NORTHQUEST LTD.

(AN EXPLORATION STAGE CORPORATION)

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

THREE AND SIX MONTHS ENDED DECEMBER 31, 2010

(UNAUDITED)

(EXPRESSED IN CANADIAN DOLLARS UNLESS OTHERWISE NOTED)

Notice to Reader

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim consolidated financial statements of the Corporation have been prepared by and are the responsibility of the Corporation's management.

The Corporation's independent auditor has not performed a review of these unaudited interim consolidated financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

NORTHQUEST LTD.
Consolidated Balance Sheets
(an exploration stage corporation)
(Expressed in Canadian Dollars unless otherwise noted)

	(Unaudited) As at December 31, 2010	As at June 30, 2010
ASSETS		
Current assets		
Cash and cash equivalents	**$ 3,640,873**	$ 910,461
Other receivables and prepaid expenses	**73,482**	77,786
	3,714,355	988,247
Capital assets (note 6)	**106,982**	40,328
Mineral properties and deferred exploration expenditures (note 7)	**225,147**	57,304
	$ 4,046,484	$ 1,085,879
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	**$ 133,113**	$ 50,268
Shareholders' equity (Consolidated statements of shareholders' equity)	**3,913,371**	1,035,611
	$ 4,046,484	$ 1,085,879

Nature of operations and going concern (notes 1 and 2)
Commitments (note 11)
Subsequent events (note 12)

The notes to the 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.

NORTHQUEST LTD.

Consolidated Statements of Loss, Comprehensive Loss and Deficit

(an exploration stage corporation)
(Unaudited)
(Expressed in Canadian Dollars unless otherwise noted)

	Three months ended December 31, 2010	Three months ended December 31, 2009	Six months ended December 31, 2010	Six months ended December 31, 2009	Cumulative since inception on May 26, 2008
Expenses					
Management fees	**$ 46,222**	$ 84,488	**$ 92,310**	$ 84,488	$ 260,686
Stock option compensation (note 8(b))	**26,369**	172,807	**32,977**	172,807	205,784
Property research and area selection	**26,708**	21,802	**36,011**	21,802	96,105
Audit and related fees	**10,450**	1,965	**15,325**	1,965	68,258
Legal	**18,779**	-	**19,324**	4,549	46,357
Foreign travel, accommodation and related costs	**10,616**	-	**14,417**	-	69,686
Technical services	**-**	-	**-**	22,071	26,673
General and office - Canada	**157,169**	6,913	**178,902**	10,143	256,296
General and office - Mali	**18,683**	6,313	**46,273**	12,729	199,673
Foreign exchange loss	**29**	2,063	**3,336**	2,466	24,036
Amortization	**12,409**	656	**15,154**	1,312	23,797
Write-off of mineral properties and deferred exploration	**-**	-	**-**	-	239,705
Loss before the undernoted	**(327,434)**	(297,007)	**(454,029)**	(334,332)	(1,517,056)
Interest income	**912**	-	**3,942**	-	3,942
Loss before future income tax recovery	**(326,522)**	(297,007)	**(450,087)**	(334,332)	(1,513,114)
Future income tax recovery	**-**	-	**-**	-	42,900
Loss and comprehensive loss	**(326,522)**	(297,007)	**(450,087)**	(334,332)	(1,470,214)
Deficit, beginning of period	**(1,143,692)**	(243,225)	**(1,020,127)**	(205,900)	-
Deficit, end of period	**$ (1,470,214)**	$ (540,232)	**$ (1,470,214)**	$ (540,232)	$ (1,470,214)
Basic and diluted loss per share	**$ (0.02)**	$ (0.02)	**$ (0.03)**	$ (0.02)	
Weighted average number of common shares	**17,668,055**	15,682,942	**17,459,463**	15,584,805	

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

NORTHQUEST LTD.

