

METALQUEST MINERALS INC.

CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2009 AND 2008



NOTICE TO READER

These financial statements have been prepared by management of the Company. We have compiled the interim balance sheet of MetalQuest Minerals Inc. as at March 31, 2009 and the interim statements of loss and deficit and cash flows for the three months then ended. Independent accountants have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of such information. Readers are cautioned that these statements may not be appropriate for their purposes.

MetalQuest Minerals Inc.
Consolidated Balance Sheets

	March 31, 2009	December 31, 2008
ASSETS		
Current		
Cash	\$ 290,076	\$ 284,234
Marketable securities (Note 4)	732,765	860,782
Amounts receivable	12,575	8,155
Current portion of long-term receivable (Note 5a)	343,567	575,562
Prepaid expenses	48,055	48,055
	<u>1,427,038</u>	<u>1,776,788</u>
Marketable securities (Note 4)	111,254	156,557
Long-term receivable (Note 5a)	508,033	508,033
Advance to related party (Note 10)	40,000	40,000
Reclamation bond (Note 5b)	13,000	13,000
Resource property costs (Note 5)	398,409	400,000
	<u>\$ 2,497,734</u>	<u>\$ 2,894,378</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 63,949	\$ 52,826
Due to related parties (Note 10)	-	862
	<u>63,949</u>	<u>53,688</u>
SHAREHOLDERS' EQUITY		
Share capital (Note 6)	12,165,843	12,165,843
Contributed surplus (Note 7)	1,471,857	1,459,688
Accumulated other comprehensive income (loss) (Note 8)	(498,546)	(223,462)
Deficit	(10,705,369)	(10,561,379)
	<u>2,433,785</u>	<u>2,840,690</u>
	<u>\$ 2,497,734</u>	<u>\$ 2,894,378</u>

NATURE OF OPERATIONS AND CONTINUANCE OF BUSINESS (Note 1)

COMMITMENT (Note 12)

SUBSEQUENT EVENTS (Note 14)

Approved on Behalf of the Board:

"David McMillan"

David McMillan, Director

"Harold Forzley"

Harold Forzley, Director

MetalQuest Minerals Inc.**Consolidated Statements of Operations and Deficit**

For the three-month periods ended March 31, 2009 and 2008

	Three Month Ended March 31, 2009	Three Month Ended March 31, 2008
Expenses		
Accounting and audit fees <i>(Note 10)</i>	\$ 8,596	\$ 11,078
Consulting fees <i>(Note 10)</i>	13,960	19,308
Directors' fees <i>(Note 10)</i>	2,272	6,979
Interest and bank charges	75	115
Investor relations	768	7,268
Legal	2,675	-
Management fees <i>(Note 10)</i>	39,592	24,563
Office and administrative	28,831	11,740
Transfer agent, listing and filing fees	5,640	2,720
Travel and promotion	3,363	6,380
Loss before other items	105,772	90,151
Other Items		
Loss on disposition of marketable securities	38,216	
Gain (loss) on disposition of Mexican subsidiaries <i>(Notes 5a and b)</i>	-	(440,460)
	38,216	(440,460)
Net loss (gain) for the period	143,988	(350,309)
Deficit - beginning of period	10,561,381	10,270,642
Deficit - end of period	\$ 10,705,369	\$ 9,920,333
Weighted average number of shares outstanding	24,672,346	24,672,346
Net loss (gain) per share - basic and diluted	\$ 0.006	\$ (0.01)

- See accompanying notes to the consolidated financial statements -

MetalQuest Minerals Inc.

Consolidated Statement of Comprehensive Income (Loss)

For the three-month periods ended March 31, 2009 and 2008

	Three Month Ended March 31, 2009	Three Month Ended March 31, 2008
Net gain (loss) for the period	\$ (143,988)	\$ 350,309
Unrealized gain (loss) on available-for-sale investments	(498,546)	(176,862)
Comprehensive income (loss) for the period	\$ (642,534)	\$ 173,447

