

SILVER QUEST RESOURCES LTD.

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Unaudited - prepared by management

NOVEMBER 30, 2008

January 26, 2009

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 consolidated 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 Statements of Operations and Deficit
unaudited - prepared by management

	Three Month Period Ended November 30 2008	Three Month Period Ended November 30 2007	Nine Month Period Ended November 30 2008	Nine Month Period Ended November 30 2007
EXPENSES				
Amortization	\$ 376	\$ 151	\$ 872	\$ 453
Business development	4,823	10,057	21,590	41,860
Consulting	-	6,175	19,345	19,800
Management fees and corporate services	10,739	14,037	41,981	33,715
Office and miscellaneous	5,462	5,543	20,990	10,995
Professional fees	1,357	5,092	5,238	49,123
Regulatory and filing fees	2,358	1,192	14,716	12,039
Rent	4,500	4,500	13,500	13,500
Salaries and benefits	26,214	15,771	86,814	50,610
Stock-based compensation (Note 10)	-	-	271,157	46,042
Travel	3,690	4,548	36,642	10,021
Loss before other items and income taxes	(59,519)	(67,066)	(532,845)	(288,158)
OTHER ITEMS				
Interest income	6,155	2,970	17,788	14,777
Gain on disposition of marketable securities	-	-	-	40,796
Write-off of mineral properties (Note 5)	-	-	(278,287)	-
Write-off of deferred exploration costs (Note 6)	(3,548)	-	(529,908)	-
	<u>2,607</u>	<u>2,970</u>	<u>(790,407)</u>	<u>55,573</u>
Loss and comprehensive loss for the period	(56,912)	(64,096)	(1,323,252)	(232,585)
Deficit, beginning of the period	(12,006,728)	(10,502,737)	(10,750,776)	(10,334,248)
Deficit, end of the period	\$ (12,063,640)	\$ (10,566,833)	\$ (12,074,028)	\$ (10,566,833)
Basic and diluted loss per common share:	\$ (0.01)	\$ (0.01)	\$ (0.04)	\$ (0.01)
Weighted average number of common shares outstanding	33,297,128	20,425,270	31,740,652	20,194,321

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 2008	Three Month Period Ended November 30 2007	Nine Month Period Ended November 30 2008	Nine Month Period Ended November 30 2007
Cash flows from operating activities				
Loss for the period	\$ (56,912)	\$ (64,096)	\$ (1,323,252)	\$ (232,585)
Items not affecting cash:				
Amortization	376	151	872	453
Gain on disposition of marketable securities	-	-	-	(21,107)
Stock-based compensation	-	-	271,157	46,042
Write-off of mineral properties	-	-	278,287	-
Write-off of deferred exploration costs	3,548	-	529,908	-
Changes in non-cash working capital items				
(Increase) decrease in receivables	30,616	(2,536)	(3,116)	(11,746)
(Increase) decrease in prepaid expenses	(10,783)	(26,287)	(18,877)	(53,500)
Increase (decrease) in accounts payable and accrued liabilities	(14,496)	(5,618)	(23,146)	(32,255)
Net cash used in operating activities	<u>(47,651)</u>	<u>(98,386)</u>	<u>(288,167)</u>	<u>(304,698)</u>
Cash flows from financing activities				
Issuance of capital stock for cash	-	-	2,506,000	82,822
Share issuance costs	-	-	(153,011)	-
Net cash provided by financing activities	<u>-</u>	<u>-</u>	<u>2,352,989</u>	<u>82,822</u>
Cash flows from investing activities				
Acquisition of mineral properties	(15,000)	(72,428)	(126,925)	(198,289)
Exploration advances	12,000	(106,211)	(122)	(101,056)
Deferred exploration costs	(614,046)	(50,670)	(1,646,609)	(310,196)
Acquisition of capital assets	-	-	(5,093)	-
Proceeds from disposal of marketable securities	-	-	-	40,795
Net cash used in investing activities	<u>(617,046)</u>	<u>(229,309)</u>	<u>(1,778,749)</u>	<u>(568,746)</u>
Increase (decrease) in cash during the period	(664,697)	(327,695)	286,073	(790,622)
Cash, beginning of the period	<u>1,008,299</u>	<u>595,486</u>	<u>57,529</u>	<u>1,058,413</u>
Cash, end of the period	<u>\$ 343,602</u>	<u>\$ 267,791</u>	<u>\$ 343,602</u>	<u>\$ 267,791</u>

Supplemental disclosure with respect to cash flows (Note 11)

1. BASIS OF PRESENTATION

The 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 March 1, 2008, the Company adopted new accounting policies of the Canadian Institute of Chartered Accountants Handbook:

Assessing Going Concern

Section 1400 requires management to assess and disclose an entity's ability to continue as a going concern.

