



# Interim Report April 30, 2009

# **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**As at June 23, 2009**

The following management's discussion and analysis ("MD&A") of the results of operations and financial condition of Quest Uranium Corporation ("Quest" or the "Corporation") for the three-month and six-month periods ended April 30, 2009 should be read in conjunction with the Corporation's audited financial statements and the related notes as at October 31, 2008. The financial statements have been prepared in accordance with generally accepted accounting principles ("GAAP") in Canada.

## **Forward Looking Statements**

Except for historical information, this contains forward-looking statements relating to, among other things, regulatory compliance, and the sufficiency of current working capital, the estimated cost and availability of funding for the acquisition of properties and the continued exploration and development thereof. Such statements reflect current views of Quest with respect to future events and are subject to certain risks, uncertainties and assumptions. Estimates provided for fiscal 2009 and beyond are based on assumptions of future events and actual results could vary significantly from these estimates. The reader is cautioned that assumptions used in the preparation of such information may prove to be incorrect. Events or circumstances may cause actual results to differ materially from those predicted as a result of numerous known and unknown risks, uncertainties, and other factors, many of which are beyond the control of the Corporation.

## **OVERVIEW**

Quest was initially launched as a Canadian exploration corporation with a focus on grass roots uranium exploration in North America. With the subsequent discovery of high grades of Rare Earth elements on its properties in 2008 and improving market fundamentals for these valuable commodities, Quest will include them in its search plans. Quest intends to focus on the acquisition of properties located in good geological settings, with the potential to host large ore bodies. Management is a strong believer in working with prospectors and junior exploration players that offer the Corporation quality, early staged to advanced uranium and rare earth prospects. These assets will be acquired through the development of strategic alliances with companies having mine operating capacity in known uranium producing regions in recognition of the inherent exploration strengths of Quest. The Corporation's management team has a proven track record of involvement in numerous mineral deposit discoveries over the past 40 years.

Quest's exploration strategy involves combining prospecting and strong geological expertise with the use of leading-edge geophysical, geochemical techniques to search for buried ore deposits. The Corporation is also a strong believer in conducting exploration through joint ventures with other mining firms to share exploration risk and benefits from its partner's capabilities in mine development and production.

The Corporation's shares are listed for trading on the TSX Venture Exchange under the trading symbol QUC. Additional information for Quest can be found on SEDAR ([www.sedar.com](http://www.sedar.com)) and on Quest's web site ([www.questuranium.com](http://www.questuranium.com)).

## **UNDERSTANDING THE RARE EARTH METAL MARKET – A SIGNIFICANT NEW PROSPECT AVENUE**

The discovery of significant grades of rare earth metals in the George River belt, northeastern Québec, has motivated Quest to seek understanding of this new, highly valuable set of metallic

commodities and to broaden its mineral asset base. Currently, 97% of the world's rare earth metals are produced in China, whose abundant resources and low production costs have made it a key source of these metals. China has placed strict controls on REE mining, production and export in order to maximise its own use of the resources. As a result, the past 3 years have brought fundamental change to the global industry, taking it from oversupply to demand shortages.

During the 1990s and early 2000s, significant production surpluses and coincident low REE prices led to most non-Chinese rare earth producers ceasing their operations and almost exclusive reliance on China supplies. With curbing of exports from China and continued growth demand elsewhere, the supply-demand deficit is causing great concern to major REE consuming countries (Japan, Korea, Taiwan, United States), and they are anxious to identify new sources of rare earths. With excellent prospects for growth in the hybrid auto battery manufacturing, aerospace and electronics industries, demand growth in REE of 8-11% per year is projected. There is a pressing need for new non-Chinese production capacity in the next 3 to 5 years. This has focused attention on the re-opening of the Molycorp operation in Mountain Pass, on probable loparite production increases from the Kola Peninsula, Russia and Lynas Corporation's plans to process Mount Weld ore in Australia. Other potential REE sources such as Nolans, Australia and Hoidas Lake and Thor Lake in northern Canada are also being considered for potential production.

On the basis that China will adhere to the announced production and export limits, there is a real prospect that within 5-10 years the country will only produce sufficient material to satisfy domestic consumption. To meet the estimated global demand of 180-190,000t REO in 2010, around 40,000t of new capacity will be needed to meet the unfulfilled demand from outside China. In addition, it is estimated that world demand could reach 230,000 tonnes of REE per year by 2013, up from 135,000 tonnes in 2008. Primary production is unlikely to keep pace with the increasing demand.

## **MINING PROPERTIES**

### **QUEBEC AND LABRADOR PROJECTS**

#### **George River Project**

Quest's 100%-owned George River uranium property is situated within the George River belt of northeastern Quebec and northwestern Labrador. It is located 175 kilometres northeast of Schefferville, Quebec and 125 kilometres east of the Voiseys Bay nickel-copper-cobalt deposit being mined by CRVD-Inco Limited in Labrador. The property consists of 3,257 mineral claims, comprising 7 claim blocks.

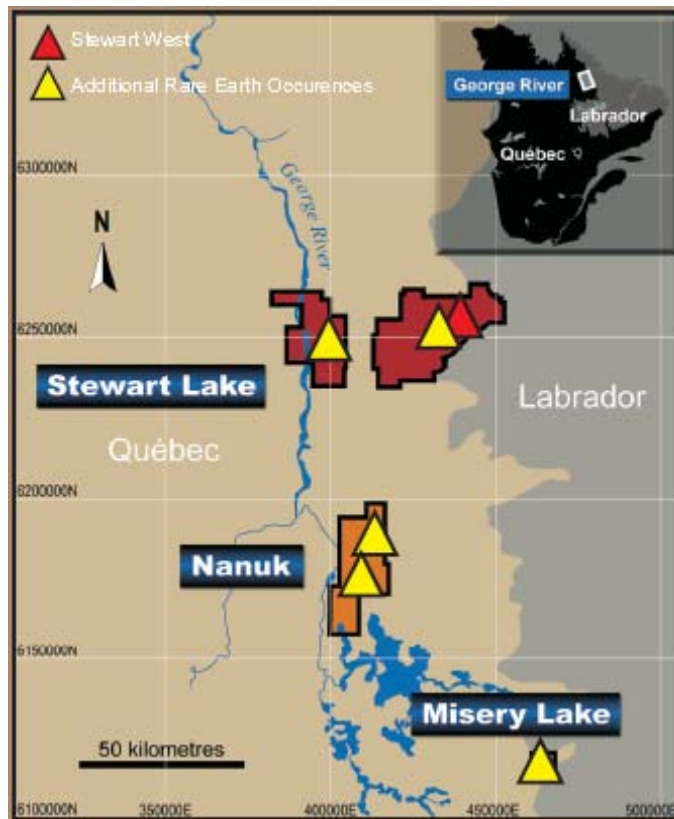
#### ***Current Work***

Quest undertook detailed compilation of all exploration work ever completed in the belt with the intention of identifying new uranium and REE targets. Assessment reports of the results of our 2008 activities were completed during the quarter and provided the basis for planning of 2009 exploration. Quest contracted Vista Geoscience, LLC of Golden, Colorado, USA, to assess all of the geochemical data for the George River-Labrador corridor. The work not only confirmed the known areas of anomalous uranium and REE mineralization, but identified five additional areas requiring follow-up exploration. These areas have since been staked (see Figure 1).

#### **Quest-Nebu George River Option Project**

Quest, in an option agreement signed with Nebu Resources Inc., was to have carried out advanced exploration over its Stewart Lake and Nanuk properties. Nebu, in a letter agreement signed on April 30, 2008, is committed to spend a minimum of \$1.0 million this year and \$3.0 million over the next three years to earn a 50% interest. The agreement covered 2,136 mineral claims comprising 34,176 hectares. Quest was to have received a total of 600,000 Nebu common shares over the term of the

agreement. In a letter dated March 31, 2009, Nebu terminated the agreement, citing the poor financial market conditions as the principal factor in their decision no to continue their participation.



