

METALQUEST MINERALS INC.
(formerly Sonora Gold Corp.)

CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2008 AND 2007



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, 2008 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.
(formerly Sonora Gold Corp.)
Consolidated Balance Sheets
As at March 31, 2008

	March 31, 2008	December 31, 2007
ASSETS		
Current		
Cash	\$ 498,550	\$ 620,080
Marketable securities (Note 4)	1,811,100	972,948
Amounts receivable	14,177	10,968
Current portion of long term receivable (Note 4)	213,645	468,345
Prepaid expenses	69,957	31,308
	<u>2,607,429</u>	<u>2,103,649</u>
Marketable securities (Note 4)	592,823	912,677
Long term receivable (Note 4)	791,528	791,528
Reclamation bond (Note 6(c))	13,000	13,000
Resource property costs (Note 6)	1,096,831	1,096,831
	<u>\$ 5,101,611</u>	<u>\$ 4,917,685</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 56,205	\$ 65,250
Due to related parties (Note 7)	-	1,527
	<u>56,205</u>	<u>66,777</u>
SHAREHOLDERS' EQUITY		
Share capital (Note 8)	12,163,593	12,163,593
Contributed surplus (Note 9)	1,399,335	1,378,282
Accumulated other comprehensive income (Note 10)	1,402,811	1,579,673
Deficit	(9,920,333)	(10,270,640)
	<u>5,045,407</u>	<u>4,850,908</u>
	<u>\$ 5,101,611</u>	<u>\$ 4,917,685</u>

NATURE OF OPERATIONS AND BUSINESS CONTINUANCE (Note 1)

Approved on Behalf of the Board:

"David McMillan"

David McMillan, Director

"Harold Forzley"

Harold Forzley, Director

MetalQuest Minerals Inc.

(formerly Sonora Gold Corp.)

Consolidated Statements of Operations and Deficit

For the periods ended March 31, 2008 and 2007

	March 31, 2008	March 31, 2007
General and administrative expenses		
Accounting and audit fees	\$ 11,078	\$ 12,091
Consulting fees <i>(Note 12(b))</i>	19,308	21,926
Director's fees <i>(Note 12(e))</i>	6,979	19,429
Interest and bank charges	115	395
Investor relations	7,268	5,524
Legal	-	10,711
Loss (gain) on foreign exchange	-	(17,265)
Management fees	24,563	22,069
Office and administrative	11,740	15,243
Transfer agent, listing and filing fees	2,720	7,638
Travel and promotion	6,380	4,376
Loss before other items	90,151	102,137
Other Items		
Gain on disposition of Mexican properties <i>(Note 6(a))</i>	(440,460)	-
	(440,460)	102,137
Net loss (gain) for the period	(350,309)	102,137
Deficit - beginning of period	10,270,642	9,329,114
Deficit - end of period	\$ 9,920,333	\$ 9,431,252
Weighted average number of shares outstanding	24,672,346	24,612,346
Net loss (gain) per share – basic and diluted	\$ (\$0.01)	\$ 0.004

- See accompanying notes to the consolidated financial statements -

MetalQuest Minerals Inc.

(formerly Sonora Gold Corp.)

Consolidated Statement of Comprehensive Income

For the periods ended March 31, 2008 and 2007

	March 31, 2008	March 31, 2007
Net gain (loss) for the period	\$ 350,309	\$ (102,137)
Unrealized gain (loss) on available for sale investments	(176,862)	-
Comprehensive Income (loss) for the period	\$ 173,447	\$ (102,137)

- See accompanying notes to the consolidated financial statements -

MetalQuest Minerals Inc.

(formerly Sonora Gold Corp.)

