



NORTHQUEST LTD.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

THREE AND SIX MONTHS ENDED DECEMBER 31, 2014

(UNAUDITED)

(EXPRESSED IN CANADIAN DOLLARS UNLESS OTHERWISE NOTED)

Notice To Reader

The accompanying unaudited condensed interim consolidated financial statements of Northquest Ltd. (the "Corporation") have been prepared by and are the responsibility of management. The unaudited condensed interim consolidated financial statements have not been reviewed by the Corporation's auditors.

NORTHQUEST LTD.

Condensed Interim Consolidated Statements of Financial Position

(Expressed in Canadian Dollars unless otherwise noted)

(Unaudited)

	As at December 31, 2014	As at June 30, 2014
ASSETS		
Current assets		
Cash and cash equivalents	\$ 526,961	\$ 672,565
Other receivables and prepaid expenses (note 4)	224,902	59,084
Total current assets	751,863	731,649
Property and equipment (note 5)	80,961	71,314
Total assets	\$ 832,824	\$ 802,963

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities		
Accounts payable and other liabilities (note 6)	\$ 252,307	\$ 382,493
Total liabilities	252,307	382,493
Shareholders' equity (unaudited condensed interim consolidated statements of changes in shareholders' equity)		
	580,517	420,470
Total liabilities and shareholders' equity	\$ 832,824	\$ 802,963

Nature of operations (note 1)

Going concern (note 2)

Commitments (note 12)

Subsequent events (note 14)

The notes to the unaudited condensed interim consolidated financial statements are an integral part of these financial statements.

Approved on behalf of the Board of Directors:

/s/ Jon North

Jon North
Director

/s/ Eric Klein

Eric Klein
Director



NORTHQUEST LTD.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian Dollars unless otherwise noted)

(Unaudited)

	Three months ended December 31,		Six months ended December 31,	
	2014	2013	2014	2013
Operating expenses				
Exploration and evaluation expenditures (note 7)	\$ 498,974	\$ 431,182	\$ 2,603,343	\$ 2,222,172
General and administrative (note 11)	152,850	285,918	365,958	384,219
Operating loss before the following items	(651,824)	(717,100)	(2,969,301)	(2,606,391)
Interest income	37	523	2,182	4,744
Loss and comprehensive loss	\$ (651,787)	\$ (716,577)	\$ (2,967,119)	\$ (2,601,647)
Basic and diluted loss per share (note 9)	\$ (0.01)	\$ (0.02)	\$ (0.05)	\$ (0.07)
Weighted average number of common shares	60,467,100	40,095,864	57,864,361	39,835,260

The notes to the unaudited condensed interim consolidated financial statements are an integral part of these financial statements.



NORTHQUEST LTD.

Condensed Interim Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars unless otherwise noted)

(Unaudited)

Six months ended December 31,	2014	2013
Cash provided by (used in)		
OPERATING ACTIVITIES		
Loss	\$ (2,967,119)	\$ (2,601,647)
Items not involving cash:		
Share-based compensation (note 8(b))	56,846	164,394
Depreciation (note 5)	10,151	11,886
Property payment (note 7(i))	-	250,000
Non-cash working capital items:		
Other receivables and prepaid expenses	(165,818)	(73,878)
Accounts payable and other liabilities	(130,186)	233,897
	(3,196,126)	(2,015,348)
INVESTING ACTIVITY		
Acquisition of property and equipment (note 5)	(19,798)	-
	(19,798)	-
FINANCING ACTIVITIES		
Proceeds from private placements (note 8(a))	3,200,000	361,300
Cost of issue (note 8(a))	(129,680)	-
	3,070,320	361,300
Change in cash and cash equivalents	(145,604)	(1,654,048)
Cash and cash equivalents, beginning of period	672,565	2,193,391
Cash and cash equivalents, end of period	\$ 526,961	\$ 539,343

The notes to the unaudited condensed interim consolidated financial statements are an integral part of these financial statements.