Consolidated Statements of Cash Flows

(an exploration stage corporation)
(Unaudited)
(Expressed in Canadian Dollars unless otherwise noted)

	Three months ended December 31, 2010	Three months ended December 31, 2009	Six months ended December 31, 2010	Six months ended December 31, 2009	Cumulative since inception on May 26, 2008
Cash provided by (used in)					
OPERATING ACTIVITIES					
Loss	**$ (326,522)**	$ (297,007)	**$ (450,087)**	$ (334,332)	$ (1,470,214)
Items not involving cash:					
Stock-based compensation (note 8(b))	**26,369**	172,807	**32,977**	172,807	205,784
Amortization	**12,409**	656	**15,154**	1,312	23,797
Write-off of mineral properties and deferred exploration	**-**	-	**-**	-	239,705
Future income tax recovery	**-**	-	**-**	-	(42,900)
	(287,744)	(123,544)	**(401,956)**	(160,213)	(1,043,828)
Changes in non-cash working capital items:					
Other receivables and prepaid expenses	**10,985**	(39,195)	**4,304**	(43,418)	(73,482)
Accounts payable and accrued liabilities	**74,270**	99,706	**82,845**	66,864	133,113
	(202,489)	(63,033)	**(314,807)**	(136,767)	(984,197)
INVESTING ACTIVITIES					
Addition to mineral property interests	**(125,300)**	(21,063)	**(167,843)**	(104,791)	(439,852)
Acquisition of capital assets	**(77,305)**	-	**(81,808)**	-	(130,779)
	(202,605)	(21,063)	**(249,651)**	(104,791)	(570,631)
FINANCING ACTIVITIES					
Proceeds from share issue - Mali	**-**	-	**-**	-	2,500
Proceeds from private placements - Canada	**3,294,870**	-	**3,294,870**	-	3,906,158
Proceeds from Initial Public Offering - Canada	**-**	1,187,043	**-**	1,187,043	1,187,043
Capital surplus	**-**	100,000	**-**	100,000	100,000
	3,294,870	1,287,043	**3,294,870**	1,287,043	5,195,701
Change in cash and cash equivalents	**2,889,776**	1,202,947	**2,730,412**	1,045,485	3,640,873
Cash and cash equivalents, beginning of period	**751,097**	241,469	**910,461**	398,931	-
Cash and cash equivalents, end of period	**$ 3,640,873**	$ 1,444,416	**$ 3,640,873**	$ 1,444,416	$ 3,640,873

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

NORTHQUEST LTD.

NORTHQUEST LTD.

Consolidated Statements of Shareholders' Equity

(an exploration stage corporation)
(Unaudited)
(Expressed in Canadian Dollars unless otherwise noted)

	Common shares (#)	Common shares ($)	Warrants (#)	Warrants ($)	Contributed surplus ($)	Deficit ($)	Shareholders' equity ($)
Balance at June 30, 2009	**15,486,668**	**638,788**	-	-	-	**(205,900)**	**432,888**
Initial public offering	7,210,000	802,541	7,700,000	384,502	-	-	1,187,043
Shares cancelled	(5,443,529)	(259,656)	-	-	-	-	(259,656)
Stock-based compensation	-	-	-	-	172,807	-	172,807
Capital surplus	-	-	-	-	359,656	-	359,656
Loss and comprehensive loss for the period	-	-	-	-	-	(334,332)	(334,332)
Balance at December 31, 2009	**17,253,139**	**1,181,673**	**7,700,000**	**384,502**	**532,463**	**(540,232)**	**1,558,406**
Renunciation of flow-through shares	-	(42,900)	-	-	-	-	(42,900)
Loss and comprehensive loss for the period	-	-	-	-	-	(479,895)	(479,895)
Balance at June 30, 2010	**17,253,139**	**1,138,773**	**7,700,000**	**384,502**	**532,463**	**(1,020,127)**	**1,035,611**
Private placements (note 8(a))	4,195,261	3,088,627	2,169,458	206,243	-	-	3,294,870
Stock-based compensation (note 8(b))	-	-	-	-	32,977	-	32,977
Loss and comprehensive loss for the period	-	-	-	-	-	(450,087)	(450,087)
Balance at December 31, 2010 (note 8)	**21,448,400**	**4,227,400**	**9,869,458**	**590,745**	**565,440**	**(1,470,214)**	**3,913,371**

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

NORTHQUEST LTD.

