

SILVER QUEST RESOURCES LTD.

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Unaudited - prepared by management

NOVEMBER 30, 2006

January 25, 2007

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. (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.
Consolidated Balance Sheets
 unaudited - prepared by management

	<u>November 30</u> <u>2006</u>	<u>February 28</u> <u>2006</u>
ASSETS		
Current		
Cash and equivalents	\$ 1,361,829	\$ 2,490,295
Prepaid expenses	20,738	2,000
Receivables	13,045	24,919
Marketable securities	<u>19,688</u>	<u>19,688</u>
	1,415,300	2,536,902
Equipment (Note 4)	3,208	3,775
Mineral properties (Note 5)	517,565	283,564
Deferred exploration costs (Note 6)	3,535,196	2,730,170
Reclamation deposit (Note 3)	16,000	16,000
Deposits (Note 7)	<u>87,919</u>	<u>-</u>
	<u>\$ 5,575,188</u>	<u>\$ 5,570,411</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$ <u>164,765</u>	\$ <u>98,879</u>
	164,765	98,879
Shareholders' equity		
Capital stock (Note 9)	14,252,867	14,099,748
Contributed surplus (Note 9)	1,116,158	1,119,948
Deficit	<u>(9,958,602)</u>	<u>(9,748,164)</u>
	<u>5,410,423</u>	<u>5,471,532</u>
	<u>\$ 5,575,188</u>	<u>\$ 5,570,411</u>
Nature and continuance of operations (Note 1)		
Subsequent event (Note 14)		

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 consolidated financial statements

SILVER QUEST RESOURCES LTD.
Consolidated Statements of Operations and Deficit
 unaudited - prepared by management

	Three Month Period Ended November 30 2006	Three Month Period Ended November 30 2005	Nine Month Period Ended November 30 2006	Nine Month Period Ended November 30 2005
EXPENSES				
Amortization	\$ 189	\$ 237	\$ 567	\$ 708
Business development	10,741	1,001	30,035	8,891
Consulting	5,720	12,645	18,260	32,399
Management fees and corporate services	11,359	16,205	43,109	37,205
Office and miscellaneous	1,127	4,266	10,170	16,505
Professional fees	2,543	12,497	22,238	31,908
Regulatory and filing fees	3,195	2,635	17,732	14,315
Rent	4,500	4,500	13,500	13,500
Salaries and benefits	23,461	8,640	58,678	54,521
Stock-based compensation	-	-	-	25,765
Travel	6,582	323	13,628	2,800
	<u>(69,417)</u>	<u>(62,949)</u>	<u>(227,917)</u>	<u>(238,517)</u>
Loss before other items and income tax				
OTHER ITEMS				
Interest income	4,384	991	17,479	3,274
	<u>4,384</u>	<u>991</u>	<u>17,479</u>	<u>3,274</u>
Loss for the period	(65,033)	(61,958)	(210,438)	(235,243)
Deficit, beginning of the period	<u>(9,893,569)</u>	<u>(9,317,761)</u>	<u>(9,748,164)</u>	<u>(9,144,476)</u>
Deficit, end of the period	<u>\$ (9,958,602)</u>	<u>\$ (9,379,719)</u>	<u>\$ (9,958,602)</u>	<u>\$ (9,379,719)</u>
Basic and diluted loss per common share:	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>	<u>\$ (0.02)</u>
Weighted average number of common shares outstanding:	18,887,072	10,537,804	18,774,821	10,509,939

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

SILVER QUEST RESOURCES LTD.
Consolidated Statements of Cash Flows
unaudited - prepared by management

	Three Month Period Ended November 30 2006	Three Month Period Ended November 30 2005	Nine Month Period Ended November 30 2006	Nine Month Period Ended November 30 2005
Cash flows from operating activities				
Loss for the period	\$ (65,033)	\$ (61,958)	\$ (210,438)	\$ (235,243)
Items not affecting cash:				
Amortization	189	236	567	707
Stock-based compensation	-	-	-	25,765
Changes in non-cash working capital items				
(Increase) decrease in receivables	(4,886)	(11,804)	11,874	19,579
(Increase) decrease in prepaid expenses	(18,142)	(1,060)	(18,738)	(3,150)
Increase (decrease) in accounts payable and accrued liabilities	(4,500)	34,449	(81,824)	(170,897)
Net cash used in operating activities	<u>(92,372)</u>	<u>(40,137)</u>	<u>(298,559)</u>	<u>(363,239)</u>
Cash flows from financing activities				
Issuance of capital stock for cash	5,716	64,771	28,749	64,771
Net cash provided by financing activities	<u>5,716</u>	<u>64,771</u>	<u>28,749</u>	<u>64,771</u>
Cash flows from investing activities				
Acquisition of mineral properties	(25,881)	(66,400)	(113,421)	(111,400)
Deferred exploration costs	(335,442)	(140,428)	(745,235)	(277,388)
Net cash used in investing activities	<u>(361,323)</u>	<u>(206,828)</u>	<u>(858,656)</u>	<u>(388,788)</u>
Decrease in cash and equivalents during the period	(447,979)	(182,194)	(1,128,466)	(687,256)
Cash and equivalents, beginning of the period	<u>1,809,808</u>	<u>342,045</u>	<u>2,490,295</u>	<u>847,107</u>
Cash and equivalents, end of the period	<u>\$ 1,361,829</u>	<u>\$ 159,851</u>	<u>\$ 1,361,829</u>	<u>\$ 159,851</u>
Cash and equivalents consisted of:				
Cash	\$ 361,829	\$ 159,851	\$ 361,829	\$ 159,851
Term deposits	1,000,000	-	1,000,000	-
	<u>\$ 1,361,829</u>	<u>\$ 159,851</u>	<u>\$ 1,361,829</u>	<u>\$ 159,851</u>