NORTHQUEST LTD.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity

(Expressed in Canadian Dollars unless otherwise noted)

(Unaudited)

	Common shares		Reserves		Contributed surplus (\$)	Deficit (\$)	Shareholders' equity (\$)
	(#)	(\$)	Warrants (#)	Warrants (\$)			
Balance at June 30, 2013	38,899,406	11,000,557	17,961,242	2,569,728	735,457	(12,047,155)	2,258,587
Private placement (note 8(a))	3,570,909	270,242	1,785,454	91,058	-	-	361,300
Cost of issue - cash (note 8(a))	-	(4,377)	-	(1,103)	-	-	(5,480)
Premium on flow-through shares (note 8(a))	-	(4,209)	-	-	-	-	(4,209)
Property payment (note 7(i))	883,392	250,000	-	-	-	-	250,000
Modification of warrants (note 8(c))	-	(9,420)	-	9,420	-	-	-
Share-based compensation	-	-	-	-	164,394	-	164,394
Loss for the period	-	-	-	-	-	(2,601,647)	(2,601,647)
Balance at December 31, 2013	43,353,707	11,502,793	19,746,696	2,669,103	899,851	(14,648,802)	422,945
Balance at June 30, 2014	46,631,484	11,847,076	15,975,844	1,369,734	997,588	(13,793,928)	420,470
Private placements (note 8(a))	20,000,000	2,700,000	5,000,000	500,000	-	-	3,200,000
Cost of issue - cash (note 8(a))	-	(121,484)	-	(8,196)	-	-	(129,680)
Cost of issue - broker warrants (note 8(a))	-	(25,983)	484,750	25,983	-	-	-
Modification of warrants (note 8(c))	-	(6,688)	-	6,688	-	-	-
Expiry of warrants	-	-	(8,945,881)	(597,948)	-	597,948	-
Expiry of options	-	-	-	-	(124,618)	124,618	-
Share-based compensation	-	-	-	-	56,846	-	56,846
Loss for the period	-	-	-	-	-	(2,967,119)	(2,967,119)
Balance at December 31, 2014	66,631,484	14,392,921	12,514,713	1,296,261	929,816	(16,038,481)	580,517

The notes to the unaudited condensed interim consolidated financial statements are an integral part of these financial statements.



NORTHQUEST LTD.

Notes to Condensed Interim Consolidated Financial Statements

December 31, 2014

(Expressed in Canadian Dollars unless otherwise noted)

(Unaudited)

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. Northquest was formed to conduct exploration for gold and other metals and has not determined whether its property contains economically recoverable reserves. The primary office of the Corporation is located at 50 Richmond Street East, Suite 101, Toronto, Ontario (Canada), M5C 1N7.

2. GOING CONCERN

Northquest is at an early stage of development and as is common with many exploration companies, it raises financing for its exploration activities. The Corporation had working capital of \$499,556 at December 31, 2014 (June 30, 2014 – \$349,156) and reported a loss of \$2,967,119 (six months ended December 31, 2013 - \$2,601,647) and use of cash in operating activities of \$3,196,126 (six months ended December 31, 2013 - \$2,015,348) for the six months ended December 31, 2014. Management is actively pursuing funding options, being financing and alternative funding options, required to meet the Corporation's requirements on an ongoing basis. During the six months ended December 31, 2014, the financial market climate has been very difficult for small companies, such as Northquest.

The ability of the Corporation to continue as a going concern is dependent on the successful completion of the actions taken or planned. In order to meet future expenditures and cover administrative costs, the Corporation will need to raise additional financing. Although the Corporation has been successful in raising funds to date, there can be no assurance that adequate funding will be available in the future, or available under terms favourable to the Corporation. These circumstances indicate the existence of a material uncertainty which may cast significant doubt as to the ability of the Corporation to meet its business plan and obligations as they come due, and accordingly, the appropriateness of the use of the accounting principles applied to a going concern.

These unaudited condensed interim consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption was not appropriate. If the going concern basis was not appropriate for these unaudited condensed interim consolidated financial statements, then adjustments would be necessary in the carrying value of assets and liabilities, the reported revenues and expenses, and the unaudited condensed interim consolidated statement of financial position classifications used. These adjustments could be material.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The Corporation applies International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the IFRS Interpretations Committee ("IFRIC"). These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by the IASB and interpretations issued by the IFRIC.