- See accompanying notes to the consolidated financial statements -

MetalQuest Minerals Inc.**Consolidated Statements of Cash Flows**

For the three-month periods ended March 31, 2009 and 2008

	Three Month Ended March 31, 2009	Three Month Ended March 31, 2008
Cash resources provided by (used in)		
Operating activities		
Net gain (loss) for the period	\$ (143,988)	\$ 350,309
Items not affected by cash		
Stock-based compensation	12,169	21,053
Loss on disposition of marketable securities	38,216	-
Loss (gain) on disposition of Mexican subsidiaries	-	(440,460)
Changes in non-cash working capital balances:		
Amounts receivable	(4,420)	(3,209)
Prepaid expenses	-	(38,649)
Accounts payable and accrued liabilities	10,833	(10,574)
	<u>(87,190)</u>	<u>(121,530)</u>
Investing activities		
Resource property costs, net	1,591	-
Cash from sale of subsidiaries	92,042	-
	<u>93,633</u>	<u>-</u>
Financing activities		
	<u>-</u>	<u>-</u>
Net increase (decrease) in cash	6,443	(121,530)
Cash - beginning of year	<u>283,633</u>	<u>620,080</u>
Cash - end of year	\$ 290,076	\$ 498,550
Supplemental cash flow information		
Interest paid	\$ 75	\$ 115
Income taxes paid	\$ -	\$ -

- See accompanying notes to the consolidated financial statements -

MetalQuest Minerals Inc.
Notes to the Consolidated Financial Statements
For the three-month periods ended March 31, 2009 and 2008

1. NATURE OF OPERATIONS AND CONTINUANCE OF BUSINESS

MetalQuest Minerals Inc. (the "Company") is an exploration stage company and is in the business of acquiring and exploring resource properties in British Columbia and Mexico. There has been no determination whether properties held contain ore reserves which are economically recoverable.

The recoverability of carrying amounts for resource properties and options is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying resource claims, the ability of the Company to obtain the necessary financing to complete the development and achieve profitable production or alternatively, dispose of the properties. It is reasonably possible that economically recoverable reserves may not be discovered and accordingly a material portion of the carrying value of resource properties could be written-off.

These consolidated financial statements have been prepared on the going concern basis, which assumes that the Company will be able to continue as a going concern and realize its assets and discharge its liabilities in the normal course of business. These consolidated financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern. As at March 31, 2009, the Company has incurred significant losses since inception totalling \$10,075,369. The continuing operations of the Company are dependent on its ability to generate future cash flows or obtain additional financing. Management is of the opinion that sufficient working capital will be obtained from external financing to meet the Company's liabilities and commitments as they become due, although there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company.

2. CHANGES IN ACCOUNTING POLICIES AND RECENT ACCOUNTING PRONOUNCEMENTS

Changes in accounting policies

Effective on January 1, 2008, the Company adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3862, "Financial Instruments - Disclosure" and Section 3863, "Financial Instruments - Presentation". These sections carry forward the former presentation requirements and increase the emphasis on recognition and management of the risks associated with recognized and unrecognized financial instruments. Disclosure requirements pertaining to this new standard are contained in Note 12.

Effective on January 1, 2008, the Company adopted the CICA Handbook Section 1535, "Capital Disclosures", which requires disclosure of information about an entity's capital and its objectives, policies and processes for managing capital. Disclosure requirements pertaining to this new standard are contained in Note 14.

Effective on January 1, 2008, the Company adopted CICA Handbook Section 1400, "General Standards of Financial Statement Presentation". This section provides revised guidance on management's responsibility to assess and disclose the Company's ability to continue as a going concern. The adoption of this section had no significant impact on the Company's consolidated financial statements.

Recent accounting pronouncements

In January 2009, the CICA issued Section 1582, Business Combinations, which replaces former guidance on business combinations. Section 1582 establishes principles and requirements of the acquisition method for business combination and related disclosures. The Section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 2011 with earlier adoption permitted. The Company does not expect that the adoption of this standard will have a material impact on the Company's financial statements.

MetalQuest Minerals Inc.
Notes to the Consolidated Financial Statements
For the three-month periods ended March 31, 2009 and 2008

2. CHANGES IN ACCOUNTING POLICY AND RECENT ACCOUNTING PRONOUNCEMENTS -
Continued

Recent accounting pronouncements

In January 2009, the CICA issued Section 1601, Consolidated Financial Statements, and 1602, Non-controlling interests, which replaces existing guidance. Section 1602 provides guidance on accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. These standards are effective on or after the beginning of the first annual reporting period on or after January 2011 with earlier adoption permitted. The Company does not expect that the adoption of this standard will have a material impact on the Company's financial statements.