Supplemental disclosure with respect to cash flows (Note 11)

SILVER QUEST RESOURCES LTD.
Notes to the Consolidated Financial Statements
Unaudited - prepared by management

1. BASIS OF PRESENTATION

These unaudited, interim period consolidated 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 consolidated statements should be read together with the audited consolidated financial statements and the accompanying notes included in the Company's latest annual report. In the opinion of the Company, its unaudited interim consolidated 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. During the year ended February 28, 2006, the Company changed its name from Southern Rio Resources Ltd. and consolidated its common shares on a 5:1 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.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

	November 30, 2006	February 28, 2006
Deficit	\$ (9,958,602)	\$ (9,748,164)
Working capital	1,250,535	2,438,023

3. RECLAMATION DEPOSIT

The Company has provided a deposit as security against potential future reclamation work relating to its mineral properties. As at November 30, 2006, a total of \$16,000 (2005 - \$12,500) had been lodged with the British Columbia Ministry of Energy and Mines.

4. EQUIPMENT

	November 30, 2006			February 28, 2006		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Furniture and equipment	\$ 17,560	\$ 14,352	\$ 3,208	\$ 17,560	\$ 13,785	\$ 3,775

SILVER QUEST RESOURCES LTD.
Notes to the Consolidated Financial Statements
Unaudited - prepared by management

5. MINERAL PROPERTIES

The Company holds interests in various mineral claims as follows:

CANADA	November 30 2006	February 28 2006
Tam property, British Columbia A 100% interest, subject to a 1% net smelter returns royalty ("NSR").	\$ 5,700	\$ 5,700
Tsacha property, British Columbia 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	66,130
Taken property, British Columbia A 100% interest in certain claims. To earn its interest the Company incurred \$250,000 in exploration expenditures and issued 40,000 common shares at a value of \$26,280. The property is subject to a sliding scale NSR ranging from 2% to 4%.	26,280	22,200
Minnitaki property, Ontario A 100% interest, subject to a sliding scale NSR ranging from 1.5% to 3%.	35,000	35,000
Duke property, British Columbia A 100% interest, subject to a 1% NSR.	-	-
Bond & Johnson property, Ontario 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 A 100% interest, subject to a 2% NSR, which may be purchased back for \$2,000,000.	80,000	80,000
Uduk Lake property, British Columbia A 100% interest, 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 A 100% interest, acquired by staking.	5,616	5,616
Howson property, British Columbia A 100% interest, acquired by staking.	2,382	-
Tommy Lake property, British Columbia A 100% interest.	17,518	17,518
Atna Bay property, British Columbia A 100% interest, acquired by staking.	950	950
Ebb property, British Columbia A 100% interest. The Company may be required to issue 5,000 additional common shares under certain terms and conditions.	2,950	2,950
Total Properties - Canada	\$ 290,026	\$ 283,564

SILVER QUEST RESOURCES LTD.
Notes to the Consolidated Financial Statements
Unaudited - prepared by management

5. MINERAL PROPERTIES (Continued)

USA & MEXICO	November 30 2006	February 28 2006
Corcoran Canyon property, Nevada An Option Agreement to acquire up to a 75% interest. To acquire an initial 51% interest in the property, the Company must make cash payments of \$290,000 (USD)(\$40,000 (USD) paid to date), issue 500,000 shares (100,000 shares issued to date), and incur \$1,500,000 (USD) in exploration and development expenditures over a three year period. The Company has a further option to increase its interest to 75%, by paying an additional \$1.0 million (USD), issuing an additional 500,000 shares, and incurring an additional \$1.75 million (USD) in expenditures	\$ 116,535	\$ -
Wildhawk property, Nevada A 100% interest by staking	9,958	-
Santa Rosa property, Mexico An option to purchase a 100% interest. To acquire its interest the Company must pay, through staged cash payments, a total of \$2,000,000 (USD) over a 6 year period.	101,046	-
Total Properties - USA & Mexico	\$ 227,539	-
Total Mineral Properties	\$ 517,565	\$ 283,564

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.
Notes to the Consolidated Financial Statements
Unaudited - prepared by management

