NORTHQUEST LTD.
(An Exploration Stage Corporation)

FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2010 AND JUNE 30, 2009

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Northquest Ltd. (an Exploration Stage Corporation) were prepared by management in accordance with Canadian generally accepted accounting principles. The significant accounting policies adopted by the Corporation are summarized in Note 3 to the consolidated financial statements. Management acknowledges responsibility for the preparation and presentation of these financial statements, including the significant accounting judgments and estimates contained therein.

Management has exercised reasonable diligence and care in ensuring that the financial statements fairly present, in all material respects, the financial condition, results of operations and cash flows of the Corporation, as of the date of, and for the periods presented in the financial statements. The external auditors, Stern & Lovrics, LLP have expressed their opinion on the consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the financial statements, together with other financial information of the Corporation, and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility.

The consolidated financial statements have been approved by the Corporation's Board of Directors

Signed *"Jon North"*

Jon North
President & Chief Executive Officer
Toronto, Canada
October 26, 2010

Signed *"George Fonderson"*

George Fonderson
Chief Financial Officer
Toronto, Canada
October 26, 2010

Stern & Lovrics LLP
Chartered Accountants

Samuel V. Stern, BA, CA
George G. Lovrics, BComm, CA, CPA (Illinois)

Nazli Dewji, BA, CMA

To the shareholders of Northquest Ltd. (An Exploration Stage Corporation)

We have audited the consolidated balance sheets of Northquest Ltd. as at June 30, 2010 and June 30, 2009, and the consolidated statements of loss and comprehensive loss and deficit, and cash flows for the years ended June 30, 2010 and June 30, 2009. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at June 30, 2010 and June 30, 2009, and the results of its operations and its cash flows for the years ended June 30, 2010 and June 30, 2009 in accordance with Canadian generally accepted accounting principles.

Stern & Lovrics LLP

Chartered Accountants
Licensed Public Accountants

Toronto, Canada
October 26, 2010

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NORTHQUEST LTD.
(AN EXPLORATION STAGE CORPORATION)

CONSOLIDATED BALANCE SHEETS
AS AT JUNE 30
(AUDITED, IN CANADIAN DOLLARS)

		2010	2009
ASSETS			
Current			
Cash and cash equivalents		**$ 910,461**	$ 398,931
Other receivables and prepaid expenses		**77,786**	8,390
Total current assets		**988,247**	407,321
Non-Current			
Capital assets	Note 7	**40,328**	9,774
Mineral properties and deferred exploration expenditures	Note 8	**57,304**	81,376
Total non-current assets		**$ 97,632**	$ 91,150
		$ 1,085,879	$ 498,471
LIABILITIES			
Current			
Accounts payable and accrued liabilities		**$ 50,268**	$ 65,583
Total current liabilities		**50,268**	65,583
		$ 50,268	$ 65,583
SHAREHOLDERS' EQUITY			
Capital stock	Note 9	**$ 1,138,773**	$ 638,788
Stock purchase warrants	Note 10	**384,502**	
Capital surplus	Note 9(2)	**359,656**	
Stock options	Note 11	**172,807**	
Deficit		**(1,020,127)**	(205,900)
		1,035,611	432,888
		$ 1,085,879	$ 498,471

Nature of operations and going concern (Notes 1 and 2)
Subsequent events (Note 17)

Approved on behalf of the Board of Directors:

"John North"
Director

"Eric Klein"
Director

The accompanying notes are an integral part of these financial statements

NORTHQUEST LTD.
(AN EXPLORATION STAGE CORPORATION)

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS AND DEFICIT
YEARS ENDED JUNE 30
(AUDITED, IN CANADIAN DOLLARS)

		2010	2009	Cumulative since inception on May 26, 2008
EXPENSES				
Management Fees		**$ 168,376**	$ -	$ 168,376
Stock option compensation	Note 11	**172,807**	-	172,807
Property research & area selection		**60,094**		60,094
Audit & related fees		**22,599**	30,334	52,933
Legal fees		**10,030**	17,003	27,033
Foreign travel, accommodation and related costs		**36,503**	18,766	55,269
Technical Services		**22,779**	3,894	26,673
General office and administration - Canada		**63,705**	13,689	77,394
General office and administration - Mali		**38,203**	103,132	153,400
Foreign exchange (gains) losses		**15,843**	4,857	20,700
Amortization		**6,483**	2,048	8,643
Write-offs of mineral properties and deferred explortn.	Note 8	**239,705**		239,705
Net (loss) for the year before income taxes		**(857,127)**	(193,723)	(1,063,027)
Income tax recoveries		**42,900**	-	42,900
Net (loss) and comprehensive (loss) for the year		**(814,227)**	(193,723)	(1,020,127)
Deficit, beginning of the year		**(205,900)**	(12,177)	-
Deficit, end of the year		**$ (1,020,127)**	$ (205,900)	$ (1,020,127)
Basic and diluted loss per share		**$ (0.05)**	$ (0.02)	
Weighted average number of shares outstanding		**16,418,972**	12,190,556	

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

NORTHQUEST LTD.
(AN EXPLORATION STAGE CORPORATION)

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30
(AUDITED, IN CANADIAN DOLLARS)

	2010	2009	Cumulative since inception on May 26, 2008
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss and comprehensive loss for the year	**$ (814,227)**	$ (193,723)	$ (1,020,127)
Items not affecting cash:			
Stock option compensation	**172,807**		172,807
Amortization	**6,483**	2,048	8,643
Write-offs of mineral properties and deferred exploration	**239,705**		239,705
Income tax recoveries	**(42,900)**		(42,900)
Changes in non-cash working capital items:			
Other receivables and prepaid expenses	**(71,229)**	11,318	(77,786)
Accounts payable and accrued liabilities	**(15,315)**	65,583	50,268
Net cash provided (used) by operating activities	**(524,676)**	(114,774)	(669,390)
CASH FLOWS FROM INVESTING ACTIVITIES			
Mineral properties and deferred exploration expenditures	**(215,633)**	(56,376)	(272,009)
Acquisition of capital assets	**(37,037)**	(5,759)	(48,971)
Net cash provided (used) by investing activities	**(252,670)**	(62,135)	(320,980)
CASH FLOWS FROM FINANCING ACTIVITIES			
Shareholders’ Loans	**-**	(51,554)	-
Proceeds from share issue - Mali	**1,833**	667	2,500
Proceeds from private placements - Canada	**-**	611,288	611,288
Proceeds from Initial Public Offering – Canada	**1,187,043**		1,187,043
Capital Surplus	**100,000**		100,000
Net cash provided (used) by financing activities	**1,288,876**	560,401	1,900,831
Change in cash and cash equivalents during the year	**511,530**	383,492	910,461
Cash and cash equivalents, beginning of the year	**398,931**	15,439	-
Cash and cash equivalents, end of year	**$ 910,461**	**$ 398,931**	**$ 910,461**
Cash paid for:			
Income taxes	**$ -**	$ -	$ -
Interest	**$ -**	$ -	$ -

Supplemental cash flow disclosure (Note 13)

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

1. NATURE OF OPERATIONS

Northquest Ltd. ("Northquest" or "the Corporation") was incorporated under the laws of the Province of Ontario by articles of incorporation dated March 18, 2008. Pursuant to a share exchange agreement dated October 9, 2008, the Corporation effected a share exchange with the shareholders of Northquest SARL, a Malian corporation, whereby the Corporation acquired 100% of the outstanding shares of Northquest SARL. As the shareholders of Northquest SARL controlled the combined corporation following the exchange, the transaction was accounted for as a reverse takeover, whereby Northquest SARL was deemed to be the acquirer.