Consolidated Statements of Cash Flows

For the periods ended March 31, 2008 and 2007

	March 31, 2008	March 31, 2007
Cash resources provided by (used in)		
Operating activities		
Net gain (loss) for the year	\$ 350,309	\$ (102,137)
Items not affected by cash		
Stock-based compensation	21,053	33,691
Gain on disposition of Mexican properties	(440,460)	-
Changes in non-cash working capital balances:		
Changes in amounts receivable	(3,209)	(33,572)
Changes in accounts payable	(10,573)	(80,935)
Prepaid expenses	(38,649)	704
	<u>(121,529)</u>	<u>(182,249)</u>
Investing activities		
Resource property costs	-	(105,543)
	<u>-</u>	<u>(105,543)</u>
Financing activities		
Shares issued for cash		517,375
	<u>-</u>	<u>517,375</u>
Net increase in cash	(121,530)	229,583
Cash - beginning of the period	<u>620,080</u>	<u>175,674</u>
Cash - end of the period	\$ 498,550	\$ 405,257
Supplemental cash flow information		
Interest paid	\$ 115	\$ 218

- See accompanying notes to the consolidated financial statements -

MetalQuest Minerals Inc.
(formerly Sonora Gold Corp.)

Notes to the Consolidated Financial Statements

For the years ended March 31, 2008 and 2007

1. NATURE OF OPERATIONS AND CONTINUANCE OF BUSINESS

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 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, 2008, the Company has incurred significant losses since inception totalling \$9,920,333. 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 January 1, 2007, the Company adopted new Canadian Institute of Chartered Accountants ("CICA") Handbook Sections 3855 "Financial Instruments - Recognition and Measurement", CICA 3861 "Financial Instruments - Disclosure and Presentation", CICA 3865 "Hedges", CICA 1530 "Comprehensive Income", CICA 3051 "Investments" and CICA 3251 "Equity". The new Handbook Sections establish standards governing the recognition and measurement of financial instruments, when and how hedge accounting may be applied, and the reporting and presentation of comprehensive income, which is defined as the change in equity from transactions and other events from non-owner sources.

Under these new standards, all financial instruments are included on the consolidated balance sheet and are measured either at their fair value or, in limited circumstances, at cost or amortized cost as described in Note 3(j) below.

The Company has designated its financial instruments to categories as follows:

Cash	held for trading
Marketable securities	available for sale
Amounts receivables	loans and receivables
Long term receivables	loans and receivables
Reclamation bond	held for trading
Accounts payables	other financial liabilities
Due to related parties	other financial liabilities

Adoption of these new standards did not result in any adjustments as of January 1, 2007. The adoption of these standards has not been retrospectively applied to the Company's 2006 consolidated financial statements presented for comparative purposes.

MetalQuest Minerals Inc.
(formerly Sonora Gold Corp.)

Notes to the Consolidated Financial Statements

For the years ended March 31, 2008 and 2007

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

Recent accounting pronouncements

In February 2008, the CICA 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 its financial statements.

In May 2007, the Accounting Standards Board issued CICA Handbook Section 3031, "Inventories". Section 3031 introduces changes to the measurement and disclosure of inventory and converges with international financial reporting standards and is effective for interim and annual periods relating to fiscal years beginning on or after January 1, 2008. The Company does not expect that the adoption of this standard will have a material impact on its financial statements.

In December 2006, the Accounting Standards Board issued CICA Handbook Section 3862, "Financial Instruments - Disclosure" and Section 3863, "Financial Instruments - Presentation" which replace Section 3861, "Financial Instruments - Disclosure and Presentation". Section 3862 increases the emphasis on recognition and management of the risks associated with recognized and unrecognized financial instruments. This section carries forward the former presentation requirements and is effective for fiscal years beginning on or after October 1, 2007. The Company is currently assessing the impact of the new disclosure standard and has not yet determined its impact on the Company's financial statements.

In October 2006, the Accounting Standards Board issued CICA Handbook Section 1535, "Capital Disclosures", which establishes standards for disclosing information about an entity's capital and how it is managed. This standard is effective for interim and annual financial statements for fiscal years beginning on or after October 1, 2007. The Company does not expect that the adoption of this standard will have a material impact on the Company's financial statements.

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 its wholly-owned subsidiary as follows:

- Red Tusk Resources Inc. ("Red Tusk");

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.