In 2008, the Accounting Standards Board issued Handbook Section 3064, "Goodwill and Intangible Assets", which replaces Section 3062, "Goodwill and Intangible Assets", and Section 3450, "Research and Development Costs". Section 3064 establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. This new standard is effective for the Company's interim and annual consolidated financial statements commencing January 1, 2009. The Company does not expect that the adoption of this standard will have a material impact on the Company's financial statements.

In February 2008, the CICA Accounting Standards Board ("AcSB") adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, accounting standards in Canada for public companies will converge with International Financial Reporting Standards ("IFRS"). The Company continues to monitor and assess the impact of convergence of Canadian GAAP and IFRS.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of consolidation

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the accounts of the Company and Red Tusk Resources Inc. ("Red Tusk"), its wholly-owned subsidiary.

The 2008 consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries as follows:

- Red Tusk Resources Inc. ("Red Tusk")- in process of dissolution
- Minera Montana Roja, S.A. de C.V. ("MMR") – sold in 2008

All material intercompany balances and transactions have been eliminated on consolidation.

b) Cash and cash equivalents

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance to be cash equivalents.

c) Marketable securities

The Company has classified its marketable securities as available-for-sale and therefore carries them at fair market value with the unrealized gain or loss recorded in accumulated other comprehensive income. Fair values were determined by reference to published price quotations in an active market as at March 31, 2009.

MetalQuest Minerals Inc.
Notes to the Consolidated Financial Statements
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3. SIGNIFICANT ACCOUNTING POLICIES - *Continued*

d) Resource properties

All costs related to the acquisition, exploration and development of resource properties are capitalized. Upon commencement of commercial production, the related accumulated costs are amortized to income using the unit of production method over estimated recoverable ore reserves. Management periodically assesses carrying values of non-producing properties and if management determines that the carrying values cannot be recovered or the carrying values are related to properties that have lapsed, the unrecoverable amounts are expensed.

The recoverability of the carried amounts of resource properties is dependent on the existence of economically recoverable ore reserves and the ability to obtain the necessary financing to complete the development of such ore reserves and the success of future operations. The Company has not yet determined whether any of its resource properties contains economically recoverable reserves. Amounts capitalized as resource properties represent costs incurred to date, less write-downs and recoveries, and does not necessarily reflect present or future values.

When options are granted on resource properties or properties are sold, proceeds are credited to the cost of the property. If no future capital expenditure is required and proceeds exceed costs, the excess proceeds are reported as a gain.

e) Long-lived assets

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying value of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying value of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying value of the asset exceeds the fair value of the asset.

f) Asset retirement obligations

The Company follows CICA Handbook Section 3110, "Asset Retirement Obligations", which establishes standards for asset retirement obligations and the associated retirement costs related to site reclamation and abandonment. The fair value of the liability for an asset retirement obligation is recorded when it is incurred and the corresponding increase to the asset is depreciated over the life of the asset. The liability is increased over time to reflect an accretion element considered in the initial measurement at fair value. As at December 31, 2008, the Company has not incurred any asset retirement obligation related to the exploration and development of its resource properties.

g) Income taxes

The Company utilizes the asset and liability method of accounting for income taxes. Under the liability method, future income taxes are recognized to reflect the expected future tax consequences arising from temporary differences between the carrying value and the tax bases of the Company's assets and liabilities. The amount of future income tax assets is not recognized until realization is more likely than not.

MetalQuest Minerals Inc.
Notes to the Consolidated Financial Statements
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3. SIGNIFICANT ACCOUNTING POLICIES - *Continued*

h) Financial instruments

The Company's financial instruments consist of cash, marketable securities, long-term receivable, accounts payable and due to related parties.

The Company classifies financial assets and liabilities as held-for-trading, available-for-sale, held-to-maturity, loans and receivables or other financial liabilities depending on their nature. Financial assets and financial liabilities are recognized at fair value on their initial recognition, except for those arising from certain related party transactions which are accounted for at the transferor's carrying amount or exchange amount in accordance with the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3840 "Related Party Transactions".

Financial assets and liabilities classified as held-for-trading are measured at fair value, with gains and losses recognized in net income. Financial assets classified as held-to-maturity, loans and receivables, and financial liabilities other than those classified as held-for-trading are measured at amortized cost, using the effective interest method of amortization. Financial assets classified as available-for-sale are measured at fair value, with unrealized gains and losses being recognized as other comprehensive income until realized, or if an unrealized loss is considered other than temporary, the unrealized loss is recorded in income.

