



# **GOLDQUEST MINING CORP.**

## **Condensed Consolidated Interim Financial Statements**

**June 30, 2014**

**(unaudited)**

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

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

**The accompanying unaudited interim financial statements of GoldQuest Mining Corp. have been prepared by and are responsibility of the Company's management and approved by the Company's Audit Committee and the Company's Board of Directors.**

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

	June 30, 2014	December 31, 2013
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 8,155,188	\$ 10,901,946
Amounts receivable	58,255	69,345
Prepaid expenses	108,688	108,397
Deposits	79,734	68,566
<b>Total current assets</b>	<b>8,401,865</b>	<b>11,148,254</b>
<b>Non-current assets</b>		
Long-term investment (note 4)	227,269	1,060,589
Equipment (note 5)	202,130	270,012
Evaluation and exploration assets	1,247,000	1,247,000
<b>Total non-current assets</b>	<b>1,676,399</b>	<b>2,577,601</b>
<b>TOTAL ASSETS</b>	<b>\$ 10,078,264</b>	<b>\$ 13,725,855</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 669,978	\$ 387,645
<b>TOTAL LIABILITIES</b>	<b>669,978</b>	<b>387,645</b>
<b>EQUITY</b>		
Share capital (note 6)	\$ 37,571,448	\$ 37,253,320
Other reserve	7,261,969	6,828,681
Stock options reserve	4,142,158	3,674,115
Warrants reserve	1,095,785	1,557,439
Accumulated other comprehensive (loss) income	(681,807)	151,513
Deficit	(39,981,267)	(36,126,858)
<b>TOTAL EQUITY</b>	<b>9,408,286</b>	<b>13,338,210</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>\$ 10,078,264</b>	<b>\$ 13,725,855</b>

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

*Commitments and contingencies (note 9)*

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

APPROVED BY THE BOARD:

*/s/ Julio Espallat* Director

*/s/ Florian Siegfried* Director

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

	For the three months ended		For the six months ended	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
<b>EXPENSES</b>				
Depreciation	31,338	16,433	62,489	32,917
Directors' fees and management remuneration	151,375	142,213	303,375	277,138
Evaluation and exploration costs (note 7)	1,065,807	1,523,407	2,239,173	3,411,842
Foreign exchange (gain) loss	285,271	(230,367)	130,985	(409,489)
General and administrative	67,897	71,582	176,704	149,297
Investor relations and promotion	84,081	109,362	146,902	231,497
Professional fees	51,600	77,985	78,595	130,458
Regulatory and transfer agents	23,405	14,554	47,368	31,291
Rent	11,035	11,400	22,080	19,324
Salaries and wages	67,149	30,161	146,137	102,270
Share-based payments (note 6(d))	215,598	462,371	495,305	773,412
Travel	8,342	6,394	39,749	13,247
<b>TOTAL EXPENSES</b>	<b>2,062,898</b>	<b>2,235,495</b>	<b>3,888,862</b>	<b>4,763,204</b>
<b>OTHER (INCOME) LOSS</b>				
Interest income	(15,861)	(23,904)	(34,453)	(47,717)
Loss on disposal of equipment	-	600	-	600
<b>NET LOSS FOR THE PERIOD</b>	<b>2,047,037</b>	<b>2,212,191</b>	<b>\$ 3,854,409</b>	<b>\$ 4,716,087</b>
<b>OTHER COMPREHENSIVE LOSS</b>				
Unrealized loss on available-for-sale assets	530,295	75,756	833,320	378,781
<b>TOTAL LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD</b>	<b>\$ 2,577,332</b>	<b>\$ 2,287,947</b>	<b>\$ 4,687,729</b>	<b>\$ 5,094,868</b>

Basic and diluted loss per share for the period attributable to common shareholders (warrants and options not included as the impact would be anti-dilutive)

	\$	0.02	\$	0.02	\$	0.03	\$	0.03
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Weighted average number of common shares outstanding - basic and diluted

	145,755,044	143,980,044	145,408,773	143,980,044
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See accompanying notes to these condensed consolidated interim financial statements.

