
Expired	(675,000)	0.50	-	-
Exercised	-	-	(406,000)	0.25
Balance, end of year	5,470,000	0.29	4,395,000	0.40

- (i) On April 2, 2009, the Company issued stock options totaling 1,450,000 expiring April 1, 2014, exercisable at \$0.10 per share and vesting as to 50% on the first anniversary and 50% on the second anniversary to directors and employees of the Company.
- (ii) On July 14, 2009, the Company issued stock options totaling 300,000 expiring July 14, 2014, exercisable at \$0.10 per share and vesting as to 1/3rd immediately, 1/3rd on the first anniversary and 1/3rd on the second anniversary to a director of the Company.

As at December 31, 2009, the following stock options were outstanding:

Expiry Date	Exercise Price	Outstanding Options	Options exercisable	Estimated Grant Date Fair Value \$s
April 28, 2010	0.25	400,000	400,000	67,484
March 4, 2011	0.25	75,000	75,000	14,765
May 8, 2012	0.40	1,125,000	1,125,000	390,695
June 11, 2013	0.40	2,120,000	1,356,800	412,528
April 1, 2014	0.10	1,450,000	-	91,350
July 14, 2009	0.10	300,000	100,000	18,900
Total	0.29	5,470,000	3,056,800	995,722

The weighted average exercise price of options exercisable is \$0.36.

11. SHARE CAPITAL (CONTINUED)

(c) STOCK OPTIONS (CONTINUED)

During the year ended December 31, 2009, 1,750,000 stock options (2008: 2,120,000) were granted to directors, officers, employees and consultants of the Company with a weighted-average grant date fair value of \$0.095 per option (2008: \$0.304). Stock-based compensation expense of \$414,305 (2008: \$343,257) relating to these options was recorded against general and administrative expenses and \$6,788 (2008: \$nil) was recorded against deferred exploration. The fair value of these options was estimated on the date of grant using the Black-Scholes option pricing model, with the following assumptions, quoted at their weighted averages:

	<u>2009</u>	<u>2008</u>
Expected dividend yield	0%	0%
Expected volatility	113.0%	119%
Risk-free interest rate	1.9%	3.6%
Expected life	5 years	5 years

(d) CONTRIBUTED SURPLUS

The following is a summary of contributed surplus activity:

Balance, December 31, 2007	\$ 5,675,450
Options exercised – valuation allocation	(44,770)
Expired warrants	17,204
Non-employee stock-based compensation	52,553
Employee stock-based compensation	290,704
Balance, December 31, 2008	\$ 5,991,141
Expired warrants	230,031
Employee stock-based compensation	380,323
Non-Employee stock-based compensation	40,728
Balance, December 31, 2009	\$ 6,642,223

12. COMMITMENTS AND CONTINGENCIES

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:

<u>Year</u>	<u>Amount</u>
2010	17,400
2011	18,500
2012	18,800
2013	3,100
	<u>\$ 57,800</u>

The Company is party to certain management contracts. These contracts require that additional payments of up to \$101,400 be made upon the occurrence of certain events such as a change of control. As the likelihood of these events taking place is not determinable, the contingent payments have not been reflected in these consolidated financial statements. Minimum management contract commitments remaining under the agreements are approximately \$75,000, all due within one year.

13. INCOME TAXES

a) PROVISION FOR INCOME TAXES

Major items causing the Company's income tax rate to differ from the Canadian statutory rate of approximately 30% (2008 – 31.5%) were as follows:

	2009 \$	2008 \$
Loss before income taxes	(1,173,332)	(2,077,163)
Expected income tax benefit based on statutory rate	(352,000)	(654,000)
Adjustments to benefit resulting from:		
Difference in tax rate	71,600	52,000
Change in tax rate	165,700	-
Expiring non-capital losses	11,000	17,000
Stock-based compensation	104,000	99,000
Other	(76,377)	(192,621)
Change in valuation allowance	(121,000)	480,000
Future income tax recovery	(197,077)	(198,621)

Future Income Tax Balances

The tax effects of temporary differences that give rise to future income tax assets and liabilities as at December 31 approximate the following:

	2009 \$	2008 \$
FUTURE INCOME TAX ASSETS (LIABILITIES)		
Non-capital losses	1,222,100	1,315,000
Equipment	23,700	4,923
Exploration properties	(807,500)	(935,000)
Share issue costs	11,700	30,000
	450,000	414,923
Valuation allowance	(1,296,000)	(1,417,000)
	(846,000)	(1,002,077)

13. INCOME TAXES (CONTINUED)

Tax Loss Carry-Forwards

The Company has approximately \$197,000 (2008 - \$197,000) of Canadian exploration and development expenditures which, under certain circumstances, may be utilized to reduce taxable income of future years. The Company also has tax losses in the Dominican Republic that, under certain circumstances, may be carried forward to offset future taxable income in that country.