On December 21, 2009 the Corporation completed an initial public offering, pursuant to which it issued an aggregate of 7,000,000 units at a price of $0.20 per unit to raise aggregate gross proceeds of $1,400,000, as per a final prospectus dated December 15, 2009. Each unit consists of one common share of Northquest and one share purchase warrant, each such warrant entitling the holder to acquire one additional common share at an exercise price of $0.50 until December 21, 2014, as more fully explained in Note 9. Trading of the common shares and warrants of the Corporation on the TSX Venture Exchange commenced on December 23, 2009.

The Corporation is principally engaged in the identification, acquisition and exploration of mineral properties. Given the nature of the Corporation's activities to date, Northquest is considered to be in the exploration stage as at June 30, 2010, as defined by AcG 11 of the CICA Handbook.

2. GOING CONCERN

These financial statements have been prepared using Canadian generally accepted accounting principles ("Canadian GAAP") applicable to a going concern, which assumes continuity of operations, realization of assets, and settlement of liabilities in the normal course of business. Accordingly, these financial statements do not give effect to adjustments that would be necessary should the Corporation be unable to continue as a going concern and therefore, be required to realize its assets and liquidate its liabilities and commitments in other than normal course of business and at amounts different from those in the accompanying financial statements. In the opinion of management, all adjustments considered necessary for fair presentation have been included in these financial statements.

The Corporation is in the exploration stage and is subject to challenges similar to other companies in comparable stages of operations, including a dependence on key personnel. The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying values of exploration properties and / or the Corporation's continued existence are dependent upon a number of factors, including: the preservation of Northquest's interests in the underlying properties; the discovery of economically recoverable reserves; the achievement of profitable operations; the ability of the Corporation to raise alternative financing, if necessary; or the Corporation's ability to dispose of its property interests on an advantageous basis. Changes in future conditions could require material write-downs of the values at which properties are carried. Additionally, some of the Corporation's mining assets are located outside of Canada and are subject to the risks of foreign investment, including: increases in taxes and royalties; renegotiation of contracts; currency exchange fluctuations; and political uncertainty. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period.

As at June 30, 2010 the Corporation reported a 12-month loss of $814,227 and an accumulated deficit of $1,020,127. As at the same date, the Corporation had not generated positive cash flow from operations, although it had cash balances of 910,461 and working capital of $937,979. The Corporation plans to raise additional financing of between $1MM to $3MM in the coming year.

The continuation of the Corporation as a going concern is particularly dependant on its ability to secure adequate financing to sustain its activities and eventually attain profitable future operations or positive cash flows. There is no assurance that financing efforts will be successful or that the Corporation will attain profitable levels of operation. Should the Corporation be unable to continue as a going concern, the realization of assets may be at amounts significantly less than their carrying values.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies used in the preparation of these financial statements.

a) Basis of Financial Presentation

The consolidated financial statements of the Corporation, which are expressed in Canadian dollars, have been prepared in accordance with Canadian Generally Accepted Accounting Principles (“GAAP”).

b) Principles of Consolidation

The consolidated statements include the accounts of Northquest Ltd. and its wholly owned Malian subsidiary, Northquest SARL. On consolidation, all intercompany transactions and balances have been eliminated.

c) Cash and Cash Equivalents

The Corporation considers all highly liquid instruments with a maturity of 90 days or less at the date of original issue, to be cash equivalents.

d) Foreign Currency Translation of Integrated Foreign Operations

The functional currency of the Corporation and its subsidiaries is considered to be the Canadian dollar. Foreign currency transactions entered into by the Corporation and financial statements of integrated foreign operations are translated using the temporal method. Under this method, monetary assets and liabilities are translated at year-end rates of exchange, while non-monetary assets and liabilities are translated at historic rates. Revenue and expense items are translated at average exchange rates prevailing during the year. Exchange gains and losses on foreign currency transactions and foreign currency denominated balances are included in the statement of operations.

e) Capital Assets

Capital Assets are reported at cost, less accumulated amortization. Amortization is computed on a straight line basis, using the following rates:

Furniture & Fixtures	– 20% (5 years)
Office Equipment	– 25% (4 years)
Vehicles	– 25% (4 years)

f) Financial Instruments

The Corporation’s financial assets and liabilities consist of cash and cash equivalents, other receivables, accounts payable and accrued liabilities. Financial instruments are measured at fair value on initial recognition and valued in subsequent periods based upon their classification as held-for-trading, available for sale, held-to-maturity, loans and receivables or other liabilities. Financial assets and liabilities classified as held-for-trading are valued at fair value with gains and losses recognized in income. Financial assets classified as available-for-sale are valued at fair value with unrealized gains and losses recognized in other comprehensive income. Financial assets classified as held-to-maturity, loans and receivables and financial liabilities classified as other liabilities, are valued at amortized cost using the effective interest rate method. Transaction costs for financial instruments classified as held-for-trading are expensed as incurred. Transactions are accounted for on the trade date.

The Corporation has classified its cash and cash equivalents as held-for-trading, other receivables are designated as loans receivable and accounts payable and accrued liabilities are classified as other liabilities.

Because of the nature of the instruments currently held, it is management's opinion that the Corporation is not exposed to significant interest rate, currency exchange rate, liquidity or credit risks arising from them. The Corporation is not exposed to derivative instruments.

g) Basic and Diluted Loss Per Share

Basic loss per share is computed by dividing the loss for the period by the weighted average number of common shares outstanding during the period. Diluted loss per share reflects the potential dilution that could occur if potentially dilutive securities were exercised or converted to common stock. The dilutive effect of options and warrants and their equivalent is computed by application of the treasury stock method and the effect of convertible securities by the "if converted" method. Fully diluted amounts are not presented when the effect of the computations are anti-dilutive.

h) Income Taxes

The Corporation accounts for income taxes using the asset and liability method. Under this method, temporary differences arising from the difference between the tax basis of an asset or liability, and its carrying amount on the balance sheet, are used to calculate future income tax assets or liabilities. Future income tax assets or liabilities are calculated using enacted or substantially enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in income tax rates on future income tax assets and liabilities is recognized in income in the period that the change occurs.

