

# **GOLDQUEST MINING CORP.**

## **Condensed Consolidated Interim Financial Statements**

**FOR THE SIX MONTHS ENDED JUNE 30, 2017**

**(unaudited)**

#### **NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

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

**The accompanying unaudited interim financial statements of GoldQuest Mining Corp. for the six months ended June 30, 2017 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 (unaudited)**  
**(Expressed in Canadian Dollars)**

<i>As at</i>	June 30, 2017	December 31, 2016
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents (note 4)	\$ 25,773,611	\$ 6,283,734
Amounts receivable (note 5)	86,477	195,874
Prepaid expenses	175,979	274,987
Deposits	10,097	10,284
<b>Total current assets</b>	<b>26,046,164</b>	<b>6,764,879</b>
<b>Non-current assets</b>		
Long-term investment (note 6)	45,000	64,500
Equipment (note 7)	131,534	106,559
Evaluation and exploration assets (note 8)	1,247,000	1,247,000
<b>Total non-current assets</b>	<b>1,423,534</b>	<b>1,418,059</b>
<b>TOTAL ASSETS</b>	<b>\$ 27,469,698</b>	<b>\$ 8,182,938</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (notes 10 and 12(b))	\$ 990,969	\$ 646,802
<b>TOTAL LIABILITIES</b>	<b>990,969</b>	<b>646,802</b>
<b>EQUITY</b>		
Share capital (note 11)	\$ 72,111,984	\$ 49,308,286
Other reserve	10,560,666	8,918,403
Stock options reserve	5,506,875	5,373,358
Warrants reserve	893,477	901,527
Accumulated other comprehensive income	21,000	40,500
Deficit	(62,615,273)	(57,005,938)
<b>TOTAL EQUITY</b>	<b>26,478,729</b>	<b>7,536,136</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>\$ 27,469,698</b>	<b>\$ 8,182,938</b>

*Corporate information and continuance of operations (note 1)*

*Commitments (note 13)*

*Segmented information (note 14)*

*See accompanying notes to these unaudited interim consolidated financial statements.*

APPROVED BY THE BOARD:

*/s/ Julio Espaillet* Director

*/s/ Florian Siegfried* Director

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

	For the three months ended		For the six months ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
<b>EXPENSES</b>				
Consulting fees	\$ 7,500	\$ -	\$ 14,096	\$ -
Depreciation (note 7)	12,426	11,671	22,082	22,510
Directors' fees and management remuneration	286,810	144,750	511,660	289,500
Evaluation and exploration costs (note 9)	1,532,935	1,245,433	2,450,597	2,237,233
Foreign exchange loss (gain)	(1,585)	17,379	23,655	118,453
General and administrative	72,653	45,635	141,627	90,498
Investor relations and promotion	56,134	44,331	156,647	109,518
Professional fees	76,133	58,001	120,504	90,308
Regulatory and transfer agents	38,770	34,205	52,354	44,610
Rent	13,429	11,953	26,828	24,088
Salaries and wages	215,072	69,651	300,693	122,536
Share-based payments (note 11(d))	1,093,847	110,910	1,775,780	216,999
Travel	25,983	34,822	79,382	73,795
<b>TOTAL EXPENSES</b>	<b>3,430,107</b>	<b>1,828,741</b>	<b>5,675,905</b>	<b>3,440,048</b>
<b>OTHER ITEMS</b>				
Interest income	(56,619)	(5,934)	(66,570)	(10,820)
<b>LOSS FOR THE PERIOD</b>	<b>3,373,488</b>	<b>1,822,807</b>	<b>5,609,335</b>	<b>3,429,228</b>
<b>OTHER COMPREHENSIVE LOSS</b>				
Unrealized loss (gain) on available-for-sale assets (note 6)	(9,000)	(58,500)	19,500	(63,000)
<b>TOTAL LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD</b>	<b>\$ 3,364,488</b>	<b>\$ 1,764,307</b>	<b>\$ 5,628,835</b>	<b>\$ 3,366,228</b>
<b>Basic and diluted loss per share for the period</b>				
<b>attributable to common shareholders (warrants and options not included as the impact would be anti-dilutive)</b>	<b>\$ 0.01</b>	<b>\$ 0.01</b>	<b>\$ 0.02</b>	<b>\$ 0.02</b>
<b>Weighted average number of common shares outstanding - basic and diluted</b>				
	<b>253,893,648</b>	<b>197,108,467</b>	<b>239,970,367</b>	<b>187,395,346</b>

See accompanying notes to these unaudited interim consolidated financial statements.