As at December 31, 2009, the Company has approximately \$4,888,000 of non-capital losses in Canada, which can be used to reduce taxable income of future years and expire as follows:

	\$
2013	44,000
2014	636,000
2015	700,000
2026	672,000
2027	348,000
2028	2,085,000
2029	403,000
	<u>4,888,000</u>

The Company believes it has tax losses and exploration expenditures in the Dominican Republic, which under certain circumstances may be used to offset future taxable income. At this time, the Company cannot reasonably estimate the allocation of such tax assets; however, the Company can estimate the total future tax assets the Company holds in the Dominican Republic.

14. SEGMENTED INFORMATION

The Company operates in the mining industry.

All of the Company's operating and exploration activities relate to the Dominican Republic exploration properties referred to in Note 10.

Geographic breakdown of total assets as at December 31, 2009 is as follows: Canada – \$948,406; Dominican Republic – \$8,530,480.

15. SUBSEQUENT EVENTS

On January 20, 2010, the Company completed a transaction with Lundin SP, a Lundin Mining Co. subsidiary and owner of Lundin Exploration, S.L., ("Lundin SL") a Spanish company whereby the Company has acquired the shares of Lundin SL through the Company's newly formed subsidiary, GoldQuest Mining (Spain) Corp. ("GoldQuest Spain").

The shares of Lundin SL were purchased for an NSR of 1.25% and 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 contained lead zinc metal as confirmed by an independent 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.

On March 31, 2010, the Company completed a Tranche One of a combined brokered, non-brokered private placement of 7,605,000 units at a price of CAD\$0.125 per unit for gross proceeds of \$950,625. Each unit consisted of one common share and one-half common share purchase warrant. Each warrant entitles the holder to acquire one common share of the Company for a period of 2 years expiring March 31, 2012 for CAD\$0.20 per share. Commissions of \$57,400 cash were paid and 656,000 agent and finders warrants were issued. Each agent and finder warrant entitles the holder to acquire one common share of the Company for a period of 2 years expiring March 31, 2012 for CAD\$0.145 per share.

On April 9 2010, the Company completed a Tranche Two of a non-brokered private placement of 6,664,800 units at a price of CAD\$0.125 per unit for gross proceeds of \$830,600. Each unit consisted of one common share and one-half common share purchase warrant. Each warrant entitles the holder to acquire one common share of the Company for a period of 2 years expiring April 9, 2012 for CAD\$0.20 per share. Commissions of \$48,475 cash were paid and 554,000 agent and finders warrants were issued. Each agent and finder warrant entitles the holder to acquire one common share of the Company for a period of 2 years expiring April 9, 2012 for CAD\$0.145 per share.

GOLDQUEST MINING CORP.

MANAGEMENT DISCUSSION AND ANALYSIS



FOR THE YEAR ENDED DECEMBER 31, 2009
AND FOR THE SUBSEQUENT PERIOD ENDED APRIL 26, 2010

Table of Contents

A.	Introduction.....	1
B.	Forward-Looking Statements.....	1
C.	Structure and Business Description.....	1
D.	Operating Activities.....	2
E.	Corporate Developments.....	2
F.	Investor Relations.....	3
G.	Project Update and Future Plans.....	3
(1)	Spain – Toral Project.....	3
(2)	Dominican Republic – General.....	4
(3)	Qualified Person Under National Instrument 43-101.....	7
(4)	Geological Exploration Expenditures.....	8
H.	Results of Operations.....	8
(1)	Selected Annual Information.....	8
(2)	Revenues.....	9
(3)	Expenses.....	9
(4)	Summary of Quarterly Results.....	9
(5)	For the Year and for the Three Months ended December 31, 2009.....	10
I.	Other Disclosure.....	10
(1)	Capital Resources.....	10
(2)	Liquidity.....	10
(3)	Treasury.....	10
(4)	Options outstanding as at April 26, 2010-.....	11
(5)	Warrants outstanding as at April 26, 2010.....	11
(6)	Off-Balance Sheet Arrangements.....	11
(7)	Critical Accounting Estimates.....	11
(8)	Changes in Internal Controls over Financial Reporting.....	12
(9)	Financial Instruments.....	12
a)	Fair value.....	12
b)	Foreign exchange risk.....	12
c)	Commodity price risk.....	12
(10)	Related Party Transactions.....	12
(11)	Risk Factors.....	12

A. INTRODUCTION

The following discussion and analysis of the operating results and financial position of GoldQuest Mining Corp. (the "Company or GoldQuest"), dated for reference April 26, 2010, constitutes management's view of the factors that affected the Company's financial and operating performance for the twelve months ended December 31, 2009. This discussion should be read in conjunction with the audited financial statements and related notes of the Company for the years ended December 31, 2009 and 2008.