Future income tax assets are recognized to the extent that they are considered more likely than not to be realized. The valuation of future income tax assets is adjusted, if necessary, by the use of a valuation allowance to reflect the estimated realizable amount.

i) Asset Retirement Obligations

The Corporation follows the recommendations of the CICA Handbook Section 3110, "Asset Retirement Obligations", which establishes standards for asset retirement obligations and associated retirement costs related to site reclamation and abandonment. The Corporation is required to record a liability for the estimated future costs associated with legal obligations relating to the reclamation and closure of its exploration properties. This liability is recorded when it is incurred and/or in the period in which it can be reasonably estimated. The estimate is initially recorded at its discounted present value, An equivalent amount is recorded as an increase to exploration properties and deferred exploration expenditures and is amortized over the useful life of the property. Over time, the estimated liability is accreted to reflect the present value of the obligation, as initially recorded.

As at June 30, 2010 and June 30, 2009, the Corporation was not aware of any significant asset retirement obligation related to the exploration and development of its mineral properties.

j) Stock-based Compensation

The Corporation follows the recommendations contained in CICA Handbook section 3870 "Stock-Based Compensation and Other Stock-Based Payments". The fair value of share purchase options granted to directors, employees or consultants is expensed over the vesting period of the options or the service period (whichever is shorter), with a corresponding increase to contributed surplus. Upon exercise of share purchase options, the consideration paid by the option holder, together with the amount previously recognized in contributed surplus, is recorded as an increase to share capital.

The Corporation uses the Black-Scholes option valuation model to calculate the fair value of share purchase options at the date of grant. Option pricing models require the input of highly subjective assumptions, including the expected price volatility. Changes in these assumptions can materially affect the fair value estimate and, therefore, the existing models do not necessarily provide a reliable single measure of the fair value of the Corporation’s share purchase options.

The Corporation’s Stock Option Plan and details of options issued under the Plan during the years ended June 30, 2010 and June 30, 2009 are described in Note 11.

k) Measurement Uncertainty, Assumptions and Estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the report period. Significant areas requiring the use of management’s estimates relate to the recoverability of mineral property interests, accrued liabilities, amortization rates, calculations pertaining to future taxes and the valuation of warrants and stock-based compensation. While management believes that the estimates used are reasonable, actual values could be materially different from these estimates.

l) Mineral Properties and Exploration Expenditures

Northquest is at the exploration stage of operations. The Corporation records its interests in mineral properties and exploration expenditures at cost. Acquisition costs include cash consideration and the fair market value of any shares issued for the acquisition of exploration properties. The carrying value of mining interests is reduced by any option proceeds or government grants received until such time as the property cost and deferred expenditures are reduced to nominal amounts. Properties acquired under option agreements or by joint ventures, whereby payments are made at the sole discretion of the Corporation, are recorded in the accounts at the time of payment. All direct costs are capitalized until the properties to which they relate are placed into production, sold, or abandoned. These costs will be amortized on the unit of production basis over the proven reserves of the related property following commencement of production.

The cost of exploration properties abandoned or sold and their related deferred exploration costs are charged to operations when abandoned or sold. Accumulated costs on mineral exploration properties which are considered to be impaired either through external economic conditions or failure to advance the property to the development stage within a reasonable period of time, are written down. Proceeds received, as a result of the sale of a mineral property, will be applied first against the book value of the property, and any excess will be set off against deferred exploration costs.

Mineral properties and exploration costs are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. The recoverability of costs incurred on mineral resource properties is dependent upon numerous factors, including exploration results, environmental risks, commodity risks, and the Corporation's ability to attain profitable production. It is possible that conditions in the near-term could change the Corporation's assessment of the carrying values of its properties. When there is evidence of impairment, the net carrying amount of the asset will be written down to its net recoverable amount which is the estimated undiscounted future net cash flows expected to result from the asset and its eventual disposition. The loss on impairment written off is not reversed even if circumstances change and the net recoverable amount subsequently increases.

On March 27, 2009, the Emerging Issues Committee of the CICA approved an abstract EIC-174, "Mining Exploration Costs", which provides guidance on capitalization of exploration costs related to mining properties in particular and on impairment of long-lived assets in general. EIC-174 refers to CICA Handbook Section 3061 "Property, Plant and Equipment", paragraph 21, which states that for a mining property, the cost of the asset includes exploration costs if the enterprise considers that such costs have the characteristics of property, plant and equipment. EIC-174 then states that a mining enterprise that has not established mineral reserves objectively, and therefore does not have a basis for preparing a projection of the estimated cash flow from the property, is not precluded from considering the exploration costs to have the characteristics of property, plant and equipment. EIC-174 also provides additional guidance for mining exploration enterprises on when an impairment test is required.

The Corporation considers that exploration costs have the characteristics of property, plant and equipment, and, accordingly, defers such costs. Mineral interests are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the mineral interest may not be recoverable.

The amounts shown as mineral properties and deferred exploration costs represent unamortized costs to date and do not necessarily reflect present or future values.

Although the Corporation has taken steps to verify title to the mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Corporation's title. Property title may be subject to unregistered prior agreements or transfers and may be affected by undetected defects.

m) Flow-through Shares

Canadian tax regulations allow corporations to finance resource-exploration activities using the proceeds of flow-through shares. Under the terms of the underlying flow-through share agreement(s), the tax attributes of the related expenditures are renounced to investors, rather than being claimed by the corporation that issued the shares. To recognize the foregone tax benefits to the corporation, the carrying values of the shares issued is reduced by the tax effect of the tax benefits renounced to subscribers. The corporation recognizes the foregone tax benefit at the time of the renouncement, provided there is reasonable assurance that the expenditures will be incurred.

During the year ended June 30, 3009, Northquest financed a portion of its exploration activities through the issuance of flow-through shares. The tax benefits of the expenditures made with the proceeds from these shares were renounced to subscribers during the year ended June 30, 2010.

n) Comprehensive Income (Loss)

Comprehensive loss reflects net loss and other comprehensive income (loss) for the period. Other comprehensive income (loss) includes changes in unrealized foreign currency translation amounts arising from self-sustaining foreign operations, unrealized gains and losses on available-for-sale assets and changes in the fair value of derivatives designated as cash flow hedges to the extent they are effective.

o) Changes in Accounting Policies

During the year ended June 30, 2010 the Corporation adopted the following accounting pronouncements issued by the Canadian Institute of Chartered Accountants ("CICA"):

Goodwill and Intangible Assets

In February 2008, the CICA approved Handbook Section 3064, "Goodwill and Intangible Assets" which replaces the existing Handbook Sections 3062, "Goodwill and Other Intangible Assets" and 3450 "Research and Development Costs". This standard is effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008. The section establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets subsequent to their initial recognition by profit-oriented enterprises. The new standard also provides guidance for the treatment of pre-production and start-up costs and requires that these costs be expensed as incurred. Concurrent with the introduction of this standard, the CICA withdrew EIC-27, Revenues and Expenses during the pre-operating period.

