

SILVER QUEST RESOURCES LTD.
(Formerly Southern Rio Resources Ltd.)

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Unaudited - prepared by management

NOVEMBER 30, 2005

January 24, 2006

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 accompanying unaudited interim financial statements of Silver Quest Resources Ltd. (formerly Southern Rio Resources Ltd.) (the "Company") have been prepared by and are the responsibility of the Company's management.

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 notes are an integral part of these financial statements.

SILVER QUEST RESOURCES LTD.
 (Formerly Southern Rio Resources Ltd.)
Consolidated Balance Sheets
 Unaudited - prepared by management

ASSETS

	November 30 2005	February 28 2005
Current Assets		
Cash	\$ 159,851	\$ 847,107
Receivables	19,326	38,905
Marketable securities	11,750	11,750
Prepaid expenses and deposits	11,700	8,550
	<u>202,627</u>	<u>906,312</u>
Reclamation deposit (Note 4)	16,000	12,500
Equipment (Note 5)	4,011	4,718
Mineral properties (Note 6)	309,514	198,114
Deferred exploration costs (Note 7)	<u>2,787,315</u>	<u>2,414,377</u>
	<u>\$ 3,319,467</u>	<u>\$ 3,536,021</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities		
Accounts payable and accrued liabilities	\$ 41,070	\$ 211,966
	41,070	211,966

SHAREHOLDERS' EQUITY

Capital stock (Note 9)	12,010,125	11,945,355
Contributed surplus (Note 9)	548,941	523,176
Deficit	<u>(9,280,669)</u>	<u>(9,144,476)</u>
	<u>3,278,397</u>	<u>3,324,055</u>
	<u>\$ 3,319,467</u>	<u>\$ 3,536,021</u>

Nature and continuance of operations (Note 2)

On behalf of the Board:

“Robert F. Weicker”
 Robert F. Weicker, Director

“Randy C. Turner”
 Randy C. Turner, Director

The accompanying notes are an integral part of these financial statements.

SILVER QUEST RESOURCES LTD.
(Formerly Southern Rio Resources Ltd.)
Consolidated Statements of Operations and Deficit
Unaudited - prepared by management

	Three Month Period Ended November 30 2005	Three Month Period Ended November 30 2004	Nine Month Period Ended November 30 2005	Nine Month Period Ended November 30 2004
Expenses				
Administration fees	\$ 10,500	\$ 10,500	\$ 31,500	\$ 31,500
Advertising and promotion	1,001	7,088	8,891	17,638
Amortization	237	393	708	1,179
Consulting	12,645	14,000	32,399	40,333
Interest and bank charges	144	197	460	7,637
Management fees	5,705	-	5,705	-
Office and miscellaneous	4,122	1,750	16,045	15,602
Professional fees	12,497	4,518	31,908	20,469
Rent	4,500	4,500	13,500	13,500
Salaries and benefits	8,640	18,156	54,521	65,363
Stock-based compensation	-	7,403	25,765	89,656
Transfer agent and filing fees	2,635	3,624	14,315	17,603
Travel and related costs	323	3,991	2,800	9,874
Loss before other items	<u>(62,949)</u>	<u>(76,120)</u>	<u>(238,517)</u>	<u>(330,354)</u>
Other items				
Corporation capital tax refund	99,050	-	99,050	-
Interest income	991	697	3,274	1,557
	<u>100,041</u>	<u>697</u>	<u>102,324</u>	<u>1,557</u>
(Loss) gain for the period	37,092	(75,423)	(136,193)	(328,797)
Deficit, beginning of the period	<u>(9,317,761)</u>	<u>(9,296,205)</u>	<u>(9,144,476)</u>	<u>(9,042,831)</u>
Deficit, end of the period	<u>\$ (9,280,669)</u>	<u>\$ (9,371,628)</u>	<u>\$ (9,280,669)</u>	<u>\$ (9,371,628)</u>
Basic and diluted (loss) gain per common share:				
	<u>\$ 0.01</u>	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>	<u>\$ (0.04)</u>
Weighted average number of common shares outstanding				
	10,537,804	8,614,724	10,509,939	8,353,265

The accompanying notes are an integral part of these financial statements.