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. 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 December 31, 2010, as defined by AcG 11 of the CICA Handbook.

2. GOING CONCERN

These unaudited interim consolidated 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 unaudited interim consolidated 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 unaudited interim consolidated financial statements. In the opinion of management, all adjustments considered necessary for fair presentation have been included in these unaudited consolidated 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.

2. GOING CONCERN (Continued)

As at December 31, 2010, the Corporation reported a loss of $450,087 and an accumulated deficit of $1,470,214. As at the same date, the Corporation has not generated positive cash flow from operations, although it had cash balances of $3,640,873 and working capital of $3,581,242. The Corporation's ability to continue as a going concern is dependent upon it obtaining additional financing and eventually achieving profitable production in the future. 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 unaudited interim consolidated financial statements have been prepared in accordance with Canadian GAAP for interim financial information. Accordingly, they do not include all of the information and notes to the financial statements required by Canadian GAAP for annual consolidated financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. Operating results for the three and six months ended December 31, 2010 may not necessarily be indicative of the results that may be expected for the year ending June 30, 2011.

The balance sheet at June 30, 2010 has been derived from the audited consolidated financial statements at that date but does not include all of the information and footnotes required by Canadian GAAP for annual financial statements. The unaudited interim consolidated financial statements have been prepared by management in accordance with the accounting policies described in the Corporation's annual audited consolidated financial statements for the year ended June 30, 2010. For further information, refer to the audited consolidated financial statements and notes thereto for the year ended June 30, 2010.

Recent accounting pronouncements

International Financial Reporting Standards ("IFRS")

In January 2006, the CICA's Accounting Standards Board ("AcSB") formally adopted the strategy of replacing Canadian GAAP with IFRS for Canadian enterprises with public accountability. On February 13, 2008, the AcSB confirmed that the use of IFRS will be required in 2011 for publicly accountable profit oriented enterprises. For these entities, IFRS will be required for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Corporation will be required to have prepared, in time for its first quarter of fiscal 2012 filing, comparative financial statements in accordance with IFRS.

4. CAPITAL MANAGEMENT

The Corporation manages its capital with the following objectives:

- to ensure sufficient financial flexibility to achieve the ongoing business objectives including funding of future growth opportunities, and pursuit of accretive acquisitions; and
- to maximize shareholder return through enhancing the share value.

The Corporation monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Corporation may manage its capital structure by issuing new shares, repurchasing outstanding shares, adjusting capital spending, or disposing of assets. The capital structure is reviewed by Management and the Board of Directors on an ongoing basis.

4. CAPITAL MANAGEMENT (Continued)

The Corporation considers its capital to be equity, comprising capital stock, warrants, contributed surplus and deficit which at December 31, 2010 totalled $3,913,371 (June 30, 2010 - $1,035,611). The Corporation manages capital through its financial and operational forecasting processes. The Corporation reviews its working capital and forecasts its future cash flows based on operating expenditures, and other investing and financing activities. The forecast is updated based on its exploration and development activities. Selected information is provided to the Board of Directors of the Corporation. The Corporation's capital management objectives, policies and processes have remained unchanged during the three and six months ended December 31, 2010. The Corporation is not subject to any capital requirements imposed by a lending institution.

5. FINANCIAL RISK FACTORS

The Corporation is exposed to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate and foreign exchange rate risks) as explained below.

Risk management is carried out by the Corporation's management team with guidance from the Audit Committee and the Board of Directors.