All dollar amounts are in Canadian currency unless otherwise specified.

The Company's website can be found at www.goldquestcorp.com. Additional regulatory filings for the Company can be found on the SEDAR website at www.sedar.com.

This MD&A is prepared in conformity with National Instrument 51-102 F1 and has been approved by the Board of Directors.

B. FORWARD-LOOKING STATEMENTS

Certain statements contained in this document constitute "forward-looking statements". When used in this document, the words "may", "would", "could", "will", "intend", "plan", "propose", "anticipate", "believe", "forecast", "estimate", "expect" and similar expressions, as they relate to the Company or its management, are intended to identify forward-looking statements. Such statements reflect the Company's current views with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the Company's actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. The Company does not intend, and does not assume any obligation, to update any such factors or to publicly announce the result of any revisions to any of the forward-looking statements contained herein to reflect future results, events or developments except as required by applicable Canadian Securities law.

C. STRUCTURE AND BUSINESS DESCRIPTION

GoldQuest Mining Corp. is a development stage company as defined in the Canadian Institute of Chartered Accountants ("CICA") Guideline II, with interests in exploration and development properties in the Dominican Republic through its wholly-owned British Virgin Islands ("BVI") subsidiary GoldQuest Mining (BVI) Corp. ("GQC-BVI") and the wholly owned subsidiary of GQC-BVI, INEX Ingeniería y Exploración S.A. ("INEX").

Subsequent to year end, GoldQuest completed the acquisition of Lundin Mining Exploration, S.L. ("Lundin SL"), a Spanish company previously owned by the Lundin Mining. The Company formed GoldQuest Mining (Spain), Corp., a BVI registered corporation to hold the shares of Lundin SL. which is also owned by GQC-BVI.

During the year, the Company also completed the acquisition of the 60% earned interest in concessions in the Dominican Republic formerly held by Gold Fields Ltd. The Company now holds a 100% interest in all but two concessions in the DR, the Josefina and Bacco y Ofir properties which are Joint Ventures with Energold Drilling Corp. with the Company holding a majority interest.

All of the Company's efforts are currently devoted to developing these exploration properties in the Dominican Republic and Spain. There has been no determination whether the Company's interests in exploration properties contain mineral reserves which are economically recoverable.

Also during the year, the Company re-organised its subsidiaries through the BVI and is in the process of dissolving its two former Panamanian subsidiaries, Exploration & Discovery Latin America (Panamá) Inc. ("EDLAP") and GoldQuest (Panama) Inc.

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 Anfield Sujir Kennedy & Durno, 1600 - 609 Granville Street, Vancouver, BC, V7Y 1C3, Canada.

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".

D. OPERATING ACTIVITIES

The net loss for the year ended December 31, 2009 was \$976,255 after property write-downs of \$374,167 following a programme of property consolidation and foreign exchange gains of \$143,792, compared to the loss for the year ended December 31, 2008 of \$1,878,542, which included a foreign exchange loss of \$444,219 and a write-down of \$723,945 after the decision to abandon the optioned Centenario property.

GoldQuest continued to explore its properties in the Dominican Republic during the year ended December 31, 2009 and subsequent to the year-end initiated work programmes in Spain.

E. CORPORATE DEVELOPMENTS

Effective January 1, 2009, the Company changed its reporting currency from US dollars to Canadian dollars. Please refer to Other Disclosure, Reporting Currency.

At the Company's Annual General Meeting held on June 30, 2009 all members of the Board were re-elected and there were no changes to the officers. On July 2, 2009, David J. Hall resigned from the Board of Directors. Following this, on July 3, 2009, Ms. Anna Stylianides was appointed to the Board of Directors.

On August 5, 2009, the Company announced that it had re-negotiated its agreement with Gold Fields, which, pursuant to a Mining Ventures Agreement dated January 30, 2006, had completed its earn-in of a 60% interest in certain concessions in the Dominican Republic by funding in excess of \$6 million (\$5 million USD) in exploration expenditures on these concessions. Following completion of the earn-in, Gold Fields informed the Company it had chosen to not proceed with any further exploration in the Dominican Republic. The Company and Gold Fields subsequently reached an agreement for GoldQuest to purchase Gold Fields interest in the Dominican Joint Venture. The agreement dated August 5, 2009 called for the Company to issue 8.6 million shares from treasury and to execute a 1.5% NSR in return for the 60% interest.

On November 18, 2009, the Company announced that it had closed the transaction with Gold Fields.