6. DEFERRED EXPLORATION COSTS

November 30, 2006	Tam	Tsacha	Taken	Minnitaki	Davidson	Ebb	Santa Rosa	Corcoran Canyon	Other	Total
Balance, as at February 28, 2006	\$ 759,530	1,160,655	193,495	195,196	297,535	35,419	-	-	88,340	2,730,170
Data Management and Evaluation	-	-	-	-	16	-	-	-	-	16
Drilling	300,017	9,312	36,049	-	142,910	-	-	152,824	-	641,112
Environmental and safety	3,609	4,361	1,804	-	-	-	-	-	-	9,774
Field Sampling	-	-	-	-	-	33	3,142	450	2,097	5,722
Geology	23,612	2,686	3,691	80	10,937	699	2,065	12,952	29,857	86,579
Land Tenure	8,175	8,035	3,768	1,225	897	-	-	37,317	2,406	61,823
	<u>335,413</u>	<u>24,394</u>	<u>45,312</u>	<u>1,305</u>	<u>154,760</u>	<u>732</u>	<u>5,207</u>	<u>203,543</u>	<u>34,360</u>	<u>805,026</u>
Balance, as at November 30, 2006	\$ 1,094,943	1,185,049	238,807	196,501	452,295	36,151	5,207	203,543	122,700	3,535,196
February 28, 2006	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 Management and Evaluation	-	-	-	79	-	1,924	1,495	995	-	4,493
Drilling	10,175	44,164	21,784	-	144	267,064	-	-	-	343,331
Field Sampling	2,139	24,480	3,443	-	-	1,859	8,714	8,195	-	48,830
Geology	490	534	1,032	125	-	26,006	2,685	3,171	3,473	37,516
Geophysics	-	-	-	-	-	-	20,271	20,364	-	40,635
Land Tenure	574	9,894	1,795	114	2,004	682	2,254	-	-	17,317
	<u>13,378</u>	<u>79,072</u>	<u>28,054</u>	<u>318</u>	<u>2,148</u>	<u>297,535</u>	<u>35,419</u>	<u>32,725</u>	<u>3,473</u>	<u>492,122</u>
Option recovery	-	-	-	-	(4,981)	-	-	-	-	(4,981)
British Columbia Mining Exploration Tax Credit recovery	(65,608)	(58,141)	(10,844)	-	(573)	-	-	-	(3,457)	(138,623)
Written-off during the year	-	-	-	-	-	-	-	(32,725)	-	(32,725)
Balance, as at February 28, 2006	\$ 759,530	1,160,655	193,495	195,196	-	297,535	35,419	-	88,340	2,730,170

SILVER QUEST RESOURCES LTD.
Notes to the Consolidated Financial Statements
Unaudited - prepared by management

7. DEPOSITS

The Company has provided deposits as security again future work relating to its mineral properties.

8. RELATED PARTY TRANSACTIONS

During the period ended November 30, 2006, the Company entered into the following transactions with related parties:

- a) Paid or accrued \$13,500 (2005 - \$13,500) for rent to a company controlled by a director.
- b) Paid or accrued \$16,096 (2005 - \$4,157) for professional fees to a law firm in which an officer of the Company is a partner.
- c) Paid or accrued \$96,615 (2005 - \$54,521) for salaries and benefits to certain officers of the Company.
- d) Paid or accrued \$11,609 (2005 - \$5,705) for management fees to a company controlled by an officer of the Company.

Included in accounts payable is \$825 (2005 - \$Nil) owed to related parties. 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, 2006	18,682,368	\$	14,099,748	\$	1,119,948
For mineral properties	278,000		120,580		-
For cash - warrants exercised	61,499		28,749		-
Stock-based compensation on warrants exercised	-		3,790		(3,790)
As at November 30, 2006	<u>19,021,867</u>	<u>\$</u>	<u>14,252,867</u>	<u>\$</u>	<u>1,116,158</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.

SILVER QUEST RESOURCES LTD.
Notes to the Consolidated Financial Statements
Unaudited - prepared by management

10. STOCK OPTIONS AND WARRANTS (Continued)

Stock options (Continued)

The following incentive stock options were outstanding at November 30, 2006:

Number of Shares	Exercise Price	Expiry Date
10,000	\$ 0.75	February 28, 2007
170,000	\$ 1.00	May 15, 2007
100,000	\$ 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>1,160,000</u>	<u>\$ 0.45</u>	<u>January 13, 2011</u>
1,710,000		

Stock option transactions are summarized as follows:

	November 30, 2006		February 28, 2006	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Balance, beginning of period	1,850,000	\$ 0.60	530,000	\$ 0.90
Granted	-	-	1,390,000	0.50
Exercised	-	-	-	-
Expired/cancelled	<u>(140,000)</u>	<u>0.80</u>	<u>(70,000)</u>	<u>0.82</u>
Balance, end of period	<u>1,710,000</u>	<u>\$ 0.58</u>	<u>1,850,000</u>	<u>\$ 0.60</u>
Options exercisable, end of period	<u>1,710,000</u>	<u>\$ 0.58</u>	<u>1,850,000</u>	<u>\$ 0.60</u>

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

	February 2006
Risk-free interest rate	4.03%
Expected life of options	5 years
Annualized volatility	114.06%
Dividend rate	0.00%

Warrants

As at November 30, 2006, the Company had outstanding share purchase warrants, enabling the holders to acquire further shares as follows:

SILVER QUEST RESOURCES LTD.
Notes to the Consolidated Financial Statements
Unaudited - prepared by management

10. STOCK OPTIONS AND WARRANTS (Continued)

Warrants (Continued)

Number of Shares	Exercise Price	Expiry Date
549,500	\$ 1.00	December 20, 2006
325,000	\$ 0.75	December 20, 2006
400,989	\$ 0.35	June 3, 2007
3,053,495	\$ 0.50	December 23, 2006
if not then at	\$ 0.65	December 23, 2007
4,328,984		

Share purchase warrant transactions were as follows:

	November 30, 2006		February 28, 2006	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Balance, beginning of period	4,390,483	\$ 0.57	1,602,485	\$ 1.10
Granted	-	-	3,514,483	0.48
Exercised	(61,499)	0.47	-	-
Expired/cancelled	-	-	(726,485)	1.37
Balance, end of period	4,328,984	\$ 0.57	4,390,483	\$ 0.57
Warrants exercisable, end of period	4,328,984	\$ 0.57	4,390,483	\$ 0.57

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

	February 2006
Risk-free interest rate	3.99%
Expected life of warrants	1.5 years
Annualized volatility	124.68%
Dividend rate	0.00%

11. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Significant non-cash transactions for the period ended November 30, 2006 included:

- a) The issuance of 8,000 common shares with a value of \$4,080 as consideration towards the acquisition of the Taken property in British Columbia (Note 5).
- b) The issuance of 150,000 common shares with a value of \$68,500 as consideration towards the acquisition of the Corcoran Canyon property in Nevada (Note 5).
- c) The issuance of 120,000 common shares with a value of \$48,000 as consideration towards the acquisition of the Santa Rosa property in Mexico (Note 5).