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

	Share capital		Reserves			Accumulated other comprehensive (loss) income	Deficit	Total
	Number of shares	Amount	Other reserve	Stock options reserve	Warrants reserve			
<b>Balance at December 31, 2013</b>	<b>143,980,044</b>	<b>\$ 37,253,320</b>	<b>\$ 6,828,681</b>	<b>\$ 3,674,115</b>	<b>\$ 1,557,439</b>	<b>\$ 151,513</b>	<b>\$ (36,126,858)</b>	<b>\$ 13,338,210</b>
Shares issued for cash - exercise of warrants	1,700,000	255,000	-	-	-	-	-	255,000
Shares issued for cash - exercise of stock options	75,000	7,500	-	-	-	-	-	7,500
Reclassification of grant-date fair value on exercise of warrants	-	49,266	-	-	(49,266)	-	-	-
Reclassification of grant-date fair value on exercise of stock options	-	6,362	-	(6,362)	-	-	-	-
Reclassification of grant-date fair value on expired warrants	-	-	412,388	-	(412,388)	-	-	-
Reclassification of grant-date fair value on expired stock options	-	-	20,900	(20,900)	-	-	-	-
Share-based payments	-	-	-	495,305	-	-	-	495,305
Fair value adjustment on available-for-sale investments	-	-	-	-	-	(833,320)	-	(833,320)
Net loss for the period	-	-	-	-	-	-	(3,854,409)	(3,854,409)
<b>Balance at June 30, 2014</b>	<b>145,755,044</b>	<b>\$ 37,571,448</b>	<b>\$ 7,261,969</b>	<b>\$ 4,142,158</b>	<b>\$ 1,095,785</b>	<b>\$ (681,807)</b>	<b>\$ (39,981,267)</b>	<b>\$ 9,408,286</b>
<b>Balance at December 31, 2012</b>	<b>143,980,044</b>	<b>\$ 37,253,320</b>	<b>\$ 6,742,886</b>	<b>\$ 2,484,628</b>	<b>\$ 1,557,439</b>	<b>\$ -</b>	<b>\$ (28,119,958)</b>	<b>\$ 19,918,315</b>
Reclassification of grant-date fair value on expired stock options	-	-	45,600	(45,600)	-	-	-	-
Share-based payments	-	-	-	773,412	-	-	-	773,412
Fair value adjustment on available-for-sale investments	-	-	-	-	-	(378,781)	-	(378,781)
Net loss for the period	-	-	-	-	-	-	(4,716,087)	(4,716,087)
<b>Balance at June 30, 2013</b>	<b>143,980,044</b>	<b>\$ 37,253,320</b>	<b>\$ 6,788,486</b>	<b>\$ 3,212,440</b>	<b>\$ 1,557,439</b>	<b>\$ (378,781)</b>	<b>\$ (32,836,045)</b>	<b>\$ 15,596,859</b>

See accompanying notes to these condensed consolidated interim financial statements.

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

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	For the six months ended	
	June 30, 2014	June 30, 2013
<b>Cash flows provided from (used by):</b>		
<b>OPERATING ACTIVITIES</b>		
Net loss for the period	\$ (3,854,409)	\$ (4,716,087)
<b>Adjustments for items not affecting cash:</b>		
Depreciation	74,805	41,577
Share-based payments	495,305	773,412
Loss on disposal of equipment	-	600
	(3,284,299)	(3,900,498)
<b>Net changes in non-cash working capital items:</b>		
Amounts receivable	11,090	(43,789)
Prepaid expenses	(291)	(22,822)
Deposits	(11,168)	(11,238)
Accounts payable and accrued liabilities	282,333	(127,959)
<b>Net cash flows used in operating activities</b>	<b>(3,002,335)</b>	<b>(4,106,306)</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds from common shares issued on exercise of warrants and options (notes 6(b) (c) and (d))	262,500	-
<b>Net cash flows from financing activities</b>	<b>262,500</b>	<b>-</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of equipment	(6,923)	(152,800)
Proceeds from disposal of equipment	-	500
<b>Net cash flows used in investing activities</b>	<b>(6,923)</b>	<b>(152,300)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(2,746,758)</b>	<b>(4,258,606)</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>10,901,946</b>	<b>18,099,569</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 8,155,188</b>	<b>\$ 13,840,963</b>
<b>Cash and cash equivalents consist of :</b>		
Cash	\$ 8,120,188	\$ 13,805,963
Short-term deposits	35,000	35,000
	\$ 8,155,188	\$ 13,840,963
<b>Cash received during the period from interest</b>	<b>\$ 34,453</b>	<b>\$ 47,717</b>

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

**GoldQuest Mining Corp.**  
**Notes to Condensed Consolidated Interim Financial Statements (unaudited)**  
**(Expressed in Canadian Dollars)**