The policies applied in these unaudited condensed interim consolidated financial statements are based on IFRSs issued and outstanding as of February 20, 2015, the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these unaudited condensed interim consolidated financial statements as compared with the most recent annual consolidated financial statements as at and for the year ended June 30, 2014, except as noted below. Any subsequent changes to IFRS that are given effect in the Corporation's annual consolidated financial statements for the year ending June 30, 2015 could result in restatement of these unaudited condensed interim consolidated financial statements.



NORTHQUEST LTD.

Notes to Condensed Interim Consolidated Financial Statements

December 31, 2014

(Expressed in Canadian Dollars unless otherwise noted)

(Unaudited)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Change in accounting policies

IAS 32 - Financial Instruments, Presentation ("IAS 32") is effective for annual periods beginning on or after January 1, 2014. IAS 32 was amended to clarify that the right of offset must be available on the current date and cannot be contingent on a future date. As at July 1, 2014, the Corporation adopted this pronouncement and there was no material impact on the Corporation's unaudited condensed interim consolidated financial statements.

Recent accounting pronouncements

IFRS 9 – Financial Instruments ("IFRS 9") was issued by the IASB in October 2010 and will replace IAS 39 - Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. The standard will be effective for annual periods beginning on or after January 1, 2018. The Corporation is currently assessing the impact of this pronouncement.

4. OTHER RECEIVABLES AND PREPAID EXPENSES

	As at December 31, 2014	As at June 30, 2014
Sales tax receivable	\$ 198,036	\$ 29,047
Prepaid expenses and accrued interest	26,866	30,037
	\$ 224,902	\$ 59,084

5. PROPERTY AND EQUIPMENT

Cost	Office Equipment	Vehicles	Total
Balance, June 30, 2014	\$ 26,361	\$ 76,796	\$ 103,157
Additions	-	19,798	19,798
Balance, December 31, 2014	\$ 26,361	\$ 96,594	\$ 122,955

Accumulated Depreciation	Office Equipment	Vehicles	Total
Balance, June 30, 2014	\$ 9,044	\$ 22,799	\$ 31,843
Depreciation	2,164	7,987	10,151
Balance, December 31, 2014	\$ 11,208	\$ 30,786	\$ 41,994

Carrying Value	Office Equipment	Vehicles	Total
Balance, June 30, 2014	\$ 17,317	\$ 53,997	\$ 71,314
Balance, December 31, 2014	\$ 15,153	\$ 65,808	\$ 80,961



NORTHQUEST LTD.

NORTHQUEST LTD.

Notes to Condensed Interim Consolidated Financial Statements

December 31, 2014

(Expressed in Canadian Dollars unless otherwise noted)

(Unaudited)

6. ACCOUNTS PAYABLE AND OTHER LIABILITIES

	As at December 31, 2014	As at June 30, 2014
Accounts payable	\$ 44,974	\$ 142,410
Government remittances payable	-	4,060
Accrued liabilities	207,333	236,023
	\$ 252,307	\$ 382,493

The following is an aged analysis of the accounts payable and other liabilities:

	As at December 31, 2014	As at June 30, 2014
Less than one month	\$ 56,515	\$ 352,861
1 to 3 months	4,979	10,036
Greater than 3 months	190,813	19,596
	\$ 252,307	\$ 382,493

7. EXPLORATION AND EVALUATION EXPENDITURES

	Three months ended December 31,		Six months ended December 31,	
	2014	2013	2014	2013
Pistol Bay, Nunavut (i)	\$ 498,974	\$ 431,182	\$ 2,603,343	\$ 2,222,172

(i) On July 24, 2013, the Corporation issued an aggregate of 883,392 common shares (valued at \$250,000) in full satisfaction of the first anniversary payment due in respect to the supplemental option to acquire a 100% interest in four additional claims, pursuant to its option agreement dated December 2, 2010, as amended, in respect of the Pistol Bay Project, Nunavut.

During the six months ended December 31, 2014, the Corporation paid \$500,000 to the vendor pursuant to the option agreement.



NORTHQUEST LTD.