Notes to the Consolidated Financial Statements

For the years ended March 31, 2008 and 2007

3. SIGNIFICANT ACCOUNTING POLICIES - *Continued*

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, 2008.

d) Equipment

Equipment is recorded at cost and amortized over its estimated useful life using the straight line method:

- Office furniture 5 years
- Vehicle 4 years

One-half the annual rate is charged in the year of acquisition.

e) 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.

f) 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.

g) 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, 2007, the Company has not incurred any asset retirement obligation related to the exploration and development of its resource properties.

MetalQuest Minerals Inc.
(formerly Sonora Gold Corp.)

Notes to the Consolidated Financial Statements

For the years ended March 31, 2008 and 2007

3. SIGNIFICANT ACCOUNTING POLICIES - *Continued*

h) Foreign currency translation

The Company's foreign operations are considered integrated with the parent company and, consequently, their financial statements are translated into Canadian currency using the temporal method.

Monetary assets and liabilities are translated at the exchange rate in effect at the balance sheet date and non-monetary assets and liabilities at the exchange rates in effect at the time of acquisition or issue. Revenues and expenses are translated at rates approximating exchange rates in effect at the time of the transactions. Exchange gains or losses arising on translation are included in income or loss for the year.

i) 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.

j) Financial instruments

Financial instruments included in the balance sheet are comprised of cash, marketable securities, amounts receivable, long term receivables, reclamation bond, accounts payable and due to related parties.

Instruments classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income.

Loans and receivables are accounted for at amortized cost using the effective interest method. As at March 31, 2008 the long term receivable was recorded at \$1,005,173. The long term receivable balance at December 31, 2007 was \$1,259,873.

Other liabilities are recorded at amortized cost using the effective interest method and include all financial liabilities, other than derivative instruments.

The Company is exposed to credit risks regarding its long term receivable. All of the long term receivable was from Animas Resources Inc. as mentioned in Note 6(a). It is management's opinion that the value of the long term receivable is reflective of the amount they ultimately will collect and no provision for loss is required.

The Company is exposed to currency exchange rate risk as certain transactions are denominated in US dollars. The Company does not have foreign exchange hedges in place at this time.

It is management's opinion that the Company is not exposed to significant interest rate risks.

Notes to the Consolidated Financial Statements

For the years ended March 31, 2008 and 2007

3. SIGNIFICANT ACCOUNTING POLICIES - *Continued*

k) Stock-based compensation

The Company has a stock option plan, which is described in Note 11. The Company applies the fair value method to all stock-based payments and to all grants that are direct awards of stock, that call for settlement in cash or other assets. Compensation expense is recognized over the applicable vesting period with a corresponding increase in contributed surplus. When the options are exercised, share capital is credited for the consideration received and the related contributed surplus is decreased. The Company uses the Black Scholes option pricing model to estimate the fair value of stock based compensation.

l) Loss per share

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

m) Measurement uncertainty

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, amortization of property and equipment, and estimation of future income tax assets and liabilities. Actual results may differ from those estimates.

n) Use of estimates

Effective January 1, 2007, the Company adopted the CICA Handbook section 1506, "Accounting Changes", permitting accounting policy changes only in the event a change is made within a primary source of GAAP, or where a change is warranted to provide more relevant and reliable information. All accounting policy changes are to be applied retroactively, unless impracticable. Any prior period errors identified also require retroactive application. The revised standards did not impact net earnings or financial position.

o) Comparative figures

Certain of the prior year's figures have been reclassified to conform to the current year's presentation. Such reclassifications are for presentation purposes only and have no effect on previously reported results.

MetalQuest Minerals Inc.

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Notes to the Consolidated Financial Statements

For the years ended March 31, 2008 and 2007

4. Marketable securities and long term receivable

In 2007, the Company sold two of its Mexican subsidiaries as described in Note 6(a). In exchange and as part of the consideration the Company received 1,500,000 common shares of Animas Resources Corp. ("Animas") and will receive US \$1,500,000 over a three year period. The common shares received from Animas are subject to an escrow agreement and will be released over a three year period in intervals of 6 months. The shares received are recorded as marketable securities and are measured at fair value in these financial statements. The current portion of marketable securities reflects the common shares that have been received and are expected to be received within the next 12 months. As at March 31, 2008, 1,125,000 common shares were held in escrow. The Company has recorded the US \$1,500,000 long term receivable at its fair value upon initial recognition and carries the balance at its amortized cost. As at March 31, 2008, the Company's unamortized receivable balance from Animas was US \$1,250,000. The current portion reflects the amortized balance the Company expects to receive within the next 12 months.