The Company classified cash as held-for-trading, marketable securities as available-for-sale, long-term receivable as loans and receivables, accounts payable and due to related parties as other financial liabilities.

i) Stock-based compensation

The Company follows the recommendation of CICA Handbook Section 3870, "Stock-based Compensation and Other Stock-based Payments". Under this method, compensation expense for stock option grants to employees and non-employees is based on the fair value of the stock options issued at the grant date, which is determined using the Black-Scholes Option Pricing Model. Compensation expense for stock options granted to non-employees is recognized as the options are earned and the services are provided. Compensation expense for stock options granted to employees is amortized over the vesting period. Consideration paid by employees and non-employees together with the related contributed surplus on the exercise of stock options is recorded as share capital.

j) Non-monetary transactions

Transactions in which shares or other non-cash consideration are exchanged for assets or services are measured at the fair value of the assets or services involved in accordance with CICA Handbook Section 3830 "Non-monetary Transactions".

k) Earning (loss) per share

The Company uses the treasury stock method in computing earning (loss) per share. Under this method, basic earning (loss) per share is computed by dividing net income (loss) available to common shareholders by the weighted average number of common shares outstanding during the year. For the years ended December 31, 2008 and 2007, the existence of warrants and options causes the calculation of fully diluted earning (loss) per share to be anti-dilutive. Accordingly, fully diluted earning (loss) per share information has not been shown.

MetalQuest Minerals Inc.
Notes to the Consolidated Financial Statements
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3. SIGNIFICANT ACCOUNTING POLICIES - *Continued*

l) Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. Significant areas requiring the use of management estimates are the determination of impairment of resource properties, stock-based compensation and estimation of future income tax assets and liabilities. Actual results may differ from those estimates.

4. MARKETABLE SECURITIES

Marketable securities consist of 2,479,958 common shares of Animas Resources Inc. ("Animas"), a company listed on the TSX-V in Canada, with a fair value of \$844,019. 675,000 of these shares were held in escrow as at March 31, 2009 and will be released in 2009 and 2010 as disclosed in Note 5(a).

5. RESOURCE PROPERTY COSTS

Summary of cumulative expenditures are as follows:

		March 31, 2009				
		Acquisition	Annual Mining Concession Fees	Exploration	Write-off	Total
Resource Property	RHG Property	\$ 1,149,707	-	(53,352)	(697,946)	\$ 398,409
		\$ 1,149,707	-	(53,352)	(697,946)	\$ 398,409
		As at March 31, 2008				
		Acquisition	Annual Mining Concession Fees	Exploration	Write-off	Total
Resource Properties	RHG Property	\$ 1,149,707	-	(52,876)	-	\$ 1,096,831
		\$ 1,149,707	-	(52,876)	-	\$ 1,096,831

MetalQuest Minerals Inc.
Notes to the Consolidated Financial Statements
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5. RESOURCE PROPERTY COSTS - Continued

Summary of current year expenditures:

	2009	2008
Canada		
RHG Property		
Camp and supplies	-	(8,885)
Helicopter	-	10,000
Consulting	-	15,000
Geology	-	250
Equipment rental	-	-
Travel	-	-
Other	-	9,750
BC mining tax credit	(1,591)	-
Option payment	-	(25,000)
	<u>(1,591)</u>	<u>1,115</u>
Total costs for the period	(1,591)	1,115
Mineral property written-off	-	(697,946)
Net change for the year	(1,591)	(696,831)
Balance - Beginning of Year	400,000	1,096,831
Balance - End of Period	\$ 398,409	\$ 400,000

MetalQuest Minerals Inc.
Notes to the Consolidated Financial Statements
For the three-month periods ended March 31, 2009 and 2008

5. RESOURCE PROPERTY COSTS - Continued

a) **Santa Gertrudis and Roca Roja**

On April 15, 2007 the Company entered into an agreement to sell 100% of its shares, rights, title and interest of First Silver Reserves, S.A. de C.V. and Recursos Escondidos, S.A. de C.V. ("the Subsidiaries") to Animas Resources Inc. ("Animas"). The Subsidiaries are registered and beneficial holders of the Santa Gertrudis and Roca Roja properties located in Sonora, Mexico.