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

	Note	Share capital		Reserves			Accumulated other comprehensive income	Deficit	Total
		Number of shares	Amount	Other reserve	Stock options reserve	Warrants reserve			
<b>Balance at December 31, 2016</b>		<b>215,732,384</b>	<b>\$ 49,308,286</b>	<b>\$ 8,918,403</b>	<b>\$ 5,373,358</b>	<b>\$ 901,527</b>	<b>\$ 40,500</b>	<b>\$ (57,005,938)</b>	<b>\$ 7,536,136</b>
Shares issued for cash - private placement		38,100,000	22,860,000	-	-	-	-	-	22,860,000
Share issue costs		-	(95,852)	-	-	-	-	-	(95,852)
Shares issued for cash - exercise of warrants		175,000	31,500	-	-	-	-	-	31,500
Reclassification of grant-date fair value on exercise of warrants		-	8,050	-	-	(8,050)	-	-	-
Reclassification of grant-date fair value on expired stock options		-	-	1,642,263	(1,642,263)	-	-	-	-
Share-based payments		-	-	-	1,775,780	-	-	-	1,775,780
Other comprehensive income		-	-	-	-	-	(19,500)	-	(19,500)
Loss for the period		-	-	-	-	-	-	(5,609,335)	(5,609,335)
<b>Balance at June 30, 2017</b>		<b>254,007,384</b>	<b>\$ 72,111,984</b>	<b>\$ 10,560,666</b>	<b>\$ 5,506,875</b>	<b>\$ 893,477</b>	<b>\$ 21,000</b>	<b>\$ (62,615,273)</b>	<b>\$ 26,478,729</b>
<b>Balance at December 31, 2015</b>		<b>177,682,225</b>	<b>\$ 40,223,041</b>	<b>\$ 8,503,320</b>	<b>\$ 4,418,794</b>	<b>\$ 759,357</b>	<b>\$ 3,000</b>	<b>\$ (48,107,327)</b>	<b>\$ 5,800,185</b>
Shares and warrants issued for cash - private placement		32,678,750	8,692,000	-	-	-	-	-	8,692,000
Share issue costs		-	(730,584)	-	-	-	-	-	(730,584)
Fair value of finder's warrants		-	(480,663)	-	-	480,663	-	-	-
Shares issued for cash - exercise of warrants		595,455	40,147	-	-	28,853	-	-	69,000
Shares issued for cash - exercise of stock options		210,000	41,500	-	-	-	-	-	41,500
Reclassification of grant-date fair value on exercise of warrants		-	35,530	-	-	(35,530)	-	-	-
Reclassification of grant-date fair value on exercise of stock options		-	31,169	-	(31,169)	-	-	-	-
Reclassification of grant-date fair value on expired stock options		-	-	414,897	(414,897)	-	-	-	-
Share-based payments		-	-	-	216,999	-	-	-	216,999
Other comprehensive loss		-	-	-	-	-	63,000	-	63,000
Loss for the period		-	-	-	-	-	-	(3,429,228)	(3,429,228)
<b>Balance at June 30, 2016</b>		<b>211,166,430</b>	<b>\$ 47,852,140</b>	<b>\$ 8,918,217</b>	<b>\$ 4,189,727</b>	<b>\$ 1,233,343</b>	<b>\$ 66,000</b>	<b>\$ (51,536,555)</b>	<b>\$ 10,722,872</b>

See accompanying notes to these unaudited interim consolidated financial statements.

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

	For the six months ended	
	June 30, 2017	June 30, 2016
<b>Cash flows provided from (used by):</b>		
<b>OPERATING ACTIVITIES</b>		
<b>Net loss for the period</b>	\$ (5,609,335)	\$ (3,429,228)
<b>Adjustments for items not affecting cash:</b>		
Depreciation	22,221	27,141
Share-based payments	1,775,780	216,999
	<b>(3,811,334)</b>	<b>(3,185,088)</b>
<b>Net changes in non-cash working capital items:</b>		
Amounts receivable	109,397	(26,090)
Prepaid expenses	99,008	(16,724)
Deposits	187	7,374
Accounts payable and accrued liabilities	344,167	348,809
<b>Net cash flows used in operating activities</b>	<b>(3,258,575)</b>	<b>(2,871,719)</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds from share issuance, net of share issue costs	22,795,648	8,071,916
<b>Net cash flows from financing activities</b>	<b>22,795,648</b>	<b>8,071,916</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of equipment	(47,196)	(6,492)
<b>Net cash flows used in investing activities</b>	<b>(47,196)</b>	<b>(6,492)</b>
<b>Net increase in cash and cash equivalents</b>	<b>19,489,877</b>	<b>5,193,705</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>6,283,734</b>	<b>4,406,100</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 25,773,611</b>	<b>\$ 9,599,805</b>
<b>Cash received during the period from interest</b>	<b>\$ 66,570</b>	<b>\$ 10,820</b>
<b>Supplementary cash flow information</b>		
Finders' warrants issued (note 11(b))	\$ -	\$ 480,663
Fair value of warrants issued (note 11(b))	-	28,853
Reclassification of the fair value of warrants exercised	8,050	35,530
Reclassification of the fair value of options exercised	-	31,169
Reclassification of the fair value of options expired	1,642,263	414,897

*See accompanying notes to these unaudited interim consolidated financial statements.*

**GoldQuest Mining Corp.**  
**Notes to the Interim Condensed Consolidated Financial Statements (unaudited)**  
**For the Six Months Ended June 30, 2017**  
**(Expressed in Canadian Dollars)**

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**1. CORPORATE INFORMATION AND CONTINUANCE OF OPERATIONS**

GoldQuest Mining Corp. (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 and exploration of mineral properties in the Dominican Republic. The Company’s registered 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 evaluation and 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 political uncertainty, 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.