SILVER QUEST RESOURCES LTD.
Notes to the Consolidated Financial Statements
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11. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS (continued)

- d) The accrual in accounts payable and accrued liabilities of \$156,793 in deferred exploration costs.
- e) The accrual in advances of \$87,919 in deferred exploration costs.

Significant non-cash transactions for the 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 5)
- 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 5).
- c) The issuance of 100,000 common shares, with a value of \$40,000 as consideration towards the acquisition of the Blackwater-Davidson property in British Columbia (Note 5).
- 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 5).
- e) The cancellation of 32,600 escrow shares, with a value of \$1,630.

12. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and equivalents, receivables, marketable securities, and 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 approximates their carrying values, unless otherwise noted.

13. SEGMENTED INFORMATION

The Company primarily operates in one reportable segment, being the acquisition and exploration of mineral property interests in Canada, the United States and Mexico

Capital assets located in:	\$
Canada	3,619,680
USA	330,036
Mexico	106,253
	<u>4,055,969</u>
	<u>\$ 4,055,969</u>

14. SUBSEQUENT EVENTS

Subsequent to November 30, 2006, the Company:

- a) the Company issued 743,581 common shares with a value of \$361,391 for the exercise of warrants.

MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - FORM 51-502F1

November 30, 2006

This Management's Discussion and Analysis ("MD&A") reviews the activities of Silver Quest Resources Ltd. ("Silver Quest", or the "Company") and compares the financial results for the three and nine month periods ended November 30, 2006 (respectively, "third quarter fiscal 2007" and "first nine months fiscal 2007") with the three and nine month periods ended November 30, 2005 (respectively, "third quarter fiscal 2006" and "first nine months fiscal 2006"). This MD&A should be read in conjunction with the unaudited consolidated financial statements and accompanying notes for those periods and the audited consolidated financial statements and accompanying notes for the fiscal years ended February 28, 2006 and 2005, as well as the MD&A documents for all relevant periods. Copies of all such documents are filed on the SEDAR website and with the regulatory authorities⁽¹⁾.

The information contained in this document is provided as of January 25, 2007 (the "Report Date").

Overview

Silver Quest is a mineral exploration company listed on the TSX Venture Exchange under the symbol "SQI". Prior to December 15, 2005, the Company was known as Southern Rio Resources Ltd. ("Southern Rio"). On December 15, 2005, Southern Rio changed its name to Silver Quest Resources Ltd. and the shares were consolidated on a five old for one new basis. All share quantities and per share amounts stated in this MD&A have been adjusted to reflect the share consolidation.

For the last several years, the Company focused on exploration for gold, silver, copper and molybdenum, principally in the Cordillera of British Columbia. A combination of rising precious and base metal prices and an improving climate for mineral exploration in British Columbia has allowed the Company to raise sufficient funds to explore and advance its key projects. In December 2005, the Company completed a private placement financing that raised gross proceeds of \$2,643,099. As a result of this financing, Silver Quest broadened its exploration activities, both geographically, to encompass all of the Americas, and by commodity, with an increased emphasis on silver properties. Silver Quest presently holds interests in 13 mineral exploration properties in Canada, principally in British Columbia, two properties in Nevada, USA, and one property in Mexico.

The Company has no producing operations, and as a consequence, the Company does not generate any operating income or a positive cash flow. Exploration of its properties is therefore entirely dependent on Silver Quest's ability to access public equity markets to raise sufficient capital, and/or its ability to attract joint venture partners to finance further work on its properties.

During the third quarter fiscal 2007, Silver Quest commenced its first diamond drilling program on the Corcoran Canyon Silver project in Nevada. The objectives of this program were to confirm and extend the multiple silver-rich mineralized structures previously identified on the property, which hosts an historical geological resource estimate (not NI 43-101 compliant) of 1.61 million tonnes grading 175 grams per tonne ("g/t") silver and 0.86 g/t gold (see Press Release June 26, 2006). Three holes totaling 1,388 metres have been completed to date, leading to the discovery of a new silver zone in hole CCD06-02.

The new discovery (see Press Release dated January 17, 2007) was an intersection that averaged 795.0 g/t silver over a width of 2.2 metres, starting at a depth of 148.4 metres. The initial results from drill hole CCD06-01 (see Press Release November 24, 2006) were also very encouraging, returning a silver intersection of 411.0 g/t silver and 0.27 g/t gold over 3.5 metres, starting at a depth of 359.4 metres. This intercept was within a wider mineralized zone returning 196.7 g/t silver and 0.16 g/t over 7.6 meters, starting at 357.2 meters.

(1) The Company prepares its financial statements in accordance with Canadian generally accepted accounting principles. All monetary amounts are in Canadian dollars unless otherwise noted.

FORWARD-LOOKING INFORMATION

This MD&A contains certain forward-looking information. All information, other than historical facts included herein, including without limitation data regarding potential mineralization, exploration results and future plans and objectives of the Company, is forward-looking information that involves various risks and uncertainties. There can be no assurance that such information will prove to be accurate and future events and actual results could differ materially from those anticipated in the forward-looking information.

