

**SILVER QUEST RESOURCES LTD.**

**CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**Unaudited - prepared by management**

**MAY 31, 2007**

July 24, 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>May 31</u> <u>2007</u>	<u>February 28</u> <u>2007</u>
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 848,742	\$ 1,058,413
Prepaid expenses	27,704	39
Receivables	21,729	18,987
Marketable securities	-	19,688
	<u>898,175</u>	<u>1,097,127</u>
<b>Equipment</b> (Note 3)	2,869	3,020
<b>Reclamation deposit</b> (Note 4)	16,000	16,000
<b>Mineral properties</b> (Note 5)	529,876	459,401
<b>Deferred exploration costs</b> (Note 6)	3,929,494	3,901,123
<b>Exploration advances</b> (Note 7)	<u>101,137</u>	<u>32,725</u>
	<u>\$ 5,477,551</u>	<u>\$ 5,509,396</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ <u>51,719</u>	\$ <u>74,662</u>
<b>Shareholders' equity</b>		
Capital stock (Note 9)	14,706,820	14,685,108
Contributed surplus (Note 9)	1,121,854	1,083,874
Deficit	<u>(10,402,842)</u>	<u>(10,334,248)</u>
	<u>5,425,832</u>	<u>5,434,734</u>
	<u>\$ 5,477,551</u>	<u>\$ 5,509,396</u>

**Nature and continuance of operations** (Note 2)

**Subsequent events** (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

	<b>Three Month Period Ended May 31 2007</b>	<b>Three Month Period Ended May 31 2006</b>
<b>EXPENSES</b>		
Amortization	\$ 151	\$ 189
Business development	15,534	4,720
Consulting	6,600	6,600
Management fees and corporate services	12,079	11,058
Office and miscellaneous	3,466	1,807
Professional fees	1,038	5,645
Regulatory and filing fees	2,172	4,268
Rent	4,500	4,500
Salaries and benefits	19,052	29,814
Stock-based compensation (Note 10)	46,042	-
Travel	5,453	7,046
	<u>(116,087)</u>	<u>(75,647)</u>
<b>Loss before other items and income taxes</b>		
<b>OTHER ITEMS</b>		
Interest income	6,698	7,190
Gain on disposition of marketable securities	40,795	-
	<u>47,493</u>	<u>7,190</u>
<b>Loss for the period</b>	<b>(68,594)</b>	<b>(68,457)</b>
<b>Deficit, beginning of the period</b>	<b>(10,334,248)</b>	<b>(9,748,164)</b>
<b>Deficit, end of the period</b>	<b>\$ (10,402,842)</b>	<b>\$ (9,816,621)</b>
<b>Basic and diluted loss per common share:</b>	<b>\$ (0.01)</b>	<b>\$ (0.01)</b>
<b>Weighted average number of common shares outstanding:</b>	<b>19,879,659</b>	<b>18,688,358</b>

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

	<b>Three Month Period Ended May 31 2007</b>	<b>Three Month Period Ended May 31 2006</b>
<b>Cash flows from operating activities</b>		
Loss for the period	\$ (68,594)	\$ (68,457)
Items not affecting cash:		
Amortization	151	189
Gain on disposition of marketable securities	(21,107)	-
Stock-based compensation	46,042	-
Changes in non-cash working capital items		
Increase in receivables	(2,742)	(3,013)
Increase in prepaid expenses	(27,665)	(4,760)
Increase (decrease) in accounts payable and accrued liabilities	1,748	(58,897)
Net cash used in operating activities	<u>(72,167)</u>	<u>(134,938)</u>
<b>Cash flows from financing activities</b>		
Issuance of capital stock for cash	13,650	21,903
Net cash provided by financing activities	<u>13,650</u>	<u>21,903</u>
<b>Cash flows from investing activities</b>		
Acquisition of mineral properties	(70,475)	-
Exploration advances	(68,412)	-
Deferred exploration costs	(53,062)	(362,970)
Proceeds from disposal of marketable securities	40,795	-
Net cash used in investing activities	<u>(151,154)</u>	<u>(362,970)</u>
<b>Change in cash during the period</b>	(209,671)	(476,005)
<b>Cash, beginning of the period</b>	<u>1,058,413</u>	<u>2,490,295</u>
<b>Cash, end of the period</b>	<u>\$ 848,742</u>	<u>\$ 2,014,290</u>

**Supplemental disclosure with respect to cash flows** (Note 11)

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

**SILVER QUEST RESOURCES LTD.**  
**Notes to the Consolidated Financial Statements**  
**May 31, 2007**

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**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.