These unaudited interim condensed consolidated financial statements have been prepared on the assumption that the Company and its subsidiaries will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. As at June 30, 2017, 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 fund operating costs over the next twelve months with cash and cash equivalents and through further equity financings.

The unaudited interim condensed consolidated financial statements of GoldQuest for the six months ended June 30, 2017 were approved by the Board of Directors on August 25, 2017.

**GoldQuest Mining Corp.**  
**Notes to the Interim Condensed Consolidated Financial Statements (unaudited)**  
**For the Six Months Ended June 30, 2017**  
**(Expressed in Canadian Dollars)**

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## **2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION**

### **Statement of compliance to International Financial Reporting Standards**

These unaudited 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.

### **Basis of presentation**

These unaudited condensed consolidated interim financial statements include the accounts of GoldQuest and its subsidiaries. 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, 2016. Certain amounts in prior periods have been reclassified to conform to the current period presentation.

## **3. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE**

### **Adoption of new and amended accounting standards**

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that are mandatory for accounting periods beginning before or on January 1, 2017.

The adoption of the following IFRS pronouncement will result in enhanced financial statement disclosures in the Company’s annual consolidated financial statements. This pronouncement did not affect the Company’s financial results nor did it result in adjustments to previously-reported figures.

- IFRS 15 - New standard to establish principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity’s contracts with customers.

### **New standards and interpretations not yet adopted**

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for accounting periods beginning on or after January 1, 2018. Updates which are not applicable or are not consequential to the Company have been excluded thereof. The following have not yet been adopted by the Company and are being evaluated to determine their impact:

- IFRS 9 – New standard that replaced IAS 39 for classification and measurement, effective for annual periods beginning on or after January 1, 2018.
- IFRS 16 – Leases: New standard to establish principles for recognition, measurement, presentation and disclosure of leases with an impact on lessee accounting, effective for annual periods beginning on or after January 1, 2019.



**GoldQuest Mining Corp.**  
**Notes to the Interim Condensed Consolidated Financial Statements (unaudited)**  
**For the Six Months Ended June 30, 2017**  
(Expressed in Canadian Dollars)

**4. CASH AND CASH EQUIVALENTS**

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

		June 30, 2017		December 31, 2016
Cash	\$	25,738,611	\$	6,248,734
Term deposits		35,000		35,000
	\$	25,773,611	\$	6,283,734

**5. AMOUNTS RECEIVABLE**

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

		June 30, 2017		December 31, 2016
Harmonized sales tax receivable and value-added tax receivable	\$	65,814	\$	170,396
Other receivables		20,663		25,478
	\$	86,477	\$	195,874

**6. LONG-TERM INVESTMENT**

*As at June 30, 2017*

	Number of shares		Carrying value		Closing market price		Fair value
Portex Minerals Inc.	15,151,273	\$	-	\$	-	\$	-
Precipitate Gold Corporation	300,000		64,500		0.150		45,000

*As at December 31, 2016*

	Number of shares		Carrying value		Closing market price		Fair value
Portex Minerals Inc.	15,151,273	\$	-	\$	-	\$	-
Precipitate Gold Corporation	300,000		64,500		0.215		64,500

***Portex Minerals Inc.***

On April 30, 2012, the Company received 15,151,273 shares of Portex Minerals Inc. ("Portex") with a fair value of \$909,076 in exchange for the sale of its wholly owned entities with business interests in Spain.

During the year ended December 31, 2015, the Company reduced the carrying value of the 15,151,273 shares of Portex to \$nil as it determined the impairment was permanent given the financial conditions of Portex; as a result, a fair value loss on available-for-sale investments of \$75,756 was recognized in the statement of loss and comprehensive.

**GoldQuest Mining Corp.**  
**Notes to the Interim Condensed Consolidated Financial Statements (unaudited)**  
**For the Six Months Ended June 30, 2017**  
(Expressed in Canadian Dollars)

**6. LONG-TERM INVESTMENT (CONTINUED)**

**Precipitate Gold Corporation**

On September 30, 2015, the Company reached a data sharing and collaboration agreement (the “Agreement”) with Precipitate Gold Corporation (“Precipitate”). According to the Agreement, the Company and Precipitate will share all current and future Tireo belt exploration data in a collaborative effort to assist and accelerate the search for new gold discoveries in the Dominican Republic’s Tireo volcanic belt. In exchange of the exploration data, Precipitate agreed to issue 300,000 common shares to the Company.

During the year ended December 31, 2015, the Company received 300,000 shares from Precipitate with a fair value of \$24,000.

As at June 30, 2017, the Company recognized \$45,000 as the fair value of the 300,000 common shares received from Precipitate (December 31, 2016 – \$64,500). The change in fair value of \$19,500 for the six months ended June 30, 2017 is recognized as other comprehensive income (June 30, 2016 – a gain of \$63,000).