SILVER QUEST RESOURCES LTD.
(Formerly Southern Rio Resources Ltd.)
Consolidated Statements of Cash Flows
Unaudited - prepared by management

	Three Month Period Ended November 30 2005	Three Month Period Ended November 30 2004	Nine Month Period Ended November 30 2005	Nine Month Period Ended November 30 2004
Cash flows from operating activities				
(Loss) gain for the period	\$ 37,092	\$ (75,423)	\$ (136,193)	\$ (328,797)
Items not affecting cash:				
Amortization	236	393	707	1,179
Stock-based compensation	-	7,403	25,765	89,656
Changes in non-cash working capital items:				
(Increase) decrease in prepaid expenses	(1,060)	(13,683)	(3,150)	(25,150)
(Increase) decrease in receivables	(11,804)	(7,676)	19,579	32,352
Increase (decrease) in accounts payable	34,449	228,928	(170,897)	(46,717)
Net cash provided from (used in) operating activities	58,913	139,942	(264,189)	(277,477)
Cash flows from financing activities				
Related party	-	-	-	(14,250)
Capital stock, net of issuance costs	64,771	(3,446)	64,771	347,304
Net cash provided by financing activities	64,771	(3,446)	64,771	333,054
Cash flows from investing activities				
Acquisition of mineral properties	(66,400)	-	(111,400)	(27,750)
Restricted cash	(3,500)	152,863	(3,500)	296,533
Deferred exploration expenditures	(235,978)	(152,863)	(372,938)	(440,912)
Net cash used in investing activities	(305,878)	0	(487,838)	(172,129)
Change in cash during the period	(182,194)	136,496	(687,256)	(116,552)
Cash, beginning of the period	342,045	155,381	847,107	408,429
Cash, end of the period	\$ 159,851	\$ 291,877	\$ 159,851	\$ 291,877

Supplemental disclosure with respect to cash flows (Note 11)

The accompanying notes are an integral part of these financial statements.

SILVER QUEST RESOURCES LTD. (Formerly Southern Rio Resources Ltd.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

November 30, 2005

Unaudited - prepared by management

1. BASIS OF PRESENTATION

The interim period financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles. All financial summaries included are presented on a comparative and consistent basis showing the figures for the corresponding period in the preceding year. The preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of annual financial statements. Certain information and footnote disclosure normally included in financial statements prepared in accordance with generally accepted accounting principles has been condensed or omitted. These interim period statements should be read together with the audited financial statements and the accompanying notes included in the Company's latest annual report. In the opinion of the Company, its unaudited interim financial statements contain all adjustments necessary in order to present a fair statement of the results of the interim periods presented.

Certain reclassifications have been made to the prior period financial statements to conform to the current period presentation.

2. NATURE AND CONTINUANCE OF OPERATIONS

Silver Quest Resources Ltd. ("the Company") was incorporated under the laws of British Columbia. The Company changed its name from Southern Rio Resources Ltd. on December 15, 2005. At the same time, the Company consolidated its common shares on a five for one basis. All share and per share amounts have been restated to reflect the share consolidation. The Company's principal business is the acquisition and exploration of mineral properties. The Company is considered to be in the exploration stage.

The recoverability of the amounts comprising mineral properties and deferred exploration costs are dependent upon the confirmation of economically recoverable reserves, the ability of the Company to obtain necessary financing to successfully complete its exploration and development and upon future profitable production.

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. Continued operations of the Company are dependent on the Company's ability to receive continued financial support, complete public equity financing, or generate profitable operations in the future.

	November 30, 2005	February 28, 2005
Deficit	\$ (9,280,669)	\$ (9,144,476)
Working capital	\$ 161,558	\$ 694,346

3. SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Golden Pavilion Resources Ltd., a British Columbia corporation. All inter-company balances and transactions have been eliminated upon consolidation.

Estimates

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 amounts of revenues and expenses during the reporting period.

Marketable securities

Marketable securities are recorded at the lower of cost or market value. The market value of marketable securities at November 30, 2005 was \$13,425 (February 28, 2005 - \$11,750).

