

**METALQUEST MINERALS INC.**  
**MANAGEMENT DISCUSSION & ANALYSIS**

For the Year Ended December 31, 2008

**DESCRIPTION OF BUSINESS**

MetalQuest Minerals Inc. (the "Company") is engaged in the business of acquiring, exploring, and if warranted, developing mineral resource properties, and placing such properties into production. The Company currently holds interests in one mineral property located in British Columbia, Canada through the acquisition of Red Tusk Resources Inc. on July 11, 2006. The Company's operations are primarily funded by equity subscriptions. The Company is a reporting issuer in British Columbia and Alberta and trades on the TSX Venture Exchange under the symbol MQ.

**SELECTED FINANCIAL INFORMATION**

**Selected Annual Financial Information**

	For the year ended December 31, 2008	For the year ended December 31, 2007	For the year ended December 31, 2006
Total revenue	Nil	Nil	Nil
Gain (Loss) before discontinued operations and extraordinary items:			
(i) total for the year	(\$161,115)	(\$614,312)	(\$450,129)
(ii) per share	(\$0.01)	(\$0.02)	(\$0.01)
(iii) per share fully diluted	(\$0.01)	(\$0.02)	(\$0.01)
Net Income or (loss):			
(i) total for the year	(\$290,739)	(\$941,526)	(\$450,129)
(ii) per share	(\$0.01)	(\$0.04)	(\$0.01)
(iii) per share fully diluted	(\$0.01)	(\$0.04)	(\$0.01)
Total assets	\$2,894,378	\$4,917,685	\$5,235,209
Total long-term financial liabilities	Nil	Nil	\$1,263,850
Cash dividends declared per-share	Nil	Nil	Nil

**Selected Quarterly Financial Information**

	4 <sup>th</sup> Quarter Ended December 31, 2008	3 <sup>rd</sup> Quarter Ended September 30, 2008	2 <sup>nd</sup> Quarter Ended June 30, 2008	1 <sup>st</sup> Quarter Ended March 31, 2008
(a) Revenue (Loss)	Nil	Nil	Nil	Nil
(b) Gain (loss) for period	(\$448,460)	(\$86,130)	(\$106,458)	\$350,309
(c) Gain (loss) per share	(\$0.02)	(\$0.003)	(\$0.004)	\$0.01
	4 <sup>th</sup> Quarter Ended December 31, 2007	3 <sup>rd</sup> Quarter Ended September 30, 2007	2 <sup>nd</sup> Quarter Ended June 30, 2007	1 <sup>st</sup> Quarter Ended March 31, 2007
(a) Revenue (Loss)	Nil	Nil	Nil	Nil
(b) Gain (loss) for period	(\$1,607,386)	\$899,349	(\$131,352)	(\$102,137)
(c) Gain (loss) per share	(\$0.07)	\$0.013	(\$0.002)	(\$0.001)
	4 <sup>th</sup> Quarter Ended December 31, 2006	3 <sup>rd</sup> Quarter Ended September 30, 2006	2 <sup>nd</sup> Quarter Ended June 30, 2006	1 <sup>st</sup> Quarter Ended March 31, 2006
(a) Revenue (Loss)	Nil	Nil	Nil	Nil
(b) Gain (loss) for period	(\$125,373)	(\$128,997)	(\$110,506)	(\$85,253)
(c) Gain (loss) per share	(\$0.003)	(\$0.003)	(\$0.002)	(\$0.002)

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**SUBSIDIARIES**

**Red Tusk Resources Inc.**

On July 11, 2006 the Company acquired 96.30% of issued and outstanding shares of Red Tusk Resources Inc. ("Red Tusk") for consideration of \$523,250. Red Tusk is engaged in the business of mineral exploration and has an option to acquire a 100% undivided legal and beneficial interest in 16 mineral claims located in the Liard Mining Division of British Columbia, Canada ("the RHG Property"). The acquisition has been accounted for using the purchase method of accounting. The consideration comprised of issuing one common share of the Company for every one common share of Red Tusk totaling 505,556 common shares (pre-consolidation 1,516,667 common shares) valued at \$0.115 per share (pre-consolidation \$0.345 per share). Included in the consideration is 111,111 common shares (pre-consolidation 333,333 common shares) issued to the optionor of the RHG Property in compliance with the option agreement.