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Silver Quest also commenced a follow-up diamond drilling program on its 100% owned 3Ts epithermal gold-silver project, located approximately 120 kilometres southwest of Vanderhoof, in central British Columbia. Three holes have been completed in the most recent drilling campaign, comprising approximately 980 metres. Two holes targeting the lower Ted vein (below the microdiorite sill unit) have returned wide zones of quartz-carbonate veining (core intersections with widths in excess of 25 metres). Assays are pending and three additional holes are planned on the Ted vein target as part of the current phase of drilling.

Resource Properties

Silver Quest currently owns, or has the option to earn a majority ownership in, ten mineral properties in British Columbia, a gold project in Ontario comprising two properties, one silver property in the Yukon, two silver properties in Nevada, and one silver property in Mexico. All of the British Columbia properties consist of staked claims, while the Ontario project consists of both staked and patented claims, and the Yukon property consists of mining leases.

Of the ten properties in British Columbia, seven gold-silver properties are located in the Nechako region of central British Columbia: the Davidson, Sam and Uduk Lake properties; and the Tsacha, Tam, Taken and Tommy Lake properties. The latter four properties collectively are referred to as the 3Ts Project. The recently acquired Howson property is located northwest of Smithers, in central British Columbia. The other two British Columbia properties are the Duke copper-gold property and the Ebb copper-molybdenum property. Both properties are located in the southern part of the province.

Details concerning the size and location of the Company's various property interests, the terms of any applicable earn-in agreements and work completed through August 31, 2006 can be found in the unaudited financial statements and MD&A for the first half fiscal 2007, copies of which can be found on the Silver Quest and SEDAR websites.

During the third quarter of fiscal 2007, Silver Quest's exploration efforts were directed at advancing the 3T's Project in British Columbia, and the Corcoran Canyon Project in Nevada. In addition, during the quarter, two new silver properties were acquired – the Wildhawk property in Nevada, and the Howson property in British Columbia. Additional information on these properties is set out the Company's Press Releases issued on October 4, 2006 and October 12, 2006, respectively.

3Ts Project

The 3Ts project consists of four contiguous properties – the Tsacha, Tam, Taken and Tommy Lakes properties located in the Nechako Plateau region of central British Columbia. Collectively, the project consists of 39 mineral claims totaling 149 units with an approximate area of 34 square kilometres.

The Tommy Vein on the Tascha property has an inferred resource (calculated only above the flat lying microdiorite sill that crosscuts the vein structure) of 552,500 tonnes grading 6.82 g/t gold and 60.9 g/t silver, at a 3.0 g/t gold cut-off. This equates to a gold equivalent grade of 7.83 g/t, using a 60:1 silver to gold ratio. The Ted Vein, based on 17 drill holes, has an inferred resource (also calculated only above the sill) of 273,800 tonnes grading 2.00 g/t gold and 133.0 g/t silver, that equates to a gold equivalent grade of 4.22 g/t. The combined inferred resource for the Tommy and Ted veins (above the sill only) prepared in fiscal 2006 (which has not yet been revised to incorporate the results of drilling in fiscal 2007) was estimated at 826,300 tonnes grading 5.22 g/t gold and 84.8 g/t silver, a gold equivalent of 6.64 g/t gold, representing 138,800 ounces of gold and 2,252,000 ounces of silver.

It should be noted that the foregoing resource estimate does not include hole TT-06-38, completed in the drilling program earlier in fiscal 2007 (see Press Release dated April 25, 2006). This hole intersected 2.68 g/t gold and 152.1 g/t silver (5.21 g/t gold equivalent, based on a 60-to-one Ag to Au ratio) over a core width of 30.9 metres and an estimated true width of 17.2 metres on the Ted Vein below the sill. Based on gold and silver values and estimated true width, this is the best drill intersection to date on the Ted Vein, indicating a well-developed, robust epithermal vein system with excellent potential to expand the gold and silver resource below the sill on the Ted Vein.

Exploration expenditures totaling \$405,119 were incurred on the 3Ts project during the first nine months fiscal 2007. Of the expenditures, \$335,413 were on the Tam property, \$45,312 on the Taken property and \$24,394 on the Tascha property. Drilling activities on the three projects accounted for more than 80% of the total expenditures on these properties in the first nine months fiscal 2007.

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The "Qualified Persons" ("QPs") in charge of the technical work on the 3Ts project are David Pawliuk, P. Geo and Robert Weicker, P. Geo.

Corcoran Canyon Property

On June 26, 2006 the Company announced an option agreement had been entered into with Bullion River Gold Corp. under which the Company has the right to acquire up to a 75% interest in the Corcoran Canyon silver project in central Nevada.

The Corcoran Canyon property is located in Nye County, Nevada, 80 kilometres north of Tonopah and 19 kilometres east of the Round Mountain gold mine, which is owned jointly by Barrick Gold Corp. and Kinross Gold Corp. The property is located 12.5 kilometres north of the historic townsite of Belmont. Belmont is a famous silver mining district, discovered in 1864 and was the county seat for Nye County in 1867, with a peak population of greater than 10,000 during the silver boom from 1865 to 1885. Silver production from the Belmont mines prior to 1885 was estimated to have had a minimum silver grade of 25 ounces per ton (857 g/t) resulting in the production of more than 10 million ounces of silver.