### Current Work

Compilation of Quest's extensive regional exploration database continued during the quarter. Work was focused on assessing the significance of high grade REE and uranium found in a granite body approximately 10 km north of the Strange Lake zirconium (Zr), yttrium (Y), niobium (Nb), Rare Earth Element (REE) deposit (see *Press Release : April 7, 2009*). The mineralized granite is associated with a large radiometric anomaly measuring 2.25 km by 1.5 km. Several grab samples from preliminary work over the target area returned **combined Y oxide (Y<sub>2</sub>O<sub>3</sub>) and Total Rare Earth Element oxides (TREO) of up to 4.35%**. Individual uranium (U<sub>3</sub>O<sub>8</sub>) and zirconium (ZrO<sub>2</sub>) analyses of **up to 0.36% and 1.34%, respectively**, were also returned from sampling of the granite. In addition, **Quest holds the Québec portion of the Strange Lake REE-Zr-Y-Nb-Beryllium (Be) deposit** discovered by the Iron Ore Company of Canada in the late 1970's (historical resource estimate, pre-National Instrument 43-101; Venkatswaran, 1983 – **52 million tonnes @ 3.25% ZrO<sub>2</sub>, 0.56% Nb<sub>2</sub>O<sub>5</sub>, 0.66% Y<sub>2</sub>O<sub>3</sub>, 0.12% BeO and 1.30% TREO**).

Compilation has identified at least four "Strange Lake-type" targets within a 10-km radius from the Strange Lake deposit requiring further exploration evaluation. Further exploration work will be required in 2009 to determine the extent of the mineralized granite at Stewart Lake and Nanuk and the economic significance of the discovery as well as evaluation of additional REE targets identified from prior exploration in the belt by Quest Uranium Corporation.

Work reports for the Nanuk and Stewart Lake properties were submitted to the Québec and Newfoundland & Labrador Governments for the purposes of assessment credit and claim renewal requirements.

### **Recent Developments**

On April 30, 2009, Mr. John Kaiser in his Kaiser Bottom-Fishing Report, made a buy recommendation for Quest Uranium Corporation for exposure to the rare earth sector in recognition of the significance of the results announced in our early April press release. In his report Kaiser stated, *“Quest is not just some rare earth junior reporting grab samples; it has a physical piece of a world class rare earth deposit which the vast majority view as a geological curiosity suitable only for incomprehensible academic studies.”*

He went on to say, *“...But when you apply the four-year average rare earth metal prices recently used by Wardrop Engineering to establish the cutoff grades for Avalon Rare Metal’s latest Thor Lake 43-101 resource estimate, you get an astonishing rock value of US \$304 per tonne for the samples Quest plucked from the main outcrop of the Strange Lake deposit. If the rare earth grades in Quest’s samples of Strange Lake are representative of the 52 million tonne resource both in terms of absolute grade and relative element proportions, Strange Lake would have an in-situ value of \$16 billion.”*

Quest shares have experienced significant price escalation since the Kaiser report and have allowed the Corporation to finance at higher issue prices when compared our share price earlier in April 2009. Quest recently closed a \$1.5 million equity financing at \$0.22 per share (see *Press Release : June 26, 2009*) and announced a further \$600,000 Flow-Through private placement at \$0.35 per share (also see *Press Release : June 26, 2009*).

### **Current Work**

A program of airborne geophysics, geological mapping and prospecting was completed over the property area in early during 2008. Of significance was the discovery of highly uranium-enriched boulders and outcrop in trenches at the western boundary of our easternmost claim block in the LG4 area which **returned between 2.25% and 25.41% U<sub>3</sub>O<sub>8</sub>**. Compilation work completed after the first phase of prospecting showed this area to be located near the previously-defined Sannon occurrence. In addition, follow-up prospecting over both the Sannon-Seggau and Ganiq (LG3) properties was recently completed to confirm the significance of the earlier high-grade results and led to the identification of a new radioactive boulder zone in the Rojean Lake area of LG3. The new zone was traced for a minimum of 600 metres. This work was guided by airborne geophysical results obtained for the corporation by EON Geosciences in July. Assays from the supplemental work returned results of between 0.44% and 0.91% U<sub>3</sub>O<sub>8</sub> **(9.8 to 20.1 lbs per T)**.

Quest recently contracted Paterson, Grant and Watson, Consulting Geophysicists, of Toronto, Ontario, to perform Inversion and high-level interpretation of the EON magnetometer surveys. This work was successful in identifying targets at the unconformity between the basement rocks and overlying Sakami Formation sedimentary stratigraphy that are favourable to the development of Saskatchewan-type uranium deposits.

An exploration agreement to acquire 14 mining claims in the LG4 area, adjacent to our Sannon-Seggau Option property was signed on August 21<sup>st</sup>. The claims are considered to be highly prospective for unconformity-related uranium deposits and cover **approximately 2.5 km strike length of favourable Sakami unconformity**.

The Corporation recently submitted assessment reports for claim renewal purposes to the Quebec Government on the airborne geophysical survey work and follow-up prospecting and mapping program completed in 2008. Logistically, most of the highest-priority target areas lie underwater within the La Grande 3 and 4 Hydroelectric Reservoirs and can only be properly assessed during the winter under thick ice conditions. In consideration of the high cost of subsequent exploration on the Midland option ground, management is re-assessing its level of involvement in the project going forward.

## **ONTARIO PROJECTS**

### **Kenora North and Snook Lake Projects – Northwestern Ontario**

The Kenora North project is an amalgamation of four properties (Can Fer, Snook, Pancer and Scottie Lake) that were staked in early 2007 to cover historical uranium occurrences. Regional lake-bottom geochemical surveys and Federal Government airborne geophysical surveys were also utilized in the selection of favourable target areas. The area is readily accessible by new forestry roads. Prospecting in late 2007 led to the re-location of several historic uranium occurrences and to the discovery of numerous new showings, along a 50-km long radiometric trend. Encouraging results obtained from prospecting over the Can Fer, Pancer, Snook and new Thor and Scottie Lake showings, led to the staking of a total of 36,000 hectares of claims to cover the full extent of the radiometric trend and to consolidate previous Quest staking.

### ***Current Work***

Quest completed an assessment of all 2008 exploration work completed on the properties during the quarter. Work reports on the airborne geophysical survey work completed during summer 2008 and preliminary prospecting and geological mapping completed on the properties in 2007 were submitted to the Ontario Government for property renewal purposes. Project planning for 2009 is currently underway.

## **NEW BRUNSWICK PROJECT**

### **Plaster Rock Project**

Uranium mineralization in New Brunswick is closely related to Devonian-aged intrusions and related volcanic rocks and younger Carboniferous-age sedimentary rocks. Uranium mineralization is hosted in sedimentary rocks occurring in close proximity to faults. The wholly-owned Plaster Rock property is located in one such Carboniferous-age basin, known as the Plaster Rock basin. The 230 claim property, acquired by staking, comprises 3,723 hectares and straddles a ten kilometre long section of the western margin of the Plaster Rock basin, in fault contact with Devonian-age felsic volcanic rocks.

### ***Exploration Update***

A policy change by the New Brunswick Government (July 2008) brought into question the viability of Quest's ability to explore freely on its property. Management received a response from Government in March 2009 concerning the impact of these policy changes on our exploration activities at Plaster Rock. Quest has confirmed that the Plaster Rock property is not affected by these recent developments. In addition, New Brunswick launched a new JMAP (Junior Miner Assistance Program) for 2009 which provides financial assistance up to 50% of eligible exploration costs, to a maximum refund of \$50,000. Quest submission for participation in the program was approved in May 2009 and the Corporation will be eligible for a \$30,000 exploration grant. It is management's intent, therefore, to carry out reconnaissance gridding, ground geophysics and soil geochemistry over the highest priority targets during the summer. The results will be used to guide a mechanical trenching program in the fall to explain the causative anomalies defined from our summer work.