The adoption of this standard did not impact the Corporation's financial statements for the year ended June 30, 2010.

Financial Statement Concepts

On July 1, 2009, the Corporation adopted CICA Handbook Section 1000, "Financial Statement Concepts", which has been amended to clarify the criteria for the recognition of an asset, specifically as it relates to the use of the matching principle. Accordingly, certain items that may have been previously recognized as assets may no longer be reflected as such under the new recommendations.

The adoption of this standard did not impact the Corporation's financial statements for the year ended June 30, 2010.

Financial Instruments - Disclosures

In June 2009, the CICA amended Section 3862, "Financial Instruments - Disclosures", to include enhanced disclosures on the liquidity risk of financial instruments and new disclosures on fair-value measurements of financial instruments. The amendments are effective for annual financial statements for fiscal years ending after September 30, 2009.

The additional fair-value-measurement disclosures include the classification of financial instrument fair values in a hierarchy comprising three levels, reflecting the significance of the inputs used in making the measurements, as described below:

- Level 1: Valuations based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Valuations based on directly or indirectly observable inputs in active markets for similar assets or liabilities other than Level 1 prices, such as quoted interest or currency exchange rates; and
- Level 3: Valuations based on significant inputs that are not derived from observable market data, such as discounted cash flow methodologies based on internal cash flow forecasts.

The additional disclosure required by the adoption of this standard is reflected in Note 5 to the financial statements.

p) Future accounting changes

(i) International Financial Reporting Standards ("IFRS")

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period.

In February 2008, the Accounting Standards Board confirmed its strategic plan which will abandon GAAP and effect a complete convergence to the International Financial Reporting Standards ("IFRS"). The transition date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Corporation for the year ended June 30, 2011.

The Corporation continues to monitor and assess the requirements for the adoption of IFRS in 2011, and the identification of the relevant new standards and their impact on financial reporting. The Corporation has developed and is following a timetable for managing its IFRS transition. The following milestones are expected to be complete by December 31, 2010:

- Completion of detailed component evaluations of IFRS-impacted areas.
- Identification and analysis of accounting policy changes required under IFRS.
- Assessment of first-time adoption alternatives under IFRS 1 and consideration of key decisions regarding exemptions and elections.

(ii) Business Combinations

In January 2009, the CICA issued Handbook Sections 1582, "Business Combinations", which is effective for years beginning on or after January 1, 2011. This Handbook Section will replace 1581 (Business Combinations). The new standard amends existing standards for the recognition and measurement of identifiable assets acquired, liabilities assumed, non-controlling interests in the acquiree and goodwill acquired in a business combination.

The Corporation is currently evaluating the impact of this new standard.

(iii) Consolidated Financial Statements

On July 1, 2011, the Corporation will adopt CICA Handbook Sections 1601, "Consolidated Financial Statements" and Section 1602, "Non-controlling Interests", which together, will replace section 1600, "Consolidated Financial Statements". Section 1601 amends standards for the preparation of consolidated financial statements and Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary, in consolidated financial statements subsequent to a business combination.

The Corporation does not expect the adoption of this new standard to have an effect on its consolidated financial statements.

4. CAPITAL MANAGEMENT

The Corporation manages its capital structure and makes adjustments to it, based on the funds available to the Corporation, in order to support the exploration and development of mineral properties. The Board of Directors does not establish a quantitative return on capital criteria for management, but rather, relies on the expertise of the Corporation's management to sustain future development of the business. The Corporation's objective when managing capital is to safeguard its ability to continue as a going concern so that it can continue to explore and develop its mineral resource properties for the benefit of its shareholders.

The properties in which the Corporation currently has an interest are at the exploration stage and the Corporation is dependent on external financing to fund its activities. In order to carry out planned exploration and development and pay for administrative costs, the Corporation will spend its existing working capital and rely upon raising additional amounts as needed and as available. In order to facilitate the management of its capital requirements, the Corporation prepares expenditure budgets that consider various factors, including successful capital deployment and general industry conditions. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Corporation, is reasonable. As at June 30, 2010, the Corporation's net equity (capital) amounted to $1,035,611 (2009: $432,888)

There were no changes in the Corporation's approach to capital management during the period ended June 30, 2010. The Corporation is not subject to externally imposed capital requirements.

5. FINANCIAL INSTRUMENTS

The Corporation's cash and cash equivalents are measured at fair market value. Accounts receivable are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities and measured at amortized cost.

The following table indicates the carrying values of the Corporation's financial assets and financial liabilities.

Item	June 30, 2010		June 30, 2009	
	Measured at cost	**Measured at Market Value**	**Measured at cost**	**Measured at Market Value**
Cash and cash equivalents		$910,461		$398,931
Other receivables	$57,797		$5,307	
Accounts payable and accrued liabilities	$50,268		$65,583	

Cash and cash equivalents are classified under Level 1 of the Fair Value Hierarchy set out in Section 3862 of the CICA Handbook.

6. FINANCIAL RISK FACTORS

The Corporation’s risk exposures and their impact on the Corporation's financial instruments are summarized below.

Credit Risk

The Corporation’s credit risk is primarily attributable to other receivables and prepaid expenses amounting to $77,786 at June 30, 2010 (2009: $8,390). The Corporation has no significant concentration of credit risk arising from operations. Amounts included in other receivables and prepaid expenses consist primarily of goods and services tax (refund) due from the Federal Government of Canada ($32,369), $25,428 of advances paid to a geological research company and $11,340 of prepaid directors’ and officers’ insurance. Management believes that the credit risk concentration with respect to financial instruments included in other receivables and prepaid expenses is low.

Liquidity Risk

The Corporation’s approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. At June 30, 2010, the Corporation had a cash balance of $910,461 (2009: $398,931) against current liabilities of $50,268 (2009: $65,583). Most of the Corporation’s current liabilities at June 30, 2010 have normal trade terms and normal trade maturities.

Interest Rate Risk

The Corporation has cash balances and no interest-bearing debt. The bulk of the cash is deposited with a major Canadian bank in a current account. From time to time, the Corporation invests in short-term guaranteed certificates of “Schedule 1” Canadian banks. These investments, and the credit ratings of the financial institutions that issue them, are monitored on an ongoing basis.