Subsequent to the year-end on January 15, 2010 the Company announced that it had acquired all of the outstanding shares of Lundin Mining Exploration S.L. ("Lundin SL") from its parent company Lundin Mining Corporation ("Lundin"). Lundin SL holds a 100% interest in the Toral Lead-Zinc-Silver Project located in northwest Spain and a second poly-metallic project still under application. In addition, and as part of the same transaction, GoldQuest acquired some historical exploration data from Lundin.

F. INVESTOR RELATIONS

During 2009, Mr. Daniel Maarsman continued to provide Investor Relations services to the Company. The Company attended the Cambridge House trade shows in Vancouver in January and June, the PDAC conference in Toronto in March, and the Agora financial conference in Vancouver in July.

G. PROJECT UPDATE AND FUTURE PLANS

(1) SPAIN – TORAL PROJECT

On January 20, 2010 the Company announced that it had acquired all of the outstanding shares of Lundin Mining Exploration S.L. (“Lundin SL”) from its parent company Lundin Mining Corporation (“Lundin”). Lundin SL holds a 100% interest in the Toral Lead-Zinc-Silver Project located in northwest Spain and a second poly-metallic project still under application. In addition, and as part of the same transaction, GoldQuest acquired a regional exploration database from Lundin.

The Company believes the Toral Project is a highly prospective low-cost acquisition in a mining and investment friendly jurisdiction which has potential to become a significant long-term asset. There are many similarities between Toral and the nearby Rubiales orebody including a steep, sheet-like shape which lends itself to good mining practices and contains very coarse-grained zinc-lead sulphides with low pyrite content and good silver credits which have the potential to produce high-value concentrates. GoldQuest plans to fast-track the Toral Project by initially converting the historic resource calculation to be N.I. 43-101 compliant and will also undertake low-cost exploration to explore the project for further tonnage. The Company believes the project, and indeed the district, has significant exploration potential for Toral-style and other styles of precious and base metal mineralization.

The 2,850 ha property is located approximately 400 km northwest of Madrid, near to the regional city of Ponferrada. The Toral Project area was originally investigated by Peñarroya-España and associates from 1975 to 1985 and included over 42,000 metres of diamond drilling. These drill holes reportedly delineated a tabular zone of continuous, sub-vertical, coarse-grained lead-zinc-silver sulphide mineralization that averages 3.7 metres wide with a reported 1,100 metres strike length and a vertical height exceeding 400 metres. The zone of sulphide mineralization is reportedly open along strike to the northwest towards a known lead deposit as well as along strike to the southeast and down dip. Both the Peñarroya-España and the Lundin drill cores are still available including the remaining halved intercepts. GoldQuest believes that the Toral Project has significant exploration upside with the majority of historical drilling completed in one relatively small part of the property.

The Toral Project benefits from excellent infrastructure, including access via a major regional highway, nearby high-voltage power line and a railway line which links to the Asturianas zinc-lead smelter via the city of León. Mining has traditionally been a significant part of the economy of this region which is supporting the re-entry of new exploration and mining projects. Certain exploration and mine development expenditures are eligible for economic development grants and interest-free loans.

GoldQuest did not pay any upfront consideration for these assets but will compensate Lundin Mining with a one-time payment of CDN\$5 million dollars payable 30 days following commencement of commercial production from the Toral property. The five million shares of GoldQuest referenced in a news release dated March 30, 2009 were not ultimately issued to Lundin under the terms of the final agreement.

Lundin retains a 1.5% royalty on the Net Smelter Returns royalty (“NSR”) from the Toral Project. Lundin also retains a one-time back-in right to reacquire a fifty-one (51%) percent interest in the Toral Project once GoldQuest provides written notice to Lundin within 10 days of the following events occurring:

1. delineation of an inferred resource on the Toral Project of greater than 1 Million tonnes of contained lead and zinc, as demonstrated in a NI 43-101 compliant report, and
2. completion of not less than 5,000 meters of drilling.

To exercise the back-in right, Lundin must:

1. spend an amount equal to 2.5 times the aggregate expenditures made by GoldQuest on the Toral Project; and
2. pay an amount in cash equal to 51% of the value of the shares issued by GoldQuest under the agreement. If Lundin elects to exercise the back-in right, the right of Lundin to receive the 1.5% NSR will be terminated.

Upon completion of the above, a Joint Venture would be formed pursuant to which Lundin will have 51% interest and GoldQuest will have a 49% interest in the Toral Project. Upon formation of the Joint Venture, each party would either fund its proportional share of the expenditures or Lundin may elect to increase its participating interest in the Joint Venture from 51% to 65% by completing a full feasibility study on the Toral Project.