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**1. Corporate information and continuance of operations**

GoldQuest Mining Corp. (the “Company” or “GoldQuest”) is a publicly listed company incorporated in British Columbia on July 12, 1989 and its shares are listed on the TSX Venture Exchange under the symbol “GQC”. The Company together with its subsidiaries (collectively referred to as the “Company”) is engaged in the identification, acquisition and exploration of mineral properties in the Dominican Republic. The Company’s registered office is located at Suite 2600, 595 Burrard Street, Vancouver, British Columbia, V7X 1L3.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of evaluation and exploration properties and the Company’s continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise alternative financing, if necessary, or alternatively upon the Company’s ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write-downs of the carrying values. The Company’s exploration assets are located outside of Canada and are subject to the risk of foreign investment, including political uncertainty, increases in taxes and royalties, renegotiation of contracts and currency exchange fluctuations.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company’s title. Property title may be subject to unregistered prior agreements, unregistered claims, other land claims and non-compliance with regulatory and environmental requirements.

These condensed consolidated interim financial statements (unaudited) have been prepared on the assumption that the Company and its subsidiaries will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. As at June 30, 2014, the Company had not advanced its property to commercial production and is not able to finance day to day activities through operations. The Company’s continuation as a going concern is dependent upon the successful results from its mineral property exploration activities and its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. Management intends to fund operating costs over the next twelve months with cash and cash equivalents and through further equity financings.

The condensed consolidated interim financial statements (unaudited) of GoldQuest for the six months ended June 30, 2014 were approved by the Board of Directors on August 27, 2014.

**GoldQuest Mining Corp.**  
**Notes to Condensed Consolidated Interim Financial Statements (unaudited)**  
**(Expressed in Canadian Dollars)**

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**2. Basis of preparation**

*Statement of compliance*

These condensed consolidated interim financial statements (unaudited) have been prepared in accordance with IAS 34 Interim Financial Reporting and follow the same accounting policies and methods of application as the Company's most recent annual financial statements. These interim financial statements do not include all of the information required for full consolidated annual financial statements and should be read in conjunction with the consolidated financial statements of the Company for the year ended December 31, 2013 prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. Certain amounts in prior periods have been reclassified to conform to the current period presentation.

**3. Adoption of new and amended IFRS pronouncements**

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that are mandatory for accounting periods beginning on or after January 1, 2014.

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

- Offsetting Financial Assets and Liabilities (Amendments to IAS 32)

The standard amends the presentation to provide clarifications on the application of the offsetting rules which focused on four main areas: 1) the meaning of "currently has a legally enforceable right of set-off", 2) the application of simultaneous realization and settlement, 3) the offsetting of collateral amounts, and 4) the unit of account for applying the offsetting requirements.

**4. Long-term Investment**

The Company recognized unrealized losses through other comprehensive loss for the three months ended June 30, 2014 of \$530,295 (2013: \$75,756) and for the six months ended June 30, 2014 of \$833,320 (2013: \$378,781) to reflect the decrease in fair value of its 15,151,273 common shares of Portex Minerals Inc.

**5. Equipment**

During the three and six months ended June 30, 2014, \$5,814 of computer equipment and \$1,109 of field equipment were purchased.

During the six months ended June 30, 2013, the Company disposed office equipment with a net book value of \$1,100 for cash proceed of \$500.



**GoldQuest Mining Corp.**  
**Notes to Condensed Consolidated Interim Financial Statements (unaudited)**  
**(Expressed in Canadian Dollars)**

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**6. Share Capital**

a) Authorized share capital

Unlimited number of common shares without par value.

b) Issued share capital

As at June 30, 2014, the Company had 145,755,044 common shares issued and outstanding with a value of \$37,571,448 (December 31, 2013 – 143,980,044 with a value of \$37,253,320).