Notes to Condensed Interim Consolidated Financial Statements

December 31, 2014

(Expressed in Canadian Dollars unless otherwise noted)

(Unaudited)

8. SHARE CAPITAL

(a) Authorized common shares

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

Six months ended December 31, 2014

On July 14, 2014, the Corporation closed a non-brokered private placement pursuant to which Northquest issued an aggregate of 10,000,000 units (the "Unit") to Nord Gold N.V. ("Nordgold") at a price of \$0.20 per Unit to raise aggregate gross proceeds of \$2,000,000. Each Unit consists of one common share of Northquest and one-half of one common share purchase warrant (each whole such warrant, a "Warrant"). Each Warrant entitles the holder thereof to acquire one additional common share at an exercise price of \$0.27 per common share for a period of 24 months, provided that if, at any time after November 15, 2014, the volume weighted average price of the common share on the principal stock exchange upon which the common shares of Northquest are listed is equal to or exceeds \$0.50 for 20 consecutive trading days, Northquest may accelerate the expiry date of the Warrants, in which event the Warrants will expire upon the date which is 30 days following the dissemination of a press release by Northquest announcing the accelerated expiry date.

A value of \$500,000 was estimated for the 5,000,000 Warrants on the date of issuance using a relative fair value method based on the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 144% using the historical price history of the Corporation; risk-free interest rate of 1.09%; and an expected average life of 2 years.

Total share issue costs of \$32,783 were charged, of which \$24,587 was allocated to share capital and \$8,196 was allocated to warrants.

On November 26, 2014, the Corporation closed a non-brokered private placement pursuant to which Northquest issued an aggregate of 10,000,000 common shares at a price of \$0.12 per common share to raise aggregate gross proceeds of \$1,200,000 and issued an aggregate of 484,750 broker warrants, each such broker warrant being exercisable to acquire one common share of Northquest at a price of \$0.16 per common share, for a period of two years. Nordgold purchased an aggregate of 3,075,000 shares in this private placement for proceeds of \$369,000.

A value of \$25,983 was estimated for the 484,750 broker warrants on the date of issuance using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 143% using the historical price history of the Corporation; risk-free interest rate of 1.02%; and an expected average life of 2 years.

Total share issue costs of \$96,897 were charged, which was allocated to share capital.

All securities issued pursuant to the private placement are subject to a statutory hold period expiring on March 27, 2015.



NORTHQUEST LTD.

Notes to Condensed Interim Consolidated Financial Statements

December 31, 2014

(Expressed in Canadian Dollars unless otherwise noted)

(Unaudited)

8. SHARE CAPITAL (Continued)

(a) Authorized common shares (continued)

Six months ended December 31, 2013

On December 23, 2013, Northquest closed a non-brokered private placement (the "Financing") pursuant to which Northquest issued (i) 3,150,000 units ("Securities") at a price of \$0.10 per Security; and (ii) 420,909 flow-through units ("FT Securities") at a price of \$0.11 per FT Security to raise aggregate gross proceeds of \$361,300. Each Security consists of one common share of Northquest and one-half of one share purchase warrant (each whole such share purchase warrant, a "Warrant Security"). Each FT Security consists of one flow through common share of Northquest and one-half of one Warrant Security. Each Warrant Security entitles the holder thereof to acquire one additional common share of Northquest (which shall not be a flow through share) at an exercise price of \$0.15 per share for a period of 24 months, provided that if, at any time after the date which is four months and one day following the applicable closing date, the closing price of the common shares of Northquest on the principal market on which such shares trade is equal to or exceeds \$0.35 for 20 consecutive trading days, Northquest may accelerate the expiry date of the Warrant Security, in which event the Warrant Security will expire upon the date (the "Accelerated Expiry Date") which is 30 days following the dissemination of a press release by Northquest announcing the Accelerated Expiry Date. Insiders of Northquest purchased 90,909 FT Securities and 150,000 Securities in the Financing.

A value of \$91,058 was estimated for the 1,785,454 Warrant Securities on the date of issuance using a relative fair value method based on the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 134% using the historical price history of the Corporation; risk-free interest rate of 1.09%; and an expected average life of 2 years.

Total share issue costs of \$5,480 were accrued, of which \$4,377 was allocated to share capital and \$1,103 was allocated to warrants.

The FT Securities were issued at a premium to the market price in recognition of the tax benefits accruing to subscribers, which was calculated to be \$4,209 and recorded as deferred premium on flow-through shares.

