



GOLDQUEST MINING CORP.

Condensed Consolidated Interim Financial Statements

September 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)

	September 30, 2014	December 31, 2013
ASSETS		
Current assets		
Cash and cash equivalents	\$ 6,874,674	\$ 10,901,946
Amounts receivable	50,428	69,345
Prepaid expenses	71,568	108,397
Deposits	95,571	68,566
Total current assets	7,092,241	11,148,254
Non-current assets		
Long-term investment (note 4)	75,756	1,060,589
Equipment (note 5)	181,634	270,012
Evaluation and exploration assets	1,247,000	1,247,000
Total non-current assets	1,504,390	2,577,601
TOTAL ASSETS	\$ 8,596,631	\$ 13,725,855
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 968,371	\$ 387,645
TOTAL LIABILITIES	968,371	387,645
EQUITY		
Share capital (note 6)	\$ 37,571,448	\$ 37,253,320
Other reserve	8,357,754	6,828,681
Stock options reserve	4,275,301	3,674,115
Warrants reserve	-	1,557,439
Accumulated other comprehensive (loss) income	(833,320)	151,513
Deficit	(41,742,923)	(36,126,858)
TOTAL EQUITY	7,628,260	13,338,210
TOTAL EQUITY AND LIABILITIES	\$ 8,596,631	\$ 13,725,855

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 nine months ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
EXPENSES				
Depreciation	\$ 16,436	\$ 29,866	\$ 78,925	\$ 62,783
Directors' fees and management remuneration	148,763	151,109	452,138	428,247
Evaluation and exploration costs (note 7)	1,139,983	1,181,534	3,379,156	4,593,376
Foreign exchange loss (gain)	36,592	124,301	167,577	(285,188)
General and administrative	72,394	45,882	249,098	195,179
Investor relations and promotion	68,347	88,199	215,249	319,696
Professional fees	39,242	36,794	117,837	167,252
Regulatory and transfer agents	16,412	22,236	63,780	53,527
Rent	12,213	10,937	34,293	30,261
Salaries and wages	55,664	47,903	201,801	150,173
Share-based payments (note 6(d))	133,143	314,937	628,448	1,088,349
Travel	35,971	17,346	75,720	30,593
TOTAL EXPENSES	1,775,160	2,071,044	5,664,022	6,834,248
OTHER LOSS (INCOME)				
Interest income	(13,504)	(22,065)	(47,957)	(69,782)
Loss on disposal of equipment	-	-	-	600
NET LOSS FOR THE PERIOD	1,761,656	2,048,979	\$ 5,616,065	\$ 6,765,066
OTHER COMPREHENSIVE LOSS (INCOME)				
Unrealized loss (gain) on available-for-sale assets	151,513	(75,756)	984,833	303,025
TOTAL LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD	\$ 1,913,169	\$ 1,973,223	\$ 6,600,898	\$ 7,068,091

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)

	\$ 0.01	\$ 0.01	\$ 0.04	\$ 0.05
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Weighted average number of common shares outstanding - basic and diluted	145,755,044	143,980,044	145,525,465	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			
Balance at December 31, 2013	143,980,044	\$ 37,253,320	\$ 6,828,681	\$ 3,674,115	\$ 1,557,439	\$ 151,513	\$ (36,126,858)	\$ 13,338,210
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	-	-	1,508,173	-	(1,508,173)	-	-	-
Reclassification of grant-date fair value on expired stock options	-	-	20,900	(20,900)	-	-	-	-
Share-based payments	-	-	-	628,448	-	-	-	628,448
Fair value adjustment on available-for-sale investments	-	-	-	-	-	(984,833)	-	(984,833)
Net loss for the period	-	-	-	-	-	-	(5,616,065)	(5,616,065)
Balance at September 30, 2014	145,755,044	\$ 37,571,448	\$ 8,357,754	\$ 4,275,301	\$ -	\$ (833,320)	\$ (41,742,923)	\$ 7,628,260
Balance at December 31, 2012	143,980,044	\$ 37,253,320	\$ 6,742,886	\$ 2,484,628	\$ 1,557,439	\$ -	\$ (28,119,958)	\$ 19,918,315
Reclassification of grant-date fair value on expired stock options	-	-	45,600	(45,600)	-	-	-	-
Share-based payments	-	-	-	1,088,349	-	-	-	1,088,349
Fair value adjustment on available-for-sale investments	-	-	-	-	-	(303,025)	-	(303,025)
Net loss for the period	-	-	-	-	-	-	(6,765,066)	(6,765,066)
Balance at September 30, 2013	143,980,044	\$ 37,253,320	\$ 6,788,486	\$ 3,527,377	\$ 1,557,439	\$ (303,025)	\$ (34,885,024)	\$ 13,938,573

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)