*During the three and six months ended June 30, 2014:*

- i. 1,700,000 warrants were exercised at par for proceeds of \$255,000. In addition, the Company has reclassified the grant date fair value of the exercised warrants of \$49,266 from warrants reserve to share capital.
- ii. 75,000 options were exercised resulting in the issuance of 75,000 common shares for proceeds of \$7,500. In addition, the Company has reclassified the grant date fair value of the exercised options of \$6,362 from stock options reserve to share capital.

c) Warrants

The changes in warrants during the six months ended June 30, 2014 and 2013 are as follows:

	<b>June 30, 2014</b>		<b>June 30, 2013</b>	
	<b>Number outstanding</b>	<b>Weighted average exercise price</b>	<b>Number outstanding</b>	<b>Weighted average exercise price</b>
<b>Balance, beginning of period</b>	3,289,855	\$ 0.46	3,289,855	\$ 0.46
Expired	(869,855)	0.41	-	-
Exercised	(1,700,000)	0.15	-	-
<b>Balance, end of period</b>	<b>720,000</b>	<b>\$ 1.25</b>	<b>3,289,855</b>	<b>\$ 0.46</b>

The following warrants were outstanding as at June 30, 2014:

<b>Grant date</b>	<b>Expiry date</b>	<b>Warrants outstanding</b>	<b>Exercise price</b>	<b>Estimated grant date fair value</b>	<b>Weighted average remaining contractual life (in years)</b>
August 21, 2012	August 21, 2014	720,000	\$ 1.25	\$ 1,095,783	0.14
		<b>720,000</b>	<b>\$</b>	<b>1,095,783</b>	<b>0.14</b>

**GoldQuest Mining Corp.**  
**Notes to Condensed Consolidated Interim Financial Statements (unaudited)**  
**(Expressed in Canadian Dollars)**

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d) Stock options

Under the Company's stock option plan, the board of directors may grant options for the purchase of up to a total of 10% of the total number of issued and outstanding common shares of the Company. Options granted under the plan may vest over a period of time at the discretion of the board of directors. Under the plan, the exercise price of each option equals the market price of the Company's stock as determined on the date of grant. The options can be granted for a maximum term of 10 years and vest at the discretion of the board of directors.

Options to purchase common shares have been granted to directors, employees and consultants at exercise prices determined by reference to the market value of the Company's common shares on the date of the grant.

The changes in options during the six months ended June 30, 2014 and 2013 are as follows:

	<u>June 30, 2014</u>		<u>June 30, 2013</u>	
	<u>Number outstanding</u>	<u>Weighted average exercise price</u>	<u>Number outstanding</u>	<u>Weighted average exercise price</u>
<b>Balance, beginning of period</b>	12,828,330	\$ 0.40	7,586,669	\$ 0.42
Granted	165,000	0.31	3,125,000	0.48
Expired	(51,667)	0.57	(150,000)	0.40
Forfeited	(10,500)	0.25	-	-
Exercised	(75,000)	0.10	-	-
<b>Balance, end of period</b>	<u>12,856,163</u>	<u>\$ 0.40</u>	<u>10,561,669</u>	<u>\$ 0.44</u>

The following summarizes information about stock options outstanding and exercisable at June 30, 2014:

<u>Grant date</u>	<u>Expiry date</u>	<u>Options outstanding</u>	<u>Options exercisable</u>	<u>Exercise price</u>	<u>Estimated grant date fair value</u>	<u>Weighted average remaining contractual life (in years)</u>
June 1, 2010	June 1, 2015	200,000	200,000	\$ 0.140	\$ 21,522	0.92
July 16, 2010	July 16, 2015	400,000	400,000	\$ 0.140	\$ 54,233	1.04
September 24, 2010	September 24, 2015	300,000	300,000	\$ 0.145	\$ 45,874	1.24
January 20, 2011	January 20, 2016	200,000	200,000	\$ 0.360	\$ 61,700	1.56
March 1, 2011	March 1, 2016	1,000,000	1,000,000	\$ 0.420	\$ 359,521	1.67
August 24, 2011	August 24, 2016	2,225,000	2,225,003	\$ 0.200	\$ 299,775	2.15
May 31, 2012	May 31, 2017	2,623,335	2,623,335	\$ 0.560	\$ 1,594,038	2.92
June 1, 2012	June 1, 2017	93,334	93,334	\$ 0.680	\$ 61,377	2.92
September 11, 2012	September 4, 2017	250,000	250,000	\$ 1.560	\$ 376,726	3.18
March 8, 2013	March 8, 2018	2,499,994	1,666,664	\$ 0.500	\$ 897,534	3.69
May 22, 2013	May 22, 2018	500,000	333,334	\$ 0.350	\$ 131,412	3.90
December 19, 2013	December 19, 2018	2,399,500	799,832	\$ 0.250	\$ 501,194	4.47
May 14, 2014	May 14, 2019	165,000	-	\$ 0.310	\$ 43,920	4.87
		<b>12,856,163</b>	<b>10,091,502</b>		<b>4,448,826</b>	<b>3.05</b>