(b) Share purchase option plan

The continuity of share purchase options is as follows:

	Number of Options	Weighted Average Exercise Price
Balance, June 30, 2013	1,807,656	\$ 0.37
Granted ⁽¹⁾	1,330,000	0.30
Balance, December 31, 2013	3,137,656	\$ 0.34
Balance, June 30, 2014	4,087,656	\$ 0.29
Expired	(1,262,656)	0.20
Balance, December 31, 2014	2,825,000	\$ 0.33



NORTHQUEST LTD.

Notes to Condensed Interim Consolidated Financial Statements

December 31, 2014

(Expressed in Canadian Dollars unless otherwise noted)

(Unaudited)

8. SHARE CAPITAL (Continued)

(b) Share purchase option plan (continued)

As at December 31, 2014, the Corporation had the following stock options outstanding:

Expiry Date	Exercise Price	Options Granted	Options Exercisable	Average Remaining Contractual Life (in years)
December 9, 2015	\$0.90	62,500	62,500	0.94
January 10, 2016	\$0.71	87,500	87,500	1.03
February 4, 2016	\$0.70	200,000	200,000	1.10
May 31, 2016	\$0.92	145,000	145,000	1.42
October 7, 2018	\$0.30	1,330,000	1,035,000	3.77
March 25, 2019	\$0.135	1,000,000	500,000	4.23
		2,825,000	2,030,000	3.48

The portion of the estimated fair value of options granted in the prior years and vested during the three and six months ended December 31, 2014, amounted to \$21,725 and \$56,846, respectively (three and six months ended December 31, 2013 - \$164,394).

(1) On October 7, 2013, Northquest granted an aggregate of 1,330,000 stock options to officers, directors and other service providers of Northquest, with each such stock option entitling the holder thereof to acquire one common share of Northquest at an exercise price of \$0.30 for a period of five years. An aggregate of 445,000 of such stock options vest immediately, with the remaining 885,000 stock options vesting as to one-third immediately, one-third on the first anniversary of the date of grant and one-third on the second anniversary of the date of grant. The estimated fair value of the 1,330,000 options has been estimated at the grant date using the Black-Scholes option pricing model, with the following assumptions: a risk free interest rate of 1.71%; an expected volatility of 112% using the historical price history of the Corporation; an expected dividend yield of 0%; and an expected life of 5 years. The weighted average grant date estimated fair value of the options was \$0.195 per option. The total estimated fair value was determined to be \$259,350.

(c) Warrants

The continuity of warrants is as follows:

	Number of Warrants	Weighted Average Exercise Price	Estimated Grant Date Fair Value
Balance, June 30, 2013	17,691,242	\$ 0.77	\$ 2,569,728
Granted (note 8(a))	1,785,454	0.15	91,058
Modification ⁽ⁱ⁾	-	-	9,420
Cost of issue (note 8(a))	-	-	(1,103)
Balance, December 31, 2013	19,476,696	\$ 0.73	\$ 2,669,103
Balance, June 30, 2014	15,975,844	\$ 0.73	\$ 1,369,734
Granted (note 8(a))	5,484,750	0.26	525,983
Modification ⁽ⁱⁱ⁾	-	-	6,688
Cost of issue (note 8(a))	-	-	(8,196)
Expired	(8,945,881)	0.70	(597,948)
Balance, December 31, 2014	12,514,713	\$ 0.35	\$ 1,296,261



NORTHQUEST LTD.

NORTHQUEST LTD.

Notes to Condensed Interim Consolidated Financial Statements

December 31, 2014

(Expressed in Canadian Dollars unless otherwise noted)

(Unaudited)

8. SHARE CAPITAL (Continued)

(c) Warrants (continued)

(i) On November 28, 2013, the Corporation announced that it made an application to the TSX Venture Exchange ("TSXV") to further extend the term of its 2010-I Warrants (as defined below) and FT Warrants (as defined below) to December 22, 2014 ("Second Warrant Amendments").

An aggregate of 1,044,999 Series 2010-I Warrants were originally issued on December 22, 2010 and were exercisable at \$1.00 per share until 5:00 p.m. (Toronto time) on December 22, 2012 ("2010-I Warrants") and an aggregate of 1,052,631 flow-through warrants were originally issued in December 22, 2010 and were exercisable at \$2.25 per share until 5:00 p.m. (Toronto time) on December 22, 2012 ("FT Warrants"). The exercise price of the 2010-I Warrants and FT Warrants remained the same. The Second Warrant Amendments have been approved by the Board of Directors of Northquest.