	For the nine months ended	
	September 30, 2014	September 30, 2013
Cash flows provided from (used by):		
OPERATING ACTIVITIES		
Net loss for the period	\$ (5,616,065)	\$ (6,765,066)
Adjustments for items not affecting cash:		
Depreciation	95,301	78,122
Share-based payments	628,448	1,088,349
Loss on disposal of equipment	-	600
	<u>(4,892,316)</u>	<u>(5,597,995)</u>
Net changes in non-cash working capital items:		
Amounts receivable	18,917	5,292
Prepaid expenses	36,829	(19,718)
Deposits	(27,005)	44,052
Accounts payable and accrued liabilities	580,726	(238,714)
Net cash flows used in operating activities	<u>(4,282,849)</u>	<u>(5,807,083)</u>
FINANCING ACTIVITIES		
Proceeds from common shares issued on exercise of warrants and options (notes 6(b) (c) and (d))	262,500	-
Net cash flows from financing activities	<u>262,500</u>	<u>-</u>
INVESTING ACTIVITIES		
Purchase of equipment	(6,923)	(208,894)
Proceeds from disposal of equipment	-	500
Net cash flows used in investing activities	<u>(6,923)</u>	<u>(208,394)</u>
Net decrease in cash and cash equivalents	(4,027,272)	(6,015,477)
Cash and cash equivalents, beginning of period	10,901,946	18,099,569
Cash and cash equivalents, end of period	<u>\$ 6,874,674</u>	<u>\$ 12,084,092</u>
Cash and cash equivalents consist of :		
Cash	\$ 6,839,674	\$ 12,049,092
Short-term deposits	35,000	35,000
	<u>\$ 6,874,674</u>	<u>\$ 12,084,092</u>
Cash received during the period from interest	<u>\$ 47,957</u>	<u>\$ 69,782</u>

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)

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 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 September 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 of GoldQuest for the nine months ended September 30, 2014 were approved by the Board of Directors on November 21, 2014.

2. Basis of preparation

Statement of compliance

These condensed consolidated interim financial statements 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 condensed consolidated 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 (gains) through other comprehensive loss (income) for the three months ended September 30, 2014 of \$151,513 (2013: (\$75,756)) and for the nine months ended September 30, 2014 of \$984,833 (2013: \$303,025) respectively to reflect the decrease in fair value of its 15,151,273 common shares of Portex Minerals Inc.

5. Equipment

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

During the nine months ended September 30, 2013, \$86,703 of computer equipment, \$66,644 of software, \$28,108 of Vehicles and \$27,439 of field equipment were purchased. In addition, 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)

6. Share Capital

a) Authorized share capital

Unlimited number of common shares without par value.

b) Issued share capital

As at September 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 nine months ended September 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. 1,589,855 warrants expired for a value of \$1,508,173 and were reclassified from warrants reserve to other reserve.
- iii. 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 nine months ended September 30, 2014 and 2013 are as follows:

	September 30, 2014		September 30, 2013	
	Number outstanding	Weighted average exercise price	Number outstanding	Weighted average exercise price
Balance, beginning of period	3,289,855	\$ 0.46	3,289,855	\$ 0.46
Expired	(1,589,855)	0.79	-	-
Exercised	(1,700,000)	0.15	-	-
Balance, end of period	-	-	3,289,855	\$ 0.46

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.

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

d) Stock options (continued)

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

	September 30, 2014		September 30, 2013	
	Number outstanding	Weighted average exercise price	Number outstanding	Weighted average exercise price
Balance, beginning of period	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	(25,000)	0.50
Exercised	(75,000)	0.10	-	-
Balance, end of period	12,856,163	\$ 0.40	10,536,669	\$ 0.44

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

Grant date	Expiry date	Options outstanding	Options exercisable	Exercise price	Estimated grant date fair value	Weighted average remaining contractual life (in years)
June 1, 2010	June 1, 2015	200,000	200,000	\$ 0.140	\$ 21,522	0.67
July 16, 2010	July 16, 2015	400,000	400,000	\$ 0.140	\$ 54,233	0.79
September 24, 2010	September 24, 2015	300,000	300,000	\$ 0.145	\$ 45,874	0.98
January 20, 2011	January 20, 2016	200,000	200,000	\$ 0.360	\$ 61,700	1.31
March 1, 2011	March 1, 2016	1,000,000	1,000,000	\$ 0.420	\$ 359,521	1.42
August 24, 2011	August 24, 2016	2,225,000	2,225,003	\$ 0.200	\$ 299,775	1.90
May 31, 2012	May 31, 2017	2,623,335	2,623,335	\$ 0.560	\$ 1,594,038	2.67
June 1, 2012	June 1, 2017	93,334	93,334	\$ 0.680	\$ 61,377	2.67
September 11, 2012	September 4, 2017	250,000	250,000	\$ 1.560	\$ 376,726	2.93
March 8, 2013	March 8, 2018	2,499,994	2,499,996	\$ 0.500	\$ 893,958	3.44
May 22, 2013	May 22, 2018	500,000	333,334	\$ 0.350	\$ 131,412	3.64
December 19, 2013	December 19, 2018	2,399,500	799,832	\$ 0.250	\$ 499,011	4.22
May 14, 2014	May 14, 2019	165,000	-	\$ 0.310	\$ 43,920	4.87
		12,856,163	10,924,834		4,443,067	2.80

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:

	For the nine months ended	
	September 30, 2014	September 30, 2013
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