## **Results of Operations**

### **Three-month period ended April 30, 2009 compared with three-month period ended April 30, 2008**

For the three-month ended April 30, 2009, the Corporation reported a net loss of \$141,929 or \$0.005 basic and fully diluted per share compared to a net loss of \$202,506 or \$0.010 basic and fully diluted per share for the three-month period ended April 30, 2008.

Revenue, consisting of interest earned on funds on deposit, totaled \$1,247 at April 30, 2009 as compared to \$17,783 at April 30, 2008. The decrease of \$16,536 was as a result of lower funds on deposit during the three-month period combined with the significant reduction in interest rates. No marketable securities were sold during the three-month periods ended April 30, 2009 and April 30, 2008.

The cost of mining properties and deferred costs are capitalized until the results of the projects are known. If a project is successful, the related expenditures will be amortized over a period of years pro-rata to anticipated income. If a project is abandoned or if a permanent drop in value for a property is recognized, the related expenditures will be written off. The disposal and write-down of mining properties and deferred costs for the three-month period ended April 30, 2009 were \$25,038 (\$220,202 – April 30, 2008). In accordance Section 3855 of the CICA handbook, marketable securities are carried at fair market value at April 30, 2009. As the market value of the marketable securities was \$18,000 at April 30, 2009, the Corporation recorded a gain on adjustment of value of marketable securities in the amount of \$14,000. The Corporation did not have any marketable securities as at April 30, 2008. Stock option compensation expenses for the three-month period ended April 30, 2009 totaled \$3,349 (\$Nil – April 30, 2008). Interest expenses related to the Part XII.6 tax as a consequence of the look-back rule totaled \$32,309 (\$Nil – April 30, 2008). The recovery of income taxes renounced to investors on flow-through shares issued during the period totaled \$Nil (\$350,803 – April 30, 2008). Expenses excluding the disposal and write-down of mining properties and deferred costs, gain on adjustment of value of marketable securities, stock-based compensation and interest totaled \$96,480 compared to \$99,653 for the three-month period ended April 30, 2008. Professional fees totaled \$16,683 for the three-month period ended April 30, 2009 compared to \$13,344 for the three-month period ended April 30, 2008. The increase of \$3,339 related mainly to higher legal fees of \$5,339 due to the increased activity during the period offset by a reduction in financial consulting services in the amount of \$2,000. Filing costs and shareholders' information decreased by \$16,233 to \$54,806 at April 30, 2009 compared \$71,039 at April 30, 2008. The decrease of \$16,233 consisted of: \$7,577 in lower listing and regulatory filing fees; a reduction of \$15,070 in advertising, promotion and investor relation activities offset by an increase of \$6,414 related to the expenses related to the annual meeting. Administrative expenses and others increased by \$9,721 to \$24,991 as at April 30, 2009 from \$15,270 as at April 30, 2008. The increase of \$9,721 consisted mainly of: \$15,066 in higher office salaries and related office costs; an increase of \$155 for Directors and Officers liability insurance offset by a reduction of \$5,500 as a result of a revised agreement with a related corporation for the sharing of its office and personnel.

### **Three-month period ended April 30, 2008**

For the three-month period ended April 30, 2008, the Corporation reported a net loss of \$202,506 or \$0.010 basic and fully-diluted net loss per share. Revenue totaled \$17,783 and consisted of interest income on bank balances from equity financings.

Net loss for the three-month period ended April 30, 2008 included a write-off, write-down of properties of \$220,202. Expenses excluding the write-off, write-down of properties totaled \$99,653. Professional fees totaled \$13,344 and consisted of legal, accounting and financial administration services provided during the period. Filing costs and shareholders' information totaled \$71,039 and consisted of \$18,852 related to listing and regulatory filing fees, \$40,295 for advertising and promotion related activities and \$11,892 regarding the Quest Annual meeting held on April 24, 2008. Administrative expenses and others of \$15,270 consisted principally of \$10,000 related to head office expenses charged by Freewest Resources Canada Inc., \$3,470 in Directors' and Officers' liability insurance and \$1,800 in other office expenses.

## **Six-month period ended April 30, 2009 compared with six-month period ended April 30, 2008**

For the six-month ended April 30, 2009, the Corporation reported a net loss of \$115,006 or \$0.004 basic and fully diluted per share compared to a net loss of \$214,228 or \$0.014 basic and fully diluted per share for the six-month period ended April 30, 2008.

Revenue, consisting of interest earned on funds on deposit, totaled \$2,507 at April 30, 2009 as compared to \$21,052 at April 30, 2008. The decrease of \$18,545 was as a result of lower funds on deposit during the three-month period combined with the significant reduction in interest rates. No marketable securities were sold during the six-month period ended April 30, 2009.

The cost of mining properties and deferred costs are capitalized until the results of the projects are known. If a project is successful, the related expenditures will be amortized over a period of years pro-rata to anticipated income. If a project is abandoned or if a permanent drop in value for a property is recognized, the related expenditures will be written off. The disposal and write-down of mining properties and deferred costs for the six-month period ended April 30, 2009 were \$27,826 (\$234,396 – April 30, 2008). In accordance Section 3855 of the CICA handbook, marketable securities are carried at fair market value at April 30, 2009. As the market value of the marketable securities was \$18,000 at April 30, 2009, the Corporation recorded a gain on adjustment of value of marketable securities in the amount of \$10,000. The Corporation did not have any marketable securities as at April 30, 2008. Stock option compensation expenses for the six-month period ended April 30, 2009 totaled \$168,628 (\$Nil – April 30, 2008). Interest expenses related to the Part XII.6 tax as a consequence of the look-back rule totaled \$32,309 (\$Nil – April 30, 2008). The recovery of income taxes renounced to investors on flow-through shares issued during the period totaled \$256,000 (\$432,086 – April 30, 2008). Expenses excluding the disposal and write-down of mining properties and deferred costs, gain on adjustment of value of marketable securities, stock-based compensation and interest totaled \$154,750 compared to \$181,733 for the six-month period ended April 30, 2008. Professional fees totaled \$31,257 for the six-month period ended April 30, 2009 compared to \$31,834 for the six-month period ended April 30, 2008. The decrease of \$577 related to higher legal fees of \$7,423 due to the increased activity during the period offset by a reduction in financial consulting services in the amount of \$8,000. Filing costs and shareholders' information decreased by \$53,151 to \$77,952 at April 30, 2009 compared \$131,103 at April 30, 2008. The decrease of \$53,151 consisted of: \$45,459 in lower listing and regulatory filing fees; a reduction of \$11,612 in advertising, promotion and investor relation activities and \$2,852 with respect to the initial share distribution offset by an increase of \$6,772 related to the expenses related to the annual meeting. Administrative expenses and others increased by \$26,745 to \$45,541 as at April 30, 2009 from \$18,796 as at April 30, 2008. The increase of \$26,745 consisted mainly of: \$21,850 in higher office salaries and related office costs; an increase of \$3,895 for Directors and Officers liability insurance and an increase of \$1,000 as a result of a revised agreement with a related corporation for the sharing of its office and personnel.

## **Six-month period ended April 30, 2008**

For the six-month period ended April 30, 2008, the Corporation reported net loss of \$214,228 or \$0.014 basic and fully-diluted net income per share. Revenue totaled \$21,052 and consisted of interest income on bank balances from equity financings.

Net loss for the six-month period ended April 30, 2008 included a write-off, write-down of properties of \$234,396 and the recognition of the income tax benefits of \$432,086 renounced to investors on the flow-through shares issued during the period. Expenses excluding the disposal and write-down of mining properties and deferred costs totaled \$181,733. Professional fees totaled \$31,834 and consisted of legal, accounting and financial administration services provided during the period. Filing costs and shareholders' information totaled \$131,103 of which \$63,372 related to listing and regulatory filing fees, \$55,839 related to advertising and promotion related activities and \$11,892 regarding the

Quest Annual meeting held on April 24, 2008. Administrative expenses and others of \$18,796 consisted principally of \$10,000 related to head office expenses charged by Freewest Resources Canada Inc., \$3,470 in directors' and officers liability insurance and \$5,326 in other office expenses.