In consideration for the sale the Company received \$726,386 in cash and 1,500,000 common shares of Animas, which are subject to an escrow agreement. The shares will be released from escrow in share allotments of 225,000 in 6 month intervals until July 2010. As at March 31, 2009, 675,000 shares (2008 – 1,125,000 shares) are held in escrow. The following are details pertaining to the escrow release:

Release dates	Shares to be released	Shares received	Escrow balance
July 13, 2007	150,000	150,000	-
January 13, 2008	225,000	225,000	-
July 13, 2008	225,000	225,000	-
January 13, 2009	225,000	225,000	-
July 13, 2009	225,000	-	225,000
January 13, 2010	225,000	-	225,000
July 13, 2010	225,000	-	225,000
Total	1,500,000	825,000	675,000

In addition, Animas is required to pay US \$1,500,000 in three equal payments of US\$500,000. The payments can be made in cash and/or common shares of Animas, at the option of Animas, on the anniversary of the closing date, which is July 10. During period ended March 31, 2009, Animas elected to pay US\$250,000 in common shares to the Company resulting in 637,700 common shares valued at \$231,995 with a deemed price of \$0.50 per share. Fair market value of Animas common share on payment date was \$0.36 per share. The following are details pertaining to this receivable:

Payment dates	Balance US\$	Balance CAD\$
July 10, 2009 *	319,487 *	343,567*
July 10, 2010 *	500,000	508,033
Total	819,487	\$851,600

As a result of the sale, the Company reduced the carrying values of the Santa Gertudis and Roca Roja resources properties to \$Nil and recorded a loss on disposition of \$415,617 for the year ended December 31, 2007.

* Subsequent to the end of the period, the Company entered into an Amending Agreement with Animas whereby the Company agreed to extend the due dates and deemed price per share of the remaining instalment payments. The minimum and maximum deemed price per share shall not be lower than \$0.50 or higher than \$1.00, if Animas elects to pay the Company with common shares. The change to due dates of the remaining instalment payments include:

- a) Extending the remaining July 10, 2009 balance to January 31, 2010;
- b) Reducing the \$500,000 due in July 10, 2010 to \$250,000; and
- c) Extending the remaining \$250,000 due in July 10, 2010 to January 31, 2011.

MetalQuest Minerals Inc.
Notes to the Consolidated Financial Statements
For the three-month periods ended March 31, 2009 and 2008

5. RESOURCE PROPERTY COSTS - *Continued*

b) **Santa Gertrudis and Roca Roja** - *Continued*

As consideration, Animas issued the Company an additional 254,454 common shares with a deemed price of \$0.36 per share for a total value of \$89,300. Outstanding July 10, 2009 instalment payment after receipt of these shares is US\$250,000. (Note 14)

b) **RHG Property**

On December 15, 2005, Red Tusk entered into an option agreement to acquire a 100% undivided legal and beneficial interest in 16 mineral claims located in the Liard Mining Division, British Columbia, Canada (the "RHG Property") in consideration for \$100,000 in cash (paid), the issuance of 1,000,000 common shares (issued) and reimbursement of exploration costs of \$405,775. The interest in the RHG Property is subject to a 2.5% net smelter return royalty. Red Tusk may purchase 60% of the net smelter return royalty at any time for \$1,000,000.

Reclamation bonds are cash deposits pledged to the Province government of B.C. The bonds mature and roll over every year until the Company is released from its obligation.

An officer of the Optionor is related to a director.

On September 10, 2008, the Company entered into an option agreement (the "Agreement") with Georgia Ventures Corp. ("Georgia Ventures"), a Canadian private corporation located in Vancouver, British Columbia. Under the terms of the Agreement, the Company granted Georgia Ventures an option to acquire 65% interest in the RHG Property. The option requires Georgia Ventures to:

- (i) pay the Company an aggregate of \$375,000 per the following instalments:
 - a. \$25,000 paid as a deposit upon completion of the Agreement; (received)
 - b. \$25,000 paid within 15 days from the time Georgia Ventures' common shares are listed for trading on the TSX Venture Exchange (the "Approval Date");
 - c. \$75,000 paid on or before the first anniversary of the Approval Date;
 - d. \$100,000 paid on or before the second anniversary of the Approval Date; and
 - e. \$150,000 paid on or before the third anniversary of the Approval Date.