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Corporation's credit risk is primarily attributable to cash and cash equivalents and other receivables. The bulk of the Corporation's cash and cash equivalents are held in Canada with select Canadian chartered banks, for which management believes the risk of loss to be low. Cash held in Mali with a chartered bank would not have a material impact on credit risk.

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

Financial instruments included in other receivables consist of sales tax receivable from government authorities in Canada and deposits held with service providers. All receivables are in good standing as of December 31, 2010. Management believes that the credit risk concentration with respect to financial instruments included in other receivables is low.

Liquidity risk

Liquidity risk is the risk that the Corporation will not have sufficient cash resources to meet its financial obligations as they come due. The Corporation's liquidity and operating results may be adversely affected if the Corporation's access to the capital market is hindered, whether as a result of a downturn in general stock market conditions or as a result of conditions specific to the Corporation. As at December 31, 2010, the Corporation had a cash and cash equivalents balance of $3,640,873 (June 30, 2010 - $910,461) to settle current liabilities of $133,113 (June 30, 2010 - $50,268). All of the Corporation's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

The Corporation is also committed to incurring approximately $2,000,000 in Canadian exploration expenditures ("CEE") by December 31, 2011 (note 11(b)).

5. FINANCIAL RISK FACTORS (Continued)

Market risk

Interest rate risk
The Corporation has cash balances, cash equivalents and no debt. The Corporation's current policy is to invest excess cash in certificates of deposit at select Canadian chartered banks. The Corporation periodically monitors the investments it makes and is satisfied with their creditworthiness.

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.

Sensitivity analysis

As of December 31, 2010, both the carrying and estimated fair value amounts of the Corporation's financial instruments are approximately equivalent. The sensitivity analysis shown in the notes below may differ materially from actual results.

Based on management's knowledge and experience of the financial markets, the following movements are reasonable over the six month period ended December 31, 2010:

(i) Cash and cash equivalents are subject to floating interest rates. Sensitivity to a plus or minus 1% change in interest rates would not have a material impact on the reported loss and comprehensive loss.

(ii) The Corporation holds balances in foreign currencies which could give rise to exposure to foreign exchange risk. Sensitivity to a plus or minus 10% change in the foreign exchange rate against the Canadian dollar would affect the reported loss and comprehensive loss by approximately $800 for the six months ended December 31, 2010.

6. CAPITAL ASSETS

December 31, 2010	**Cost**	**Accumulated amortization**	**Net carrying value**
Furniture and equipment	**$ 7,166**	**$ 3,095**	**$ 4,071**
Office equipment	**6,828**	**2,728**	**4,100**
Vehicles	**116,785**	**17,974**	**98,811**
	$ 130,779	**$ 23,797**	**$ 106,982**

June 30, 2010	**Cost**	**Accumulated amortization**	**Net carrying value**
Furniture and equipment	$ 7,166	$ 2,642	$ 4,524
Office equipment	4,768	2,143	2,625
Vehicles	37,037	3,858	33,179
	$ 48,971	$ 8,643	$ 40,328

(Expressed in Canadian Dollars unless otherwise noted)

7. MINERAL PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES

December 31, 2010

	Balance June 30, 2010	Acquisition	Exploration	Write-off	Balance December 31, 2010
Bananko, Mali	**$ 57,304**	**$ -**	**$ 8,166**	**$ -**	**$ 65,470**
Banmba, Mali (b)	**-**	**20,633**	**-**	**-**	**20,633**
Dar Salam, Mali (c)	**-**	**20,634**	**-**	**-**	**20,634**
Pistol Bay, Nunavut (Canada) (d)	-	**118,410**	-	-	**118,410**
	$ 57,304	**$ 159,677**	**$ 8,166**	**$ -**	**$ 225,147**

June 30, 2010

	Balance June 30, 2009	Acquisition	Exploration	Write-off	Balance June 30, 2010
Bananko, Mali	$ 7,967	$ -	$ 49,337	$ -	$ 57,304
High Falls, Ontario (Canada)	73,409	-	166,296	(239,705)	-
	$ 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.