As part of the due diligence associated with the acquisition it was discovered that an administrative appeal had been filed against the Junta de Castile y Leon (local governing body) that issued the exploration permit for the Toral project reportedly in response to the Plaintiff, an unsuccessful bidding applicant in the original tender process, that was not chosen by the Junta de Castile y Leon as the successful recipient in the bidding process which resulted in the award of the exploration permit to Lundin SL. In April 2010 an administrative court in Leon, Spain dismissed the Plaintiff's appeal. The party which initiated the contentious administrative action (as defined by the Junta de Castile y Leon) has fifteen business days ending May 5, 2010 to file an appeal.

In addition to the acquisition of the Toral project and as part of the same transaction, GoldQuest has acquired a second polymetallic project from Lundin located in northwest Spain which is still under application. Further details of this second project will be announced after full title has been received from the Spanish authorities.

As part of the same Lundin transaction GoldQuest has gained access to a large amount of historical exploration data covering northern Spain. The data, the majority of which is in hard-copy format, has been collected over many years and covers a wide variety of commodities including gold. It is the intention of GoldQuest to compile and incorporate the data into a digital GIS database to prioritize new exploration targets which will be followed up. The acquisition agreement grants Lundin a one-time right of first offer on projects established in a defined area of interest, if GoldQuest decides to sell or dispose of a project.

(2) DOMINICAN REPUBLIC – GENERAL

As mentioned under Section C, Structure and Business Description, during the year, GoldQuest earned the 60% earned interest in the former Joint Venture projects owned as to 60% by Gold Fields and 40% by the Company. Accordingly, all projects in the Dominican Republic are now 100% owned by the Company with the exception of two low-priority concessions where the Company has earned a majority interest from Energold Drilling Corp.

During the year the Company continued to work on its Dominican portfolio of projects. The highlights of the year follow overleaf:

LAS ANIMAS PROJECT: In May 2009 the Company reported the initial N.I. 43-101 compliant mineral resource estimate on its 100% owned Las Animas project located in the central Dominican Republic. The highlights of the resource estimate are as follows:

- 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;
- Plus 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; and
- The mineral resources are open at depth.

The tables below give a summary of the indicated and inferred mineral resource estimate for the El Yujo massive sulphide deposit which was calculated following the CIM definition standards. El Yujo is a single vertical to steeply dipping body with a strike length of 130 m, true width of 6.3 m average (0.9 to 23.0 m), and is known to a depth of at least 350 m. The deposit is open at depth and drilling to 500 m below surface indicated that mineralization continues in the adjacent sericite schists, but did not reach the massive sulphide body. The resource was modelled on a long section using 20 drill holes, and weighted average grades were assigned to each block. Grades were capped before averaging at 17.5 g/t Au, 380 g/t Ag, 8.0% Cu and 9.0% Zn. A specific gravity (SG) of 4.76 was used for sulphides based on the average of 28 core measurements. The oxide zone is 40 to 65 m deep and has higher gold and silver grades, but contains only trace copper and zinc.

El Yujo indicated mineral resources

Indicated Mineral Resources					
	tonnes	Au (g/t)	Ag (g/t)	Cu (%)	Zn (%)
Sulfide	908,581	2.62	52.16	2.99	3.71
Oxide	96,134	6.02	119.27	0.00	0.00
Total	1,004,715	2.95	58.58	2.70	3.36
Contained metal					
		Au (oz)	Ag (oz)	Cu (lb)	Zn (lb)
Total		95,185	1,892,409	59,887,306	74,314,723

El Yujo inferred mineral resources

Inferred Mineral Resources					
	tonnes	Au (g/t)	Ag (g/t)	Cu (%)	Zn (%)
Sulfide	623,727	1.66	31.38	3.32	3.99
Contained metal					
		Au (oz)	Ag (oz)	Cu (lb)	Zn (lb)
Sulfide		33,357	629,346	45,683,280	54,830,464

The technical report entitled "Mineral Resource Estimate for the Las Animas Project, Province of La Vega, Dominican Republic" dated May 4, 2009 describing the resource estimate has been filed on SEDAR and is also available for viewing on the GoldQuest website.

It is the intension of the Company to complete more work in the Las Animas District where a number of other anomalies have been defined. The Company has two key claims applications adjacent to the Las Animas concession which cover a number of new zones of recently discovered mineralisation. As soon as title to the claims has been granted the Company will announce further details of the new targets.

