

**METALQUEST MINERALS INC.**  
**(Formerly Sonora Gold Corp.)**

**MANAGEMENT DISCUSSION & ANALYSIS**  
For the Six Months Period Ended June 30, 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 two mineral properties located in British Columbia, Canada through the acquisition of Red Tusk Resources Inc. on July 11, 2006. The Company 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, 2007	For the year ended December 31, 2006	For the year ended December 31, 2005
Total revenue	Nil	Nil	Nil
Gain (Loss) before discontinued operations and extraordinary items:			
(i) total for the year	(\$614,312)	(\$450,129)	(\$413,470)
(ii) per share	(\$0.02)	(\$0.01)	(\$0.01)
(iii) per share fully diluted	(\$0.02)	(\$0.01)	(\$0.01)
Net Income or (loss):			
(i) total for the year	(\$941,526)	(\$450,129)	(\$413,470)
(ii) per share	(\$0.04)	(\$0.01)	(\$0.01)
(iii) per share fully diluted	(\$0.04)	(\$0.01)	(\$0.01)
Total assets	\$4,917,685	\$5,235,209	\$3,797,771
Total long-term financial liabilities	Nil	\$1,263,850	\$1,165,439
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)	N/A	N/A	Nil	Nil
(b) Gain (loss) for period	N/A	N/A	(106,458)	\$350,309
(c) Gain (loss) per share	N/A	N/A	(\$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 Resources totaling 1,516,667 common shares valued at \$0.345 per share. Included in the consideration is 333,333 shares issued to the Optionor of the RHG Mineral 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. The option agreement offers a 120 day option to purchase the Company's 100% interest in the San Enrique property should TCM earn-in option be terminated. Terms of the option would include, US\$450,000 payable in cash or common shares of Animas at the option of Animas, 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. Should Animas choose to exercise the option with respect to any portions of the Properties that are returned to the Company by TCM, Animas shall pay the Company that percentage of the exercise price which is equal to the percentage of the total surface area of the portions so returned in relation to the total San Enrique Option Lands area.

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 for the period ended March 31, 2008.

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**RESOURCE PROPERTIES**

**RHG Project**

Red Tusk holds options to earn 100% interest in two mineral properties particularly the RHG Project and the Tantalus Mountain Project ("Tantalus") located in the Vancouver Mining District near Squamish and the Liard Mining Division of British Columbia. The RHG project is a 10,964 hectare northcentral 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.

During 2007 the Company worked towards drill testing the highest priority targets of the RHG copper gold prospect. Drill permits for up to 6 holes have been obtained from the BC Ministry of Energy and Mines. In late September 2007, the Company's consulting geologists flew to the property to evaluate conditions which were deemed favourable but due to safety and economic cost concerns of a winter drill program, the Company has deferred further exploration until the fall of 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. Should Animas choose to exercise the option with respect to any portions of the Properties that are returned to the Company by TCM Animas shall pay the Company that percentage of the exercise price which is equal to the percentage of the total surface area of the portions so returned in relation to the total San Enrique Option Lands area.

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

**Six Months Period Ended June 30, 2008 Summary**

For the six months period ended June 30, 2008, the Company reported an operating loss before extraordinary items of \$196,609 (2007- \$233,489) entirely made up of general and administrative expenses. Expenses were lower compared to the same period last year due to inactivity on the Company's mineral properties. On February 29, 2008, the Company received 307,429 common shares from Animas with a deemed value of \$440,460 for the disposition of its San Enrique and Greta properties. As a result of the disposition, the Company reported net gain of \$243,851 (2007- net loss \$233,489) and comprehensive income of \$83,150 (2007- loss \$233,489) at June 30, 2008.

During the period, the Company capitalized \$10,000 (2007- \$98,709) in property expense related to the RGH property.

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

**Six Months Period Ended June 30, 2008 Summary - *Continued***

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 \$45,244(2007- \$69,372) 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.

During the fiscal year ended December 31, 2007, the Company received an aggregate of \$726,386 in cash, 1,500,000 escrowed shares of Animas, and three additional payments of US\$500,000 in cash or common shares of Animas after the first, second and third anniversaries of the closing date for the disposition of its Mexican subsidiaries. At June 30, 2008, the value of the current portion of Animas common shares and cash received to date contributed to the Company's current asset balance of \$2,760,485 resulting in a working capital of \$2,732,888 (2007- \$46,061). The Company also recorded \$160,701 (2007- nil) for unrealized loss on the fair market value of the Animas shares for the period.

**Three-Months Period Ended June 30, 2008 Summary**

During the three month period ending June 30, 2008, the Company reported a net operating loss of \$106,458 (2007- \$131,352) predominantly made up of management, accounting, consulting and office and administrative fees. During the period, the Company recognized stock based compensation expense of \$24,191 (2007- \$35,681) which was allocated to management, consulting, directors and accounting fees.

During the period, the Company capitalized \$10,000 (2007- recovery \$6,834) in property expense related to the RGH property.

Table 2. General and Administrative Expenditures for the Three Months Period Ended June 30, 2008

	<b>June 30, 2008</b>	June 30, 2007
Accounting and audit fees *	<b>23,544</b>	38,013
Consulting fees *	<b>20,365</b>	27,325
Director's fees *	<b>7,267</b>	16,006
Interest and bank charges	<b>264</b>	400
Investor relations	<b>1,007</b>	4,987
Legal	<b>4,304</b>	7,693
Loss (gain) on foreign exchange	-	(9,132)
Management fees *	<b>25,765</b>	17,481
Office and administrative	<b>12,566</b>	13,649
Transfer agent, listing and filing fees	<b>9,131</b>	4,646
Travel and promotion	<b>2,245</b>	10,284
<b>Total</b>	<b>\$106,458</b>	<b>\$131,352</b>

\* Includes allocation stock based compensation cost.

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**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' Resolution. 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 June 30, 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.

**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.

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 June 30, 2008 are as follows:

- a) During the period ended June 30, 2008, management fees of \$42,000 (2007 - \$30,000) were paid to directors and officers or a Company controlled by directors and officers.
- b) During the period ended June 30, 2008, consulting fees of \$23,250 (2007 - \$12,000) were paid to an officer of the Company.
- c) During the period, accounting fees of \$10,000 (2007 - nil) were paid to a company owned by an officer of the Company.
- d) During the period ended June 30, 2008, the Company paid \$30,392 (2007- nil) for rent and office expense to a company controlled by a director and officer of the Company.

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**RELATED PARTY TRANSACTIONS- *Continued***

- e) During the period the Company expensed \$45,244 (2007 - \$69,372) 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**

On July 15, 2008, the Company received 397,534 common shares of Animas as consideration for the sale of its Mexican subsidiaries per the April 15, 2007 agreement which closed on July 10, 2007. The common shares received included 225,000 common shares released from escrow and 172,534 common shares for the anniversary payment with a cash equivalent of US \$250,000.

**MetalQuest Minerals Inc.**

David McMillan  
President  
August 25, 2008