Only minor historic mining activity has occurred on the Corcoran Canyon property, with modern exploration in the 1970's comprising a rotary drill program discovering significant buried silver mineralization. There has been no drilling activity on the property since 1989. Previous exploration has reported at least fifteen individual vein structures, associated with intense silicification, drusy quartz-adularia veining and dark gray microbreccias hosting significant silver (and gold) mineralization. Bullion River reports an historical geologic resource estimate of 1.61 million tonnes, grading 175 g/t silver and 0.86 g/t gold. This historical resource estimate was completed by Echo Bay Exploration Inc., in March, 1988, using extensive technical data and economic parameters, but was not compiled within the definitions and standards outlined in NI 43-101.

Under the terms of the option agreement, the Company can acquire an initial 51% interest in the property by making cash payments of US\$290,000, issuing 500,000 shares, and incurring US\$1.5 million in exploration and development expenditures over a three-year period. To date, the Company has paid US\$40,000 and delivered share certificates representing 100,000 common shares to Bullion River. A finder's fee consisting of 50,000 shares was paid to a third party in consideration of that party's assistance in connection with the acquisition of the Corcoran Canyon property.

The Company has a further option to increase its interest to 75%, by paying an additional US\$1.0 million, issuing an additional 500,000 shares, and incurring an additional US\$1.75 million in expenditures. The area under option comprises 40 unpatented claims under lease, and an adjacent 89 claims. Both claim blocks are controlled 100% by Corcoran Canyon Mining Corp., a wholly owned subsidiary of Bullion River.

During the third quarter fiscal 2007, Silver Quest completed a three hole drilling program totalling 1,388 metres that resulted in the discovery of a new zone of silver mineralization in hole CCD06-02 which returned 795.0 g/t silver over 2.2 metres, starting at a depth of 148.4 metres. The mineralization is hosted in a fault breccia zone in a quartz-eye, rhyolite lapilli tuff unit, with associated fault gouge, pyrite and sericite alteration. This hole also intersected another zone of significant silver mineralization hosted in a quartz-feldspar flow-dome unit with silica veining and pyrite stringers noted, returning 211.0 g/t silver over 3.2 metres, starting at a depth of 305.7 metres. Hole CCD06-02 was drilled at minus 48 degrees in a northwesterly direction in an area with no previous drilling.

Hole CCD06-01, the first hole of this program, included an intersection of 411.0 g/t silver and 0.27 g/t gold over 3.5 metres, starting at a depth of 359.4 metres. This intercept was within a wider mineralized zone returning 196.7 g/t silver and 0.16 g/t gold over 7.6 metres, starting at 357.2 metres.

The third and final hole of the program, hole CCD06-03, was drilled at minus 50 degrees in a southeasterly direction. This hole encountered several zones of anomalous silver mineralization including 3.2 metres of 25.9 g/t silver at a depth of 174 metres, and three metres of 69.2 g/t Ag at a depth of 391.1 metres.

Deferred exploration expenditures on the Corcoran Canyon property amounted to \$203,543 in the first nine months fiscal 2007, of which approximately 76% represented costs incurred on the diamond drilling program carried out in the third quarter.

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Santa Rosa Property

On June 5, 2006 the Company announced the signing of a binding letter of intent in respect of an option to purchase a 100% interest in the Santa Rosa property, located approximately 175 kilometres east of Hermosillo, in the state of Sonora, Mexico. Based on limited sampling, the property represents an early stage exploration project that is being acquired for its potential to host bulk-tonnage silver-lead mineralization. Initial sampling indicated significant silver-lead mineralization, with five samples returning an arithmetic average of 97.0 g/t silver and 2.82% lead. A further reconnaissance and sampling program completed with eight samples taken, returned an average of 117.9 g/t silver and 3.86% lead. This limited sampling has returned very encouraging indications of widespread silver and lead mineralization, and additional exploration is required to determine the extent of the mineralization. The Company can acquire a 100% interest in the Santa Rosa property through staged cash payments to two Mexican vendors, totaling US\$2 million over a 72-month (six-year) period. An initial payment in the first year of US\$25,000 and a US\$25,000 payment on the six-month anniversary have been paid. A finder's fee consisting of 240,000 shares is payable to third parties for their assistance in acquiring the Santa Rosa property on behalf of the Company. The initial tranche of 120,000 common shares has been issued, with another 120,000 common shares to be issued on the first anniversary of the execution of the definitive agreement.

The Company has received regulatory acceptance of the agreement, but granting of an additional mineral concession by the Mexican authorities (a condition precedent to the Company's execution of the agreement) was delayed. The concession has now been granted and it is anticipated that the definitive agreement can be signed in early 2007, after the Company's Mexican subsidiary has been incorporated. The Company plans a systematic phase 1 exploration program for the Santa Rosa property, including rock and soil geochemistry, detailed geological, structural and alteration mapping, surface geophysical surveys, and hand and mechanical trenching. The Mexican subsidiary will be based in Hermosillo.

Davidson Property

No exploration fieldwork was completed on the Davidson property during the reporting period.

Results of Operations

Silver Quest is in the business of exploring for precious and base metal deposits. Its focus has been on Canada, and particularly the province of British Columbia. The Company has no producing properties, and consequently no sales or revenues from operations.

The Company's accounting policy is to capitalize all costs to acquire and explore mineral properties until the property to which they relate is placed into production, sold or abandoned. As abandonment decisions are largely driven by exploration results, the amounts written-off from quarter to quarter can be highly variable, and unpredictable in advance of the receipt of those results and other information relating to the underlying value of the properties in question. Project exploration activities to date and during the current quarter are described in the section entitled "Resource Properties".