## Summary of Quarterly Results

The following table presents unaudited financial information for the seven of the most recently completed financial quarters:

	2009		2008				2007
	Q2	Q1	Q4	Q3	Q2	Q1	Q4
	\$	\$	\$	\$	\$	\$	\$
Revenue	1,247	1,260	74,844	33,497	17,783	3,269	-
Net( loss) income	(141,929)	26,923	54,779	(259,451)	(202,506)	(11,722)	(23,863)
Net (loss) income per share - basic and fully diluted	(0.005)	0.001	0.003	(0.012)	(0.010)	(0.001)	(0.012)

The Corporation has no dividend policy and has no intention of developing a dividend policy in the foreseeable future. The Corporation has paid no dividends and has no retained earnings from which it might pay dividends.

## Liquidity

### Six-month period ended April 30, 2009 compared with six-month period ended April, 2008

As at April 30, 2009, the Corporation maintained a cash or equivalent position of \$505,217 (\$1,679,471 as at April 30, 2008) and working capital of \$392,264 (\$1,592,260 as at April, 2008). The Corporation has no long-term debt. Management is of the opinion that the current cash position is sufficient to meet current commitments. Full development of some mineral properties would require substantially more financial resources. Traditionally, the Corporation has been able to rely on its ability to raise financing in public and private negotiated equity offerings. The Corporation may also advance the development of mineral properties through joint-venture participation.

For the six-month period ended April 30, 2009, Quest raised a total \$800,000 through two (2) private placements (\$800,000 flow-through amount) compared to a total \$2,438,700 consisting of \$1,500,300 through one (1) private placement (\$1,350,270 flow-through amount and \$150,030 in common shares amount) and \$938,400 in common shares through a rights offering for the six-month period ended April 30, 2009. Issue costs related to the financings totaled \$48,732 for the six-month period ended April 30, 2009 (\$146,214 – April 30, 2008).

### Six-month period ended April 30, 2008

As at April 30, 2008, the Corporation maintained a cash or equivalent position of \$1,679,471 and working capital of \$1,592,260. The Corporation has no long-term debt. Management is of the opinion that the current cash position is sufficient to meet current commitments. Full development of some mineral properties would require substantially more financial resources. Traditionally, the Corporation has been able to rely on its ability to raise financing in public and private negotiated equity offerings. The Corporation may also advance the development of mineral properties through joint-venture participation.

Quest raised a total \$2,438,700 consisting of \$1,500,300 through one (1) private placement (\$1,350,270 flow-through amount and \$150,030 in common shares amount) and \$938,400 in common shares through a rights offering. Issue costs related to the financings totaled \$146,214.

## Mining Properties and Deferred Costs

	October 31, 2008	Expenditures	Proceeds from option agreements	(Write-off Disposal or Grant)	April 30, 2009
	\$	\$	\$	\$	\$
<b>Quebec</b>					
George River					
Acquisition	2,134,157	-	-	-	2,134,157
Exploration	591,257	107,616	-	-	698,873
James Bay Option					
Acquisition	67,963		-	-	67,963
Exploration	273,800	25,916	-	-	299,716
Stanhope-Hereford					
Acquisition	11		-	-	11
Exploration	1,098	461	-	-	1,559
Stewart Lake Quebec					
Acquisition	26,188	14,644	-	-	40,832
Exploration	7,083	35,531	-	-	42,614
Nanuk					
Acquisition	11,548	7,752	-	-	19,300
Exploration	156,231	30,364	-	-	186,595
Bawolak					
Acquisition	27,250		-	-	27,250
Exploration	10,231	4,051	-	-	14,282
Misery Lake					
Acquisition	-		-	-	
Exploration	-	14,417	-	-	14,417
REE Project					
Acquisition	-		-	-	
Exploration	-	58,215	-	-	58,215
Other					
Acquisition	-		-	-	
Exploration		16,342	-	(16,342)	
	<b>3,306,817</b>	<b>315,309</b>		<b>(16,342)</b>	<b>3,605,784</b>
<b>ONTARIO</b>					
Claw Lake					
Acquisition	12,461	(208)	-	-	12,253
Exploration	13,869	35	-	-	13,904
Kenora North					
Acquisition	120,392	4,896	-	-	125,288
Exploration	138,422	48,403	-	-	186,825
Snook Lake					
Acquisition	16,323	(39)	-	-	16,284
Exploration	16,241	1,420	-	-	17,661
Other					
Acquisition	-	(364)	-	364	
Exploration	4,761	11,848	-	(11,848)	4,761
	<b>322,469</b>	<b>65,991</b>	-	<b>(11,484)</b>	<b>376,976</b>

## Mining Properties and Deferred Costs (Cont'd)

	October 31, 2008	Expenditures	Proceeds from option agreements	(Write-off Disposal or Grant)	April 30, 2009
	\$	\$	\$	\$	\$
<b>NEW BRUNSWICK</b>					
Plaster Rock					
Acquisition	88,874	788			89,662
Exploration	18,165	2,133			20,298
	<b>107,039</b>	<b>2,921</b>			<b>109,960</b>
<b>LABRADOR/NFLD</b>					
George River					
Acquisition	153,182				153,182
Exploration	147,588	13,304			160,892
	<b>300,770</b>	<b>13,304</b>			<b>314,074</b>
<b>Canadian Properties</b>	<b>4,037,095</b>	<b>397,525</b>		<b>(27,826)</b>	<b>4,406,794</b>
<b>Stock-Based Compensation</b>	22,719	23,599			46,318
	<b>4,059,814</b>	<b>421,123</b>		<b>(27,826)</b>	<b>4,453,112</b>

For the six-month period ended April 30, 2009, the Corporation incurred exploration expenditures totaling \$370,056 of which \$292,913 was incurred in Quebec; \$61,706 in Ontario; \$2,133 in New Brunswick and \$13,304 in Newfoundland and Labrador. The exploration expenditures incurred in Canada were partially funded through the amount raised from Quest's private placement equity financings.

## Related Party Transactions

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

- (i) During the period the Corporation retained the services of certain members of the board of directors of the Corporation to carry out work on its exploration projects and administrative duties. For the period ended April 30, 2009, the total amount of such services was \$79,050 (\$50,275 – April 30, 2008).
- (ii) During the period the Corporation incurred fees of \$27,005 (2008 - \$39,385) to a law firm in which a director of the Corporation is a partner.
- (iii) The related corporation charged an aggregate amount of \$46,312 (2008 - \$108,496) for administrative costs and services, shared office expenses and mining properties costs paid on behalf of Quest.
- (iv) Due to related parties represent the net amount of charges for exploration and administrative expenses between Quest Uranium Corporation and Freewest Resources Canada Inc.
- (v) Amounts due to (from) related parties are non-interest bearing with no specific terms of repayment.

Certain directors and shareholders of the Corporation are also directors, officers and shareholders of the related corporations.

## ADMINISTRATIVE EXPENSES AND OTHERS

The table below details the amounts included in Administrative expenses and others of \$45,779 for the six-month period ended April 30, 2009 (\$18,796 – April 30, 2008):

	April 30, 2009	April 30, 2008
	\$	\$
Office Expenses		
Salaries	17,383	-
Education and Training	3,246	-
Head Office	11,000	10,000
Office Supplies and Other	6,408	4,618
Directors and Officers Insurance	7,365	3,470
Bank Charges	902	569
Foreign Exchange	(763)	139
	<b>45,541</b>	<b>18,796</b>

## CAPITAL STOCK

### a) The authorized and issued capital stock of the Corporation consists of the following:

#### Authorized:

An unlimited number of no par value common shares.