**7. EQUIPMENT**

The Company’s equipment is broken down as follows:

	Computer equipment	Field equipment	Office equipment	Software	Vehicles	Total
<b>Cost</b>						
As at December 31, 2016	\$ 137,781	\$ 172,110	\$ 14,890	\$ 121,095	\$ 315,833	\$ 761,709
Additions for the year	1,427	-	-	3,248	42,521	47,196
<b>Balance as at June 30, 2017</b>	<b>\$ 139,208</b>	<b>\$ 172,110</b>	<b>\$ 14,890</b>	<b>\$ 124,343</b>	<b>\$ 358,354</b>	<b>\$ 808,905</b>
<b>Depreciation</b>						
As at December 31, 2016	\$ (71,731)	\$ (171,972)	\$ (12,963)	\$ (120,304)	\$ (278,180)	\$ (655,150)
Charged for the year	(9,403)	(139)	(141)	(1,603)	(10,935)	(22,221)
<b>Balance as at June 30, 2017</b>	<b>\$ (81,134)</b>	<b>\$ (172,111)</b>	<b>\$ (13,104)</b>	<b>\$ (121,907)</b>	<b>\$ (289,115)</b>	<b>\$ (677,371)</b>
<b>Net book value</b>						
As at December 31, 2016	\$ 66,050	\$ 138	\$ 1,927	\$ 791	\$ 37,653	\$ 106,559
<b>As at June 30, 2017</b>	<b>\$ 58,074</b>	<b>\$ (1)</b>	<b>\$ 1,786</b>	<b>\$ 2,436</b>	<b>\$ 69,239</b>	<b>\$ 131,534</b>

During the six months ended June 30, 2017, a total of \$139 (June 30, 2017 – \$4,631) was included in evaluation and exploration costs (Note 9).

**GoldQuest Mining Corp.**  
**Notes to the Interim Condensed Consolidated Financial Statements (unaudited)**  
**For the Six Months Ended June 30, 2017**  
(Expressed in Canadian Dollars)

**8. EVALUATION AND EXPLORATION ASSETS**

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

	Balance as at December 31, 2016		Additions	Balance as at June 30, 2017	
<b>Dominican Republic</b>	\$	<b>1,247,000</b>	\$	-	\$ <b>1,247,000</b>

**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. As consideration for GFL's interest in the joint venture projects, the Company issued 8,600,000 common shares and granted a 1.25% Net Smelter Royalty ("NSR") on the claims in favour of GFL.

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

**9. EVALUATION AND EXPLORATION COSTS**

The Company's evaluation and exploration costs during the six months ended June 30, 2017 and 2016 related to projects in the Dominican Republic are broken down as follows:

	For the six months ended June 30, 2017		
	Tireo	General	Total
Access fees	\$ 6,069	\$ 1,683	\$ <b>7,752</b>
Depreciation	-	139	<b>139</b>
Drilling	918,198	-	<b>918,198</b>
Equipment rental	525	-	<b>525</b>
Field	346,562	37,220	<b>383,782</b>
Field technicians	371,303	3,555	<b>374,858</b>
Geological	155,586	7,828	<b>163,414</b>
Lodging and food	132,945	25,229	<b>158,174</b>
Salaries and wages	-	111,735	<b>111,735</b>
Sample analysis	20,310	-	<b>20,310</b>
Social responsibility	52,611	3,486	<b>56,097</b>
Technical studies	251,943	-	<b>251,943</b>
Transportation	3,640	30	<b>3,670</b>
	\$ <b>2,259,692</b>	\$ <b>190,905</b>	\$ <b>2,450,597</b>
	Cumulative costs, beginning of period		<b>30,220,968</b>
	Cumulative costs, end of period		\$ <b>32,671,565</b>

**GoldQuest Mining Corp.**  
**Notes to the Interim Condensed Consolidated Financial Statements (unaudited)**  
**For the Six Months Ended June 30, 2017**  
(Expressed in Canadian Dollars)

**9. EVALUATION AND EXPLORATION COSTS (continued)**

For the six months ended June 30, 2016			
	Tireo	General	Total
Access fees	\$ 1,559	\$ 3,867	\$ 5,426
Depreciation	1,509	3,122	4,631
Equipment rental	3,646	1,850	5,496
Field	87,154	34,505	121,659
Field technicians	129,104	11,289	140,393
Geological	200,737	7,556	208,293
Lodging and food	83,445	377	83,822
Salaries and wages	-	90,281	90,281
Sample analysis	248,951	-	248,951
Social responsibility	5,034	295	5,329
Technical studies	1,320,292	-	1,320,292
Transportation	2,089	571	2,660
	<b>\$ 2,083,520</b>	<b>\$ 153,713</b>	<b>\$ 2,237,233</b>
		Cumulative costs, beginning of period	24,995,763
		Cumulative costs, end of period	<b>\$ 27,232,996</b>

**10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

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

	June 30, 2017	December 31, 2016
Trade payables	\$ 705,385	\$ 329,778
Accrued liabilities	285,584	317,024
	<b>\$ 990,969</b>	<b>\$ 646,802</b>

**GoldQuest Mining Corp.**  
**Notes to the Interim Condensed Consolidated Financial Statements (unaudited)**  
**For the Six Months Ended June 30, 2017**  
**(Expressed in Canadian Dollars)**

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**11. SHARE CAPITAL**

**a) Authorized share capital**

Unlimited number of common shares without par value.