5. Business combination

Red Tusk Resources Inc. - On July 11, 2006 the Company acquired 96.30% of the issued and outstanding shares of Red Tusk Resources Inc. ("Red Tusk") for consideration of \$523,250. Red Tusk is engaged in the business of resource 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 and accordingly these consolidated financial statements include the operations of Red Tusk from the effective date of the transaction. The consideration comprised of issuing one common share of the Company for every one common share of Red Tusk totaling 4,550,001 shares (1,156,667 shares post-consolidation) valued at \$0.115 per share. Included in the consideration is 1,000,000 shares issued to the Optionor of the RHG Resource 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:

	2006
Consideration Given:	
Common shares issued – 1,156,667	\$ 523,250
Net assets acquired at fair value:	
Current assets	\$ 19,382
Equipment	112
Resource property costs	1,149,707
Accounts payable	(645,951)
Net assets acquired at fair value	\$ 523,250

MetalQuest Minerals Inc.
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Notes to the Consolidated Financial Statements

For the years ended March 31, 2008 and 2007

6. Resource property costs

Summary of cumulative expenditures are as follows:

As at March 31, 2008					
	Acquisition	Annual Mining Concession Fees	Exploration	Disposition	Total
Resource Properties					
RHG Property	523,250	-	573,581	-	1,096,831
	\$ 523,250	-	573,581	-	\$ 1,096,831

As at December 31, 2007					
	Acquisition	Annual Mining Concession Fees	Exploration	Disposition	Total
Resource Properties					
Santa Gertudis	\$ 66,231	351,258	1,899,819	(2,317,308)	\$ -
Roca Roja	5,000	347,774	1,317,141	(1,669,915)	-
RHG Property	523,250	-	573,581	-	1,096,831
	\$ 594,481	699,032	3,790,541	(3,987,223)	\$ 1,096,831

MetalQuest Minerals Inc.
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Notes to the Consolidated Financial Statements

For the years ended March 31, 2008 and 2007

6. Resource property costs (continued)

Summary of current year expenditures:

	2008	2007
Mexico		
<i>Santa Gertrudis</i>		
Assays	\$ -	\$ -
Drilling	-	-
Environmental costs	-	-
Equipment rental	-	-
Other	-	34,667
Salaries and fees	-	45,161
Surface access fee	-	33,062
Annual mining taxes	-	2,107
Recovery of costs	-	(46,811)
Future income tax	-	(2,938)
	-	65,248
<i>Roca Roja</i>		
Other	-	31,494
Annual mining taxes	-	14,980
Future income tax	-	(226)
	-	46,248
Canada		
RHG Property		
Acquisition cost	-	-
Camp and supplies	-	8,885
Consulting	-	1,018
Geology	-	7,956
Equipment rental	-	270
Mapping and geophysics	-	-
Travel	-	4,583
Other	-	1,039
BC Mining Tax Credit	-	(77,195)
	-	(53,444)
Total costs for the year	-	58,052
Disposition of Santa Gertrudis and Roca Roja	-	(3,987,222)
Net change for the year	-	(3,929,170)
Balance - Beginning of Year	1,096,831	5,026,001
Balance - End of Year	\$ 1,096,831	\$ 1,096,831

MetalQuest Minerals Inc.
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Notes to the Consolidated Financial Statements

For the years ended March 31, 2008 and 2007

6. 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"), a company listed on the TSX-V in Canada. The Subsidiaries are registered and beneficial holders of the past producing 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, 2008, 1,125,000 shares are held in escrow. The following are details pertaining to the escrow release:

Release dates	Shares to be released	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	275,000	1,125,000