**Changes in accounting policies**

Effective October 1, 2006, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants (CICA) under CICA Handbook Section 1530, Comprehensive Income, Section 3251, Equity, Section 3855, Financial Instruments - Recognition and Measurement, Section 3861 Financial Instruments -- Disclosure and Presentation and Section 3865, Hedges. These new Handbook Sections, which apply to fiscal years beginning on or after October 1, 2006, provide requirements for the recognition and measurement of financial instruments and on the use of hedge accounting. Section 1530 establishes standards for reporting and presenting comprehensive income which is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income but that are excluded from net income calculated in accordance with generally accepted accounting principles.

Under Section 3855, all financial instruments are classified into one of five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments and derivatives are measured in the balance sheet either at fair value except for loans and receivables, held-to maturity investments and other financial liabilities which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification. Held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net income. Available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the instrument is derecognized or impaired.

As a result of the adoption of these new standards, the Company has classified its receivables as loans and receivables. Accounts payable and accrued liabilities are classified as other liabilities, which are measured at amortized cost.

The adoption of Section 3855 by the Company has had no effect on the financial statements for the period ending May 31, 2007.

**2. NATURE AND CONTINUANCE OF OPERATIONS**

Silver Quest Resources Ltd. ("the Company") was incorporated under the laws of British Columbia. 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.

**SILVER QUEST RESOURCES LTD.**  
**Notes to the Consolidated Financial Statements**  
**May 31, 2007**

**2. NATURE AND CONTINUANCE OF OPERATIONS** (Continued)

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.

	May 31, 2007	February 28, 2007
Deficit	\$ (10,402,842)	\$ (10,334,248)
Working capital	\$ 846,456	\$ 1,022,465

**3. EQUIPMENT**

	May 31, 2007			February 28, 2007		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Furniture and equipment	\$ 17,560	\$ 14,691	\$ 2,869	\$ 17,560	\$ 14,540	\$ 3,020

**4. RECLAMATION DEPOSIT**

The Company has provided a deposit as security against potential future reclamation work relating to its mineral properties. As at May 31, 2007, a total of \$16,000 (2006 - \$16,000) had been lodged with the British Columbia Ministry of Energy and Mines.

**SILVER QUEST RESOURCES LTD.**  
**Notes to the Consolidated Financial Statements**  
**May 31, 2007**

**5. MINERAL PROPERTIES**

The Company holds interests in various mineral claims as follows:

<b>CANADA</b>	<b>May 31 2007</b>	<b>February 28 2007</b>
<b>Davidson property, British Columbia</b> A 100% interest, subject to a 2% net smelter returns royalty ("NSR"), which may be purchased back for \$2,000,000.	\$ 80,000	\$ 80,000
<b>Ebb property, British Columbia</b> A 100% interest. The Company may be required to issue 5,000 additional common shares under certain terms and conditions.	2,950	2,950
<b>Howson property, British Columbia</b> A 100% interest, acquired by staking.	9,882	2,382
<b>Sam property, British Columbia</b> A 100% interest.	5,616	5,616
<b>Taken property, British Columbia</b> A 100% interest in certain claims. The property is subject to a sliding scale NSR ranging from 2% to 4%.	26,280	26,280
<b>Tam property, British Columbia</b> A 100% interest, subject to a 1% NSR.	5,700	5,700
<b>Tsacha property, British Columbia</b> 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
<b>Tommy Lake property, British Columbia</b> A 100% interest.	17,518	17,518
<b>Uduk Lake property, British Columbia</b> A 100% interest, with certain claims subject to a 3% NSR, 2% of which may be purchased back at any time for \$2,000,000.	30,000	22,500
<b>Total Properties - Canada</b>	<b>\$ 244,076</b>	<b>\$ 229,076</b>

**SILVER QUEST RESOURCES LTD.**  
**Notes to the Consolidated Financial Statements**  
**May 31, 2007**

**5. MINERAL PROPERTIES (Continued)**

<b>USA &amp; MEXICO</b>	<b>May 31 2007</b>	<b>February 28 2007</b>
<b>Corcoran Canyon property, Nevada</b>		
An option to purchase up to a 75% interest. To acquire a 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 valued at \$45,000), and incur \$1,500,000 (USD) in exploration and development expenditures over a three year period. The Company also issued 50,000 common shares valued at \$23,500 as a finder's fee. The Company may increase its interest to 75%, by paying an additional \$1,000,000 (USD), issuing an additional 500,000 shares, and incurring an additional \$1,750,000 (USD) in expenditures.	\$ 114,237	\$ 114,237
<b>Wildhawk property, Nevada</b>		
A 100% interest, acquired by staking.	10,387	10,387
<b>Santa Rosa property, Mexico</b>		
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) (\$95,000 (USD) paid to date) over a 6 year period. The Company also issued 120,000 common shares valued at \$48,000 as a finders' fee and may be required to issue an additional 120,000 shares for finders' fees relating to the acquisition of the property.	161,176	105,701
Total Properties - USA & Mexico	\$ 285,800	\$ 230,325
Total Mineral Properties	\$ 529,876	\$ 459,401