In the third quarter fiscal 2007 and first nine months fiscal 2007, the Company incurred net losses of \$65,033 (2006 – \$61,958) and \$210,438 (2006 - \$235,243), respectively.

In the first nine months fiscal 2007, general and administrative expenses were \$227,917 (2006 - \$238,517). Many cost categories were similar in the two periods, however business development expenditures, and management fees and corporate services both increased, reflecting an increase in business activities following the December 2005, financing. Consulting fees and professional fees both decreased, as a result of less reliance on outside personnel to complete certain technical and administrative tasks. No stock-based compensation expense was incurred in the current nine month period (2006 - \$25,765), as no stock options were granted in the current period (2006 – 230,000 options). Interest income during the first nine months fiscal 2007 was \$14,205 higher than in the comparable prior period as a result of higher cash balances arising from the financing that was completed in December 2005.

In the third quarter fiscal 2007, general and administrative expenses were \$69,417 (2006 - \$62,949). There were significant increases in business development and salaries and benefits between the two fiscal periods, reflecting an increase in activities. Expenditures for consulting and professional services declined, as more work was performed by

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employees, and salaries and benefits increased as a consequence of an increase in the number of employees in the current year. There was no stock-based compensation recorded in the third quarter of either fiscal year.

Quarterly Results

The following table summarizes information derived from the Company's financial statements for each of the eight most recent quarters:

Quarter Ended: Year:	Nov. 30 2006	Aug. 31 2006	May 31 2006	Feb. 28 2006	Nov. 30 2005	Aug. 31 2005	May 31 2005	Feb. 28 2005
(a) Net sales or total revenue	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil
(b) Income (loss) from continuing operations:								
(i) in total (000s)	\$(65)	\$(77)	\$(68)	\$(467)	\$(62)	\$(94)	\$(79)	\$227
(ii) on a per share basis	\$(0.01)	\$(0.01)	\$(0.01)	\$(0.05)	\$(0.01)	\$(0.01)	\$(0.01)	\$0.03
(c) Net income or loss:								
(i) in total (000s)	\$(65)	\$(77)	\$(68)	\$(467)	\$(62)	\$(94)	\$(79)	\$227
(ii) on a per share basis	\$(0.01)	\$(0.01)	\$(0.01)	\$(0.05)	\$(0.01)	\$(0.01)	\$(0.01)	\$0.03

Per share amounts are calculated using the weighted average number of shares outstanding, after giving effect to the five for one share consolidation that occurred on December 15, 2005. Fully diluted loss per share amounts have not been calculated, as they would be anti-dilutive.

As the Company is actively exploring its properties and has no sales or operating revenues to generate earnings and cash flow, in most quarters losses can be expected due to the general and administrative expenses incurred in running the Company. Moreover, there can be significant increases in such costs in those quarters in which the Directors grant stock options, as this action results in stock-based compensation expense for such quarters.

The large net loss in the quarter ended February 28, 2006 was due to stock-based compensation expense recorded in that quarter as a result of the granting of stock options.

The net income reported in the quarter ended February 28, 2005 arose as a result of the accounting treatment for "flow-through" exploration expenditures. The Company finances a portion of its exploration activities using funds raised from the sale of such shares. The agreements under which such shares are sold require the Company to renounce tax deductions for eligible exploration expenditures incurred on the Company's properties to the individuals subscribing for the flow through shares. During fiscal 2005 (which ended on February 28, 2005) the Company renounced eligible exploration expenditures amounting to \$1,076,360, which resulted in a future income tax recovery of \$383,000. This tax recovery more than offset the losses that otherwise would have been recorded in that quarter, resulting in reported income of \$227,000.

Liquidity and Capital Resources

The Company does not use debt financing, nor does it rely on hedges or other derivative financial instruments. It has not to date entered, and has no current plans to enter, into off-balance sheet financings.

The Company did not complete any financings in the third quarter fiscal 2007, but did receive \$5,716 from the exercise of 16,333 warrants during the quarter (2006 - \$Nil).

Working Capital and Operating Expenditures

For the third quarter fiscal 2007, the Company had a net loss of \$65,033, or \$0.01 per share (2006 - net loss of \$61,958 or \$0.01 per share). For the first nine months fiscal 2007, the Company had a net loss of \$210,438 (2006 - \$235,243).

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The Company had working capital of \$1,250,535 as at November 30, 2006 (\$2,438,023 as at February 28, 2006). The reduction in working capital during the period is due to expenditures for on-going exploration work and general corporate expenses, without any financings to offset these expenditures.

In the first nine months fiscal 2007, expenditures for property acquisitions amounted to \$234,001 (2006 - \$111,400), of which cash expenditures were \$113,421 (2006 - \$45,000), the difference being the issuance of 278,000 shares (2006 - 168,000 shares) with a value of \$120,580 (2006 - \$66,400).