**b) Issued share capital**

At June 30, 2017, the Company had 254,007,384 common shares (December 31, 2016 – 215,732,384) common shares issued and outstanding with a value of \$72,111,984 (December 31, 2016 – \$49,308,286).

**During the six months June 30, 2017:**

- On March 8, 2017, the Company completed a non-brokered private placement ("Private Placement") of 38,100,000 common shares of the Company with Agnico Eagle Mines Limited ("Agnico") for total proceeds of \$22,860,000. After the completion of the Private Placement, Agnico owns approximately 15% of the issued and outstanding common shares of the Company.

In connection with the Private Placement, Agnico and the Company entered into an investor rights agreement ("Investor Rights Agreement") which grants Agnico the right to maintain its interest in the Company through participation in future equity financings of the Company and to, at its election, nominate one person to the Company's Board of Directors (and in the case of an increase in the size of the Board of Directors to 10 or more directors, two persons). These rights may only be exercised by Agnico if it owns at least a 10% interest in the Company (calculated in accordance with the Investor Rights Agreement). Agnico has not elected to exercise its director nomination right at this time. Additionally, the Investor Rights Agreement prohibits Agnico from taking certain actions, including acquiring more than 19.99% of the issued and outstanding common shares of the Company for a period of two years, subject to certain exceptions.

In connection with the private placement, the Company incurred \$95,852 in share issuance costs.

- 175,000 warrants were exercised for proceeds of \$31,500. In addition, the Company reclassified the grant date fair value of the exercised warrants of \$8,050 from warrants reserve to share capital.

**During the six months ended June 30, 2016:**

- On April 1, 2016, the Company completed a private placement and issued 14,710,000 common shares at a price of \$0.20 per share for gross proceeds of \$2,942,000.

In connection with the private placement, the Company incurred \$168,671 in share issuance costs which included a finder's fee of \$135,940.

- On June 9, 2016, the Company completed a private placement and issued 17,968,750 common shares at a price of \$0.32 per share for gross proceeds of \$5,750,000.

In connection with the private placement, the Company issued 1,257,812 broker warrants. Each broker warrant will be exercisable into one common share of the Company with an expiry date of December 9, 2017. The broker warrants are exercisable at a purchase price of \$0.36 per share. The Company estimated the fair value of broker's warrants using the Black-Scholes options pricing model, assuming a risk-free interest rate of 0.52%, an expected life of 18 months, an expected volatility of 224.28% and an expected dividend yield of 0%, which totaled \$480,663, and recorded these values as share issuance costs.

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In connection with the private placement, the Company incurred \$561,913 in share issuance costs which included a finder's fee of \$402,500.

**11. SHARE CAPITAL (continued)**

**b) Issued share capital (continued)**

- 545,455 finder's unit purchase warrants, which were issued in connection with the privately placement completed on November 6, 2015, were exercised for proceeds of \$60,000. Each unit consists of one common share of the Company and one-half of one common share purchase warrant of the Company. Each whole warrant is exercisable for an additional common share at an exercise price of \$0.18. The warrants have an expiry date of November 6, 2018.

In addition, the Company reclassified the grant date fair value of the exercised warrants of \$33,230 from warrants reserve to share capital.

For accounting purposes, the Company estimated the grant date fair value of warrants issued with the exercise of finder's unit purchase warrants, using the Black-Scholes option pricing model, assuming a risk-free interest rate of 0.52%, an expected life of 2.5 years, an expected volatility of 190.99% and an expected dividend yield of 0%, which totaled \$28,853, and recorded this value in warrants reserve. The value attributed to the warrants was based on their relative fair value as compared to the fair value of the common shares. The remaining balance of \$64,377 was recorded as common shares.

- 50,000 warrants were exercised for proceeds of \$9,000. In addition, the Company reclassified the grant date fair value of the exercised warrants of \$2,300 from warrants reserve to share capital.
- 210,000 options were exercised for proceeds of 41,500. In addition, the Company reclassified the grant date fair value of the exercised options of \$31,169 from stock options reserve to share capital.