	Pistol Bay Nunavut, Canada	Bananko, Mali	Banmba, Mali	Dar Salam, Mali	Six months ended December 31, 2010	Cumulative since inception on May 26, 2008
Expenditures						
Acquisition, including staking	$ 118,410	$ -	$ 20,633	$ 20,634	**$ 159,677**	**$ 160,927**
Consulting	-	-	-	-	**-**	**22,010**
Field equipment and supplies	-	-	-	-	**-**	**2,492**
Drafting	-	-	-	-	**-**	**2,957**
Lab and assay	-	8,166	$ -	-	**8,166**	**36,761**
Total expenditures	$ 118,410	$ 8,166	$ 20,633	$ 20,634	**$ 167,843**	**$ 225,147**

(Expressed in Canadian Dollars unless otherwise noted)

7. MINERAL PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES (Continued)

	Pistol Bay Nunavut, Canada	Bananko, Mali	Banmba, Mali	Dar Salam, Mali	Three months ended December 31, 2010
Expenditures					
Acquisition, including staking	$ 118,410	$ -	$ -	$ -	**$ 118,410**
Lab and assay	-	6,890	-	-	**6,890**
Total expenditures	$ 118,410	$ 6,890	$ -	$ -	**$ 125,300**

(a) On August 19, 2010, the Corporation received a 90 day Authorization to complete due diligence on the Silimana Permit in southern Mali. The due diligence period has been completed. As a result, the Company has formally applied for an exploration permit for Silimana.

(b) 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 terms of the option to acquire a 100% interest are as follows:

(Figures in $US)

Signing:	$20,000 (paid) (Canadian dollar equivalent equals $20,633)
First Anniversary:	$20,000
Second Anniversary:	$30,000
Third Anniversary:	$50,000

The optionor retains a 3% net smelter royalty ("NSR"), of which 1/3 can be purchased at any time for US$2 million and 1/3 can be purchased any time for US$5 million, such that the optionor will retain a 1% NSR.

(c) 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. The terms of the option to acquire a 100% interest are as follows:

(Figures in $US)

Signing:	$20,000 (paid) (Canadian dollar equivalent equals $20,634)
First Anniversary:	$20,000
Second Anniversary:	$30,000
Third Anniversary:	$50,000

The optionor retains a 3% NSR, of which 1/3 can be purchased at any time for US$2 million and 1/3 can be purchased any time for US$5 million, such that the optionor will retain a 1% NSR.

7. MINERAL PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES (Continued)

(d) During the second quarter of fiscal 2011, Northquest acquired, through an option agreement dated as of December 2, 2010 (the "Option Agreement"), an option to earn a 100% interest in 3 mining claims comprising 2,300 hectares, known as the Pistol Bay Project, Nunavut Territory, Canada. The property was acquired from an arm's length individual. In addition, the Corporation also has the option to acquire certain portions of three additional claims totaling 1,220 hectares.

Under the terms of the Option Agreement, the Corporation can earn a 100% interest in the claims by issuing 500,000 common shares (note 12(a)) and paying $50,000 (paid) upon signing the Option Agreement. There is a work commitment of at least $1 million in the first year of the agreement. On the first anniversary of the Option Agreement the Corporation must pay $250,000 and on the second anniversary of the Option Agreement the Corporation must pay $500,000. The first and second year anniversary payments are optional and can be paid in cash, common shares of the Corporation, or any combination thereof at the Corporation's sole discretion.

The Corporation also has acquired a supplemental option to acquire a 100% interest in four additional claims that are currently the subject of a Notice of Protest filed with the Mining Recorder for Nunavut should the title to the claims be awarded to the optionor. The Corporation can acquire a 100% interest in these additional claims by initially issuing 500,000 common shares and paying $50,000 to the optionor upon making a decision to exercise the supplemental option. On the first anniversary of such initial payment, the Corporation must pay $250,000 and on the second anniversary of such initial payment, the Corporation must pay $500,000. The payments for the supplemental option are optional and each of the first and second anniversary payments can be paid in cash, common shares, or any combination thereof at the Corporation's sole discretion.