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**  
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**6. DEFERRED EXPLORATION COSTS**

<b>May 31, 2007</b>	<b>Tam</b>	<b>Tsacha</b>	<b>Taken</b>	<b>Davidson</b>	<b>Howson</b>	<b>Santa Rosa</b>	<b>Corcoran Canyon</b>	<b>Other</b>	<b>Total</b>
Balance, as at February 28, 2007	\$ 1,402,206	1,187,912	239,853	450,316	15,964	7,855	470,800	126,217	3,901,123
Geology	686	275	235	240	-	1,552	12,923	1,514	17,425
Geophysics	-	-	-	-	-	-	-	-	-
Field Sampling	-	-	-	-	-	1,106	-	-	1,106
Drilling	308	90	48	171	-	-	47	9	673
Land Tenure	-	-	-	-	-	-	9,167	-	9,167
Data Management and Evaluation	-	-	-	-	-	-	-	-	-
	994	365	283	411	-	2,658	22,137	1,523	28,371
Balance, as at May 31, 2007	\$ 1,403,200	1,188,277	240,136	450,727	15,964	10,513	492,937	127,740	3,929,494

  

<b>February 28, 2007</b>	<b>Tam</b>	<b>Tsacha</b>	<b>Taken</b>	<b>Minnitaki</b>	<b>Davidson</b>	<b>Howson</b>	<b>Santa Rosa</b>	<b>Corcoran Canyon</b>	<b>Other</b>	<b>Total</b>
Balance, as at February 28, 2006	\$ 759,530	1,160,655	193,495	195,196	297,535	-	-	-	123,759	2,730,170
Geology	33,609	2,483	3,108	85	8,683	14,755	2,119	22,878	15,424	103,144
Field Sampling	-	-	-	-	-	1,209	3,142	450	921	5,722
Drilling	593,900	9,603	36,290	-	143,185	-	-	410,156	66	1,193,200
Land Tenure	9,527	8,779	4,140	1,687	897	-	2,594	37,316	5,048	69,988
Environmental and safety	5,640	6,392	2,820	-	-	-	-	-	-	14,852
Data Management and Evaluation	-	-	-	-	16	-	-	-	-	16
	642,676	27,257	46,358	1,772	152,781	15,964	7,855	470,800	21,459	1,386,922
Written-off during the year	-	-	-	(196,968)	-	-	-	-	(19,001)	(215,969)
	642,676	27,257	46,358	(195,196)	152,781	15,964	7,855	470,800	2,458	1,170,953
Balance, as at February 28, 2007	\$ 1,402,206	1,187,912	239,853	-	450,316	15,964	7,855	470,800	126,217	3,901,123

**SILVER QUEST RESOURCES LTD.**  
**Notes to the Consolidated Financial Statements**  
**May 31, 2007**

**7. EXPLORATION ADVANCES**

The Company has provided advances against future work relating to its mineral properties.

**8. RELATED PARTY TRANSACTIONS**

During the period ended May 31, 2007, the Company entered into the following transactions with related parties:

- a) Paid or accrued \$4,500 (2006 - \$4,500) for rent to a company controlled by a director.
- b) Paid or accrued \$16,562 (2006 - \$28,156) for salaries and benefits to an officer of the Company.
- c) Paid or accrued \$16,562 (2006 - \$4,969) for salaries and benefits included in deferred exploration costs to an officer of the Company.
- d) Paid or accrued \$1,536 (2006 - \$558) for management fees to a company controlled by an officer of the Company.

Included in accounts payable is \$4,585 (2006 - \$Nil) owed to a director. 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**

	<b>Number of Shares</b>		<b>Capital Stock</b>		<b>Contributed Surplus</b>
Authorized					
Unlimited common shares without par value					
Issued					
As at February 28, 2006	18,682,354	\$	14,099,748	\$	1,119,948
Share consolidation adjustment	14		-		-
For mineral properties	108,000		49,080		-
For finders' fees on mineral properties	170,000		71,500		-
For cash - warrants exercised	908,269		428,706		-
Contributed surplus transferred on exercise of warrants	-		36,074		(36,074)
As at February 28, 2007	<u>19,868,637</u>	\$	<u>14,685,108</u>	\$	<u>1,083,874</u>
Stock-based compensation	-		-		46,042
For cash - warrants exercised	39,000		13,650		-
Contributed surplus transferred on exercise of warrants	-		8,062		(8,062)
As at May 31, 2007	<u><u>19,907,637</u></u>	\$	<u><u>14,706,820</u></u>	\$	<u><u>1,121,854</u></u>