**c) Warrants**

The changes in warrants during the six months ended June 30, 2017 and 2016 are as follows:

	June 30, 2017		June 30, 2016	
	Number outstanding	Weighted average exercise price	Number outstanding	Weighted average exercise price
Balance, beginning of year	14,803,174	\$ 0.20	16,409,046	\$ 0.18
Issued	-	-	1,530,539	0.33
Exercised	(175,000)	0.18	(595,455)	0.12
Balance, end of year	14,628,174	\$ 0.20	17,344,130	\$ 0.20

The following summarizes information about warrants outstanding at June 30, 2017:

Grant date	Expiry date	Warrants outstanding	Exercise price	Estimated grant date fair value	Weighted average remaining contractual life (in years)
October 19, 2015	October 19, 2018	9,045,455	\$ 0.180	\$ 412,488	1.30
November 6, 2015	November 6, 2018	4,052,181	\$ 0.180	\$ 186,404	1.35
May 9, 2016	November 6, 2018	272,727	\$ 0.180	\$ 21,584	1.35
June 9, 2016	December 9, 2017	1,257,811	\$ 0.360	\$ 273,001	0.44
		14,628,174	\$	893,477	1.24

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**11. 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. Under the plan, the exercise price of each option equals the market price of the Company's stock as determined on the date of grant. The options can be granted for a maximum term of 5 years and vest at the discretion of the Board of Directors.

Options to purchase common shares have been granted to directors, employees and consultants at exercise prices determined by reference to the market value of the Company's common shares on the date of the grant. The changes in options during the six months ended June 30, 2017 and 2016 are as follows:

	June 30, 2017		June 30, 2016	
	Number outstanding	Weighted average exercise price	Number outstanding	Weighted average exercise price
Balance, beginning of period	18,780,166	\$ 0.43	16,107,666	\$ 0.34
Granted	6,338,666	0.50	200,000	0.33
Expired	(2,696,666)	0.56	(1,200,000)	0.41
Exercised	-	-	(210,000)	0.20
Balance, end of period	<u>22,422,166</u>	<u>\$ 0.43</u>	<u>14,897,666</u>	<u>\$ 0.34</u>

**During the six months ended June 30, 2017:**

- On April 10, 2017, the Company granted 6,158,666 options with an exercise price of \$0.50 to certain officers, directors and employees. The options are exercisable for a period of five years. One-third vest six months from the date of grant and one-third will vest every six months thereafter.
- On April 18, 2017, the Company granted 230,000 options with an exercise price of \$0.50 to certain officers and employees. The options are exercisable for a period of five years. One-third vest six months from the date of grant and one-third will vest every six months thereafter.
- 2,696,666 options expired unexercised.

**During the six months ended June 30, 2016:**

- On June 1, 2016, the Company granted 200,000 options with an exercise price of \$0.325 to the investor relation consultant. The options are exercisable for a period of five years. One-twelve vest one month from the date of grant and one-twelve will vest every one month thereafter.
- 1,200,000 options expired unexercised.



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**11. SHARE CAPITAL (continued)**

**d) Stock options (continued)**

The following summarizes information about stock options outstanding and exercisable at June 30, 2017:

Grant date	Expiry date	Options outstanding	Options exercisable	Exercise price	Weighted average	
					Estimated grant date fair value	remaining contractual life (in years)
September 11, 2012	September 4, 2017	250,000	250,000	\$ 1.560	\$ 376,726	0.18
March 8, 2013	March 8, 2018	2,445,000	2,445,000	\$ 0.500	\$ 874,293	0.69
May 22, 2013	May 22, 2018	500,000	500,000	\$ 0.350	\$ 131,412	0.89
December 19, 2013	December 19, 2018	2,357,000	2,357,000	\$ 0.250	\$ 490,173	1.47
May 14, 2014	May 14, 2019	150,000	150,000	\$ 0.310	\$ 39,928	1.87
January 20, 2015	January 20, 2020	1,524,000	1,524,000	\$ 0.150	\$ 168,292	2.56
December 14, 2015	December 14, 2020	2,745,000	2,745,000	\$ 0.130	\$ 305,611	3.46
June 1, 2016	June 1, 2021	200,000	200,000	\$ 0.325	\$ 58,711	3.92
August 12, 2016	August 12, 2021	5,312,500	1,770,839	\$ 0.600	\$ 2,741,961	4.12
October 13, 2016	October 13, 2021	600,000	200,000	\$ 0.360	\$ 218,833	4.29
April 10, 2017	April 10, 2022	6,158,666	-	\$ 0.500	\$ 2,466,714	4.78
April 18, 2017	April 18, 2022	180,000	-	\$ 0.500	\$ 70,397	4.80
		<b>22,422,166</b>	<b>12,141,839</b>		<b>\$ 7,943,051</b>	<b>3.34</b>

The estimated grant date fair value of the options granted during the six months ended June 30, 2017 and 2016 was calculated using the Black-Scholes option pricing model with the following weighted average assumptions:

	For the six months ended	
	June 30, 2017	June 30, 2016
Number of options granted	6,338,666	200,000
Risk-free interest rate	1.01%	0.66%
Expected annual volatility	130%	131%
Expected life	5.00	5.00
Expected dividend yield	0.00%	0.00%
Grant date fair value per option	\$ 0.40	\$ 0.34
Share price at grant date	\$ 0.47	\$ 0.34

During the six ended months ended June 30, 2017 and 2016, the Company recognized share-based payments expense of \$1,775,780 and \$216,999, respectively. For the six months ended June 30, 2017 and 2016, share-based payments expense consists of the following:

	For the six months ended	
	June 30, 2017	June 30, 2016
<b>For services in respect of:</b>		
Directors' fees	\$ 522,009	\$ 26,781
Investor relations	7,209	16,761
Management fees	939,501	151,911
Salaries and wages	307,061	21,546
	<b>\$ 1,775,780</b>	<b>\$ 216,999</b>

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**11. SHARE CAPITAL (continued)**

**e) Earnings (loss) per share**

The Company calculated the basic earnings (loss) per share by using the weighted-average number of shares outstanding during the period. The diluted earnings per share reflects the potential dilution of common share equivalents, such as outstanding stock options and warrants, in the weighted average number of common shares outstanding during the period. In determining the weighted average number of common shares outstanding during the period for the diluted loss per share, warrants and options are not included as the impact would be anti-dilutive.