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 the period ended March 31, 2008, Animas elected to pay US \$250,000 in common shares to the Company resulting in 153,295 common shares. As at March 31, 2008, the balance on the Company's accounts receivable from Animas was US\$1,250,000. The following are details pertaining to this receivable:

Payment dates	Amount	Payment in Cash	Payment in Common Shares	Common Shares	Receivable Balance
July 10, 2008	US\$500,000	-	US\$250,000	153,295	US\$250,000
July 10, 2009	US\$500,000	-	-	-	US\$500,000
July 10, 2010	US\$500,000	-	-	-	US\$500,000
Total	US\$1,500,000	-	US\$250,000	153,295	US\$1,250,000

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

b) San Enrique

By agreements dated July 8, 2005 and amended on January 31, 2006, the Company completed a Joint Venture agreement (the "Joint Venture Agreement") with Teck Cominco Limited's wholly owned Mexican subsidiary, Minera Teck Cominco SA de C.V. ("TCM") on the Company's 100% owned San Enrique copper-moly project and its 100% Greta claims located in Sonora State, Mexico. The San Enrique is made up of four claims and the Greta property is made up of 2 claims, located approximately 6.5 kilometers south of Santa Gertrudis gold production area.

MetalQuest Minerals Inc.
(formerly Sonora Gold Corp.)

Notes to the Consolidated Financial Statements

For the years ended March 31, 2008 and 2007

6. Resource property costs - *Continued*

b) San Enrique

The Joint Venture Agreement grants TCM an option to earn a 60% interest in the San Enrique and Greta properties by solely funding an aggregate of US\$3,500,000 in expenditures by July 1, 2010, of which US \$300,000 must be incurred within the first 12 months. TCM will be responsible for all property upkeep costs, including taxes and surface access costs. The Joint Venture Agreement also provides TCM the option, upon earning a 60% interest, to earn an additional 10% interest by solely funding a further US\$3,500,000 by July 1, 2011, thereby earning an aggregate 70% interest in the properties with the Company retaining a 30% interest. At the date TCM exercises its earn in rights, a Joint Venture will be formed with TCM being the initial Operator on behalf of the Joint Venture and undertaking programs and expenditures as approved by a Joint Venture Management Committee.

In addition to the funding requirements, TCM must pay cash of US\$80,000 (received) and pay US\$100,000 in two instalments due August 31, 2006 (received) and August 31, 2007 (received). TCM must also pay an additional US\$450,000 if there is a positive production decision on the Greta claims. The Company recorded these advances against the Mexican property costs.

The Company entered into an option agreement with Animas on July 5, 2007 offering a 120 day option to purchase the Company's 100% interest in the San Enrique property should Teck Cominco's earn-in option be terminated. Terms of the option includes 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 in accordance with certain other terms independent verification in compliance with National Instrument 43-101.

On February 29, 2008, Animas exercised the option to acquire a 100% interest in the San Enrique property. As consideration, Animas elected to issue 307,429 common shares with a value of US\$450,000 based on a deemed value per share equal to a 30 day weighted average trading price.

c) 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 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 of B.C. The bonds mature and roll over every year until the Company is released from its reclamation bonds

An officer of the Optionor is related to a director.

7. Due to related parties

As at March 31, 2008, the Company owed directors and or companies controlled by directors nil (2007 - nil).

MetalQuest Minerals Inc.

(formerly Sonora Gold Corp.)

Notes to the Consolidated Financial Statements

For the years ended March 31, 2008 and 2007

8. Share Capital

On October 17, 2007, the Company adopted all resolutions from its July 27, 2007 Annual and Special Meeting including a name change and 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. The details shown below are based on post 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, 2006	24,605,679	11,654,778
Share subscriptions received	-	497,375
Share issuance costs	-	(8,560)
Options exercised	66,667	20,000
Balance – December 31, 2007	24,672,346	\$ 12,163,593
Share subscriptions received	-	-
Share issuance costs	-	-
Options exercised	-	-
Balance- March 31, 2008	24,672,346	\$ 12,163,593

b) **Share issuances**

During the year ended December 31, 2007, the Company issued common shares pursuant to the following:

- i) The Company received the remaining \$497,375 in subscriptions pursuant to the December 28, 2006 private placement.
- ii) The Company incurred \$8,650 share issuance cost for the 2006 private placement.
- iii) The Company issued 66,667 common shares (200,000 common shares pre-consolidation) for stock option compensation that were exercised at \$0.30 for gross proceeds of \$20,000.

c) **Warrants**

Warrant transactions are summarized as follows (figures are post-consolidation):

	<u>Number of Warrants</u>	
	<u>2008</u>	<u>2007</u>
Balance - Beginning of year	8,819,848	11,019,848
Issued	-	-
Expired	-	(2,200,000)
Balance - End of period	8,819,848	8,819,848

As at March 31, 2008 the following warrants were outstanding:

<u>Number</u>	<u>Price per Share</u>	<u>Expiry Date</u>
8,819,848	\$ 0.30	December 27, 2008
8,819,848		

MetalQuest Minerals Inc.

(formerly Sonora Gold Corp.)

Notes to the Consolidated Financial Statements

For the years ended March 31, 2008 and 2007

9. Contributed surplus

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

	2008		2007	
Balance - Beginning of year	\$	1,378,282	\$	1,229,162
Stock-based compensation (Note 12)		21,053		149,120
Balance - End of period	\$	1,399,335	\$	1,378,282

10. Accumulated other comprehensive income

	2008		2007	
Accumulated other comprehensive income, beginning of year	\$	1,579,673	\$	-
Other comprehensive income – Unrealized gain (loss) on marketable securities		(176,862)		1,579,673
Accumulated other comprehensive income, end of period	\$	1,402,811	\$	1,579,673

11. 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 4,934,469 common shares have been reserved for issuance under the plan.

a) A summary of the Company's outstanding options is as follows (figures are post-consolidation):

	2008		2007	
	Options Outstanding	Weighted Average Exercise Price	Options Outstanding	Weighted Average Exercise Price
Opening balance	2,066,666	\$0.29	2,650,000	\$0.31
Granted	1,250,000	\$0.13	700,000	\$0.30
Exercised	-	-	(66,667)	\$0.30
Expired/Cancelled	(50,000)	\$0.30	(1,216,667)	\$0.33
Ending balance	3,266,667	\$0.23	2,066,666	\$0.29

MetalQuest Minerals Inc.

(formerly Sonora Gold Corp.)

Notes to the Consolidated Financial Statements

For the years ended March 31, 2008 and 2007

11. Stock options - Continued

- b) As at March 31, 2008, the Company had the following share purchase options outstanding and exercisable:

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 1.21 years.

The Company uses the Black-Scholes option pricing model to calculate the fair value of stock options granted. The Black-Scholes 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:

	2008	2007
Risk free interest rate	4.20%	4.20%
Expected dividend yield	0%	0%
Expected stock price volatility	83%	83%
Expected life of options	2 years	2 years

The weighted average fair value of the options granted during the year was \$0.13 (2007 - \$0.30).

Total stock-based compensation for the period ended March 31, 2008 was \$21,053 (2007 - \$33,691) and was expensed to operations and included in contributed surplus for options granted to directors, officers, and consultants of the Company.

12. Related party transactions

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

- During the period ended March 31, 2008, management fees of \$21,000 (2007 - \$15,000) were paid to directors and officers or a Company controlled by directors and officers.
- During the period ended March 31, 2008, consulting fees of \$10,500 (2007 - \$6,000) were paid to a non-arms length party related to a director.
- During the period, accounting fees of \$4,000 (2007 - nil) were paid to a company owned by an officer of the Company.
- During the period ended March 31, 2008, the Company paid \$15,424 (2007 - nil) for rent and office expense to a company controlled by a director and officer of the Company.
- During the period the Company expensed \$21,053 (2007 - \$33,691) 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.

MetalQuest Minerals Inc.

(formerly Sonora Gold Corp.)

Notes to the Consolidated Financial Statements

For the years ended March 31, 2008 and 2007

12. 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.

Amounts referred to in Note 8 are expected to be paid within the next year and therefore, they have been classified as current liabilities in the consolidated financial statements.