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

d) Stock options (continued)

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

	For the three months ended		For the nine months ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
For services in respect of:				
Directors' fees	\$ 45,586	\$ 174,084	\$ 229,181	\$ 545,627
Investor relations	-	2,179	-	14,844
Management fees	71,234	64,829	336,676	\$ 244,875
Salaries and wages	16,323	73,845	62,591	283,003
	\$ 133,143	\$ 314,937	\$ 628,448	\$ 1,088,349

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 nine months ended September 30, 2014 and 2013 related to projects in the Dominican Republic are broken down as follows:

	For the three months ended September 30, 2014			For the nine months ended September 30, 2014		
	Tireo	Other	Total	Tireo	Other	Total
Access fees	\$ 1,733	\$ -	\$ 1,733	\$ 8,773	\$ 4,608	\$ 13,381
Depreciation	3,827	233	4,060	15,377	999	16,376
Drilling	325,958	-	325,958	527,490	-	527,490
Engineering	-	-	-	62,687	-	62,687
Equipment rental	5,876	-	5,876	10,080	-	10,080
Field	120,575	65,313	185,888	516,490	168,147	684,637
Field technicians	174,208	700	174,908	341,309	1,175	342,484
Geological	298,841	10,754	309,595	1,361,941	47,255	1,409,196
Lodging and food	63,375	5,818	69,193	162,789	8,173	170,962
Sample analysis	45,814	-	45,814	92,917	-	92,917
Social responsibility	9,697	-	9,697	28,870	10,856	39,726
Transportation	7,261	-	7,261	9,220	-	9,220
	\$ 1,057,165	\$ 82,818	\$ 1,139,983	\$ 3,137,943	\$ 241,213	\$ 3,379,156

Cumulative costs beginning of year	\$ 17,824,237
Cumulative costs end of period	\$ 21,203,393

	For the three months ended September 30, 2013			For the nine months ended September 30, 2013		
	Tireo	Other	Total	Tireo	Other	Total
Access fees	\$ 1,791	\$ 1,168	\$ 2,959	\$ 5,903	\$ 6,356	\$ 12,259
Depreciation	6,328	351	6,679	14,588	751	15,339
Drilling	636,314	-	636,314	2,071,300	-	2,071,300
Equipment rental	2,262	-	2,262	22,429	-	22,429
Field	202,451	38,255	240,706	543,851	70,976	614,827
Field technicians	98,394	22	98,416	337,967	19,842	357,809
Geological	58,367	7,675	66,042	728,596	84,816	813,412
Lodging and food	48,654	1,496	50,150	210,934	24,262	235,196
Sample analysis	77,246	-	77,246	435,121	11,892	447,013
Transportation	760	-	760	3,682	110	3,792
	\$ 1,132,567	\$ 48,967	\$ 1,181,534	\$ 4,374,371	\$ 219,005	\$ 4,593,376

Cumulative costs beginning of year	12,579,307
Cumulative costs end of period	17,172,683

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

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	
		September 30, 2014	September 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 nine months ended September 30, 2014 and 2013 were as follows:

	For the three months ended		For the nine months ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
Directors' fees	\$ 21,000	\$ 21,000	\$ 63,000	\$ 50,747
Management remuneration ⁽¹⁾	196,030	186,177	588,414	551,929
Professional and other fees ⁽²⁾	15,000	18,305	44,506	65,281
Share-based compensation	116,820	280,499	565,854	968,804
	\$ 348,850	\$ 505,981	\$ 1,261,774	\$ 1,636,761

1) During the three and nine months ended September 30, 2014, the Company paid \$24,000 (2013 - \$21,000) and \$72,000 (2013 - \$63,000) 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 officers included in accounts payables and accrued liabilities were \$27,575 as at September 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.

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

b) Contingencies

Lawsuit

In August 2014, the Company received notice of a civil lawsuit filed with the Commercial and Civil Chamber of the Courts of First Instance in the city of San Juan de La Maguana, Dominican Republic. The lawsuit alleges that the Company entered the claimants' property without authorization, damaged crops, drove out livestock, and extracted gold. The claimants are seeking, amongst other things, damages totaling USD\$5,000,000 relating to the surface damage and the extraction of gold from the property in question. The Company is of the view that any minor surface disturbances were fully remediated and that the Company was in full compliance with the conditions of both its exploration concession and environmental permits issued by the Dominican government. No amount has been provided for in these financial statements for this claim because it is too early to predict the outcome of this lawsuit; however, management's view is that the claim against the Company is without merit.

Other

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. Other than the legal proceedings discussed in note 9 b) above, 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 nine months ended September 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.

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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 September 30, 2014:

	Loans and receivables and other liabilities	Assets at fair value through profit and loss	Availabe-for-sale assets	Total
Cash and cash equivalents	\$ 6,839,674	\$ 35,000	\$ -	6,874,674
Long-term investment	-	-	75,756	75,756
Accounts payable and accrued liabilities	(968,371)	-	-	(968,371)

As at December 31, 2013:

	Loans and receivables and other liabilities	Assets at fair value through profit and loss	Availabe-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.