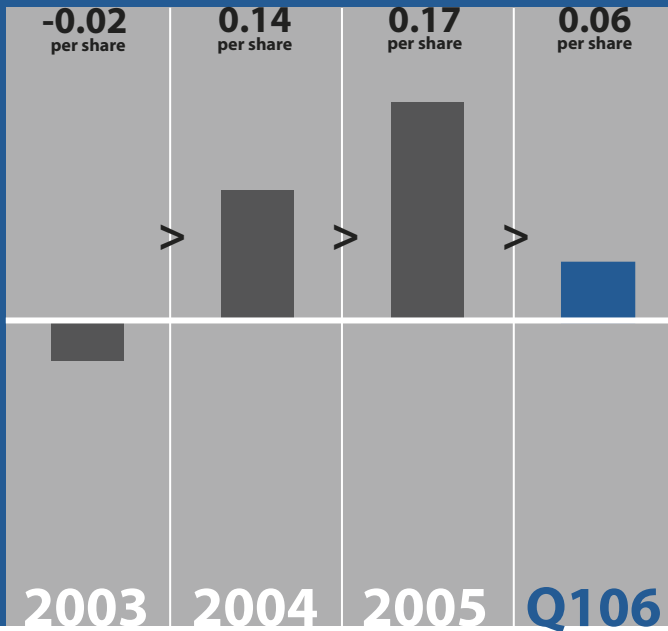




the right choices Q1

Performance: Earnings per share (before taxes)



First Quarter 2006 Highlights

- Unaudited earnings before taxes of \$8.3 million (\$0.06 per share) or net earnings of \$8.0 million (\$0.06 per share);
- Loan portfolio increased 29% during the three months ended March 31, 2006 to \$160.1 million, as compared to \$124.6 million as at December 31, 2005;
- Total loans arranged during the three months ended March 31, 2006 totaled \$52.3 million;
- Net Assets increased during the three months ended March 31, 2006 by 12% to \$199.1 million, as compared to \$177.6 million as at December 31, 2005.

Letter to Shareholders

Quest reported net earnings in the first quarter of \$8.0 million, or \$0.065 per share compared to \$3.3 million or \$0.037 per share in the same period last year. These results represent an increase of 142% and 75% in net earnings and earnings per share, respectively. This marked improvement is reflective of the Company's growing loan portfolio, gains realized on the sale of securities and increased level of fees from corporate finance activities.

During the quarter, Quest arranged loans totaling \$52.3 million, which were funded primarily by internal funds and the injection of capital from the exercise of warrants. This represents a 49% increase over the same period last year when your company generated \$35.2 million in loans.

Over the past few years, Quest has increased its presence in the real estate market through mortgage lending and accordingly, its loan portfolio is heavily weighted in this sector. Geographically, its loans are located almost exclusively in British Columbia, Alberta and Ontario.

Quest also specializes in providing bridge loans to companies in the resource sector. Recently however, the dramatic price increase in most commodities has made debt financing unnecessary and unattractive. Equity capital, on the other hand, is readily available from a number of providers. When a slowdown or correction in these commodity prices occurs, a commensurate increase in Quest's lending efforts to the resource sector will result.

Quest Securities Corporation, a wholly owned subsidiary, has been able to expand its presence in the resource space through the collection of fees and gains realized on the exercise of broker warrants from its corporate finance activities. Quest's lending activities and the efforts of Quest Securities will compliment each other through good markets and bad.

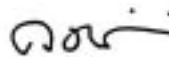
Your Company continues to respond to increasing opportunities. Just after the end of the first quarter, Quest completed a public offering raising \$50.0 million. This offering was completed with a syndicate of six brokerage firms, a number of which now provide research coverage on your Company. This is just one indication of the rising appreciation of your Company's business model.

Quest has a disciplined lending approach that has resulted in superior returns. The challenge that management faces is continuing to maintain this discipline as the Company grows.

"We believe that acknowledging and recognizing this challenge is more than half the battle. Quest has good people, a strong pipeline of product and a healthy balance sheet. This should assist Quest in both its stated objective of becoming Canada's leading asset-backed non-bank lender and in its desire to continue generating superior returns," stated Murray Sinclair, managing director.



Brian E. Bayley
President and Chief Executive Officer



A. Murray Sinclair
Managing Director

Management's Discussion and Analysis

For The Three Months Ended March 31, 2006

Introduction

The following information, prepared as of April 21, 2006, should be read in conjunction with the Company's audited annual consolidated financial statements for the years ended December 31, 2005 and 2004 and related notes attached thereto, which were prepared in accordance with Canadian generally accepted accounting principles ("Cdn GAAP"), together with the related management's discussion and analysis ("MD&A"). All amounts are expressed in Canadian dollars unless otherwise indicated.

The business of Quest Capital Corp. (the "Company") consists of:

- mortgage financing secured by first and second real estate mortgages;
- providing commercial bridge loans to publicly traded development stage companies;
- financial and corporate assistance in arranging equity offerings for companies; and
- management and administrative services to public and private companies.