Total consideration for the business combination was allocated based on estimated fair values on the acquisition date as follows:

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Consideration Given:		
Common shares issued - 1,516,667	\$	523,250
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Net assets acquired at fair value:		
Current assets	\$	19,382
Equipment		112
Resource mineral property		1,149,707
Accounts payable		(645,951)
<b>Net assets acquired at fair value</b>	<b>\$</b>	<b>523,250</b>
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**Minera Montana Roja, S.A. de C.V.**

Minera Montana Roja, S.A. de C.V. ("MMR") is a Mexican subsidiary created to hold the San Enrique and Greta Claims. The Company entered into a right of first refusal agreement with the Animas Resources Inc. (the "Animas") on July 5, 2007. On February 29, 2008, Animas exercised the option to acquire 100% interest in the San Enrique Property. As consideration, Animas elected to issue 307,429 common shares of Animas with a value of US\$450,000 based on a deemed value per share equal to a 30-day weighted average trading price of Animas.

As a result of the disposition of the San Enrique Property, the Company also dissolved MMR during the year ended December 31, 2008.

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**RESOURCE PROPERTIES**

**RHG Project**

Red Tusk holds options to earn 100% interest in the RHG project located in the Liard Mining Division of British Columbia. The RHG project is a 10,964 hectare located in the north central British Columbia porphyry/skarn Copper/Gold prospect located in the prolific Copper belt hosting the Galore Creek/Copper Canyon deposits. Work by previous companies identified porphyry style mineralization grading greater than 1% Copper in intrusive rocks, 1.5% Copper from fractured silicified volcanics, and 30% Copper and 0.40 ounces Gold/ton from skarn. A national instrument 43-101 report on the property outlined the 2005 rock sampling program on the RHG prospect which assayed samples as high as 0.78% Copper. An induced polarization (I.P.) survey resulted in large chargeability anomalies in the area of mineralized occurrences. Copper geochemical anomalies are coincident with the I.P. anomalies. Three dimensional modeling of government airborne magnetic data suggests the RHG prospect is underlain by a buried intrusive which possibly provided the source of the abundant copper mineralization.

On July 23, 2008, the Company entered into an assignment agreement with Red Tusk whereby Red Tusk assigns and transfers all of its interest in and to the RHG property to the Company for a consideration of \$1.00.

On September 10, 2008, the Company entered into an Option Agreement (the "Option Agreement") with Georgia Ventures Corp. ("Georgia Ventures"), a Canadian private corporation to grant them the option to acquire 65% interest in the RHG property (the "Option"). To exercise the Option, Georgia Ventures paid the Company \$25,000 on signing the Agreement. Georgia Ventures will pay an additional \$350,000, issue 1,000,000 common shares, and expend a minimum of \$3,500,000 on the property based on instalments due when Georgia Ventures obtain listing on the TSX Venture Exchange, and on the first, second and third anniversaries of date of TSX Venture Exchange listing.

If Georgia Ventures exercises the Option, the Company also grants Georgia Ventures an exclusive right to acquire an additional 10% interest in to the RHG Property (the "Additional Option"). This 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 Project to the Company.

On September 30, 2008, the Company entered into an assignment agreement with GMV Minerals Inc. ("GMV"), a Canadian reporting issuer with shares listed on the TSX Venture Exchange. Under the terms of the assignment agreement, all costs and benefits granted to Georgia Ventures from the Option Agreement has been assigned to GMV.

For the year ended December 31, 2008, the Company recognized an impairment of \$697,946 (2007- \$nil) on the RHG property due to the Option Agreement and results of GMV's RHG drilling program announced by GMV on November 27, 2008.

**San Enrique**

The San Enrique area is located approximately 6.5 kilometres south of the Company's Santa Gertrudis gold production area which the Company sold to Animas on July 10, 2007.