**12. RELATED PARTY TRANSACTIONS AND BALANCES**

The financial statements include the accounts of GoldQuest Mining Corp. and its subsidiaries listed in the following table:

<b>Name</b>	<b>Country of Incorporation</b>	<b>Equity Onwership as at</b>	
		<b>June 30, 2017</b>	<b>December 31, 2016</b>
GoldQuest Mining (BVI) Corp	British Virgin Islands	100%	100%
Goldquest Dominicana SRL	Dominican Republic	100%	100%

Balances and transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note.

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**12. RELATED PARTY TRANSACTIONS AND BALANCES (continued)**

**a) Related party transactions**

The Company's related parties as defined by IAS 24, *Related Party Disclosures*, include the Company's subsidiaries (above), and the following directors, executive officers, key management personnel, and enterprises which are controlled by these individuals:

<b>Related Party</b>	<b>Relationship</b>
William Fisher	Executive Chairman
Frank Balint	Director
Patrick Michaels	Director
Florian Siegfried	Director
Julio Espaillat	Director, President and CEO
Paul Robertson	CFO
Quantum Advisory Partners LLP	A partnership in which the CFO is a partner
Jeremy Niemi	Vice President, Exploration
David Massola	Vice President, Corporate Development
Felix Mercedes	Country Manager, Dominican Republic

The Company considered the executive officers and directors as the key management of the Company.

Total compensation of key company personnel for the six months ended June 30, 2017 and 2016 is as follows:

	<b>For the six months ended</b>	
	<b>June 30, 2017</b>	<b>June 30, 2016</b>
Directors' fees	\$ 72,000	\$ 42,000
Management remuneration	439,660	247,500
Salaries and wages	57,866	5,159
Evaluation and exploration costs	100,000	80,000
Share-based compensation	1,565,544	178,692
	\$ 2,235,070	\$ 553,351

During the six months ended June 30, 2017, the Company paid professional fees of \$58,000 (June 30, 2016 – \$90,964) to Quantum Advisory Partners LLP, a partnership in which the CFO is an incorporated partner, for professional services including accounting, corporate secretarial, transaction support and tax compliance.

**b) Related party balances**

The balances due to the Company's directors and officer included in accounts payables and accrued liabilities were \$165,074 as at June 30, 2017 (December 31, 2016 – \$214,498), which were paid subsequent to June 30, 2017. These amounts are unsecured, non-interest bearing and payable on demand.

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**13. COMMITMENTS**

**Commitments**

The Company is a party to certain management contracts. These contracts contain clauses requiring that approximately \$2.3 million be paid to certain management personnel upon a change of control of the Company. As the likelihood of these events taking place is not determinable, the contingent payments have not been reflected in these consolidated financial statements.

**14. SEGMENTED INFORMATION**

The Company has one reportable segment, being the evaluation and exploration of mineral exploration properties. The Company's assets and liabilities are as follows:

	Canada	Dominican Republic	Total
<b><i>As at June 30, 2017</i></b>			
Evaluation and exploration assets	\$ -	\$ 1,247,000	\$ 1,247,000
Long-term investment	45,000	-	45,000
Equipment	56,926	74,608	131,534
	<b>\$ 101,926</b>	<b>\$ 1,321,608</b>	<b>\$ 1,423,534</b>
<b><i>As at December 31, 2016</i></b>			
Evaluation and exploration assets	\$ -	\$ 1,247,000	\$ 1,247,000
Long-term investment	64,500	-	64,500
Equipment	64,350	42,209	106,559
	<b>\$ 128,850</b>	<b>\$ 1,289,209</b>	<b>\$ 1,418,059</b>

**15. 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 evaluation and exploration 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.

There were no changes to the Company policy for capital management during the six months ended June 30, 2017.

The Company manages the capital structure and adjusts 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 very low risk financial instruments such as term deposits or by holding funds in high yield savings accounts with major Canadian banks. By using this strategy, the Company preserves its cash resources and can marginally increase these resources through the yields on these investments. The Company's financial instruments are exposed to certain financial risks, which include currency risk, credit risk, liquidity risk and interest rate risk.

The Company expects that its current capital resources will be sufficient to fund its present operational commitments and working capital needs for the coming twelve months.

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**16. FINANCIAL INSTRUMENTS**

a) **Fair value**

The carrying values of cash and cash equivalents, amounts receivable, and accounts payable and accrued liabilities approximate their fair values due to the relatively short period to maturity of those financial instruments. Long-term investment is determined by the closing market price of the securities held by the Company.