Financial Instruments - Disclosures

Section 3862, Disclosure is required to enable users to evaluate (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and how the entity manages those risks. The principles in this section complement the principles for recognizing, measuring and presenting financial assets and financial liabilities in Section 3855, Financial Instruments – Recognition and Measurement, Section 3863, Financial Instruments – Presentation, and Section 3865, Hedges.

Financial Instruments - Presentation

Section 3863, Presentation is required to enhance financial statement users' understanding of the significance of financial instruments to an entity's financial position, performance and cash flows. This section establishes standards for presentation of financial instruments and non-financial derivatives. It deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset.

Capital Management

Section 1535, Disclosure is required to provide information about an entity's capital and how it is managed.

2. NATURE AND CONTINUANCE OF OPERATIONS

The Company is incorporated under the Business Corporations Act, British Columbia and is considered to be in the exploration stage with respect to its mineral properties. Based on the information available to date, the Company has not yet determined whether its mineral properties contain ore reserves.

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

These financial statements have been prepared by management on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future.

SILVER QUEST RESOURCES LTD.
Notes to the Consolidated Financial Statements
for the nine months ended November 30

2. NATURE AND CONTINUANCE OF OPERATIONS (Continued)

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, 2008	February 29, 2008
Deficit	\$ (12,074,028)	\$ (10,750,776)
Working capital	\$ 328,506	\$ 39,657

3. EQUIPMENT

	November 30, 2008			February 29, 2008		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Furniture and equipment	\$ 22,653	\$ 16,016	\$ 6,637	\$ 17,560	\$ 15,144	\$ 2,416

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, 2008 a total of \$26,000 (2007 - \$16,000) had been lodged with the British Columbia Ministry of Energy and Mines.

SILVER QUEST RESOURCES LTD.
Notes to the Consolidated Financial Statements
for the nine months ended November 30

5. MINERAL PROPERTIES

The Company holds interests in various mineral claims as follows:

CANADA	November 30 2008	February 29 2008
Capoose property, British Columbia	\$ 122,000	\$ 122,000
An Option to earn up to a 100% interest, subject to a 2.25% net smelter returns royalty ("NSR"). To earn an initial 60% the Company must make staged cash payments of \$240,000 (\$50,000 paid to date), issue a total 1,040,000 common shares (320,000 common shares issued to date with a fair value of \$72,000) and incur exploration expenditures of \$1,000,000 on or before June 30, 2010. The Company can earn an additional 40% by paying \$2,500,000 in cash, with an option to pay 50% of this amount in shares, calculated on the 30 day weighted average of the Company's shares immediately prior to such election. The Company has the option to buy back 1% of the royalty for \$1,500,000.		
Davidson property, British Columbia	80,000	80,000
A 100% interest, subject to a 2% net smelter returns royalty, which may be purchased back for \$2,000,000.		
Howson property, British Columbia	10,603	10,603
A 100% interest, acquired by staking.		
JAG property, British Columbia	32,000	-
An Option to earn a 100% interest, subject to a 1.5% NSR. To earn its interest the Company must make staged cash payments of \$875,000 (\$15,000 paid to date), issue a total 200,000 common shares (40,000 common shares issued to date with a fair value of \$6,000) on or before July 4, 2018. The Company has the option to buy back 1% of the royalty for \$1,000,000. The Company also purchased, subject to a 0.5% NSR, additional claims at a cost of \$11,000. The Company has the option to buy back 50% of this NSR for \$250,000.		
Silver Trend property, British Columbia	1,724	1,724
A 100% interest, subject to a 2.25% NSR. The Company has the option to buy back 1% of the royalty for \$1,500,000.		
Taken property, British Columbia	26,280	26,280
A 100% interest in certain claims. The property is subject to a sliding scale NSR ranging from 2% to 4%. The Company may reduce the NSR to 1% by paying \$2,000,000 per percent.		
Tam property, British Columbia	5,700	5,700
A 100% interest, subject to a 1% NSR, one-half of which may be purchased back for \$250,000.		
Tsacha property, British Columbia	66,130	66,130
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.		
Tommy Lake property, British Columbia	17,518	17,518
A 100% interest.		
Uduk Lake property, British Columbia	-	30,000
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. During the period, the Company wrote off all acquisition and deferred exploration costs associated with this property.		
Total Properties - Canada	\$ 361,955	\$ 359,955

SILVER QUEST RESOURCES LTD.
Notes to the Consolidated Financial Statements
for the nine months ended November 30