On February 29, 2008, the Animas exercised its option to acquire 100% interest in the San Enrique property per the July 5, 2007 right of first refusal agreement offering a 120 day option to purchase the Company's 100% interest in the San Enrique property should TCM earn-in option be terminated. As consideration, Animas elected to issue 307,429 common shares of the Purchaser with a value of US\$450,000 based on a deemed value per share equal to a 30 day weighted average trading price of the Purchaser and US\$20 for each ounce in excess of 45,000 ounces on the Properties subject to the Option, contained in mineralized material above a 1.5 gram per tonne Au cut off in 43-101 compliant measured and indicated resource categories.

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**OPERATING RESULTS, FINANCIAL CONDITION, LIQUIDITY AND SOLVENCY**

**Current Economic Conditions:**

Since the disposition of its Mexican Subsidiaries in July 2007, the Company have been inactive in exploration activities in the last 18 months due to lack of available properties. The Company continuously prospected for potential projects and acquisitions but Management has not identified any value added potentials to date. As a result of this inactivity, the Company have reduced and/or eliminated a large portion of its operating cost and commitments.

From the disposition of its Mexican Subsidiaries, the Company received \$726,386 and 1,500,000 escrowed common shares of Animas subject to an escrow release schedule. For the year ended December 31, 2008, the Company received 600,000 common shares with an additional 900,000 common shares (225,000 received subsequent to year-end) to be issued in 2009 and 2010. The Company will also receive an additional US\$1,000,000 in two payments in 2009 and 2010 in cash and/or common share equivalent at the option of Animas.

Subsequent to year-end, Animas optioned to issue 637,700 common shares to the Company in lieu of US\$250,000 payment with a deemed price of \$0.50/share. The \$0.50/share floor price was higher than the market value of Animas on valuation date, therefore the Company expects to receive an additional 245,454 common shares or \$89,296 to make up the balance of the US\$250,000 payment.

At December 31, 2008, the long-term portion of the cash and escrow common shares receivable is valued at \$664,590 and current portion is valued at \$1,436,344. For the year ended December 31, 2008, the Company sold 49,500 Animas common shares, received net proceeds of \$27,172 (2007 - \$Nil), and recorded capital loss of \$18,194 (2007 - \$Nil) from these transactions. The Company's working capital at December 31, 2008 was \$1,723,100 (2007 - \$2,036,872).

In spite of current economic volatility and market conditions, Management is confident that the Company will continue its normal course of business, realize its assets and discharge its liabilities, and acquire additional valued added projects. The Company's current assets are highly liquid and this provides the Company with flexibility to continue its operation and take advantage of opportunities without the need to acquire additional financing in the near future. Management will continuously monitor its assets and will take appropriate actions to ensure the Company's strategic and short term goals and objectives are met.

**For the Year Ended December 31, 2008 Summary**

For the year ended December 31, 2008, the Company reported operating loss before extraordinary items of \$75,457 (2007 - \$614,312) entirely made up of general and administrative expenses and foreign exchange gain. Expenses were lower compared to the same period last year due to inactivity on the Company's mineral properties and corporate development. The majority of expenses were allocated to management fees \$157,999 (2007 - \$84,512), accounting and audit fees \$90,814 (2007 - \$114,242) and office and administrative expenses \$60,732 (2007 - \$57,484). Foreign exchange gain of \$273,958 (2007 - loss \$86,280) was recognized due to the depreciation of the Canadian dollar at the valuation of Animas cash receivables and conversion of the Company's U.S. cash conversion.

On February 29, 2008, the Company received 307,429 common shares from Animas with a fair value of \$482,664 for the disposition of its San Enrique and Greta properties. As a result of the disposition, the Company reported net gain of \$482,664 (2007 - loss \$415,617).

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**OPERATING RESULTS, FINANCIAL CONDITION, LIQUIDITY AND SOLVENCY- Continued**

**For the Year Ended December 31, 2008 Summary - Continued**

During the year ended December 31, 2008, the Company sold 49,500 Animas common shares, received net proceeds of \$27,172 (2007 - \$Nil), and recorded capital loss of \$18,194 (2007 - \$Nil) from these transactions. At December 31, 2008, the Company retained a balance of 1,183,758 Animas common shares as part of its marketable securities valued at \$860,782 (2007- \$972,948). As a result of these activities, the Company reported a net loss of \$290,739 (2007 - net loss \$941,526).