LAS TRES PALMAS PROJECT: During the year GoldQuest Geologists compiled data from Las Tres Palmas project in the western Dominican Republic and incorporated all the data generated as part of the Gold Fields Joint Venture. In April 2010 GoldQuest started a diamond drill programme at the Escandalosa Sur area of the Las Tres Palmas project where previous drilling returned a drill intercept of 2.1 g/t gold over 63 m (LTP-07). The current drill programme consists of an initial nine holes and has been designed to infill previous drilling, to step out from previous drilling, and to test a large aeromagnetic low anomaly to determine whether it has concealed gold mineralization at depth. The known gold mineralization at the Escandalosa Sur zone is flat lying and stratiform hosted in a dacite tuff which is capped by barren limestone and andesites, and trends north east towards the magnetic low (analytical signal) in andesite outcrop. The target concept being tested is that the magnetic low, which is approximately 700 m long by 300 m wide, may be the outer zone of magnetite-destructive alteration overlying a buried porphyry or epithermal system.

JENGIBRE PROJECT: GoldQuest Geologists completed a programme of detailed channel sampling on the Jengibre project investigating different zones of intermediate sulphidation replacement style mineralisation. Detailed surface sampling was completed on three principal targets located at a similar topographic level over a horizontal distance of approximately 300 meters with a NNW trend.

Channel sampling from the northernmost target returned 12.62 meters grading 2.16 g/t Au, 2.61% Zn and 0.41% Cu. The principal outcrop is exposed in a small landslip and comprises of argillic altered andesitic tuffs with coarse-grained disseminated pyrite, chalcopyrite, sphalerite and barite. The mineralised outcrop has been cut off by a fault. Gold Fields completed one drill hole approximately 120 meters southwest of this zone and the Company believes the target requires further drill testing.

The central target comprises silicified andesitic volcanic rocks with 1 to 3% disseminated pyrite and occasional veinlets of barite. Channel sampling from the principal outcrop returned 66 meters grading 0.78 g/t Au and 20.96 g/t Ag. The channel samples were taken in a continuous crescent shaped line following the northern periphery of the outcrop. This target was not drill tested by the Gold Fields' funded exploration programme.

The southernmost target is similar to the central zone comprising of pervasively silicified andesitic volcanic rocks with hydrothermal breccias cut by quartz veinlets carrying pyrite, sphalerite and traces of chalcopyrite. Channel sampling returned 59.50 meters grading 1.58 g/t Au and 55.57 g/t Ag and includes 18.00 meters grading 2.34 g/t Au, and 13.50 meters grading 3.13 g/t Au plus 84.50 g/t Ag. One drill hole (JN-02) completed by the former Gold Fields joint venture cut the northern extension of this zone and returned 54 meters grading 1.03 g/t Au, including 22 meters grading 1.97 g/t Au.

GoldQuest Geologists will complete more detailed sampling and geological mapping on the project to prioritise different targets for drill testing.

LOS COMIOS PROJECT: GoldQuest completed field work to investigate a gold-molybdenum ridge-and-spur soil anomaly defined by the Gold Fields Joint Venture. The anomalous zone consists of a continuous line of 11 samples taken at twenty-five meter intervals with an average grade of 218 ppb Au and 9.31 ppm Mo. These samples were taken as part of a programme comprising of 178 samples.

The line of anomalous samples obliquely traverses a zone of silicified, brecciated sediments that has now been geologically mapped over an area of approximately 800 by 120 meters. Rock chip sampling from the first zone returned values up to 5.37 g/t Au from intensely silicified sediments which are interpreted to

be limestones. From a programme consisting of 50 rock samples the average grade returned 0.26 g/t Au and 17.6 ppm Mo from either silicified sediments or the juxtaposing silicified andesitic volcanics. One sub-crop sample of silicified, laminated sediment taken from a separate zone 850 meters further to the northwest of Los Lechones returned 0.67 g/t Au.

A second zone of alteration occurs at a contact between andesitic volcanic rocks and a diorite intrusion with alteration comprising of disseminated pyrite with intense quartz-sericite alteration located approximately 1.8 km to the south east of the principal soil anomaly. The second zone of alteration called La Guamita is located 1.8 km to the south east of Los Lechones and occurs at a contact between andesitic volcanic rocks and a diorite intrusion with approximate dimensions of 300 by 200 meters. The La Guamita zone has disseminated pyrite with intense quartz-sericite alteration with eight rock samples from this zone returning values between 0.11 and 0.37 g/t Au from a programme comprising of 47 samples. A third zone of intense alteration discovered approximately 1 km to the north of La Guamita did not return any significant sample values.