The extension increased the fair value of the warrants by \$9,420 as estimated by using the Black-Scholes option pricing model with the following assumptions: dividend yield of 0%; expected volatility of 132% using the historical price history of the Corporation; risk-free interest rate of 1.07%; and an expected average life of approximately 1 year.

(ii) On December 5, 2014, the Corporation announced that it made an application to the TSXV to further extend the term of its 2010-I Warrants (as defined above) to December 22, 2015 ("Third Warrant Amendments"). The exercise price of the 2010-I Warrants will remain the same. The Third Warrant Amendments have been approved by the Board of Directors of Northquest.

The extension increased the fair value of the warrants by \$6,688 as estimated by using the Black-Scholes option pricing model with the following assumptions: dividend yield of 0%; expected volatility of 150% using the historical price history of the Corporation; risk-free interest rate of 1.01%; and an expected average life of approximately 1 year.

As at December 31, 2014, the Corporation had the following warrants outstanding:

Expiry Date	Exercise Price	Number of Warrants
July 25, 2015	\$0.50	1,380,624
July 25, 2015	\$0.50	1,180,000
December 22, 2015	\$1.00	1,044,996
December 23, 2015	\$0.15	1,785,454
June 12, 2016	\$0.24	1,388,889
June 17, 2016	\$0.24	250,000
July 14, 2016	\$0.27	5,000,000
November 26, 2016	\$0.16	484,750
		12,514,713

9. NET LOSS PER COMMON SHARE

The calculation of basic and diluted loss per share for the three and six months ended December 31, 2014 was based on the loss attributable to common shareholders of \$651,787 and \$2,967,119, respectively (three and six months ended December 31, 2013 - \$716,577 and \$2,601,647, respectively) and the weighted average number of common shares outstanding of 60,467,100 and 57,864,361, respectively (three and six months ended December 31, 2013 - 40,095,864 and 39,835,260, respectively). Diluted loss per share did not include the effect of stock options and warrants as they are anti-dilutive.



NORTHQUEST LTD.

Notes to Condensed Interim Consolidated Financial Statements December 31, 2014

(Expressed in Canadian Dollars unless otherwise noted)
(Unaudited)

10. RELATED PARTY TRANSACTIONS

Related parties include the Board of Directors, close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions.

The below noted transactions are in the normal course of business and are measured at fair value, the amount as agreed to by the parties, and approved by the Board of Directors in strict adherence to conflict of interest laws and regulations.

(a) Northquest entered into the following transactions with related parties:

		Three months ended December 31,		Six months ended December 31,	
		2014	2013	2014	2013
Marrelli Support Services Inc. ("Marrelli Support")	(i)	\$ 10,670	\$ 17,885	\$ 27,466	\$ 28,649
DSA Corporate Services Inc. ("DSA")	(ii)	\$ 2,967	\$ 3,150	\$ 8,602	\$ 9,348
Dwayne Car	(iii)	\$ 30,044	\$ 44,745	\$ 73,126	\$ 92,550

(i) During the three and six months ended December 31, 2014, the Corporation paid professional fees of \$10,670 and \$27,466, respectively (three and six months ended December 31, 2013 - \$17,885 and \$28,649, respectively) to Marrelli Support, an organization of which Carmelo Marrelli is president. Mr. Marrelli is the Chief Financial Officer of the Corporation. These services were incurred in the normal course of operations for general accounting and financial reporting matters. Marrelli Support also provides bookkeeping services to the Corporation. All services were made on terms equivalent to those that prevail with arm's length transactions. As at December 31, 2014, Marrelli Support was owed \$2,312 (June 30, 2014 - \$2,318) and this amount was included in accounts payable and other liabilities.

(ii) During the three and six months ended December 31, 2014, the Corporation paid professional fees of \$2,967 and \$8,602, respectively (three and six months ended December 31, 2013 - \$3,150 and \$9,348, respectively) to DSA, an organization of which Mr. Marrelli controls. Mr. Marrelli is also the corporate secretary and sole director of DSA. These services were incurred in the normal course of operations for corporate secretarial matters. All services were made on terms equivalent to those that prevail with arm's length transactions. As at December 31, 2014, DSA was owed \$1,030 (June 30, 2014 - \$1,088) and this amount was included in accounts payable and other liabilities.