During the period, the Company capitalized \$26,115 (2007 - \$23,751) in property expense related to the RHG property. From the September 10, 2008 Option Agreement, the Company received \$25,000 as consideration upon execution of the Option Agreement. This was a recovery towards the RHG Project. The Company also recognized an impairment of \$697,946 (2007- \$nil) on the RHG property due to the Option Agreement and the results of GMV's RHG drilling program announced by GMV on November 27, 2008. At December 31, 2008, the net capitalized cost on the RHG property was \$400,000 (2007- \$1,096,831).

The Company issued 1,250,000 stock based compensation options to directors, officers and consultants of the Company resulting in a stock-based compensation expense of \$81,406 (2007 - \$149,120) allocated to directors' fees, management fees, accounting and consulting fees. The stock based compensation options had an exercise period expiring March 6, 2010 and an exercise price of \$0.13. No stock based compensation options and/or common share purchase warrants were exercised during the period.

**Three Month Period Ended December 31, 2008 Summary**

During the three month period ending December 31, 2008, the Company reported a net operating income of \$122,219 (2007 - loss \$214,571) predominantly made up of management, accounting, office and administrative fees. The Company also recognized foreign exchange gain of \$253,147 (2007 - loss \$79,092) due to the depreciation of the Canadian dollar upon the valuation of Animas' US receivables. The Company also recognized stock-based compensation expense of \$17,034 (2007 - \$44,067) which was allocated to management, consulting, directors and accounting fees.

During the quarter, the Company recognized an impairment of \$697,946 (2007- \$nil) on the RHG property due to the Option Agreement and the results of GMV's RHG drilling program announced by GMV on November 27, 2008. At December 31, 2008, the net capitalized cost on the RHG property was \$400,000 (2007- \$1,096,831).

During the quarter, the Company sold 49,500 Animas common shares, received net proceeds of \$27,172 (2007 - \$Nil), and recorded capital loss of \$18,194 (2007 - \$Nil) from these transactions. As a result of these activities, the Company reported an income of \$249,486 (2007 - loss \$1,682,231) for the three months ended December 31, 2008.

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**OPERATING RESULTS, FINANCIAL CONDITION, LIQUIDITY AND SOLVENCY- Continued**

**Three Month Period Ended December 31, 2008 Summary - Continued**

Table 2. General and Administrative Expenditures for the Three Months Period Ended December 31, 2008

	December 31, 2008	December 31, 2007
Accounting and audit fees*	44,027	52,569
Amortization expense	-	1,162
Bad debts	1,522	-
Consulting fees*	(47,257)	58,401
Director's fees*	13,022	(10,601)
Interest and bank charges	138	113
Investor relations	3,174	6,132
Legal	9,127	(15,967)
Loss (gain) on foreign exchange	(253,147)	79,092
Management fees*	82,690	17,481
Office and administrative	20,717	14,678
Transfer agent, listing and filing fees	1,487	6,240
Travel and promotion	2,281	5,271
<b>Total</b>	<b>(\$122,219)</b>	<b>\$214,571</b>

\* Includes allocation stock-based compensation cost.

**CORPORATE INTERNAL CONTROL**

The Company practices strict internal controls through proper segregation of responsibilities and internal reporting of its personnel. Agreements and commitments that involve cash and/or share capital distribution such as private placements, stock option grant, property, service, and consulting agreements require Board of Directors approval through Directors' Resolutions. The Company's drilling and exploration programs and budgets are planned and approved by the Company's President & CEO and Directors. All cash distribution requires the Company's President & CEO, CFO or Corporate Secretary's approval to ensure that all expenses are accurate and aligned with the Company's budget. Approved share capital distribution is executed through treasury orders that requires final approval from the Company's President & CEO, and one authorized director or officer. These internal control procedures are established and strictly practiced to ensure the Company's goals and best interest are effectively carried out.

Management has evaluated the effectiveness of the Company's disclosure controls and procedures as at December 31, 2008 and has concluded, based on its evaluation, that these controls and procedures provide reasonable assurance that material information relating to the Company is made known to management and reported as required.

Management is also responsible for the design of internal controls over financial reporting in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles. Management believes the design to be sufficient and appropriate to provide such reasonable assurance.