- (ii) issue to the Company 1,000,000 common shares of Georgia Ventures per the following instalments:
 - a. 250,000 common shares within six months from the date of the Agreement;
 - b. 250,000 common shares on or before the first anniversary of the Approval Date;
 - c. 250,000 common shares on or before the second anniversary of the Approval Date; and
 - d. 250,000 common shares on or before the third anniversary of the Approval Date.

MetalQuest Minerals Inc.
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5. RESOURCE PROPERTY COSTS - Continued

b) **RHG Property** - Continued

- (iii) complete minimum expenditures on the RHG Property of \$3,500,000 over three years per the following schedule:
- a. \$300,000 within six months from the date of the Agreement;
 - b. \$700,000 on or before the first anniversary of the Approval Date;
 - c. \$1,000,000 on or before the second anniversary of the Approval Date; and
 - d. \$1,500,000 on or before the third anniversary of the Approval Date.

If Georgia Ventures exercises the option, Georgia Ventures is also granted an exclusive option (the "Additional Option") to acquire an additional 10% interest in and to the RHG Property. The Additional Option requires Georgia Ventures to notify the Company 90 days before exercising the Additional Option and finance all expenditures related to the preparation and delivery of the feasibility report on the RHG to the Company.

On September 30, 2008, the Company entered into an assignment agreement whereby all benefits and costs related to the Agreement with Georgia Ventures have been assigned from Georgia Ventures to GMV Minerals Inc., a Canadian public corporation listed on the TSX Venture Exchange.

For the year ended December 31, 2008, the Company recognized an impairment charge of \$697,946 on the RHG property due to the Option Agreement and results of GMV's RHG drilling program.

6. SHARE CAPITAL

On October 17, 2007, the Company completed a 3 for 1 share consolidation. As at October 17, 2007, the Company had 74,017,038 common shares issued and outstanding resulting in 24,672,346 common shares outstanding after consolidation.

a) Details are as follows:

	<u>Number</u>	<u>Amount</u>
Authorized:		
Unlimited common shares without par value		
Issued and fully paid:		
Balance - December 31, 2007	24,672,346	12,163,593
Share issuance cost recovery	-	2,250
Balance - December 31, 2008	24,672,346	12,165,843
Balance- March 31, 2009	24,672,346	\$ 12,165,843

MetalQuest Minerals Inc.
Notes to the Consolidated Financial Statements
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6. SHARE CAPITAL - Continued

b) **Warrants**

Warrant transactions are summarized as follows:

	Number of Warrants	
	March 31, 2009	December 31, 2008
Balance - Beginning of year	-	8,819,848
Expired	-	(8,819,848)
Balance - End of Period	-	-

The Company did not have any warrants outstanding at March 31, 2009.

7. CONTRIBUTED SURPLUS

The Company's contributed surplus is comprised of the following:

	March 31, 2009	March 31, 2008
Balance - Beginning of year	\$ 1,459,688	\$ 1,378,282
Stock-based compensation <i>(Note 8)</i>	12,169	21,053
Balance - End of period	\$ 1,471,857	\$ 1,399,335

8. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

	March 31, 2009	March 31, 2008
Balance - Beginning of year	\$ (223,462)	\$ 1,579,673
Unrealized gain (loss) on marketable securities	(275,084)	(176,862)
Balance - End of period	\$ (498,546)	\$ 1,402,811

MetalQuest Minerals Inc.
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9. STOCK OPTIONS

The Company adopted a stock option plan pursuant to which the directors may, from time to time, authorize the issuance of options to directors, officers, employees and consultants of the Company and its subsidiaries to a maximum of 20% of the issued and outstanding common shares at the time of the grant.

Options granted under the plan shall vest as follows:

- 25% on the date of grant;
- 25% six months after the date of grant;
- 25% twelve months after the date of grant;
- 25% eighteen months after the date of grant.

An aggregate of 4,934,470 common shares have been reserved for issuance under the plan.

a) A summary of the Company's outstanding options is as follows:

	March 31, 2009		December 31, 2008	
	Options Outstanding	Weighted Average Exercise Price	Options Outstanding	Weighted Average Exercise Price
Opening balance	1,950,000	\$0.18	2,066,666	\$0.29
Granted	-	-	1,250,000	\$0.13
Exercised	-	-	-	-
Expired/Cancelled	-	-	(1,366,666)	\$0.28
Ending balance	1,950,000	\$0.18	1,950,000	\$0.18

b) The Company had the following share purchase options outstanding and exercisable:

March 31, 2009			
Quantity Outstanding	Quantity Exercisable	Exercise Price	Expiry Date
700,000	700,000	\$0.30	May 16, 2009
1,250,000	937,500	\$0.13	March 6, 2010
1,950,000	1,637,500		

March 31, 2008			
Quantity Outstanding	Quantity Exercisable	Exercise Price	Expiry Date
616,667	616,667	\$0.30	October 28, 2008
700,000	700,000	\$0.27	October 28, 2008
700,000	525,000	\$0.30	May 16, 2009
1,250,000	312,500	\$0.13	March 6, 2010
3,266,667	2,154,167		

The weighted average contract life remaining on the above options is 234 days or 0.64 years (2008 - 1.21 years).

MetalQuest Minerals Inc.
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9. STOCK OPTIONS - *Continued*

The Company uses the Black-Scholes Option Pricing Model (the "Model") to calculate the fair value of stock options granted. The Model was developed for use in estimating the fair value of traded options that have no vesting restrictions. The Model requires management to make estimates, which are subjective and may not be representative of actual results. Changes in assumptions can materially affect estimates of fair values. For purposes of the calculation, the following weighted average assumptions were used:

	2009	2008
Risk free interest rate	-	2.52%
Expected dividend yield	-	0%
Expected stock price volatility	-	78%
Expected life of options	-	2 years

The weighted average fair value of the options granted during the period was nil (2008 - \$0.13).

Total stock-based compensation for the period ended March 31, 2009 was \$12,169 (2008 - \$21,053) and was expensed to operations and included in contributed surplus for options granted to directors, officers, and consultants of the Company.

10. RELATED PARTY TRANSACTIONS

Related party transactions not disclosed elsewhere in these consolidated financial statements, are as follows:

- a) During the period, management fees of \$33,750 (2008 - \$21,000) were paid to companies controlled by a director and an officer of the Company.
- b) During the period, consulting fees of \$Nil (2008 - \$10,500) were paid to a non-arms length party related to a director.
- c) During the period, accounting fees of \$6,000 (2008 - \$4,000) were paid to an officer and a company controlled by an officer.
- d) During the period, the Company paid \$27,500 (2008 - \$15,424) for rent, office, accounting and investor relations expenses to a company controlled by directors and officers of the Company.
- e) During the period, the Company expensed \$12,169 (2008 - \$21,053) of stock-based compensation cost to directors' fees, management fees, accounting and consulting fees for options granted to directors, officers, and companies with directors in common.

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10. RELATED PARTY TRANSACTIONS - *Continued*

The above transactions, occurring in the normal course of operations, are measured at the exchange amount, which is the consideration established and agreed to by the related parties and are on terms and conditions similar to non-related parties.

As at March 31, 2009, the Company had an advanced balance of \$40,000 (2008 - \$40,000) to a company controlled by directors and officer of the Company. This advance was made in 2008 and is a non-interest bearing loan with repayment due by December 31, 2009.

11. FINANCIAL INSTRUMENTS

Interest Rate and Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risks consist principally of cash and long-term receivable. To minimize the credit risk the Company places the cash with high credit quality financial institutions. Management, on an ongoing basis, monitors the financial condition of Animas in order to reduce the default risk.

The Company's long-term receivable is from Animas. Credit risk from long-term receivable encompasses the default risk of Animas. Management does not believe that there is significant credit risk arising from Animas; however, should Animas be unable to settle amounts due, the impact on the Company could be significant. The maximum exposure to loss arising from long-term receivable is equal to their total carrying amounts. The Company is not exposed to interest rate risk on long-term receivable as the amount is fixed.

Currency Risk

The Company incurs expenses and expenditures primarily in Canada and is not exposed to risk from changes in foreign currency rates. However, the Company holds long-term receivable in U.S. dollars that expose the Company to foreign exchange risks. A significant change in the currency exchange rates between the Canadian dollar relative to the U.S. dollars could have an effect on the Company's results of operations, financial position and/or cash flows. The Company has not hedged its exposure to currency fluctuations.

At March 31, 2009, the Company had long-term receivable of \$851,600 denominated in U.S. dollars.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's objective to managing liquidity risk is to ensure that it has sufficient liquidity available to meet its liabilities when due. Currently the Company has minimal liabilities and as a result, is not exposed to liquidity risk.

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11. FINANCIAL INSTRUMENTS - *Continued*

Sensitivity analysis

The Company has completed a sensitivity analysis to estimate the impact on net income for the period, which a change in foreign exchange rate during the period ended March 31, 2009 would have had.