**As at June 30, 2017**

	Loans and receivables and other liabilities	Assets at fair value through profit or loss	Available-for-sale assets	Total
Cash and cash equivalents	\$ -	\$ 25,773,611	\$ -	\$ 25,773,611
Amounts receivable	20,663	-	-	20,663
Long-term investment	-	-	45,000	45,000
Accounts payable and accrued liabilities	990,966	-	-	990,966

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

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

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

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

As at June 30, 2017 and December 31, 2016, the financial instrument recorded at fair value on the consolidated statement of financial position is long term investment which is measured using Level 1 of the fair value hierarchy.

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**16. FINANCIAL INSTRUMENTS (continued)**

**b) Financial risk management**

Credit risk

Credit risk is the risk of an unexpected loss if a third party to a financial instrument fails to meet its contractual obligations. The Company manages its credit risk through its counterparty ratings and credit limits.

The Company's cash and cash equivalents are held through large Canadian financial institutions. Guaranteed investment certificates are composed of financial instruments issued by Canadian banks and companies with high investment-grade ratings. These instruments mature at various dates over the current operating period and are cashable on the maturity date.

The total cash and cash equivalents, and amounts receivable represent the maximum credit exposure. The Company limits its credit risk exposure by holding cash and cash equivalents with reputable financial institutions with high credit ratings. The Company's amounts receivable balance is not significant and does not represent significant credit exposure as it is principally due from the Government of Canada.

Liquidity risk

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

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

The Company maintained sufficient cash and cash equivalents at June 30, 2017 in the amount of \$25,773,611, in order to meet short-term business requirements. At June 30, 2017, the Company had accounts payable and accrued liabilities of \$990,969. All accounts payable and accrued liabilities are current.

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 are held mainly in high yield saving accounts and term deposits and therefore there is currently minimal interest rate risk. Because of the short-term nature of these financial instruments, fluctuations in market rates do not have a significant impact on estimated fair values as of June 30, 2017.

The Company's interest rate risk principally arises from the interest rate impact of interest earned on cash and cash equivalents. A 1% change in interest rates on cash and cash equivalents outstanding at June 30, 2017 would result in an approximately \$260,000 change to the Company's net loss for the six months ended June 30, 2017.

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 long-term investment are held in Canadian Dollars ("CAD"), US Dollars ("USD") and Dominican Pesos ("DOP"); therefore, USD and DOP accounts are subject to fluctuation against the Canadian dollar.

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**16. FINANCIAL INSTRUMENTS (continued)**

**b) Financial risk management (continued)**

Currency risk (continued)

The Company had the following balances in foreign currency as at June 30, 2017:

	in CAD	in USD	in DOP	in EURO
Cash and cash equivalents	24,272,807	1,011,178	6,916,670	-
Amounts receivable	92	-	756,361	-
Long-term investment	45,000	-	-	-
Accounts payable and accrued liabilities	(709,868)	(106,512)	(5,251,529)	-
	<b>23,608,031</b>	<b>904,666</b>	<b>2,421,502</b>	-
Rate to convert to \$1.00 CAD	1.000	0.7703	36.7688	1.0000
<b>Equivalent to Canadian dollars</b>	<b>23,608,031</b>	<b>1,174,419</b>	<b>65,857</b>	-

Based on the above net exposures as at June 30, 2017, and assuming that all other variables remain constant, a 10% appreciation or depreciation of the CAD against the USD and DOP would have had the following impact:

	Additional foreign exchange gain (loss) (before tax) (in CAD)		
	USD	DOP	Total
<i>For the six months ended June 30, 2017</i>			
If CAD appreciated by 10%	\$ 117,442	\$ 6,586	\$ 124,028
If CAD depreciated by 10%	(117,442)	(6,586)	(124,028)

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.

As June 30, 2017, the Company held 15,151,273 and 300,000 common shares of Portex and Precipitate, respectively, which are publicly traded on the Canadian National Stock Exchange and TSX Venture Exchange, respectively.

During the year ended December 31, 2015, the Company impaired the carrying value of the 15,151,273 shares of Portex to \$nil; as a result of the impairment, the Company believe price risk from the investment in Portex is minimal.

A 10% change in share price of Precipitate's shares at June 30, 2017 would result in a \$4,500 change to the Company's comprehensive loss for the six months ended June 30, 2017

Other than this, the Company is not exposed to significant other price risk.

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**16. FINANCIAL INSTRUMENTS (continued)**

**b) Financial risk management (continued)**

Commodity risk

The Company is exposed to price risk with respect to commodity prices, specifically gold. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company. Commodity prices fluctuate on a daily basis and are affected by numerous factors beyond the Company's control. The supply and demand for these commodities, the level of interest rates, the rate of inflation, investment decision by large holders of commodities including governmental reserves and stability of exchange rates can all cause significant fluctuations in prices. Such external economic factors are in turn influenced by changes in international investment patterns and monetary systems and political developments. As the Company does not have production assets, management believes this risk is minimal.