In addition to the consideration for the option and supplemental option, in the event that the option is exercised, and in the event that a technical report discloses a Measured Mineral Resource of at least 1 million ounces of gold, on property acquired through either the option or supplemental option, the Corporation must pay $0.75 per resource ounce of gold in increments of 1 million ounces. In the event that a technical report discloses a Measured Mineral Resource of over 5 million ounces of gold, the Corporation must pay $1.50 per resource ounce of gold in increments of 1 million ounces.

The Option Agreement has an area of interest of approximately 360,000 hectares (approximately 3,600 square kilometres) within which the Corporation has the exclusive right to acquire additional property at no cost other than the normal costs of staking, permitting, or other option agreements.

The Corporation has staked an additional eight mining claims contiguous with the optioned claims described above. The staked claims comprise an area of 7,000 hectares. Accordingly, the Corporation currently has a total of approximately 10,520 hectares (105 square km) of mineral rights that it has acquired through staking and option agreements.

(Expressed in Canadian Dollars unless otherwise noted)

8. SHARE CAPITAL

(a) Authorized Common Shares

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

On December 22, 2010, Northquest closed a non-brokered private placement (the "Private Placement") pursuant to which it issued an aggregate of (i) 2,089,998 units ("Units") at a price of $0.70 per Unit to raise aggregate gross proceeds of approximately $1,463,000; and (ii) 2,105,263 "flow through" units ("FT Units") at a price of $0.95 per FT Unit to raise additional aggregate gross proceeds of approximately $2,000,000. Each Unit consists of one common share of Northquest and one-half of one share purchase warrant, each whole such share purchase warrant entitling the holder thereof to acquire one additional common share of Northquest for a period of 24 months at an exercise price of $1.00 per share. Each FT Unit consists of one "flow through" common share of Northquest and one-half of one share purchase warrant, each whole such share purchase warrant entitling the holder thereof to acquire one additional common share of Northquest (which shall not be a "flow through share") for a period of 24 months at an exercise price of $2.25 per share.

A finder's fee equal to 5% of the gross proceeds from the sale of the FT Units was paid in connection with the sale of the FT Units, and a finder's fee was also paid to an eligible finder in an amount equal to 6% of the gross proceeds raised from the sale of the Units by such finder. In addition, an aggregate of 71,828 broker warrants were issued to an eligible finder, each entitling it to acquire one common share of Northquest at a price of $0.70 per share for a period of 24 months. The estimated fair value of the 2,169,458 warrants (which includes 71,828 broker warrants) has been estimated at the grant date using the Black-Scholes option pricing model, with the following assumptions: a risk free interest rate of 1.66%; a expected volatility factor of 52%, an expected dividend yield of 0% and a expected life of 2 years. The total estimated fair value was determined to be $206,243, net of costs.

(b) Share purchase option plan

The continuity of share purchase options is as follows:

	Number of Options	Weighted Average Exercise Price
Balance, June 30, 2010	1,750,000	$ 0.20
Granted [(2) (3)]	112,500	0.70
Cancelled [(1)]	(137,344)	0.20
Balance, December 31, 2010	1,725,156	$ 0.23

[(1)] On September 7, 2010, 137,344 stock options issued to an executive in December 2009, were cancelled.

[(2)] 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 vested on the date of issue, with the balance vesting one year following the date of issue. The estimated fair value of the 50,000 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 1.82%; a expected volatility factor of 62%, an expected dividend yield of 0% and a expected life of 5 years. The weighted average grant date estimated fair value of the options was $0.24 per option. The total estimated fair value was determined to be $12,200. The impact on stock-based compensation was $1,525 and $8,133, respectively for the three and six months ended December 31, 2010.