Foreign Currency Risk

The Corporation's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. The Corporation funds its exploration and administrative expenses in West Africa on a cash call basis, using cash transferred from Canada. The funds are then converted to West African Francs (F CFA). Management believes that the foreign exchange risk related to foreign currency conversions is not significant to its operations and therefore, does not hedge its foreign exchange risk.

Price Risk

The Corporation is a mineral exploration corporation whose projects may be impacted, and consequently exposed to price risk, by the prices of certain commodities including the prices for precious and base metals. The Corporation believes that, because it is an exploration stage corporation and has no producing mines currently, the effect of metal price fluctuations is indirect. The indirect effects of metal price fluctuations on the Corporation might include an impact on its ability to raise capital in the future and could restrict continued exploration and development of the Corporation’s properties.

Sensitivity Analysis

The Corporation has designated its cash and cash equivalents as held-for-trading, which are measured at fair value.

As at June 30, 2010, the carrying amounts of financial instruments included in other receivables and prepaid expenses are measured at amortized cost, which equals fair market value. These financial instruments are classified as other receivables. Accounts payable and accrued liabilities are classified as other financial liabilities and measured at amortized cost.

Based on management's knowledge of relevant financial markets, the following factors are thought to be "reasonably possible" over a three month period:

- At June 30, 2010 the Corporation held the equivalent $31,335 in F CFA, lodged with a Malian Bank. A 10% exchange rate change would affect net loss by $3,134.

- Price risk is remote since the Corporation has no operating mines, at present.

7. CAPITAL ASSETS

Capital assets are recorded at cost and comprise the following:

	Cost	Accumulated Amortization	June 30, 2010 Net Book Value	June 30, 2009 Net Book Value
Furniture & Fixtures	$7,166	2,642	4,524	$5,957
Office Equipment	4,768	2,143	2,625	3,817
Vehicles	37,037	3,858	33,179	-
	$48,971	**8,643**	**40,328**	**$9,774**

8. MINERAL PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES

As at June 30, 2010 and June 30, 2009, accumulated costs with respect to the Corporation's interests in mineral properties owned, leased or under option, consisted of the following:

	Balance June 30, 2009	Expenditures FY 2010	Write-offs FY 2010	Balance June 30, 2010
High Falls, Ontario	$73,409	$ 166,296	$ (239,705)(1)	$ -
Bananko, Mali	7,967	49,337	-	57,304
Balance as at June 30, 2010	**$81,376**	**$ 215,633**	**$ (239,705)**	**$ 57,304**

The following tables set out the expenditures, by major category, for each of the Corporation's significant projects for the years ended June 30, 2010 and June 30, 2009. Cumulative expenditures for each project are also shown:

Fiscal Year 2010

	High Falls	Bananko	Total
Balance as at June 30, 2009	**$ 73,409**	**$ 7,967**	**$ 81,376**
Acquisition, including staking	-	-	-
Project Management	48,774	-	48,774
Consulting	6,564	18,140	24,704
Contracting	92,793	-	92,793
Field Equipment and Supplies		2,417	2,417
Drafting	3,354	2,355	5,709
Lab and Assay Expenses	14,811	26,425	41,236
	$ 239,705	**$ 57,304**	**$ 297,009**
Write-offs	(239,705)	-	(239,705) [1]
Balance as at June 30, 2010	**$ -**	**$ 57,304**	**$ 57,304**

[1] On May 27 2010, the Corporation announced the termination of its option to acquire 100% interest in the High Falls property near Wawa, Ontario. Accordingly, acquisition, staking and development costs incurred on the property as at June 30, 2010 have been written off.

Fiscal Year 2009

	High Falls	Bananko	Total
Balance as at June 30, 2008	**$ Nil**	**$ Nil**	**$ Nil**
Acquisition, including staking	33,250	1,250	34,500
Project Management	9,564		9,564
Consulting	9,404	3,870	13,274
Contracting	19,577		19,577
Field Equipment and Supplies		75	75
Drafting	1,614	602	2,216
Lab and Assay Expenses		2,170	2,170
	$ 73,409	**$ 7,967**	**$ 81,376**
Write-downs	-	-	-
Balance as at June 30, 2009	**$ 73,409**	**$ 7,967**	**$ 81,376**

High Falls Project

The Corporation had an option to acquire a 100% interest, subject to a 3% NSR, in the High Falls Property, consisting of 13 unpatented mining claims comprising an area of approximately 832 hectares in McMurray, Lendrum and Rabazo Townships, Sault Ste. Marie Mining Division, Ontario.

The Corporation completed an initial phase of exploration on the High Falls Gold Project during June, July, and August 2009. The exploration program consisted of prospecting and mechanical stripping and channel sampling of five gold occurrences. In addition, the Corporation commissioned an independent Technical Report of the High Falls Project, which was completed on August 31, 2009. The Technical Report recommended two phases of further exploration of the High Falls Project consisting of additional sampling, geophysical surveys, and diamond drilling. The Phase 1 budget was estimated at $263,000 and the Phase 2 Budget was estimated to cost $1,853,000. The implementation of the Phase 2 methods and expenditures were contingent upon the results obtained in Phase 1.

The Corporation commenced a drilling program in April 2010. Three holes, totalling 384 metres, were drilled during the latter half of April to test the most promising gold occurrence known as the “Hubcap Occurrence”. The drilling finished on April 28, 2010 and assays were received in May, 2010. The design of the drilling program was to explore the nature and distribution of gold at the Hubcap Occurrence which consists of gently-dipping quartz-pyrite-magnetite veins in silicified gabbro. HF-10-01 and HF-10-03 were opposing scissor holes drilled on a section trending 157 degrees. HF-10-02 was a vertical hole drilled near the mid-point of the cross section. The holes intersected silicified gabbro with or without disseminated pyrite and narrow quartz-pyrite-magnetite veins. The drilling results did not meet or improve the grade and width of the surface samples and the Corporation decided to terminate the option agreement on the property on May 27, 2010, before the first anniversary payment of $20,000 and 200,000 shares was due.

Bananko Project

The final acquisition permit for the Bananko Gold Project in the Republic of Mali, was acquired on July 13, 2009. The project is a conceptual gold project in the Birimian stratigraphy of West Africa. The Bananko Project consists of 33 square kilometers of mineral rights in the district of Bougouni, Sikasso Region of the Republic of Mali.

In December and January 2010, regolith mapping and 1,213 termite mound samples on a 500 x 200 m grid were completed over the entire exploration permit and 3 saprock samples were collected from old pits. Three corridors of geochem anomalies were interpreted, two trending NE and one trending NW.

In April 2010, 234 termite mound samples were collected on 100 x 100 m grids in two of the NE-trending anomaly corridors. In addition, 16 pits were excavated to examine saprolite.