**GoldQuest Mining Corp.**  
**Notes to Condensed Consolidated Interim Financial Statements (unaudited)**  
**(Expressed in Canadian Dollars)**

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d) Stock options (continued)

The fair value at the time of grant was measured using the Black-Scholes model. Expected volatility is estimated by considering historic share price volatility. The following table shows the assumptions used in the measurement of fair value at grant date:

	<b>For the six months ended</b>	
	<b>June 30, 2014</b>	<b>June 30, 2013</b>
Number of options granted	165,000	3,125,000
Risk-free interest rate	1.35%	1.29%
Expected annual volatility	130%	139%
Expected life	5.00	5.00
Expected dividend yield	0.00%	0.00%
Grant date fair value per option	\$ 0.31	\$ 0.34

During the three and six months ended June 30, 2014 and 2013, the Company recognized share-based payments expense consisting of the following:

	<b>For the three months ended</b>		<b>For the six months ended</b>	
	<b>June 30, 2014</b>	<b>June 30, 2013</b>	<b>June 30, 2014</b>	<b>June 30, 2013</b>
<b>For services in respect of:</b>				
Directors' fees	\$ 79,178	\$ 233,661	\$ 183,595	\$ 371,543
Investor relations	-	6,980	-	12,665
Management fees	115,380	100,488	265,442	180,046
Salaries and wages	21,040	121,242	46,268	209,158
	\$ 215,598	\$ 462,371	\$ 495,305	\$ 773,412

e) Earnings (loss) per share

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

**GoldQuest Mining Corp.**  
**Notes to Condensed Consolidated Interim Financial Statements (unaudited)**  
**(Expressed in Canadian Dollars)**

**7. Evaluation and exploration costs**

The Company's evaluation and exploration costs during the three and six months ended June 30, 2014 and 2013 related to projects in the Dominican Republic are broken down as follows:

	For the three months ended June 30, 2014			For the six months ended June 30, 2014		
	Tireo	Other	Total	Tireo	Other	Total
Access fees	\$ 4,248	4,100	8,348	\$ 7,040	\$ 4,608	\$ 11,648
Depreciation	5,824	343	6,167	11,550	766	12,316
Drilling	201,532	-	201,532	201,532	-	201,532
Engineering	-	-	-	62,687	-	62,687
Equipment rental	-	-	-	4,204	-	4,204
Field	87,933	44,065	131,998	395,915	102,834	498,749
Field technicians	124,489	475	124,964	167,101	475	167,576
Geological	432,968	21,186	454,154	1,063,100	36,501	1,099,601
Lodging and food	67,993	1,138	69,131	99,414	2,355	101,769
Sample analysis	47,103	-	47,103	47,103	-	47,103
Social responsibility	10,491	10,856	21,347	19,173	10,856	30,029
Transportation	1,063	-	1,063	1,959	-	1,959
	<b>\$ 983,644</b>	<b>\$ 82,163</b>	<b>\$ 1,065,807</b>	<b>\$ 2,080,778</b>	<b>\$ 158,395</b>	<b>\$ 2,239,173</b>

Cummulative costs beginning of year	<u>\$ 17,824,237</u>
Cummulative costs end of period	<u>\$ 20,063,410</u>

	For the three months ended June 30, 2013			For the six months ended June 30, 2013		
	Tireo	Other	Total	Tireo	Other	Total
Access fees	\$ 3,619	500	4,119	\$ 4,112	\$ 5,188	\$ 9,300
Depreciation	4,341	282	4,623	8,260	400	8,660
Drilling	529,755	-	529,755	1,434,986	-	1,434,986
Equipment rental	9,936	-	9,936	20,167	-	20,167
Field	146,766	20,557	167,323	341,400	32,721	374,121
Field technicians	144,022	11,350	155,372	239,573	19,820	259,393
Geological	349,495	68,676	418,171	670,229	77,141	747,370
Lodging and food	85,285	10,687	95,972	162,280	22,766	185,046
Sample analysis	131,073	5,251	136,324	357,875	11,892	369,767
Transportation	1,736	76	1,812	2,922	110	3,032
	<b>\$ 1,406,028</b>	<b>\$ 117,379</b>	<b>\$ 1,523,407</b>	<b>\$ 3,241,804</b>	<b>\$ 170,038</b>	<b>\$ 3,411,842</b>