(iii) Dwayne Car, as Vice President of Exploration, provided geological consulting services for the Pistol Bay Project. The amounts charged by Dwayne Car are conducted on normal market terms and are recorded at fair value. As at December 31, 2014, Dwayne Car was owed \$15,000 (June 30, 2014 - \$15,000) and this amount was included in accounts payable and other liabilities.

(iv) Refer to note 8(a).

(v) As of December 31, 2014, 15,852,777 common shares are held by Nordgold (23.79% of shares outstanding). The remaining 76.21% of the common shares are widely held, except for small positions held by directors and officers of the Corporation. These holdings can change at any time at the discretion of the owner.



NORTHQUEST LTD.

Notes to Condensed Interim Consolidated Financial Statements December 31, 2014

(Expressed in Canadian Dollars unless otherwise noted)

(Unaudited)

10. RELATED PARTY TRANSACTIONS (Continued)

(b) Remuneration of directors and key management personnel, other than consulting fees, of the Corporation was as follows:

	Three months ended December 31,		Six months ended December 31,	
	2014	2013	2014	2013
Salaries and benefits	\$ 50,000	\$ 50,000	\$ 120,750	\$ 100,000
Share-based compensation	21,631	163,517	56,506	163,517
	\$ 71,631	\$ 213,517	\$ 177,256	\$ 263,517

The Board of Directors and certain officers do not have employment or service contracts with the Corporation. Directors are entitled to director fees and stock options for their services and officers are entitled to stock options and cash remuneration for their services. As of December 31, 2014, the Chief Executive Officer of the Corporation was owed \$178,333 (June 30, 2014 - \$178,333).

11. GENERAL AND ADMINISTRATIVE

	Three months ended December 31,		Six months ended December 31,	
	2014	2013	2014	2013
Share-based compensation (note 8(b))	\$ 21,725	\$ 164,394	\$ 56,846	\$ 164,394
Property research and area selection	-	-	15,000	-
Audit and related fees	7,000	5,000	21,750	12,750
General and office - Canada	119,050	110,581	262,211	195,189
Depreciation	5,075	5,943	10,151	11,886
	\$ 152,850	\$ 285,918	\$ 365,958	\$ 384,219

12. COMMITMENTS

Pursuant to the terms of a lease agreement, the Corporation is committed to paying monthly lease payments until October 31, 2015 with a minimum annual amount of \$65,828.

13. SEGMENTED INFORMATION

The chief operating decision-maker has been identified as the Corporation's directors. The Corporation's principal activity is acquisition, exploration and evaluation of mineral properties. The directors regard it as the single business segment and no segment information is presented. The Corporation did not derive any revenue from its principal activity during the periods.

The geographical locations of all of the Corporation's assets are based on the physical locations of these assets. All of the Corporation's assets are located in Canada (domicile) and no geographical segment information is presented.



NORTHQUEST LTD.

Notes to Condensed Interim Consolidated Financial Statements

December 31, 2014

(Expressed in Canadian Dollars unless otherwise noted)

(Unaudited)

14. SUBSEQUENT EVENTS

(i) On February 3, 2015, the Corporation announced that it had granted an aggregate of 2,277,656 stock options to officers, directors and an employee of the Corporation, each such stock option entitling the holder thereof to acquire one common share of Northquest at an exercise price of \$0.20 and expiring on February 2, 2020. An aggregate of 1,262,656 of such stock options vest immediately, with the remaining 1,015,000 stock options vesting as to one-third immediately, one-third on the first anniversary of the date of grant and one-third on the second anniversary of the date of grant.

(ii) On February 23, 2015, the Corporation granted an aggregate of 200,000 stock options to service providers of the Corporation, each such stock option entitling the holder thereof to acquire one common share of Northquest at an exercise price of \$0.20 and expiring on February 23, 2020. The 200,000 stock options vest as follows: one-third immediately, one-third on the first anniversary of the date of grant and one-third on the second anniversary of the date of grant.



NORTHQUEST LTD.