	<u>Number of Shares</u>	<u>Amount</u>
	#	\$
<b>Issued:</b>		
Balance at beginning, October 31, 2008 (audited)	21,357,000	4,422,114
Issuance of shares under flow-through agreements	6,400,000	800,000
Issuance of shares on acquisition of mining properties	50,000	10,000
Issuance of shares as partial payment of debt	494,739	74,211
Issued and fully paid	<u>28,301,739</u>	<u>5,306,325</u>
Tax benefits renounced on flow-through shares	-	(256,000)
Balance at end, June 23, 2009 (unaudited)	<u><u>28,301,739</u></u>	<u><u>5,050,325</u></u>

### b) Stock option plan

	<u>Number of Options</u>	<u>Weighted Average Exercise Price</u>
	#	\$
Balance at beginning October 31, 2008 (audited)	1,895,000	0.15
Granted	<u>600,000</u>	<u>0.10</u>
Balance at end, June 23, 2009 (unaudited)	<u><u>2,495,000</u></u>	<u><u>0.14</u></u>

## b) Stock option plan (cont'd)

### Accounting for the stock-based compensation plan

The fair value of the 1,800,000 options was estimated using Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	3.96%
Expected volatility	89%
Dividend yield	Nil
Expected life	5 years
Fair value per option granted	\$0.310

The expenses related to the 1,800,000 stock options granted at \$0.15 per option to directors, officers and consultants on January 11, 2008 were \$495,841 classified under the "Administration - Expenses" and \$61,980 classified under "Mining properties and deferred costs" over the eighteen month vesting period. In fiscal 2008, the fair value of \$165,280 was recorded as administration expenses and \$20,660 was recorded as mining properties and deferred costs. For the six-month period ended April 30, 2009, the fair value of \$165,280 was recorded as administration expenses and \$20,660 was recorded as mining properties and deferred costs.

The fair value of the 35,000 options was estimated using Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	3.45%
Expected volatility	89%
Dividend yield	Nil
Expected life	5 years
Fair value per option granted	\$0.160

The expenses related to the 35,000 stock options granted at \$0.15 per option to employees on February 25, 2008 were \$Nil classified under the "Administration - Expenses" and \$5,528 classified under "Mining properties and deferred costs" over the eighteen month vesting period. In fiscal 2008, the fair value of \$Nil was recorded as administration expenses and \$1,842 was recorded as mining properties and deferred costs. For the six-month period ended April 30, 2009, the fair value of \$Nil was recorded as administration expenses and \$1,843 was recorded as mining properties and deferred costs.

The fair value of the 60,000 options was estimated using Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	3.12%
Expected volatility	89%
Dividend yield	Nil
Expected life	5 years
Fair value per option granted	\$0.030

The expenses related to the 60,000 stock options granted at \$0.10 per option to employees on October 28, 2008 were \$Nil classified under the "Administration - Expenses" and \$2,000 classified under "Mining properties and deferred costs" over the eighteen month vesting period. In fiscal 2008, the fair value of \$Nil was recorded as administration expenses and \$217 was recorded as mining properties and deferred costs. For the six-month period ended April 30, 2009, the fair value of \$Nil was recorded as administration expenses and \$1,111 was recorded as mining properties and deferred costs.

## Accounting for the stock-based compensation plan (cont'd)

The fair value of the 600,000 options was estimated using Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	1.96%
Expected volatility	90%
Dividend yield	Nil
Expected life	5 years
Fair value per option granted	\$0.035

The expenses related to the 600,000 stock options granted at \$0.10 per option to directors and officers on February 2, 2009 were \$10,980 classified under the "Administration - Expenses" and \$Nil classified under "Mining properties and deferred costs" over the eighteen month vesting period. For the six-month period ended April 30, 2009, the fair value of \$3,349 was recorded as administration expenses and \$Nil was recorded as mining properties and deferred costs.

### c) Warrants

	<u>Number of Warrants</u> #	<u>Weighted Average Exercise Price</u> \$
Balance at beginning October 31, 2008 (audited)	250,050	0.30
Expired	<u>(250,050)</u>	<u>0.30</u>
Balance at end, June 23, 2009 (unaudited)	<u>-</u>	<u>-</u>

## Subsequent Event

On June 26, 2009, the Corporation completed a private placement by issuing 6,818.180 common shares at a price of \$0.22 per share to "accredited investors" for gross proceeds to Quest of \$1.5 million. Each share was accompanied by one-half of a common share purchase warrant and each full warrant entitles its holder to purchase one additional Quest share at a price of \$0.40 for one year. Under applicable legislation, the securities issued in the private placement are subject to a four-month hold period expiring on October 27, 2009.

## Critical Accounting Policies

The Corporation prepares its financial statements in conformity with Generally Accepted Accounting Principles ("GAAP") in Canada applicable to a going concern. However, the Corporation is in an exploration stage and is subject to the risks and challenges particular to companies at this stage. There is no assurance that the Corporation's projects will be successful. As a result, there may be doubt regarding the going concern assumption. The Corporation's continuing operations are dependent on the ability to secure adequate financing, the discovery of economically recoverable mineral reserves, securing and maintaining title or beneficial interest in the mining properties and on future profitable production or proceeds from the disposition of the mineral property interests. While the Corporation is expending its best efforts to achieve the above plans, there is no assurance that any such activity will generate sufficient funds for operations. The financial statements do not reflect the adjustments to the carrying values of assets and liabilities, the reported expenses and balance

sheet classifications that would be necessary should the going concern assumption be inappropriate. These adjustments could be material.

The Corporation details its significant accounting policies in note 2 to its 2008 financial statements, of which the Corporation has identified the following accounting policies, which are believed to be the most critical in fully understanding and evaluating the reported financial results:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Significant areas requiring the use of management estimates relate to impairment of assets, mineral property carrying values, useful lives for depreciation and amortization, determination of liability for taxes as a result of flow-through renunciation reversals and determination of fair value for stock-based transactions. Financial results as determined by actual events could differ from those estimates.

The Corporation is engaged primarily in mineral exploration and manages related industry risk issues directly. The Corporation may be at risk for environmental issues and fluctuations in commodity pricing. Management is not aware of and does not anticipate any significant environmental remediation costs or liabilities in respect of its current operations.

Mineral exploration and development costs are capitalized on an individual basis until such time as an economic ore body is defined or the prospect is abandoned. Costs for a producing prospect will be amortized over a period of years, pro-rata to anticipated income, while those costs for the prospects abandoned are written off. The recoverability of the amounts capitalized for the undeveloped mineral properties is dependent upon the determination of economically recoverable ore reserves, confirmation of the Corporation's interest in the underlying mineral claims, the ability to obtain the necessary financing to complete their development and future profitable production or proceeds from the disposition thereof. The Corporation assesses its capitalized resource property costs on a regular basis. A property is written-down or written-off when the Corporation determines that a permanent impairment has occurred or when exploration results indicate that no further work is warranted. A sale of an interest in claims is credited directly to expenditures until such time as all related expenditures are recovered and direct costs incurred to maintain claims are capitalized.

The Corporation has financed a portion of its exploration activities through the issuance of flow-through shares. Under the terms of the flow-through share agreements, the tax attributes of the related expenditures are renounced to subscribers. To recognize the foregone tax benefits to the Corporation, the carrying value of the shares issued is reduced by the tax effect of the tax benefits renounced to subscribers, provided there is reasonable assurance that the expenditures will be incurred.

The Corporation uses the asset and liability method of accounting for income taxes. Under the asset and liability method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively 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 on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of substantive enactment. When the future realization of income tax assets does not meet the test of being more likely than not to occur, a valuation allowance in the amount of the potential future benefit is taken and no net asset is recognized.