Equipment and amortization

Equipment, being furniture and equipment, is recorded at cost less accumulated amortization. Amortization is being provided for using the straight-line method over five years.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Mineral properties

All costs related to the acquisition, exploration and development of mineral properties are capitalized by property. If economically recoverable ore reserves are developed, capitalized costs of the related property are reclassified as mining assets and amortized using the unit of production method. When a property is abandoned, all related costs are written off to operations. If, after management review, it is determined that the carrying amount of a mineral property is impaired, that property is written down to its estimated net realizable value. A mineral property is reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

The amounts shown for mineral properties do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

Values

The amounts shown for mineral properties and for deferred exploration costs represent costs to date, and do not necessarily represent present or future values, as they are entirely dependent upon the economic recovery of future reserves.

Cost of maintaining mineral properties

The Company does not accrue the estimated future costs of maintaining its mineral properties in good standing.

Government mining tax credits

The Company carries on certain mineral exploration activities in British Columbia and is eligible to earn tax credits based on qualifying expenditures. Mining tax credits are recorded as either a reduction of the cost of applicable assets or credited in the statement of operations depending on the nature of the expenditures which gave rise to the credits. Claims for tax credits are accrued upon the Company obtaining reasonable assurance of collection from the BC Minister of Finance. Should all or any part of these claims be adjusted, the tax credit receivable and the statements of operations and deficit will be affected accordingly.

Asset retirement obligations

The Company has adopted Section 3110, *Asset retirement obligations* of the CICA Handbook. This standard focuses on the recognition and measurement of liabilities related to legal obligations associated with the retirement of property, plant and equipment. Under this standard, these obligations are initially measured at fair value and subsequently adjusted for the accretion of discount and any changes in the underlying cash flows. The asset retirement cost is to be capitalized to the related asset and amortized into earnings over time. Adoption of this standard has not affected the Company's financial statements.

Stock-based compensation

The Company accounts for the granting of stock options to employees and non-employees using the fair value method whereby all awards to employees and non-employees will be recorded at fair value on the date of grant. The Company estimates the fair value of each stock option at the date of grant using the Black-Scholes option pricing model. Any consideration paid by the option holders to purchase shares is credited to capital stock.

Loss per share

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on loss per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the year. For the periods presented, this calculation proved to be anti-dilutive.

Basic loss per share is calculated using the weighted average number of common shares outstanding during the period.

SILVER QUEST RESOURCES LTD. (Formerly Southern Rio Resources Ltd.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

November 30, 2005

Unaudited - prepared by management

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Future income taxes

Future income taxes are recorded using the asset and liability method whereby future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the year that substantive enactment or enactment occurs. To the extent that the Company does not consider it to be more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

Flow-through common shares

Canadian tax legislation permits a company to issue flow-through shares whereby the deduction for tax purposes relating to qualified resource expenditures is claimed by the investors rather than the Company. Recording these expenditures for accounting purposes gives rise to taxable temporary differences.

Effective March 19, 2004, the Emerging Issues Committee of the Canadian Institute of Chartered Accountants requires that, when flow-through expenditures are renounced, a portion of future income tax assets not recognized in previous years, due to the recording of a valuation allowance, be recognized as a recovery of income taxes in the statement of operations.

Comparative figures

Certain comparative figures have been reclassified to conform with the current year's presentation.

4. RECLAMATION DEPOSIT

The Company has provided a deposit as security against potential future reclamation work relating to its mineral properties. As at November 30, 2005, a total of \$16,000 (February 28, 2005 - \$12,500) had been lodged with the British Columbia Ministry of Energy and Mines.