In May and June 2010 an additional 17 pits were excavated.

The results from the pit and termite mound sampling completed to date, indicate that the gold concentrations of the saprolite below the termite mounds does not correlate, as the termite mound gold concentrations are generally higher than the gold concentrations in saprolite.

Further pit excavations are planned in areas with, or without, gold concentrations in termite mound samples.

Other Projects (See also Note 17 – Subsequent Events)

1. On August 19, 2010, the Corporation received a 90 day Authorization to complete due diligence on the Silimana Permit in southern Mali, which has an area of 110 km2. Because of the annual monsoon, it is expected that the due diligence work will be completed in the second quarter of the 2011 fiscal year. The Silimana project is an early stage, conceptual exploration project.

2. On September 21, 2010, the Corporation acquired an option to acquire 100% interest in the Banmba Permit in southern Mali from a local Malian private company. The permit is 118 km2. The terms of the option to acquire a 100% interest are as follows (figures in $US):

Signing:	$ 20,000
First Anniversary:	$ 20,000
Second Anniversary:	$ 30,000
Third Anniversary:	$ 50,000

The Optionor retains 3% NSR, of which $^1/_3$ can be purchased at any time for $2 MM and $^1/_3$ can be purchased any time for $ 5 MM, such that the Optionor will retain 1% NSR. There has only been a minor amount of work completed on this permit. It is a grass roots project.

3. On September 23, 2010, the Corporation secured an option to acquire 100% interest in the Dar Salam Permit from a local Malian individual. This project is in western Mali and consists of 150 km2.

The terms of the option to acquire a 100% interest are as follows (figures in $US):

Signing:	$ 20,000
First Anniversary:	$ 20,000
Second Anniversary:	$ 30,000
Third Anniversary:	$ 50,000

The Optionor retains 3% NSR, of which $^1/_3$ can be purchased at any time for $2 MM and $^1/_3$ can be purchased any time for $ 5 MM, such that the Optionor will retain 1% NSR.

In the early 1990's, a nominal amount of soil and termite mound sampling and minor reverse circulation (RC) drilling were carried out in the area of the permit. The results indicate that one of the RC holes intersected 30 m of 3.34 g/t Au and a separate, nearby drill hole intersected 20 m of 2.93 g/t Au. These results cannot be verified. Northquest intends to twin these drill holes in Q1 2011 or as soon as possible, in order to verify the results.

In summary, Northquest has 4 projects in Mali, viz.: Bananko (133 square km), Silimana (110 square km), Banmba (118 square km), and Dar Salam (150 square km) for a total of 511 square km of mineral rights.

9. CAPITAL STOCK

Authorized Common Shares

The Corporation is authorized to issue an unlimited number of common shares of no par value.

Issued Common Shares

Year Ended June 30, 2009:

	No. of Shares	Amount
Issued on Incorporation of Northquest SARL and Outstanding at June 30, 2008	**100**	**$ 2,500**
	100	2,500
Issued on Incorporation of Northquest Ltd.	1	1
Issued on Private Placement – October 8, 2009 [(1)]	2,600,000	260,000
Issued on Share Exchange to Effect Reverse Takeover (See Note 10) [(2)]	10,000,000	1,000,000
Adjustment on Reverse Takeover	(100)	(1,000,000)
Shares Issued to Acquire High Falls Option – May 20, 2009 [(3)]	200,000	25,000
Issued on Private Placement – May 28, 2009 [(4)]	1,820,000	227,500
Issued on Private Placement (Flow Through Shares) – May 28, 2009 [(5)]	866,667	130,000
Share Issue Costs [(4)]		(6,213)
Issued and outstanding, June 30, 2009	**15,486,668**	**$638,788**

(1) On October 8, 2008, the Corporation issued 2,600,000 shares as a result of a private placement. The shares were issued at $0.10 each for gross proceeds of $260,000.

(2) On October 9, 2008, the Corporation entered into a share exchange agreement to issue 10,000,000 common shares as consideration to acquire all 100 shares of Northquest SARL that were issued and outstanding as at that date. For purposes of determining the Corporation's legal stated capital, the shares were valued at $0.10 per share, the same amount at which similar shares were issued on October 8, 2008 as a result of a private placement.

For financial reporting purposes, the acquisition of Northquest SARL was accounted for as a reverse takeover. Accordingly, the share capital of the Corporation on the consolidated balance sheet at June 30, 2009 comprised:

Share Capital of Northquest SARL as at the date of the reverse takeover	$ 2,500
Net Assets of Northquest Ltd. as at the date of the reverse takeover	$ 260,001
Private placements of shares subsequent to the reverse takeover	$ 351,287
Stated capital of shares issued to acquire option in the High Falls property	$ 25,000
Total	**$ 638,788**

(3) On May 20, 2009, the Corporation issued 200,000 common shares to Clifford Clement, pursuant to the option agreement to acquire the High Falls property. The fair value of each share was determined to be $0.125, the same amount at which similar shares were sold (in a private placement) during the same month (See footnote 4 immediately below).

(4) On May 28, 2009, the Corporation issued 1,820,000 shares as a result of a private placement. The shares were issued at $0.125 each for gross proceeds of $227,500. Legal costs of $6,213 were incurred in connection with the placement, resulting in net proceeds of $221,287.

(5) On May 28, 2009, the Corporation issued 866,667 flow-though common shares as a result of a private placement. The shares were issued at $0.15 each for gross proceeds of $130,000.

Year Ended June 30, 2010:

		No. of Shares	Amount
Issued and Outstanding, June 30, 2009		**15,486,668**	**$ 638,788**
Initial public offering (1)		7,210,000	1,442,000
Issue of stock purchase warrants	Note 10		(407,993)
Issue of compensation warrants	Note 10		(39,261)
Costs of issue (shares)			(192,205)
Shares cancelled (2)		(5,443,529)	(259,656)
Renunciation of flow-through shares (3)		-	(42,900)
Issued and Outstanding, June 30, 2010		**17,253,139**	**$ 1,138,773**

(1) On December 21, 2009 the Corporation completed an initial public offering, pursuant to which it issued an aggregate of 7,000,000 units at a price of $0.20 per unit to raise aggregate gross proceeds of $1,400,000, as per a final prospectus dated December 15, 2009. Each unit consists of one common share of Northquest and one share purchase warrant, each such warrant entitling the holder to acquire one additional common share at an exercise price of $0.50 until December 21, 2014. The agent in the offering received an aggregate of 490,000 compensation warrants, each such compensation warrant entitling the agent to acquire one unit at an exercise price of $0.20 per unit until June 21, 2011. The agent elected to receive an aggregate of 210,000 units in satisfaction of $42,000 of commission to which it was entitled in connection with the offering, with the balance of $56,000 of such commission paid in cash. Trading of the common shares and warrants of the Corporation on the TSX Venture Exchange commenced on December 23, 2009.