Earnings per share computations are based upon the weighted average number of common shares outstanding during the years. The Corporation uses the treasury stock method, to compute the dilutive effect of options, warrants and similar instruments. Under this method, the dilutive effect on earnings per share is recognized on the use of the proceeds that could be obtained upon the exercise of options and warrants. It assumes that the proceeds would be used to purchase common shares at the average market price during the period. In the year of a loss, no diluted loss per share is provided as the inclusion of outstanding share purchase options and warrants would be anti-dilutive.

The Corporation has a stock option plan as described in note 7(b) to its 2008 financial statements. The Corporation sets aside and reserves for issuance under the Plan an aggregate number of additional common shares in the capital stock of the Corporation equal to 10% of the number of issued and outstanding common shares of the Corporation from time to time. Upon exercise of options in accordance with the Plan and the payment of the consideration for the foregoing shares, such additional common shares shall be issued as fully paid and non-assessable. The Corporation follows the recommendations of the Canadian Institute of Chartered Accountants Handbook Section 3870, Stock-based Compensation and Other Stock-based Payments for its stock based compensation.

Under these standards, all stock-based payments made to non-employees must be systematically accounted for in the Corporation's financial statements. These standards define a fair value-based method of accounting. Under this method, compensation cost is measured at the grant date based on the fair value of the award and is recognized over the related service period. The cost of the stock option compensation plan is recognized in mining properties and deferred costs and administration expenses with a corresponding credit to Contributed Surplus.

All financial instruments are classified into one of five categories: held-for-trading, available-for-sale, held-to-maturity, loans and receivables, or other liabilities.

- (1) Financial assets and liabilities classified as held-for-trading are required to be measured at fair value, with gains and losses recognized in net income.
- (2) Financial assets classified as held-to-maturity, loans and receivables and financial liabilities (other than those held-for-trading) are required to be measured at amortized cost using effective interest method of amortization.
- (3) Available-for-sale financial assets are required to be measured at fair value with unrealized gains and losses recognized in Other Comprehensive Income (loss). Investments in equity instruments classified as available-for-sale that do not have a quoted market price in active market should be measured at cost.

The Corporation has implemented the following classification:

- (1) Cash, cash held for exploration work (see note 3 to the 2008 financial statements) and marketable securities (see note 4 to the 2008 financial statements) are classified as held-for-trading.
- (2) Accounts receivable and due from related party are classified as loans and receivables.
- (3) Accounts payable and accrued liabilities and due to related corporation are classified as other liabilities.

## **Changes in Accounting Policies**

The Corporation did not make any changes in its accounting policies for the three-month and six-month periods ended April 30, 2009.

## Financial Instruments

The Corporation's financial instruments consist of cash, cash held for exploration, marketable securities, accounts receivable, due from related Corporations, accounts payable and accrued liabilities, and due to related parties. It is management's opinion that the Corporation is not exposed to significant interest, currency or credit risks arising from these financial instruments. Due to their short term nature, the fair value of these financial instruments approximates their carrying value.

Fair value estimates are made at the balance sheet dates, based on relevant market information, the carrying value of investments approximates their fair value.

The Corporation is exposed to various financial risks resulting from both its operations and its investment activities. The Corporation does not enter into financial instrument agreements including derivative financial instruments for speculative purpose.

(1) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates.

(2) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Corporation is subject to concentrations of credit risk through cash and cash held for exploration work (see note 3 to the 2008 financial statements), accounts receivable and due from a related party. Accounts receivable consist mainly of recoverable goods and services taxes paid by the Corporation.

(3) Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its obligations as they become due. The Corporation's ability to continue as a going concern is dependent on management's ability to raise required funding through future equity issuance. The Corporation manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments.

(4) Price risk

The Corporation is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact of the Corporation's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earning and economic value due to commodity price movements and volatilities. The Corporation closely monitors commodity prices, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Corporation. Fluctuation in pricing may be significant.

## Off-Balance Sheet Arrangements

The Corporation does not have any off-balance sheet arrangements.

## International Financial Reporting Standards ("IFRS")

In January 2006, the CICA Accounting Standards Board ("AcSB") adopted a strategic plan for accounting standards in Canada under which the current accounting standards for publicly accountable enterprises in Canada will be replaced with IFRS for fiscal years beginning on or after January 1, 2011. The Corporation will continue to monitor the developments in regards to AcSB's plan and has not yet determined the impact of these prospective changes on the financial statements of the Corporation.

## **Disclosure Controls and Procedures**

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the Chief Executive Officer (“CEO”) and the Chief Financial Officer (“CFO”), on a timely basis so that appropriate decisions can be made regarding public disclosure.

As of the end of the period covered by this report, Quest’s management evaluated the effectiveness of the design and operation of its disclosure controls and procedures under the supervision of, and with the participation of the CEO and CFO. Based on this evaluation, the CEO and CFO have concluded that the Corporation’s disclosure controls and procedures, as defined in Multilateral Instrument 52-109, Certification of Disclosure in Issuers Annual and Interim Filings are effective to ensure that material information relating to Quest Uranium Corporation is made known to management on a timely basis and is included in this report.

## **Internal Control over Financial Reporting**

As of the end of the period covered by this report, Quest’s management provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with GAAP.

During the period covered by this report, there has been no change in internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Issuer’s internal control over financial reporting.

## **Management's Responsibility for Financial Reporting**

Management is responsible for the preparation of the financial statements and other financial information relating to the Corporation included in this interim report. The financial statements have been prepared in accordance with generally accepted accounting principles in Canada and necessarily include amounts based on estimates and judgements of management. Management has established these amounts in a reasonable manner, in order to ensure that the financial statements are presented fairly in all material respects. The Corporation has established and maintains disclosure controls and procedures over financial reporting. The certifying officers have evaluated the effectiveness of the issuer’s disclosure controls and procedures as at April 30, 2009 and have concluded that such procedures are adequate and effective to ensure accurate and complete disclosures in this interim report.

(Signed: Peter J. Cashin)  
President & Chief Executive Officer

(Signed: Ronald Kay)  
Chief Financial Officer

Montreal, Quebec  
June 23, 2009

**QUEST URANIUM CORPORATION**  
**INTERIM FINANCIAL STATEMENTS**  
**FOR THE SIX-MONTH PERIOD ENDED APRIL 30, 2009**

**STATEMENT CONCERNING THE INTERIM FINANCIAL STATEMENTS**

Management has compiled the unaudited interim financial statements as at April 30, 2009 and for the three-month and six-month periods ended April 30, 2009 and 2008. The statements have not been audited or reviewed by the Corporation's auditors or any other firm of chartered accountants.

**QUEST URANIUM CORPORATION**  
**(AN EXPLORATION STAGE CORPORATION)**  
**BALANCE SHEETS**  
**AS AT**

	<b>April 30 2009 (Unaudited)</b>	<b>October 31 2008 (Audited)</b>
	<u>\$</u>	<u>\$</u>
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	46,174	69,868
Cash held for exploration work	459,043	6,607
Marketable securities (note 3)	18,000	8,000
Accounts receivable	27,562	339,485
Due from related party (note 5)	33,026	34,623
Prepaid expenses and deposits	54,597	39,022
	<u>638,402</u>	<u>497,605</u>
<b>Mining properties and deferred costs</b>	<u>4,453,112</u>	<u>4,059,814</u>
	<u><u>5,091,514</u></u>	<u><u>4,557,419</u></u>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	53,121	136,477
Due to related corporation (note 5)	193,017	146,705
	<u>246,138</u>	<u>283,182</u>
<b>Future income tax liabilities</b>	<u>252,529</u>	<u>252,529</u>
	498,667	535,711
<b>SHAREHOLDERS' EQUITY</b>		
<b>Capital stock (note 4)</b>	4,966,114	4,422,114
<b>Contributed surplus (note 4)</b>	411,305	219,077
<b>Deficit</b>	<u>(784,572)</u>	<u>(619,483)</u>
	<u>4,592,847</u>	<u>4,021,708</u>
	<u><u>5,091,514</u></u>	<u><u>4,557,419</u></u>

See accompanying notes  
to financial statements.