5. **MINERAL PROPERTIES** *(Continued)*

USA & MEXICO	November 30 2008	February 29 2008
Corcoran Canyon property, Nevada	\$ -	\$ 237,899
<p>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) (\$90,000 (USD) paid to date), issue 500,000 shares (300,000 shares issued to date valued at \$115,000), and incur \$1,500,000 (USD) in exploration and development expenditures on or before June 30, 2009. 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. During the period, the Company wrote off all acquisition and deferred exploration costs associated with this property.</p>		
Wildhawk property, Nevada	-	10,387
<p>A 100% interest, acquired by staking. During the period, the Company wrote off all acquisition and deferred exploration costs associated with this property.</p>		
Santa Rosa property, Mexico	377,729	276,804
<p>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) (\$275,000 (USD) paid to date) over a 6 year period. The Company also issued 240,000 common shares valued at \$91,200 as a finders' fee relating to the acquisition of the property.</p>		
Total Properties - USA & Mexico	\$ 377,729	\$ 525,090
Total Mineral Properties	\$ 739,684	\$ 885,045

SILVER QUEST RESOURCES LTD.
Notes to the Consolidated Financial Statements
for the nine months ended November 30

6. DEFERRED EXPLORATION COSTS

November 30, 2008	Tam	Tsacha	Taken	Davidson	Silver Trend	Santa Rosa	Capoose	Other	Total
Balance, as at February 29, 2008	\$ 1,420,219	1,191,243	241,537	452,357	2,390	438,281	-	613,780	4,359,807
Geology	766	802	401	840	19,840	29,398	40,572	32,231	124,850
Geophysics	1,254	2,507	1,254	2,507	67,841	-	58,466	-	133,829
Field Sampling	-	-	-	-	351,670	-	376,426	354	728,450
Drilling	890	693	353	730	16,732	297,532	345,339	-	662,269
Land Tenure	-	-	-	593	7,489	5,517	8,013	10,348	31,960
Data Management and Evaluation	-	-	-	-	179	1,279	1,551	-	3,009
Reporting	-	-	-	-	753	-	714	-	1,467
Community Relations & Safety	-	-	-	488	977	-	1,672	-	3,137
	2,910	4,002	2,008	5,158	465,481	333,726	832,753	42,933	1,688,971
Written-off during the period	-	-	-	-	-	-	-	(529,908)	(529,908)
	2,910	4,002	2,008	5,158	465,481	333,726	832,753	(486,975)	1,159,063
Balance, as at November 30, 2008	\$ 1,423,129	1,195,245	243,545	457,515	467,871	772,007	832,753	126,805	5,518,870

February 29, 2008	Tam	Tsacha	Taken	Davidson	Howson	Santa Rosa	Corcoran Canyon	Other	Total
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	3,748	1,445	764	988	701	55,376	6,790	10,769	80,581
Geophysics	-	-	-	-	-	-	-	-	-
Field Sampling	-	-	-	-	-	1,843	-	-	1,843
Drilling	12,582	1,831	893	1,053	-	367,084	5,494	450	389,387
Land Tenure	1,683	55	27	-	3,451	6,123	41,577	5,412	58,328
Data Management and Evaluation	-	-	-	-	-	-	46	550	596
	18,013	3,331	1,684	2,041	4,152	430,426	53,907	17,181	530,735
Written-off during the year	-	-	-	-	-	-	-	(72,051)	(72,051)
	18,013	3,331	1,684	2,041	4,152	430,426	53,907	(54,870)	458,684
Balance, as at February 29, 2008	\$ 1,420,219	1,191,243	241,537	452,357	20,116	438,281	524,707	71,347	4,359,807

SILVER QUEST RESOURCES LTD.
Notes to the Consolidated Financial Statements
for the nine months ended November 30

7. EXPLORATION ADVANCES

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

8. RELATED PARTY TRANSACTIONS

During the period ended November 30, 2008 the Company entered into the following transactions with related parties:

- a) Paid or accrued \$13,500 (2007 - \$13,500) for rent to a company controlled by a director.
- b) Paid or accrued \$58,010 (2007 - \$49,687) for salaries and benefits to an officer of the Company.
- c) Paid or accrued \$56,250 (2007 - \$49,687) for salaries and benefits included in deferred exploration costs to an officer of the Company.
- d) Paid or accrued \$3,231 (2007 - \$5,671) for management fees to a company controlled by an officer of the Company.