(2) As part of arrangements with securities regulators to complete the Corporation’s initial public offering, and in compliance with applicable regulations of the TSX Venture Exchange, the Corporation reacquired and cancelled 5,443,529 of a total of 10,000,000 common shares which had been issued to founders of the Corporation on November 3, 2008. The 5,443,529 shares were donated to the Corporation by the holders and their cancellation was approved by resolution of the directors dated December 14, 2009. Per the provisions of Section 3840 of the CICA Handbook, the cancelled shares were valued at the average per-share amount of common shares as at the date of the cancellation. The total value of the cancelled shares has been transferred from Capital Stock to Capital Surplus on the Balance Sheet. In addition, the founders of the Corporation paid $100,000 to the Corporation in partial consideration of the remainder of the 10,000,000 shares. The $100,000 paid has been credited to Capital Surplus.

(3) On January 20, 2010, the Corporation renounced $130,000 of qualifying Canadian Exploration Expenditures (CEE) to the holders of 866,667 flow-through shares. The shares had been issued in a private placement on May 28, 2009. Expenditures from the proceeds of the issue were made at the Corporation’s High Falls property. The tax value of these renunciations has been recorded as a future tax liability and charged against share capital. During the year ended June 30, 2010, future tax assets of $42,900 have been recognized and the corresponding income tax recoveries recorded. The total amount of future tax assets ($42,900) recognized during the year has been offset against the $42,900 of future tax liabilities resulting from the renunciation of CEE from the proceeds of flow through shares.

10. WARRANTS

Warrants outstanding as at June 30, 2010 were as follows:

	No. of	Amount
Outstanding at June 30, 2009	**-**	**$ -**
Stock purchase warrants issued (IPO) [(1) (2)]	7,210,000	407,993
Compensation warrants issued (IPO) [(3)]	490,000	39,261
Costs of issue (warrants)		(62,752)
Issued and Outstanding, June 30, 2010	**7,700,000**	**$ 384,502**

Details of warrants outstanding at June 30, 2010 are as follows:

No. of Warrants Outstanding	Exercise Price ($)	Wt. Ave. Exer. Price ($) (Warrants O/S)	Life Remaining (Years)	Wt. Ave. Life Remaining (Years)	Expiry Date
7,210,000	0.50	0.4681	4.48	4.19	December 21, 2014
490,000	0.20	0.0127	0.98	0.06	June 21, 2011
7,700,000		**0.48**		**4.25**	

(1) A Black-Scholes valuation model was used to estimate the grant-date fair value of the 7,000,000 warrants issued to subscribers of the initial public offering (See Note 9). The following valuation assumptions were used:

Expected dividend yield	0%
Expected volatility	60.43%
Risk free rate of return	2.68%
Expected term	5 years
Fair value per warrant	$0.0566

(2) A Black-Scholes valuation model was used to estimate the grant-date fair value of the 210,000 warrants issued to the Agent in lieu of a portion of cash compensation in connection with the initial public offering (See Note 9). The following valuation assumptions were used:

Expected dividend yield	0%
Expected volatility	60.43%
Risk free rate of return	2.68%
Expected term	5 years
Fair value per warrant	$0.0566

(3) A Black-Scholes valuation model was used to estimate the grant-date fair value of the 490,000 compensation warrants issued to the Agent in connection with the initial public offering (See Note 9). The following valuation assumptions were used:

Expected dividend yield	0%
Expected volatility	82.94%
Risk free rate of return	2.68%
Expected term	18 months
Fair value per warrant	$0.0801

The value of stock purchase warrants has been deducted from Capital Stock and reflected as Stock Purchase Warrants in the Balance Sheet.

11. STOCK OPTIONS

On June 30, 2008 the Corporation's shareholders approved its Stock Option Plan. Under the plan, Common Shares equal to 10% of the aggregate number of Common Shares issued and outstanding from time to time, may be reserved for issue upon the exercise of options granted.

Movements in stock options for the year ended June 30, 2010 were as follows:

	No. of Options	Exercise Price ($)	Grant Date Fair Value ($)	Fair Value ($)
Outstanding at June 30, 2009	-			-
Option grants on October 2, 2009 (1)	950,000	0.20	0.0988	93,889
Option grants on December 10, 2009 (2) (3)	800,000	0.20	0.0986	78,918
Outstanding, June 30, 2010	**1,750,000**			**$172,807**

Details of options outstanding at June 30, 2010 are as follows:

No. of Options Outstanding	Exercise Price ($)	Wt. Ave. Exer. Price ($) (Options O/S)	No. of Options Exercisable	Exercise Price ($)	Wt. Ave. Exer. Price ($) (Options Exercisable)	Life Remaining (Years)	Wt. Ave. Life Remaining (Years)	Expiry Date
950,000	0.20	0.10857	950,000	0.20	0.10857	4.26	2.31	October 2, 2014
800,000	0.20	0.09143	800,000	0.20	0.09143	4.45	2.04	December 10, 2014
1,750,000		**0.20**	**1,750,000**	**0.20**	**0.20**		**4.35**	

(1) On October 2, 2009 the Corporation granted 950,000 stock options to officers and directors of the Corporation, exercisable for one common share at a price of $0.20 per share for a period of 5 years. The options were set to vest immediately. A Black-Scholes valuation model was used to estimate the grant-date fair value of the options. The following valuation assumptions were used:

Expected dividend yield	0%
Expected volatility	60.57%
Risk free rate of return	2.50%
Expected term	5 years
Fair value per option	$0.0988

(2) On December 10, 2009 the Corporation granted 800,000 stock options to an officer of the Corporation, exercisable for one common share at a price of $0.20 per share for a period of 5 years. The options were set to vest immediately. A Black-Scholes valuation model was used to estimate the grant-date fair value of the options, The following valuation assumptions were used:

Expected dividend yield	0%
Expected volatility	60.41%
Risk free rate of return	2.51%
Expected term	5 years
Fair value per warrant	$0.0986

(3) See Note 17 – Subsequent Events

12. LOSS PER SHARE

The following table sets forth the computation of basic loss per share:

	Year ended June 30, 2010	**Year ended June 30, 2009**
Loss for the period	$814,227	$193,723
Weighted average number of common shares	16,418,972	12,190,556
Loss per common share	**$0.05**	**$0.02**

The loss per share is unchanged on a fully diluted basis, as the Corporation is in a loss position. The effect of including potentially dilutive securities in the computation would be anti-dilutive.