Approved on Behalf of the Board:

(Signed: Peter J. Cashin) Director

(Signed: Ronald Kay) Director

**QUEST URANIUM CORPORATION**  
**(AN EXPLORATION STAGE CORPORATION)**  
**INTERIM STATEMENT OF INCOME AND DEFICIT**  
**(UNAUDITED)**

	Three-month period ended		Six-month period ended	
	April 30		April 30	
	2009	2008	2009	2008
	\$	\$	\$	\$
<b>Income</b>				
Interest	1,247	17,783	2,507	21,052
	<u>1,247</u>	<u>17,783</u>	<u>2,507</u>	<u>21,052</u>
<b>Expenses</b>				
Professional and accounting fees	16,683	13,344	31,257	31,834
Filing costs and shareholders' information	54,806	71,039	77,952	131,103
Administrative expenses and others	24,991	15,270	45,541	18,796
Interest	32,309	-	32,309	-
Disposal and write-down of mining properties and deferred costs	25,038	220,202	27,826	234,396
(Gain) loss on adjustment of marketable securities	(14,000)	-	(10,000)	-
Stock-based compensation	3,349	-	168,628	-
	<u>143,176</u>	<u>319,855</u>	<u>373,513</u>	<u>416,129</u>
<b>(Loss) before income taxes</b>	(141,929)	(302,072)	(371,006)	(395,077)
<b>Income taxes - future</b>	-	99,566	256,000	180,849
	<u>-</u>	<u>99,566</u>	<u>256,000</u>	<u>180,849</u>
<b>Net (loss)</b>	(141,929)	(202,506)	(115,006)	(214,228)
<b>Deficit - at the beginning</b>	(641,292)	(203,806)	(619,483)	(23,863)
<b>Issue costs</b>	<u>(1,351)</u>	<u>(9,072)</u>	<u>(50,083)</u>	<u>(177,293)</u>
<b>Deficit - at the end</b>	<u>(784,572)</u>	<u>(415,384)</u>	<u>(784,572)</u>	<u>(415,384)</u>
<b>Net (loss) per share basic and fully diluted</b>	<u>(0.005)</u>	<u>(0.010)</u>	<u>(0.004)</u>	<u>(0.014)</u>
<b>Weighted average number of shares basic and fully diluted</b>	<u>27,757,000</u>	<u>21,257,000</u>	<u>27,757,000</u>	<u>15,523,670</u>

See accompanying notes  
to financial statements.

**QUEST URANIUM CORPORATION**  
**(AN EXPLORATION STAGE CORPORATION)**  
**INTERIM STATEMENT OF CASH FLOWS**  
**(UNAUDITED)**

	Three-month period ended		Six-month period ended	
	April 30		April 30	
	2009	2008	2009	2008
	\$	\$	\$	\$
<b>Cash flows from (used in) operating activities</b>				
Net (loss)	(141,929)	(202,506)	(115,006)	(214,228)
Adjustments for:				
Disposal and write-down of mining properties and deferred costs	25,038	220,202	27,826	234,396
Stock-based compensation	3,349	-	168,628	-
(Gain) loss on adjustment of marketable securities	(14,000)	-	(10,000)	-
Income taxes - future	-	(99,566)	(256,000)	(180,849)
	<u>(127,542)</u>	<u>(81,870)</u>	<u>(184,552)</u>	<u>(160,681)</u>
Changes in non-cash working capital components				
Accounts receivable	158,880	(24,868)	311,923	(34,967)
Due from related party	861	-	1,597	-
Prepaid expenses and deposits	(28,113)	(74,076)	(15,575)	(69,049)
Accounts payable and accrued liabilities	2,087	6,111	(83,356)	58,868
Due to related corporation	38,924	53,486	46,312	108,496
	<u>172,639</u>	<u>(39,347)</u>	<u>260,901</u>	<u>63,348</u>
Cash flows from operating activities	<u>45,097</u>	<u>(121,217)</u>	<u>76,349</u>	<u>(97,333)</u>
<b>Cash flows from financing activities</b>				
Issuance of shares	-	-	-	1,088,430
Issuance of flow-through shares	-	-	800,000	1,350,270
Issue costs	(1,351)	(9,071)	(50,083)	(146,214)
Cash flows from financing activities	<u>(1,351)</u>	<u>(9,071)</u>	<u>749,917</u>	<u>2,292,486</u>
<b>Cash flows (used in) investing activities</b>				
Mining properties acquisition expenditures	(23,928)	(160,804)	(27,469)	(160,804)
Mining properties exploration expenditures	(149,035)	(288,678)	(370,055)	(355,878)
Cash flows (used in) investing activities	<u>(172,963)</u>	<u>(449,482)</u>	<u>(397,524)</u>	<u>(516,682)</u>
<b>Increase in cash and cash equivalents</b>	(129,217)	(579,770)	428,742	1,678,471
Cash and cash equivalents - at the beginning	634,434	2,259,241	76,475	1,000
<b>Cash and cash equivalents - at the end</b>	<u><b>505,217</b></u>	<u><b>1,679,471</b></u>	<u><b>505,217</b></u>	<u><b>1,679,471</b></u>
<b>Cash and cash equivalents consist of:</b>				
Cash	46,174	602,265	46,174	602,265
Cash held for exploration work	459,043	1,077,206	459,043	1,077,206
	<u><b>505,217</b></u>	<u><b>1,679,471</b></u>	<u><b>505,217</b></u>	<u><b>1,679,471</b></u>
<b>ADDITIONAL INFORMATION</b>				
Interest received	1,247	17,783	2,507	3,269
Interest paid	32,309	Nil	32,309	Nil
Income taxes paid	Nil	Nil	Nil	Nil

See accompanying notes  
to financial statements.

**QUEST URANIUM CORPORATION**  
**(AN EXPLORATION STAGE CORPORATION)**  
**NOTES TO INTERIM FINANCIAL STATEMENTS**  
**APRIL 30, 2009**  
**(UNAUDITED)**

**1. NATURE OF OPERATIONS AND GOING CONCERN**

The Corporation was incorporated under the Canada Business Corporations Act on June 6, 2007 as a wholly-owned subsidiary of Freewest Resources Canada Inc. (Freewest) with the intention of taking over the uranium exploration activities previously carried on by Freewest.

On December 7, 2007, Freewest transferred its 100% owned uranium properties to the Corporation for 8,000,000 common shares of the Corporation, at a price of \$0.30 per share for a total value of \$2,400,000. The uranium properties include: (i) the George River property, in respect of which a technical report had been prepared in conformity with National Instrument 43-101, "Standards of Disclosure of Mineral Projects"; and (ii) five uranium properties in Ontario and one, uranium property in New Brunswick. The properties transferred by Freewest to the Corporation comprised Freewest's portfolio of uranium exploration properties. Freewest retains rights to certain precious metals and base metals with respect to certain properties transferred.

On December 11, 2007 Freewest distributed an aggregate amount of 6,256,979 common shares of the Corporation held by Freewest. Each Freewest shareholder of record at the close of business on December 10, 2007 received one common share of the Corporation for every 25 common shares of Freewest held. After the distribution, Freewest held approximately 17.8% of the Corporation's issued and outstanding shares. As at October 31, 2008, Freewest held approximately 17.5% of the Corporation's shares, and therefore no longer controlled the Corporation.

The Corporation, directly and through joint ventures, is presently engaged in the business of exploration and development of its mining properties and has not yet determined whether these properties contain ore reserves that are economically recoverable.

The recoverability of amounts shown for mining properties and related deferred costs is dependent upon the discovery of economically recoverable reserves, confirmation of the Corporation's interest in the underlying mining claims, the ability of the Corporation to obtain necessary financing to complete the development, and future profitable production or proceeds from the disposition of the properties.