Included in accounts payable is \$6,387 (2007 - \$2,502) 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, 2007	19,868,637	\$ 14,685,108	\$ 1,083,874
For mineral properties	640,000	185,200	-
For cash - warrants exercised	236,633	82,822	-
Contributed surplus transferred on exercise of warrants	-	48,913	(48,913)
Stock-based compensation	-	-	36,328
As at February 29, 2008	<u>20,745,270</u>	<u>\$ 15,002,043</u>	<u>\$ 1,071,289</u>
For mineral properties	40,000	6,000	-
For cash - private placement	12,530,000	2,506,000	-
Share issuance costs	-	(293,762)	140,751
Stock-based compensation	-	-	271,157
As at November 30, 2008	<u><u>33,315,270</u></u>	<u><u>\$ 17,220,281</u></u>	<u><u>\$ 1,483,197</u></u>

SILVER QUEST RESOURCES LTD.
Notes to the Consolidated Financial Statements
for the nine months ended November 30

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, 2008:

Number of Shares	Exercise Price	Expiry Date
25,000	\$ 1.35	February 13, 2009
10,000	\$ 0.75	September 8, 2009
140,000	\$ 0.75	August 2, 2010
960,000	\$ 0.45	January 13, 2011
100,000	\$ 0.50	April 18, 2012
<u>1,660,000</u>	\$ 0.30	April 24, 2013
2,895,000		

Stock option transactions are summarized as follows:

	November 30, 2008		February 29, 2008	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Balance, beginning of period	1,275,000	\$ 0.52	1,685,000	\$ 0.58
Granted	1,660,000	0.30	100,000	0.50
Exercised	-	-	-	-
Expired/cancelled	<u>(40,000)</u>	0.75	<u>(510,000)</u>	0.72
Balance, end of period	<u>2,895,000</u>	\$ 0.39	<u>1,275,000</u>	\$ 0.52
Options exercisable, end of period	<u>2,895,000</u>	\$ 0.39	<u>1,275,000</u>	\$ 0.52

During the period ended November 30, 2008, the Company granted 1,660,000 (2007 - 100,000) stock options with a fair value under the Black-Scholes option-pricing model of \$271,157 (2007 - \$46,042) with a weighted average fair value of \$0.16 (2007 - \$0.46) per option.

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

	2008	2007
Risk-free interest rate	3.20%	4.12%
Expected life of options	3.88 years	5.00 years
Annualized volatility	80.45%	122.69%
Dividend rate	0.00%	0.00%

SILVER QUEST RESOURCES LTD.
Notes to the Consolidated Financial Statements
for the nine months ended November 30

10. STOCK OPTIONS AND WARRANTS (Continued)

Warrants

As at November 30, 2008, the Company had outstanding share purchase warrants, enabling the holders to acquire further shares as follows:

Number of Shares	Exercise Price	Expiry Date
6,265,000	\$ 0.30	October 6, 2009
698,600	\$ 0.20	April 3, 2009
<u>349,300</u>	\$ 0.30	October 6, 2009
7,312,900		

Share purchase warrant transactions were as follows:

	November 30, 2008		February 29, 2008	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Balance, beginning of period	-	\$ -	2,607,714	\$ 0.62
Granted	7,312,900	0.29	-	-
Exercised	-	-	(236,633)	0.35
Expired/cancelled	-	-	<u>(2,371,081)</u>	0.65
Balance, end of period	7,312,900	\$ 0.29	Nil	
Warrants exercisable, end of period	7,312,900	\$ 0.29	Nil	

11. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Significant non-cash transactions for the period ended November 30, 2008 included:

- a) The accrual in accounts payable and accrued liabilities of \$48,829 of deferred exploration costs; and
- b) The issuance of 40,000 common shares, with a value of \$6,000, as consideration towards the acquisition of the JAG property in British Columbia (see Note 5).

Significant non-cash transactions for the period ended November 30, 2007 included:

- a) The issuance of 120,000 common shares, with a value of \$43,200, as consideration towards the acquisition of the Santa Rosa property in Mexico (see Note 5);
- b) The issuance of 200,000 common shares, with a value of \$70,000, as consideration towards the acquisition of the Corcoran Canyon property in Nevada (see Note 5);
- c) The accrual in accounts payable and accrued liabilities of \$931 of deferred exploration costs; and
- d) The recognition of a fair value component of \$48,913 in respect of warrants exercised.

SILVER QUEST RESOURCES LTD.
Notes to the Consolidated Financial Statements
for the nine months ended November 30

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.

Capital assets located in:	November 30, 2008		February 29, 2008	
Canada	\$	5,093,268	\$	3,746,714
USA		3,843		780,321
Mexico		1,168,080		720,233
	\$	<u>6,265,191</u>	\$	<u>5,247,268</u>