5. EQUIPMENT

	November 30, 2005			February 28, 2005		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Furniture & equipment	\$17,560	\$13,549	\$4,011	\$17,560	\$12,842	\$4,718
	\$17,560	\$13,549	\$4,011	\$17,560	\$12,842	\$4,718

SILVER QUEST RESOURCES LTD. (Formerly Southern Rio Resources Ltd.)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
November 30, 2005
Unaudited - prepared by management

6. MINERAL PROPERTIES

The Company holds interests in various mineral claims as follows:

	November 30 2005	February 28 2005
Tam property, British Columbia, Canada A 100% interest. The property is subject to a 1% net smelter returns royalty ("NSR").	\$ 5,700	\$ 5,700
Tsacha property, British Columbia, Canada A 100% interest in certain claims subject to varying NSR's, one half of which may be purchased back at any time, up to the end of the first year of commercial production, for \$2,000,000.	66,130	57,130
Taken property, British Columbia, Canada An option to acquire a 100% interest in certain claims. In order to acquire the claims, the Company must incur \$250,000 (to date - \$219,166, including an allowance for administrative fees) in exploration expenditures and issue 40,000 common shares (to date - 32,000 common shares at a value of \$22,200) on or before March 18, 2006. The property is subject to a sliding scale NSR ranging from 2% to 4%. The Company has the right to buy-down the NSR royalty at the rate of \$2,000,000 for each 1%.	22,200	18,800
Minnitaki property, Ontario, Canada A 100% interest. The property is subject to a sliding scale NSR ranging from 1.5% to 3%.	35,000	35,000
Duke property, British Columbia, Canada A 100% interest. The property is subject to a 1% NSR. During the 2005 fiscal year, the Company entered into an agreement, subsequently amended, whereby an optionee can earn a 51% interest. To acquire its interest, the optionee must pay \$10,000, incur \$730,000 in exploration expenditures and issue 100,000 common shares over a three year period. To acquire an additional 19%, the optionee must pay \$150,000, 50% of which may be through share issuances, within two years and incur \$1,000,000 in exploration expenditures within three years from the election date. The election date must be within 120 days from when the initial 51% interest is earned. To date, the optionee has paid \$10,000, incurred \$80,000 in exploration expenditures, and issued 25,000 shares valued at \$8,750.	7,900	7,900
Bond & Johnson property, Ontario, Canada A 100% interest subject to a 2.5% NSR, 1.5% of which may be purchased back at any time for \$1,500,000.	25,000	25,000
Davidson property, British Columbia, Canada A 100% interest subject to a 2% NSR, which may be purchased back for \$2,000,000. To acquire the property the Company issued 100,000 common shares valued at \$40,000 and paid \$40,000 in cash.	80,000	-
Uduk Lake property, British Columbia, Canada A 100% interest. The property is subject to a 3% NSR, 2% of which may be purchased back at any time for \$2,000,000.	22,500	22,500
Sam property, British Columbia, Canada A 100% interest acquired by staking.	5,616	5,616
Tommy Lake property, British Columbia, Canada A 100% interest.	17,518	17,518
Rey Lake property, British Columbia, Canada An option to acquire up to a 75% interest in certain claims. To acquire an initial 51%, the Company must issue 100,000 common shares (to date, 40,000 common shares have been issued at a value of \$14,000), make a cash payment of \$5,000 (paid) and incur exploration expenditures totaling \$500,000 on or before September 15, 2008. An additional 24% may be earned by incurring an additional \$400,000 in exploration expenditures and issuing an additional 80,000 common shares on or before December 5, 2010.	19,000	-
Ebb property, British Columbia, Canada The Company paid \$450 and issued 5,000 shares at a value of \$2,500 to acquire a 100% interest. The Company may be required to issue 5,000 additional common shares under certain terms and conditions.	2,950	2,950
	<u>\$ 309,514</u>	<u>\$ 198,114</u>

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties are in good standing.

Silver Quest Resources Ltd.
(Formerly Southern Rio Resources Ltd.)
Notes to the Consolidated Financial Statements
November 30, 2005
Unaudited - prepared by management

7. DEFERRED EXPLORATION COSTS

	Tam	Tsacha	Taken	Minnitaki	Duke	Davidson	Ebb	Rey Lake	Other	Total
Balance, as at February 28, 2005	\$ 811,760	1,139,724	176,285	194,878	3,406	-	-	-	88,324	2,414,377
Data Evaluation	-	-	-	-	-	-	-	-	-	-
Data Management	-	-	-	-	-	1,417	1,495	995	-	3,907
Drilling	3,960	38,095	18,115	-	144	192,294	-	-	-	252,608
Field Sampling	2,139	24,480	3,443	-	-	1,859	8,714	8,195	-	48,830
Geology	490	281	843	-	-	9,807	2,685	2,595	979	17,680
Geophysics	-	-	-	-	-	-	19,271	19,364	-	38,635
Land Retention	574	6,762	1,795	114	2,003	30	-	-	-	11,278
Land Permitting	-	-	-	-	-	-	-	-	-	-
	7,163	69,618	24,196	114	2,147	205,407	32,165	31,149	979	372,938
Balance, as at November 30, 2005	\$ 818,923	1,209,342	200,481	194,992	5,553	205,407	32,165	31,149	89,303	2,787,315