**SILVER QUEST RESOURCES LTD.**  
**Notes to the Consolidated Financial Statements**  
**May 31, 2007**

**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 May 31, 2007:

Number of Shares	Exercise Price	Expiry Date
100,000	\$ 0.75	October 7, 2008
25,000	\$ 1.35	February 13, 2009
10,000	\$ 0.75	September 8, 2009
220,000	\$ 0.75	August 2, 2010
1,160,000	\$ 0.45	January 13, 2011
<u>100,000</u>	<u>\$ 0.50</u>	<u>April 18, 2012</u>
1,615,000		

Stock option transactions are summarized as follows:

	May 31, 2007		February 28, 2007	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Balance, beginning of period	1,685,000	\$ 0.58	1,850,000	\$ 0.60
Granted	100,000	0.50	-	-
Exercised	-	-	-	-
Expired/cancelled	<u>(170,000)</u>	1.00	<u>(165,000)</u>	0.81
Balance, end of period	<u>1,615,000</u>	<u>\$ 0.53</u>	<u>1,685,000</u>	<u>\$ 0.58</u>
Options exercisable, end of period	<u>1,615,000</u>	<u>\$ 0.53</u>	<u>1,685,000</u>	<u>\$ 0.58</u>

**SILVER QUEST RESOURCES LTD.**  
**Notes to the Consolidated Financial Statements**  
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**10. STOCK OPTIONS AND WARRANTS (Continued)**

**Stock options (Continued)**

During the period ended May 31, 2007, the Company granted 100,000 (2006 - Nil) stock options with a fair value under the Black-Scholes option-pricing model of \$46,042 (2006 - \$Nil) with a weighted average fair value of \$0.46 (2006 - \$Nil) per option.

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

	<b>2007</b>
Risk-free interest rate	4.12%
Expected life of options	5 years
Annualized volatility	122.69%
Dividend rate	0.00%

**Warrants**

As at May 31, 2007, the Company had outstanding share purchase warrants, enabling the holders to acquire further shares as follows:

<b>Number of Shares</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
205,800	\$ 0.35	June 23, 2007 (subsequently expired)
<u>2,362,914</u>	\$ 0.65	December 23, 2007
2,568,714		

Share purchase warrant transactions were as follows:

	<u>May 31, 2007</u>		<u>February 28, 2006</u>	
	<b>Number of Warrants</b>	<b>Weighted Average Exercise Price</b>	<b>Number of Warrants</b>	<b>Weighted Average Exercise Price</b>
Balance, beginning of period	2,607,714	\$ 0.62	4,390,483	\$ 0.57
Granted	-	-	-	-
Exercised	(39,000)	0.35	(908,269)	0.47
Expired/cancelled	-	-	(874,500)	0.91
Balance, end of period	<u>2,568,714</u>	<u>\$ 0.63</u>	<u>2,607,714</u>	<u>\$ 0.62</u>
Warrants exercisable, end of period	2,568,714	\$ 0.63	2,607,714	\$ 0.62

**SILVER QUEST RESOURCES LTD.**  
**Notes to the Consolidated Financial Statements**  
**May 31, 2007**

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**11. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS**

Significant non-cash transactions for the period ended May 31, 2007 included:

- a) The accrual in accounts payable and accrued liabilities of \$4,785 of deferred exploration costs.
- e) The recognition of a fair value component of \$8,062 in respect of warrants exercised.

Significant non-cash transactions for the period ended May 31, 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 accrual in accounts payable and accrued liabilities of \$7,446 of deferred exploration costs.
- c) The accrual in accounts receivable of \$23,000 of deferred exploration costs.

**12. FINANCIAL INSTRUMENTS**

The Company's financial instruments consist of cash, 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.

**Currency risk**

The Company is exposed to financial risk arising from fluctuations in foreign exchange rates and the degree of volatility of these rates. The Company does not use derivative instruments to reduce its exposure to foreign currency risks.

**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.

<b>Capital assets located in:</b>	<b>May 31, 2007</b>	<b>February 28, 2007</b>
Canada	\$ 3,672,988	\$ 3,654,564
USA	617,561	595,424
Mexico	171,690	113,556
	<u>\$ 4,462,239</u>	<u>\$ 4,363,544</u>

**14. SUBSEQUENT EVENTS**

Subsequent to May 31, 2007, the Company:

- a) issued 197,633 common shares for gross proceeds of \$69,172 pursuant to the exercise of share purchase warrants; and
- b) issued 200,000 common shares, with a value of \$70,000, as consideration towards the Corcoran Canyon property (Note 5).
- c) issued 120,000 common shares, with a value of \$43,200, as finders' fees in connection with the Santa Rosa property (Note 5).