13. SUPPLEMENTAL CASH FLOW DISCLOSURE

Investing and financing activities that do not have a direct impact on current cash flows are excluded from the statement of cash flows. During the year ended June 30 2010, significant transactions of this nature were:

- Mineral interests and deferred exploration expenses of $239,705, relating to the High Falls property, were written off (See Note 8(1));
- 5,443,529 (founders) shares valued at $259,656 were cancelled (See Note 10(2)); and
- Stock options valued at $172,807 were issued to directors and officers of the Corporation (See Note 11).

As at June 30, 2010, all $910,461 of the Corporation’s cash and cash equivalents were held in current accounts or cashable short-term guaranteed investment certificates.

14. INCOME TAXES

The Corporation's effective income tax rate differs from the amount that would be computed by applying the federal and provincial statutory rate of 33% (2009 – 33%) to the loss for the year. The reasons for the difference are as follows:

	June 30, 2010	June 30, 2009
Statutory tax rate	33%	33%
Expected income tax recovery	$ (282,851)	$ (63,928)
Stock-based compensation	57,026	-
Amortization	2,139	675
Write down in mineral properties	79,102	-
Share issue costs	(17,239)	(410)
Non deductible expenses	118,923	63,663
Future income tax recovery	$ (42,900) [(1)]	$ -

(1) On January 20, 2010, the Corporation renounced $130,000 of qualifying Canadian Exploration Expenditures (CEE) to the holders of 866,667 flow-through shares. The shares had been issued in a private placement on May 28, 2009. Expenditures from the proceeds of the issue were made at the Corporation's High Falls property. The tax value of these renunciations has been recorded as a future tax liability and charged against share capital. During the year ended June 30, 2010, future tax assets of $42,900 have been recognized and the corresponding income tax recoveries recorded. The total amount of future tax assets ($42,900) recognized during the year has been offset against the $42,900 of future tax liabilities resulting from the renunciation of CEE from the proceeds of flow through shares.

Significant components of the Corporation's future income tax assets are as follows:

	2010	2009
Future income tax assets:		
Non-capital loss carry forwards	$ 136,844	$ 23,855
Share issue costs and other	68,712	1,640
Resource deductions	56,034	-
	261,590	25,495
Valuation allowance	261,590	25,495
Net future income tax assets	$ -	$ -

The timing of the utilization of the future tax assets is undeterminable. Consequently, a full valuation allowance has been provided against the future value of these assets.

The Corporation has non-capital losses available for deduction against future taxable income of approximately $414,678 (2009 -$72,289). These losses, if not utilized, will expire as follows:

2029	72,289
2030	342,389
	$ 414,678

The Corporation has Canadian and Foreign exploration expenditures and Canadian development expenditures available to reduce future years' taxable income, in the amount of $169,799.

15. RELATED PARTY TRANSACTIONS

The Corporation had the following related party transactions during the years ended June 30, 2010 and 2009:

1. A law firm, in which a shareholder is a partner, invoiced the Corporation $105,418 for legal services during the year ended June 30, 2010 (2009: $22,598). The majority of these billings were in connection with the Corporation's initial public offering. The law firm charges the Corporation the same rates it charges its other clients.

2. The President and CEO of the Corporation provided professional (geological) exploration and management services to the Corporation during the year ended June 30, 2010. A total amount of $123,401 was billed to the Corporation for these services through a private company owned by the CEO of Northquest (2009: $9,564). The CEO provides services to the Corporation on a *per diem* basis, as explained in the Compensation Discussion and Analysis section of the Corporation's prospectus dated December 15, 2009. This document is available on SEDAR at www.sedar.com.

3. A firm owned by the CFO of the Corporation billed the Corporation $88,876 during the year ended June 30, 2010. These billings were in respect of accounting and CFO-related services provided to the Corporation in preparation for, and subsequent to, its initial public offering (2009: Nil). The CFO provides services to the Corporation on a *per diem* basis, as explained in the Compensation Discussion and Analysis section of the Corporation's prospectus dated December 15, 2009. This document is available on SEDAR at www.sedar.com.

16. SEGMENT INFORMATION

During the year ended June 30, 2010, the Corporation carried out activities in both Canada and Mali. The results of operations in each location accounted for more than 10% of the consolidated net loss for the year then ended, as reported in the Consolidated Statement of Loss, Comprehensive Loss and Deficit. The accounting policies used by these segments are the same as those described in the Summary of Significant Accounting Policies (Note 3).

Segment information is presented below for the years ended June 30, 2010 and 2009.

June 30, 2010	**Canada**	**Mali**	**Consolidated**
Salaries and benefits	$ 172,807	$ 11,067	$ 183,874
Other operating costs	351,567	59,655	411,222
Foreign exchange (gains) losses	-	15,843	15,843
Amortization	299	6,184	6,483
Write-off of mineral interests	239,705	-	239,705
Income tax recoveries	(42,900)	-	(42,900)
TOTAL EXPENSES	$ 721,478	$ 92,749	$ 814,227
Mineral properties and deferred exploration expenditures	$ -	$ 57,304	$ 57,304
Other identifiable assets	953,426	34,821	988,247
Capital assets	674	39,654	40,328
TOTAL ASSETS	$ 954,100	$ 131,779	$ 1,085,879

June 30, 2009	**Canada**	**Mali**	**Consolidated**
Salaries and benefits	$ 2,256	$ 56,500	$ 58,756
Other operating costs	68,789	59,273	128,062
Foreign exchange (gains) losses	Nil	4,857	4,857
Amortization	225	1,823	2,048
TOTAL EXPENSES	$ 71,270	$ 122,453	$ 193,723
Mineral properties and deferred exploration expenditures	$ 73,409	$ 7,967	$ 81,376
Other identifiable assets	393,414	13,907	407,321
Capital assets	973	8,801	9,774
TOTAL ASSETS	$ 467,796	$ 30,675	$ 498,471

17. SUBSEQUENT EVENTS

Mineral Properties

- Subsequent to the year end, the Corporation received a 90-day permit under the Mining Act of Mali to conduct due diligence sampling at the Silimana Property, and file a preliminary report with the National Directorate of Geology and Mines, with a view to obtaining a full exploration license. The permit covers 110 km^2 in southern Mali.

- Subsequent to year end, the Corporation signed an option agreement to obtain a 100% interest, subject to a 3% NSR, in the Kara Gold Banmba Project. This project covers 118 km^2 in southern Mali.

- Subsequent to year end, the Corporation signed an option agreement to obtain a 100% interest, subject to a 3% NSR, in the Dar Salam Project. This project covers 150 km^2 in western Mali.

Stock Option Plan

- On September 7, 2010, 137,344 stock options issued to an executive in December 2009, were cancelled.

- On September 7, 2010, 50,000 stock options were issued to an employee under the Stock Option Plan, at an exercise price of $0.46. 50% of the options were set to vest on the date of issue, with the balance 50% vesting one year following the date of issue.