	Tam	Tsacha	Taken	Minnitaki	Duke	Trout	Other	Total
Balance, as at February 29, 2004	\$ 700,349	500,773	88,159	194,878	11,162	-	63,538	1,558,859
Data Management	2,126	1,242	32	-	-	-	-	3,400
Drilling	93,558	600,728	77,798	-	90,994	63,802	-	926,880
Field Sampling	5,094	20,820	8,497	-	-	-	-	34,411
Geology	10,633	6,165	1,799	-	-	-	13,564	32,161
Geophysics	-	-	-	-	-	-	5,377	5,377
Land Retention	-	442	-	-	-	3,574	1,796	5,812
Land Permitting	-	9,554	-	-	-	-	4,049	13,603
	111,411	638,951	88,126	-	90,994	67,376	24,786	1,021,644
Option recovery	-	-	-	-	(98,750)	-	-	(98,750)
Written-off during the year	-	-	-	-	-	(67,376)	-	(67,376)
	-	-	-	-	(98,750)	(67,376)	-	(166,126)
Balance, as at February 28, 2005	\$ 811,760	1,139,724	176,285	194,878	3,406	-	88,324	2,414,377

SILVER QUEST RESOURCES LTD. (Formerly Southern Rio Resources Ltd.)**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

November 30, 2005

*Unaudited - prepared by management***8. RELATED PARTY TRANSACTIONS**

During the nine month period ended November 30, 2005, the Company entered into the following transactions with related parties:

- a) Paid or accrued \$13,500 (2004 - \$13,500) for rent to a company controlled by a director.
- b) Paid or accrued \$4,157 (2004 - \$12,426) for professional fees to a law firm in which a former officer of the Company is a partner.
- c) Paid or accrued \$5,705 (2004 - \$Nil) for management fees to a company controlled by an officer.
- d) Paid or accrued \$54,521 (2004 - \$68,808) for salaries and benefits to a director of the Company.

These transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

9. CAPITAL STOCK AND CONTRIBUTED SURPLUS

	Number of Shares	Capital Stock	Contributed Surplus
Authorized Unlimited common shares without par value			
Issued As at February 28, 2005	10,391,724	\$ 11,945,355	\$ 523,176
For mineral properties	168,000	66,400	-
Escrow cancellation	(32,600)	(1,630)	-
Stock-based compensation	-	-	25,765
As at November 30, 2005	<u>10,527,124</u>	<u>\$ 12,010,125</u>	<u>\$ 548,941</u>

10. STOCK OPTIONS AND WARRANTS**Stock options**

The Company, in accordance with its shareholder approved stock option plan as amended, is authorized to grant options to directors, officers, employees and consultants to acquire up to 10% of the issued and outstanding common shares. The exercise price of each option equals the market price of the Company's stock as calculated on the date of grant. Options can be granted for a maximum term of five years and vest on grant.

The following incentive stock options were outstanding at November 30, 2005:

Number of Shares	Exercise Price	Expiry Date
90,000	\$ 0.75	June 4, 2006
10,000	\$ 0.75	February 28, 2007
220,000	\$ 1.00	May 15, 2007
120,000	\$ 0.75	October 7, 2008
30,000	\$ 1.35	February 13, 2009
10,000	\$ 0.75	September 8, 2009
230,000	\$ 0.75	August 2, 2010
<u>710,000</u>		

SILVER QUEST RESOURCES LTD. (Formerly Southern Rio Resources Ltd.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

November 30, 2005

Unaudited - prepared by management

10. STOCK OPTIONS AND WARRANTS (Continued)

Stock options (Continued)