(Expressed in Canadian Dollars unless otherwise noted)

8. SHARE CAPITAL (Continued)

(b) Share purchase option plan (Continued)

(3) On December 9, 2010, Northquest granted an aggregate of 62,500 stock options to an officer of Northquest, each such stock option entitling the holder thereof to acquire one common share of Northquest at an exercise price of $0.90 for a period of five years. An aggregate of 50,000 of such stock options vest immediately, with the remaining 12,500 stock options vesting on June 9, 2011. The estimated fair value of the 62,500 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 2.26%; a expected volatility factor of 61%, an expected dividend yield of 0% and a expected life of 5 years. The weighted average grant date estimated fair value of the options was $0.48 per option. The total estimated fair value was determined to be $29,813. The impact on stock-based compensation was $24,844 for the three and six months ended December 31, 2010.

As at December 31, 2010, the Corporation had the following stock options outstanding:

Expiry date	Exercise Price	Options Granted	Options Exercisable	Weighted Average Remaining Contractual Life (in years)
October 2, 2014	$0.20	950,000	950,000	3.76
December 10, 2014	$0.20	662,656	662,656	3.95
September 7, 2015	$0.46	50,000	25,000	4.69
December 9, 2015	$0.90	62,500	50,000	4.94
		1,725,156	1,687,656	3.90

(c) Warrants

The continuity of warrants is as follows:

	Number of Warrants	Weighted Average Exercise Price	Estimated Grant Date Fair Value
Balance, June 30, 2010	7,700,000	$ 0.48	$ 384,502
Granted (note 8(a))	2,169,458	1.60	206,243
Balance, December 31, 2010	9,869,458	$ 0.73	$ 590,745

As at December 31, 2010, the Corporation had the following warrants outstanding:

Expiry date	Exercise Price	Number of Warrants
December 21, 2014	$0.50	7,210,000
June 21, 2011	$0.20	490,000
December 22, 2012	$1.00	1,044,999
December 22, 2012	$2.25	1,052,631
December 22, 2012	$0.70	71,828
		9,869,458

(Expressed in Canadian Dollars unless otherwise noted)

9. RELATED PARTY TRANSACTIONS

Related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

(a) The President and Chief Executive Officer of the Corporation provided professional (geological) exploration and management services to the Corporation during the three and six months ended December 31, 2010. A total amount of $30,000 and $60,000, respectively (three and six months ended December 31, 2009 - $42,750 and $59,710, respectively) was billed to the Corporation for these services through a private company owned by the President and Chief Executive Officer of Northquest. As of December 31, 2010, $24,081 was owed to the private company and was included in accounts payable and accrued liabilities.

(b) A firm owned by the former Chief Financial Officer of the Corporation billed the Corporation $10,222 and $26,310, respectively during the three and six months ended December 31, 2010. These billings were in respect of accounting related services provided to the Corporation.

(c) Northquest entered into the following transactions with the Corporation's current Chief Financial Officer:

		Three Months Ended December 31,		Six Months Ended December 31,	
	Notes	**2010**	**2009**	**2010**	**2009**
Marrelli CFO Outsource Syndicate Inc. ("Marrelli")	(i)	$ 6,000	$ -	$ 6,000	$ -
Marrelli Support Services Inc. ("MSSI")	(ii)(iii)	7,115	-	7,115	-
DSA Corporate Services Inc.	(iv)	2,016	-	2,016	-
D & R Filing Corp.	(iv)	1,125	-	1,125	-

(i) The Chief Financial Officer of Northquest is the president of Marrelli. Fees related to the Chief Financial Officer function performed.

(ii) The Chief Financial Officer of Northquest is the president of MSSI. Fees related to accounting services provided by MSSI.

(iii) As at December 31, 2010, MSSI was owed $8,040 and this amount was included in accounts payable and accrued liabilities.