The sensitivity analysis includes the assumption of changes in individual foreign exchange rates do not cause foreign exchange rates in other countries to alter.

The result of the sensitivity analysis shows a change in +/- 10% in USD exchange rate could have an impact of approximately +/- \$85,160 on the Company's net income.

The above result arises primarily as a result of the Company having USD long-term receivable balance. The financial position of the Company may vary at the time that a change of the foreign exchange rate occurs, causing the impact on the Company's results to differ from that shown above.

12. COMMITMENT

The Company is committed to a lease for its office in Vancouver expiring in August 2011. Minimum lease payments are required as follows:

2009	\$	113,745
2010		113,745
2011		75,830
Total	\$	<u>303,320</u>

13. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the sourcing, exploration and development of resource properties. The Company does not have any externally imposed capital requirements to which it is subject.

As at March 31, 2009, the Company had capital resources consisting of cash, marketable securities and long-term receivable. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares or dispose of assets or adjust the amount of cash.

The Company's investment policy is to invest its cash in investment instruments of high credit quality financial institutions with terms to maturity selected with regards to the expected time of exploration and development expenditures from continuing operations.

The Company expects its current capital resources will be sufficient to carry its exploration and development plans and operations through its current operating year.

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14. SUBSEQUENT EVENTS

- a) On April 27, 2009, the Company entered into an Amending Agreement with Animas whereby the Company agreed to extend the due dates and deemed price per share of the remaining instalment payments. The minimum and maximum deemed price per share shall not be lower than \$0.50 or higher than \$1.00, if Animas elects to pay the Company with common shares. The change to due dates of the remaining instalment payments include
- i.* Extending the remaining July 10, 2009 balance to January 31, 2010;
 - ii.* Reducing the \$500,000 due in July 10, 2010 to \$250,000; and
 - iii.* Extending the remaining \$250,000 due in July 10, 2010 to January 31, 2011

As consideration, Animas issued the Company an additional 254,454 common shares with a deemed price of \$0.36 per share for a total value of \$89,300. Outstanding July 10, 2009 instalment payment after receipt of these shares is US\$250,000. (Note 5(a))

- b) On May 22, 2009, the Company plans to acquire all the outstanding shares of Canadian Ore Processors Corp., ("Canadian Ore Processors") a private Canadian corporation. Canadian Ore Processors was formed for the purpose of developing gold ore toll processing opportunities in northern Peru. Canadian Ore Processors has acquired US\$10 million in financing from the Grafton Resources Investment Trust ("Grafton") through a stock swap between Grafton and Minera CanOrePro Ltda. S.A. (Minera CanOrePro); a private Peruvian corporation and a subsidiary of Canadian Ore Processors. As a result of the acquisition of Canadian Ore Processors, MetalQuest will own 50% of Minera CanOrePro. Grafton will own the remaining 50% through their US\$10 million investment.

As a condition of the Grafton investment in Minera CanOrePro, MetalQuest will be seeking shareholder approval at the June 26, 2009 Annual General and Special Meeting, to consolidate MetalQuest shares on a three old for one new basis and change the name to Canada Gold Corporation ("Canada Gold"). On approval, Canada Gold will issue 1,190,000 common shares for 100% of the issued and outstanding shares of Canadian Ore Processors, as full consideration. As additional consideration, Grafton will issue a call option to Canada Gold to purchase, at Canada Gold's discretion, within 36 months, Grafton's interest in Minera CanOrePro for US\$10 million in cash or the equivalent in Canada Gold shares at a minimum floor price of US\$0.55, or the thirty day average trading price, whichever is higher, subject to regulatory approval, at the time of exercise.

Andrew Neale P.Eng., currently CEO and Director of Canadian Ore Processors will become the CEO of Canada Gold and will join the board as an executive director. Rick Plotzki, currently COO and Director of Canadian Ore Processors will assume the role of COO of Canada Gold and will join the board as an executive director. Dave McMillan, currently President and CEO of MetalQuest will take on the role of Executive Chairman of Canada Gold.

Grafton and its associates will assist Canada Gold in the disposal of the Grafton ordinary shares, held by Minera CanOrePro, to raise funds to construct and commission the toll processing plant. Grafton is a registered closed-end fund managed by Newland Fund Management LLP of London, England.