Stock option transactions for the period ended November 30, 2005 are summarized as follows:

	November 30, 2005		February 28, 2005	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Balance, beginning of period	530,000	\$ 0.90	520,000	\$ 0.90
Granted	230,000	0.75	10,000	0.75
Exercised	-	-	-	-
Expired/cancelled	(50,000)	0.85	-	-
Balance, end of period	710,000	\$ 0.85	530,000	\$ 0.90
Options exercisable, end of period	710,000	\$ 0.85	530,000	\$ 0.90

The following weighted-average assumptions were used for the Black-Scholes valuation of stock options granted during the noted periods:

	2005	2004
Risk-free interest rate	3.40%	2.95%
Expected life of options	5 years	5 years
Annualized volatility	61.42%	87.53%
Dividend rate	0.00%	0.00%

Warrants

As at November 30, 2005, the Company had outstanding share purchase warrants, enabling the holders to acquire further shares as follows:

Number of Shares	Exercise Price	Expiry Date
133,997	\$ 2.50	December 23, 2005 (expired unexercised)
109,000	\$ 0.75	December 20, 2005 (expired unexercised)
551,000	\$ 1.00	December 20, 2006
325,000	\$ 0.75	December 20, 2006
1,118,997		

Share purchase warrant transactions for the period ended November 30, 2005 were as follows:

	November 30, 2005		February 28, 2005	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Balance, beginning of period	1,602,485	\$ 1.10	1,820,298	\$ 1.15
Granted	-	-	1,273,000	1.05
Exercised	-	-	-	-
Expired/cancelled	(483,488)	1.20	(1,490,813)	1.15
Balance, end of period	1,118,997	\$ 1.10	1,602,485	\$ 1.10
Warrants exercisable, end of period	1,118,997	\$ 1.10	1,602,485	\$ 1.10

SILVER QUEST RESOURCES LTD. (Formerly Southern Rio Resources Ltd.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

November 30, 2005

Unaudited - prepared by management

11. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Significant non-cash transactions for the nine month period ended November 30, 2005 included:

- a) The issuance of 20,000 common shares, with a value of \$9,000 as consideration towards the acquisition of the Tsacha property in British Columbia (Note 6)
- b) The issuance of 8,000 common shares, with a value of \$3,400 as consideration towards the acquisition of the Taken property in British Columbia (Note 6).
- c) The issuance of 100,000 common shares, with a value of \$40,000 as consideration towards the acquisition of the Davidson property in British Columbia (Note 6).
- d) The issuance of 40,000 common shares, with a value of \$14,000 as consideration towards the acquisition of the Rey Lake property in British Columbia (Note 6).
- e) The cancellation of 32,600 escrow shares, with a value of \$1,630 (Note 5).

Significant non-cash transactions for the nine month period ended November 30, 2004 included:

- a) The issuance of 20,000 common shares, with a value of \$15,000 as consideration towards the acquisition of the Tsacha property in British Columbia (Note 6).
- b) The issuance of 8,000 common shares, with a value of \$4,000 as consideration towards the acquisition of the Taken property in British Columbia (Note 6).
- c) The issuance of 5,000 common shares, with a value of \$3,750 as consideration towards the acquisition of the Trout property in British Columbia (Note 6).

12. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, receivables, marketable securities, reclamation deposit, accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

13. SEGMENTED INFORMATION

The Company operates in one reportable operating segment, being the acquisition and exploration of mineral properties in Canada.

14. SUBSEQUENT EVENTS

Subsequent to November 30, 2005, the Company:

- a) consolidated its share capital on a 5:1 share basis;
- b) granted 1,610,000 incentive stock options exercisable at a price of \$0.45 per share until January 13, 2011; and
- c) completed a private placement for the issuance of 1,965,000 flow-through shares at a price of \$0.40 per share and 6,190,331 Units at a price of \$0.30 per unit. Each unit consists of one share and one-half of one common share purchase warrant exercisable for period of 24 months. Each whole warrant will entitle the holder thereof to purchase one additional share at a price of \$0.50 per share if exercised during the first 12 months and \$0.65 per share if exercised thereafter.