(iv) The Chief Financial Officer of Northquest is an officer of DSA Corporate Services Inc. ("DSA") and D & R Filing Corp. ("D & R Filing"). Fees related to corporate secretarial services provided by DSA and filing services provided by D & R Filing. As at December 31, 2010, DSA was owed $1,532 and D & R Filing was owed $932 and these amounts were included in accounts payable and accrued liabilities.

(d) Insiders of Northquest subscribed for an aggregate of 214,285 Units in the Private Placement disclosed in note 8(a).

(Expressed in Canadian Dollars unless otherwise noted)

10. SEGMENTED INFORMATION

As at December 31, 2010

	Canada	Mali	Total
Current assets	$ 3,704,668	$ 9,687	$ 3,714,355
Long term assets	118,999	213,130	332,129
Total assets	**$ 3,823,667**	**$ 222,817**	**$ 4,046,484**

As at June 30, 2010

	Canada	Mali	Total
Current assets	$ 953,426	$ 34,821	$ 988,247
Long term assets	674	96,958	97,632
Total assets	**$ 954,100**	**$ 131,779**	**$ 1,085,879**

11. COMMITMENTS

(a) The Corporation has also entered into an agreement (the "Consulting Agreement") with a consultant familiar with the Nunavut Territory, Canada. region to provide services in connection with other property acquisitions. Under the terms of the Consulting Agreement, if the Consultant identifies any new project for acquisition, with an area of up to 200 square kilometres, and the Corporation agrees to acquire the project, the Corporation will pay a success fee of $25,000 and issue 50,000 common shares to the consultant. In the event that a technical report discloses a Measured Mineral Resource of at least 1 million ounces of gold, on property identified by the Consultant, the Corporation must pay $0.50 per resource ounce of gold in increments of 1 million ounces. In the event that a technical report discloses a Measured Mineral Resource of over 5 million ounces of gold, the Corporation must pay $1.00 per resource ounce of gold in increments of 1 million ounces.

(b) Pursuant to the terms of the flow-through share agreements, the Corporation is in the process of complying with its flow-through contractual obligations with subscribers with respect to the Income Tax Act (Canada) requirements for flow-through shares. As at December 31, 2010, the Corporation is committed to incurring approximately $2,000,000 in CEE by December 31, 2011 arising from the flow-through offerings.

12. SUBSEQUENT EVENTS

(a) On January 10, 2011, 500,000 common shares were issued to comply with the Option Agreement disclosed in note 7(d).

(b) On January 10, 2011, Northquest granted an aggregate of 87,500 stock options to an officer of Northquest, each such stock option entitling the holder thereof to acquire one common share of Northquest at an exercise price of $0.71 for a period of five years. An aggregate of 37,500 of such stock options vest on June 9, 2011, with the remaining 50,000 stock options vesting on December 9, 2011.

(c) On January 28, 2011, 150,000 options with an exercise price of $0.20 and expiry date of October 2, 2014 were exercised for cash proceeds of $30,000.

12. SUBSEQUENT EVENTS (Continued)

(d) On February 2, 2011, Northquest increased its land holdings at the Pistol Bay gold project, Nunavut. In December 2010, the Corporation applied for five Prospecting Permits. The permits were granted February 1, 2011, and comprise an area of approximately 86,600 hectares (216,500 acres). Accordingly, the Pistol Bay gold project now consists of 96,600 hectares (241,500 acres) of mineral rights. Prospecting Permits in Nunavut have a term of three years and the owner of a Prospecting Permit has the exclusive right during the three year term to convert any part, or all, of the Prospecting permit to staked claims.

(e) On February 4, 2011, Northquest granted an aggregate of 200,000 stock options to an officer of Northquest, each such stock option entitling the holder thereof to acquire one common share of Northquest at an exercise price of $0.70 for a period of five years. An aggregate of 50,000 of such stock options vest immediately, 75,000 of the remaining stock options vest on February 4, 2012, and 75,000 of the remaining stock options vest on February 4, 2013.