Cummulative costs beginning of year	<u>12,579,307</u>
Cummulative costs end of period	<u>15,991,149</u>

**GoldQuest Mining Corp.**  
**Notes to Condensed Consolidated Interim Financial Statements (unaudited)**  
**(Expressed in Canadian Dollars)**

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**8. Related parties**

a) Intercompany Balances and Transactions

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

Name	Country of Incorporation	Equity Ownership as at	
		June 30, 2014	June 30, 2013
GoldQuest Mining (BVI) Corp	British Virgin Islands	100%	100%
Goldquest Dominicana SRL (formerly known as INEX Ingeniería y Exploración S.A.)	Dominican Republic	100%	100%

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

b) Compensation of key management personnel

The remuneration of directors and key management personnel during the three and six months ended June 30, 2014 and 2013 were as follows:

	For the three months ended		For the six months ended	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Directors' fees	\$ 21,000	\$ 16,247	\$ 42,000	\$ 29,747
Management remuneration <sup>(1)</sup>	196,084	182,876	392,384	365,752
Professional fees <sup>(2)</sup>	15,286	29,013	29,506	46,976
Share-based compensation	194,558	407,943	449,034	688,305
	\$ 426,928	\$ 636,079	\$ 912,924	\$ 1,130,780

1) During the three and six months ended June 30, 2014, the Company paid \$24,000 (2013 - \$21,000) and \$48,000 (2013 - \$42,000) respectively to Quantum Advisory Partners LLP, a partnership in which the CFO is an incorporated partner. These related party transaction amounts are included in management remuneration.

2) Professional fees relate to amounts paid to Quantum Advisory Partners LLP, and include corporate secretarial, transaction support and tax compliance services.

The balances due to the Company's directors and officer included in accounts payables and accrued liabilities were \$18,749 as at June 30, 2014 (December 31, 2013 – \$86,189). These amounts are unsecured, non-interest bearing and payable on demand.

## **9. Commitments and contingencies**

### a) Commitments

The Company is a party to certain management contracts. These contracts contain clauses requiring that \$1,434,000 be paid upon a change of control of the Company. As the likelihood of these events taking place is not determinable, the contingent payments have not been reflected in these condensed consolidated interim financial statements (unaudited).

### b) Contingencies

The Company's exploration activities are subject to various federal, provincial and international laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company conducts its operations so as to protect public health and the environment and believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

### c) Uncertainties

The Company is, from time to time, involved in various claims, legal proceedings and complaints arising in the ordinary course of business. The Company does not believe that adverse decisions in any pending or threatened proceedings related to any matter, or any amount which it may be required to pay damages in any form by reason thereof, will have a material effect on the financial condition or future results of operations of the Company.

## **10. Capital management**

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to pursue the evaluation and exploration of its mineral exploration properties and to maintain a flexible capital structure, which optimizes the costs of capital at an acceptable risk. In the management of capital, the Company includes the components of share capital as well as cash and cash equivalents.

There were no changes to the Company policy for capital management during the six months ended June 30, 2014.

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 its capital structure, the Company may issue new shares, acquire or dispose of assets, or adjust the amount of cash and cash equivalents and short-term investments. In order to maximize ongoing development efforts, the Company does not pay out dividends. The Company and its subsidiaries are not subject to any externally imposed capital requirements.

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

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

**GoldQuest Mining Corp.**  
**Notes to Condensed Consolidated Interim Financial Statements (unaudited)**  
**(Expressed in Canadian Dollars)**

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**11. Financial Instruments**

a) Fair value

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

*As at June 30, 2014:*

	Loans and receivables and other liabilities	Assets at fair value through profit and loss	Available-for-sale assets	Total
Cash and cash equivalents	\$ 8,120,188	\$ 35,000	-	8,155,188
Long-term investment	-	-	227,269	227,269
Accounts payable and accrued liabilities	(669,978)	-	-	(669,978)

*As at December 31, 2013:*

	Loans and receivables and other liabilities	Assets at fair value through profit and loss	Available-for-sale assets	Total
Cash and cash equivalents	\$ 10,866,946	\$ 35,000	-	10,901,946
Long-term investment	-	-	1,060,589	1,060,589
Accounts payable and accrued liabilities	387,645	-	-	387,645

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

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

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

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

Long term investments are measured using Level 1 of the fair value hierarchy.