To date, the Corporation has not earned significant revenues and is considered to be in the exploration stage. The Corporation has an accumulated deficit of \$784,572 as at April 30, 2009.

The accompanying financial statements have been prepared using Canadian generally accepted accounting principles applicable to a going concern. However, the Corporation is in an exploration stage and is subject to the risks and challenges particular to companies at this stage. There is no assurance that the Corporation's projects will be successful. As a result, there may be doubt regarding the going concern assumption. The Corporation's continuing operations are dependent on the ability to secure adequate financing, the discovery of economically recoverable mineral reserves, securing and maintaining title or beneficial interest in the mining properties and on future profitable production or proceeds from the disposition of the mineral property interests. While the Corporation is expending its best efforts to achieve the above plans, there is no assurance that any such activity will generate sufficient funds for operations.

These financial statements do not reflect the adjustments to the carrying values of assets and liabilities, the reported expenses and balance sheet classifications that would be necessary should the going concern assumption be inappropriate. These adjustments could be material.

**2. USE OF ESTIMATES**

The preparation of the unaudited interim financial statements in conformity with Canadian generally accepted accounting principles require management to make estimates and assumptions that affect the amounts reported in the unaudited interim financial statements and accompanying notes. Management believes that the estimates used in the preparation of the unaudited interim financial statements are reasonable and prudent; however, actual results could differ from these estimates.

**QUEST URANIUM CORPORATION**  
**(AN EXPLORATION STAGE CORPORATION)**  
**NOTES TO INTERIM FINANCIAL STATEMENTS**  
**APRIL 30, 2009**  
**(UNAUDITED)**

**3. MARKETABLE SECURITIES**

In accordance with Section 3855 of the CICA handbook, marketable securities held for trading are carried at fair market value. Fair market value at April 30, 2009 was \$18,000. The Corporation did not have any marketable securities at April 30, 2008.

**4. CAPITAL STOCK**

**a) The authorized and issued capital stock of the Corporation consists of the following:**

**Authorized:**

An unlimited number of no par value common shares.

	<b>Number of Shares</b>	<b>Amount</b>
	<b>#</b>	<b>\$</b>
<b>Issued:</b>		
Balance at beginning, October 31, 2008 (audited)	21,357,000	4,422,114
Issuance of shares under flow-through agreements	6,400,000	800,000
	27,757,000	5,222,114
Tax benefits renounced on flow-through shares	-	(256,000)
Balance at end, April 30, 2009 (unaudited)	27,757,000	4,966,114

**b) Stock option plan**

	<b>Number of Options</b>	<b>Weighted Average Exercise Price</b>
	<b>#</b>	<b>\$</b>
Balance at beginning, October 31, 2008 (audited)	1,895,000	0.15
Granted	600,000	0.10
Balance at end, April 30, 2009 (unaudited)	2,495,000	0.14

**Accounting for the stock-based compensation plan**

The fair value of the 1,800,000 options was estimated using Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	3.96%
Expected volatility	89%
Dividend yield	Nil
Expected life	5 years
Fair value per option granted	\$0.310

The expenses related to the 1,800,000 stock options granted at \$0.15 per option to directors, officers and consultants on January 11, 2008 were \$495,841 classified under the "Administration - Expenses" and \$61,980 classified under "Mining properties and deferred costs" over the eighteen month vesting period. In fiscal 2008, the fair value of \$165,280 was recorded as administration expenses and \$20,660 was recorded as mining properties and deferred costs. For the six-month period ended April 30, 2009, the fair value of \$165,280 was recorded as administration expenses and \$20,660 was recorded as mining properties and deferred costs.

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**4. CAPITAL STOCK (cont'd)**

**Accounting for the stock-based compensation plan (cont'd)**

The fair value of the 35,000 options was estimated using Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	3.45%
Expected volatility	89%
Dividend yield	Nil
Expected life	5 years
Fair value per option granted	\$0.160

The expenses related to the 35,000 stock options granted at \$0.15 per option to employees on February 25, 2008 were \$Nil classified under the "Administration - Expenses" and \$5,528 classified under "Mining properties and deferred costs" over the eighteen month vesting period. In fiscal 2008, the fair value of \$Nil was recorded as administration expenses and \$1,842 was recorded as mining properties and deferred costs. For the six-month period ended April 30, 2009, the fair value of \$Nil was recorded as administration expenses and \$1,843 was recorded as mining properties and deferred costs.

The fair value of the 60,000 options was estimated using Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	3.12%
Expected volatility	89%
Dividend yield	Nil
Expected life	5 years
Fair value per option granted	\$0.030

The expenses related to the 60,000 stock options granted at \$0.10 per option to employees on October 28, 2008 were \$Nil classified under the "Administration - Expenses" and \$2,000 classified under "Mining properties and deferred costs" over the eighteen month vesting period. In fiscal 2008, the fair value of \$Nil was recorded as administration expenses and \$217 was recorded as mining properties and deferred costs. For the six-month period ended April 30, 2009, the fair value of \$Nil was recorded as administration expenses and \$1,111 was recorded as mining properties and deferred costs.

The fair value of the 600,000 options was estimated using Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	1.96%
Expected volatility	90%
Dividend yield	Nil
Expected life	5 years
Fair value per option granted	\$0.035

The expenses related to the 600,000 stock options granted at \$0.10 per option to directors and officers on February 2, 2009 were \$10,980 classified under the "Administration - Expenses" and \$Nil classified under "Mining properties and deferred costs" over the eighteen month vesting period. For the six-month period ended April 30, 2009, the fair value of \$3,349 was recorded as administration expenses and \$Nil was recorded as mining properties and deferred costs.

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**4. CAPITAL STOCK (cont'd)**

**c) Warrants**

	<u>Number of Warrants</u>	<u>Exercise Price</u>
	#	\$
Balance at beginning, October 31, 2008 (audited)	250,050	0.30
Expired	<u>(250,050)</u>	<u>0.30</u>
Balance at end, April 30, 2009 (unaudited)	<u><u>-</u></u>	<u><u>-</u></u>

**5. RELATED PARTY TRANSACTIONS**

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

(i) During the period the Corporation retained the services of certain members of the board of directors of the Corporation to carry out work on its exploration projects and for financial consulting services. For the six-month period ended April 30, 2009, the total amount of such services was \$79,050 (2008 - \$50,275).

(ii) During the period the Corporation incurred fees of \$27,005 (2008 - \$39,385) to a law firm in which a director of the Corporation is a partner.

(iii) The related corporation charged an aggregate amount of \$46,312 (2008 - \$108,496) for administrative costs and services, shared office expenses and mining properties costs paid on behalf of Quest.

(iv) Due to related corporation represent the net amount of charges for shared office and related expenses, as well as exploration expenditures between Freewest Resources Canada Inc. and Quest Uranium Corporation.

(v) Amounts due to (from) related parties are non-interest bearing with no specific terms of repayment.

Certain directors and shareholders of the Corporation are also directors, officers and shareholders of the related corporation.

**6. SUBSEQUENT EVENTS**

On May 25, 2009, the Corporation issued 494,739 common shares at a price of \$0.15 per share to Freewest Resources Canada Inc. in partial payment of the amounts owed to Freewest by Quest.

On June 26, 2009, the Corporation completed a private placement by issuing 6,818,180 common shares at a price of \$0.22 per share to "accredited investors" for gross proceeds to Quest of \$1.5 million. Each share was accompanied by one-half of a common share purchase warrant and each full warrant entitles its holder to purchase one additional Quest share at a price of \$0.40 for one year. Under applicable legislation, the securities issued in the private placement are subject to a four-month hold period expiring on October 27, 2009.

**7. COMPARATIVE FIGURES**

Certain items in the comparative unaudited interim financial statements have been reclassified from statements previously presented to conform to the presentation of the 2009 unaudited interim financial statements.