The Los Lechones and La Guazamita zones are located approximately five kilometres northwest of the Los Comios copper-gold anomaly described in a Company news release dated August 5, 2009. The gold-copper anomaly has been defined by 330 rock and float samples with 118 returning values greater than 0.1% copper including 59 greater than 1 % copper and 6 greater than 10% copper with a maximum value of 34.6%. Rock float samples have returned values up to 17.0 g/t gold and 1.3 % zinc. The strongest mineralized samples originate from either side of a large topographic high which is coincidental with a strong positive airborne magnetic anomaly located east of the Los Lechones and La Guazamita zones. The Company intends to complete a more focused exploration programme to systematically explore the greater Los Comios district in further detail.

EL TORO PROJECT: The El Toro project consists of multiple mesothermal quartz veins defined over approximately 2.6 kilometres strike length comprising of several individual veins of up to two metres width, hosted in a package of andesitic volcanoclastic rocks. GoldQuest dug and sampled several trenches from the south east of the property to test the continuity of mineralisation between the principal quartz veins. Sample results from the trenching programme were generally lower than hoped for with the stockwork of quartz veinlets that occurs between the principal larger veins returning only weakly anomalous gold values. Trench SE-3 that cut the principal zone of veining returned 20.6 meters grading 1.72 g/t Au. Trenches SE-1 and SE-2 that tested the southern extension of the same zone returned only weakly anomalous sample values. No further work is planned on the property at this time.

The Company continues to prioritise, critically review and explore the portfolio of gold and copper targets including those that were formally part of the Gold Fields Joint Venture.

(3) QUALIFIED PERSON UNDER NATIONAL INSTRUMENT 43-101

All scientific and technical information was prepared throughout the year by or under the supervision of Mr. Alistair H. Waddell, the Company's President & CEO, Dr. Stewart Redwood, Consulting Geologist to the Company or Mr. David J. Hall, the Company's former Vice-Chairman. Mr. Waddell, Dr. Redwood and Mr. Hall are all Qualified Persons under National Instrument 43-101.

Work by Gold Fields was completed under the supervision of Mr. Nathan Brewer. Mr. Brewer is a Qualified Person for the purposes of National Instrument 43-101.

(4) GEOLOGICAL EXPLORATION EXPENDITURES

During the year, the Company incurred \$573,342 in exploration in the Dominican Republic.

Expenditures are summarized as follows:

	2009 CAD \$'s	2008 CAD \$'s	2008 US \$'s
Assay	24,812	208,097	170,286
Diamond Drilling	-	1,205,349	986,337
Geology, Geophysics, Consultants	219,530	1,141,019	933,696
General and Administrative	329,000	641,528	524,962
Optionee Contributions – direct only	-	(1,373,529)	(1,123,959)
Totals	573,342	1,822,464	1,491,322

H. RESULTS OF OPERATIONS

Operational results reflect overhead costs incurred for mineral property acquisitions and associated exploration expenses as well as other regulatory expenses incurred by the Company in the Dominican Republic, and to maintain the administrative infrastructure required to operate locally and report to the Vancouver Head Office.

General and administrative costs can be expected to fluctuate relationally with acquisitions, exploration and operations.

(1) SELECTED ANNUAL INFORMATION

Commencing January 1, 2009, the Company changed its reporting currency to Canadian dollars from US. The following are highlights of financial data on the Company for the most recently completed three financial years, with 2008 shown in both US and CAD dollars:

	2009 CAD \$'s	2008 CAD \$'s	2008 US \$'s	2007 US \$'s
Loss for the year	976,255	1,878,542	1,761,095	533,647
Loss per common share, basic and diluted	0.016	0.003	0.03	0.01
Weighted Average number of common shares	62,727,320	61,359,436	61,359,436	53,589,503
Balance Sheet Data				
Working Capital/(Deficiency)	838,003	1,710,700	1,399,866	3,249,000
Total assets	9,478,886	8,980,642	7,348,860	8,284,677

(2) REVENUES

The Company is currently engaged in mineral property acquisition and exploration and does not have revenues from its operations.

(3) EXPENSES

General and Administrative expenses net of stock based compensation decreased by 13.4% to \$534,278 (2008 - \$616,647). This was a planned policy to reduce expenses in this area in order to preserve capital.

(4) SUMMARY OF QUARTERLY RESULTS

The following table sets out selected consolidated current quarterly information and historically for the preceding eight quarters ending December 31, 2009.

	December 31, 2009	September 30, 2009	June 30, 2009	March 31, 2009
Revenue	868	202	7,620	1,511
(Gain)/Loss for the period before Extraordinary items	89,782	258,331	230,930	220,122
Write off of mineral properties	374,167	-	-	-
Future Income Tax Recovery	(197,077)	-	-	-
Net Loss for the period	266,872	258,331	230,930	220,122
Net Loss/(Gain) per share	0.016	0.004	0.003	0.004

	December 31, 2008	September 30, 2008	June 30, 2008	March 31, 2008
Revenue	9,643	6,904	26,873	17,589
(Gain)/Loss for the period before Extraordinary items	820,050	98,453	197,370	237,346
Write off of mineral properties	723,945	-	-	-
Future Income Tax Recovery	(198,621)	-	-	-
Net Loss for the period	1,345,374	98,453	197,370	237,346
Net Loss/(Gain) per share	0.030	0.003	0.003	0.005

*This financial data has been prepared in accordance with Canadian generally accepted accounting principles.