On a cash basis, the Company incurred deferred exploration expenditures of \$745,235 during the first nine months fiscal 2007 (2006 - \$277,388). There were no write-offs of deferred exploration expenditures during the first nine months of either fiscal year. The following tables set forth on an accrual basis the deferred exploration expenditures for the current and comparative periods:

Nine months ended November 30, 2006	Tam Property	Tsacha Property	Taken Property	Davidson Property	Santa Rosa Property	Corcoran Canyon	Other	Total
Data management	\$ -	\$ -	\$ -	\$ 16	\$ -	\$ -	\$ -	\$ 16
Drilling	300,017	9,312	36,049	142,910	-	152,824	-	641,112
Environmental and safety	3,609	4,361	1,804	-	-	-	-	9,774
Field sampling	-	-	-	-	3,142	450	2,130	5,722
Geology	23,612	2,686	3,691	10,937	2,065	12,952	30,636	86,579
Land tenure	<u>8,175</u>	<u>8,035</u>	<u>3,768</u>	<u>897</u>	<u>-</u>	<u>37,317</u>	<u>3,631</u>	<u>61,823</u>
Expenditures in period	<u>\$335,413</u>	<u>\$24,394</u>	<u>\$45,312</u>	<u>\$154,760</u>	<u>\$5,207</u>	<u>\$203,543</u>	<u>\$11,776</u>	<u>\$805,026</u>

Nine months ended November 30, 2005	Tam Property	Tsacha Property	Taken Property	Davidson Property	Ebb Property	Rey Lake Property	Other	Total
Data management	\$ -	\$ -	\$ -	\$ 1,417	\$ 1,495	\$ 995	\$ -	\$ 3,907
Drilling	3,960	38,095	18,115	192,294	-	-	144	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 tenure	<u>574</u>	<u>6,762</u>	<u>1,795</u>	<u>30</u>	<u>-</u>	<u>-</u>	<u>2,117</u>	<u>11,278</u>
Expenditures in period	<u>\$7,163</u>	<u>\$69,618</u>	<u>\$24,196</u>	<u>\$205,407</u>	<u>\$32,165</u>	<u>\$31,149</u>	<u>\$3,240</u>	<u>\$372,938</u>

The Company will continue to rely on the equity markets to provide the funds needed to enable it to advance its properties and to evaluate and acquire additional properties of merit.

Related Party Transactions

During the first nine months fiscal 2007, the Company entered into the following transactions with related parties:

- a) Paid or accrued \$13,500 (2006 - \$13,500) for rent to Rand Explorations Ltd., a private company controlled by Randy Turner, a director of the Company;
- b) Paid or accrued \$16,096 (2006 - \$4,157) for professional fees to Gowling Lafleur Henderson LLC. Louis Montpellier, an officer of the Company, is a partner in that legal firm;
- c) Paid or accrued \$11,609 (2006 - \$5,705) for management fees to Adera Company Management Inc., a private company controlled by J. Christopher Mitchell, the Company's Chief Financial Officer; and
- d) Paid or accrued \$96,615 (2006 - \$54,521) for salary and benefits to Robert F. Weicker and Lindsay Bottomer, respectively, each of whom was the President of the Company in the respective periods.

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Risk Factors

The prices of major mineral commodities such as copper, gold and silver may be affected by many factors beyond the control of the Company, and events which cannot be accurately predicted such as political and economic instability, terrorism, environmental factors, and changes in government regulations and taxes.

The Company is dependent on equity market financings to fund its exploration programs and maintain its mining properties in good standing. In the past, the Company was successful in being able to raise the necessary funds, but there is no assurance that this will continue to be the case in the future.

Most of the Company's projects are located in the province of British Columbia. There is no assurance that the government of any jurisdiction in which the Company carries holds properties will not change environmental regulations, taxes or mineral royalties in a manner that could have an adverse effect on the Company's financial condition and impair its ability to raise further funds for exploration.

Outstanding Share Data

On the Report Date, the Company had 19,768,448 common shares issued and outstanding, or 24,286,434 common shares on a fully diluted basis. On that date, there were 1,710,000 stock options outstanding under the Company's incentive stock option plan, exercisable at an average price of \$0.58 per share, and with expiry dates to January 13, 2011, and 2,810,986 warrants outstanding that expire on or prior to December 23, 2007, exercisable at an average price of \$0.48 per share. If all warrants and all incentive stock options outstanding were to be exercised, the Company would issue 4,520,986 common shares and would realize \$2,348,295.

Outlook

For the last several years, the Company has focused on exploration for gold, silver, copper and molybdenum, principally in the Cordillera of British Columbia. With the completion of the private placement financing in December 2005, Silver Quest acquired the financial resources to enable it to broaden its exploration activities geographically, to encompass all of the Americas, and with an increased emphasis on silver properties.

On the Corcoran Canyon project, Silver Quest is very pleased with the multiple high-grade silver intersections from the recently-completed three hole diamond drill program. The Company is initiating a program of permitting in preparation for a larger drill program directed at the new shallow structural target discovered in hole CCD06-02 and the known silver resource area.

On the 3Ts project, the combined inferred resource for the Tommy and Ted veins (above the sill only) is estimated at 826,300 tonnes grading 5.22 g/t gold and 84.8 g/t silver, or 6.64 g/t gold equivalent at a 60:1 silver:gold ratio, representing 138,800 ounces of gold and 2,252,000 ounce of silver. Previous drilling on the Ted Vein has indicated a well-developed, robust epithermal vein system with excellent potential for expansion of the gold and silver resource at depth. With several significant intercepts below the sill, there is excellent potential to expand the resource of both the Tommy and Ted veins and to expand and uncover other new epithermal veins (i.e., Mint, Ringer). The objective of the current drilling campaign is to test the extent of mineralization encountered beneath the microdiorite sill, in order to provide the necessary drill data to initiate the preparation of an expanded NI 43-101 compliant resource estimate during the first calendar quarter of 2007. Drilling will also target the Mint Vein, located approximately 500 metres north of the Ted Vein surface outcrop exposures.

Subsequent Event

The Company issued 743,581 common shares with a value of \$361,391 as the result of the exercise of warrants.