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**INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”)**

The Accounting Standards Board of Canada (“AcSB”) plans to converge Canadian GAAP for publicly accountable enterprises with IFRS over a transition period that will end January 1, 2011 with the adoption of IFRS. The AcSB announced on February 13, 2008 that IFRS will be required in 2011 for publicly accountable profits oriented enterprises. The changeover date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company will present its first set of IFRS compliant financial statements for the year ending December 31, 2011. The Company is currently working on its IFRS conversion project which consists of four phases: diagnosis, design and planning, solution development and implementation. The plan addresses the impact of IFRS on accounting policies and implementation decisions, business activities and control activities. The Company plans to complete in a near future the first phase of its IFRS conversion, consisting in a preliminary study of the existing financial information and identifying the main areas where IFRS might have an impact. The IFRS conversion is a major initiative for the Company and all the necessary resources are being allocated to ensure the project’s smooth transition. Throughout the 2009 fiscal year, the Company will be reporting on the progress of its IFRS implementation plan in its MD&A.

**CORPORATE ACTIVITIES**

On March 6, 2008, Harold Forzley resigned and Marc Tran as appointed as the Company’s Chief Financial Officer. Chad McMillan was appointed to Vice President of Corporate Communications.

Ian Klassen and John Nicholson both resigned as Directors of the Company subsequent to year-end.

The officers and directors as at the date of this report are as follows:

David McMillan*	President, CEO, Audit Committee Member
Harold Forzley*	Secretary, Audit Committee Member
Ian Klassen *	
Chad McMillan	Vice President of Corporate Communications
John Nicholson*	
Craig Robson*	Chairman of Audit Committee
Marc Tran	Chief Financial Officer

*\*Director*

**RELATED PARTY TRANSACTIONS**

Related party transactions for the period ended December 31, 2008 are as follows:

- a) During the year, management fees of \$132,750 (2007 - \$70,000) were paid to companies controlled by a director and an officer of the Company.
- b) During the year, consulting fees of \$Nil (2007 - \$24,000) were paid to a non-arms length party related to a director.
- c) During the year, consulting fees of \$1,350 (2007 - \$16,200) were paid to a company controlled by an officer.
- d) During the year, accounting fees of \$22,000 (2007 - \$Nil) were paid to an officer and a company controlled by an officer.
- e) During the year, the Company paid \$64,996 (2007 - \$Nil) for rent, office, accounting and investor relations expenses to a company controlled by directors and officers of the Company.
- f) During the year, the Company paid \$4,299 (2007 - \$Nil) for accounting and investor relations expenses to a company with common director.

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**RELATED PARTY TRANSACTIONS - Continued**

- g) During the year, the Company entered into an option agreement with GMV Minerals Inc. ("GMV"), a company associated with the Company through a common director. Per the option agreement, the Company received \$25,000 (2007 - \$Nil) as consideration and reimbursement of \$13,000 for a reclamation bond. Accounting fees of \$12,000 were also paid to GMV.
- h) During the year, the Company expensed \$81,406 (2007 - \$149,120) 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.

**INVESTOR RELATIONS ACTIVITIES**

Investor relations duties are carried out by directors, officers and employees of the Company as part of their routine duties.

**SUBSEQUENT EVENTS**

Subsequent to the year end, the Company is in the process of dissolving Red Tusk Resources Inc., its wholly owned subsidiary and will transfer all assets and liabilities to the Company.

On January 13, 2009, the Company received 225,000 common shares from Animas per escrow release, resulting in a balance of 675,000 escrowed common shares to be released in 2009 and 2010.

On March 9, 2009, Ian Klassen resigned as Director of the Company.

On March 16, 2009 Animas optioned to issue 637,700 common shares to the Company in lieu of US\$250,000 payment with a deemed price of \$0.50/share. The \$0.50/share floor price was higher than the market value of Animas on valuation date, therefore the Company expects to receive an additional 245,454 common shares or \$89,296 to make up the balance of the US\$250,000 payment.

On March 25, 2009, John Nicholson resigned as Director of the Company.

**MetalQuest Minerals Inc.**

David McMillan  
President  
April 27, 2009