(5) FOR THE YEAR AND FOR THE THREE MONTHS ENDED DECEMBER 31, 2009

A summary of cash expenditures for both the three months and the year ended December 31, 2009 is as follows:

Summary Expenditures for Period	3 Months Ended December 31		Year Ended December 31	
	2009	2008	2009	2008
Investor Relations	3,892	24,277	66,350	144,875
Office Expenditures	36,189	50,618	214,820	156,271
Administrative Travel	2,181	2,602	7,528	36,924
Payroll	91,810	212,495	241,650	474,145
Total	134,072	289,992	530,348	812,215

The Company continued with its policy of preserving capital while working on the closing of the Gold Fields and Lundin transactions.

I. OTHER DISCLOSURE

(1) CAPITAL RESOURCES

In April 2010 the Company completed a three-tranche private placement financing which realised aggregate gross proceeds of \$2,687,600 and intends to use the funds to execute a strategic exploration plan in the Dominican Republic, including, as a priority, drilling the Las Tres Palmas project.

The Company also intends to use the proceeds to advance the Toral and other projects in northwest Spain, as well as for general corporate purposes.

(2) LIQUIDITY

As at December 31, 2009 the working capital position of GoldQuest was approximately \$838,003 (2008 - \$1,710,700).

At year end, the Company had a total of 5,470,000 options outstanding with a realizable value of \$1,591,750 CAD.

The Company has made a practice of investing its cash in fixed deposits and GICs at a term of no longer than 90 days. The investments are cashable in full or in part prior to maturity without interest penalty.

(3) TREASURY

As at April 26, 2010, the Company had 91,646,351 shares outstanding.

(4) OPTIONS OUTSTANDING AS AT APRIL 26, 2010-

Expiry Date	Exercise Price CAD\$	Options #	Vested %	Estimated Grant Date Fair Value \$
April 28, 2010	0.25	400,000	100%	67,484
March 4, 2011	0.25	75,000	100%	14,765
May 8, 2012	0.40	1,125,000	100%	390,695
June 11, 2013	0.40	2,120,000	56.5%	412,528
April 2, 2014	0.10	1,450,000	50.0%	91,350
July 3, 2014	0.10	300,000	33.3%	18,900
Total		5,470,000		995,722

(5) WARRANTS OUTSTANDING AS AT APRIL 26, 2010

Expiry Date	Exercise Price CAD \$	Warrants #	Type of Warrant
March 31, 2012	0.20	3,802,500	Regular
March 31, 2012	0.145	656,000	Agent/Finder
April 9, 2012	0.20	3,322,400	Regular
April 9, 2012	0.145	554,000	Agent/Finder
April 26, 2012	0.20	3,625,500	Regular
April 26, 2010	0.145	705,100	Agent/Finder
Total		12,665,500	

(6) OFF-BALANCE SHEET ARRANGEMENTS

As at December 31, 2009, the Company had no off-balance sheet arrangements.

(7) CRITICAL ACCOUNTING ESTIMATES

GoldQuest does not make any critical accounting estimates other than the carrying value of deferred exploration expenditures, the value of future tax assets, the value of warrants and the estimated value of stock-based compensation.

(8) CHANGES IN INTERNAL CONTROLS OVER FINANCIAL REPORTING

There were no changes in internal controls over financial reporting during the period.

(9) FINANCIAL INSTRUMENTS

a) Fair value

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

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

b) Foreign exchange risk

The Company is subject to foreign exchange risk as some of its operating, investing and financing activities are transacted in currencies other than the Canadian dollar. The Company is therefore subject to gains and losses due to fluctuations in these currencies relative to the Canadian dollar.

The Company has maintained the majority of its cash in Canadian dollars, converting only as funds are required.

c) Commodity price risk

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

(10) RELATED PARTY TRANSACTIONS

There were no related party transactions during the year.

(11) RISK FACTORS

GoldQuest Mining Corp. (the "Company") is a development stage company and currently has interests in exploration and development properties in the Dominican Republic through its wholly-owned subsidiaries. Substantially all of the Company's efforts are devoted to financing and developing these properties. There has been no determination whether the Company's interests in exploration properties contain mineral reserves which are economically recoverable.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programmes 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 and non-compliance with regulatory requirements.