The Company primarily generates revenues through interest it earns on its loan portfolio. The Company's revenues are subject to the return it is able to generate on its capital, its ability to reinvest funds as loans mature and are repaid, the nature and credit quality of its loan portfolio, including the quality of the collateral security. In addition, the Company receives fees from its corporate finance activities. These fees are subject to the number and dollar amounts of the transactions in which the Company participates.

The following discussion, analysis and financial review is comprised of 12 main sections:

1. Results of Operations
2. Summary of Quarterly Results
3. Liquidity
4. Related Party Transactions
5. Subsequent and Proposed Transactions
6. Outlook
7. Critical Accounting Policies and Estimates
8. Changes in Accounting Policies Including Initial Adoption
9. Disclosure of Outstanding Share Data
10. Risks and Uncertainties
11. Forward-looking Information
12. Internal Disclosure Controls and Procedures

Additional information about us, including our Revised Annual Information Form and other public filings, are available on SEDAR at www.sedar.com.

1. RESULTS OF OPERATIONS

Total assets as at March 31, 2006 were \$208.1 million comprised of \$18.8 million of cash, \$0.7 million of marketable securities, \$160.1 million in loans, \$14.7 million in investments with a fair value of \$28.6 million and \$13.8 million of other assets.

The composition of the loan portfolio at March 31, 2006 was 90% in first and second real estate mortgages, 4% in the energy sector, and 6% in other types of companies. This investment concentration may vary from time to time depending on the investment opportunities available,

however in the near term the Company does not expect any material changes in the composition of its loan portfolio.

For the three months ended March 31, 2006, the Company had consolidated net earnings of \$8.0 million (\$0.06 per share) compared to net earnings of \$3.3 million (\$0.04 per share) for the comparative period in 2005.

Interest and Related Fees

Net interest income from the Company's lending activities increased during the three months ended March 31, 2006 as compared to the comparative period in 2005, due to the growth in its loan portfolio year-over-year. Total loans as at March 31, 2006 were \$160.1 million as compared to \$81.0 million as at March 31, 2005. Interest and related fees during the three months ended March 31, 2006 totalled \$5.7 million as compared to \$3.5 million in the comparative period in 2005, representing a 63% increase.

Non-Interest Income

Net earnings were positively impacted by an increase in management and finder's fees during the three months ended March 31, 2006 as compared to the comparative period in 2005, primarily as a result of increased activity in the Company's corporate finance business. During the three months ended March 31, 2006, the Company received non-monetary compensation for finder's fees in the form of shares, broker warrants and/or options with a fair value of \$394,000 as compared to \$34,000 in the comparative period in 2005. The fair value of these non-monetary compensation payments received is estimated using the trading price of the shares at the time received and the Black-Scholes option model for warrants. Adjustments are made to trading prices for liquidity, hold periods and other restrictions.

Marketable securities are carried at the lower of average cost and market value. Accordingly, trading gains during the three months ended March 31, 2006 resulted in the Company recording a gain of \$1.7 million compared to \$0.4 million in the comparative period in 2005.

Net realized gains from the sales and write-downs to carrying value of investments resulted in the Company recording a net gain of \$3.0 million during the three months ended March 31, 2006 as compared to gains of \$0.4 million in the comparative period in 2005.

Expenses and Other

Total expenses and other for the three months ended March 31, 2006 was \$3.4 million as compared to \$1.3 million in the comparative period in 2005.

Salaries and benefits have increased during the three months ended March 31, 2006 as compared to the comparative period in 2005 as a result of expansion of the business and the addition of new employees.

Bonuses of \$1.6 million during the three months ended March 31, 2006 primarily represent an accrual for an incentive plan payable to officers and employees of the Company. The current period expense includes an accrual of \$1.3 million for the three months ended March 31, 2006 and \$300,000 related to 2005. The increase in bonuses was impacted by the sale of securities and increased level of activity. The payments and allocations under such plan are subject to the approval of the Compensation Committee and Board of Directors.

Stock-based compensation decreased during the three months ended March 31, 2006 over the comparative period in 2005, as a result of fewer options being issued and vested. The Company

records stock-based compensation when options are granted and vested, and generally recorded over a 2.5-year expected life. The fair value of the Company's options has been estimated using the Black-Scholes option pricing model. Assumptions used for the 2006 options include a risk-free rate of 3.50%, an expected life of 2.5 years, a dividend yield of 2.75%, and a volatility rate of 30% which result in the options having a weighted average fair value of \$0.50 per option.

Legal and professional fees and regulatory and shareholder relations costs increased during the three months ended March 31, 2006 as compared to the comparative period in 2005, primarily as a result of listing our shares on the AMEX and AIM.

In April 2006, the Company completed its closure obligations at the Castle Mountain property, other than for long-term monitoring and maintenance.

2. SUMMARY OF QUARTERLY RESULTS

(In thousands of Canadian dollars, except per-share amounts)

	First Qtr 2006	Fourth Qtr 2005	Third Qtr 2005	Second Qtr 2005	First Qtr 2005	Fourth Qtr 2004	Third Qtr 2004	Second Qtr 2004
Interest and related fees	5,798	5,555	4,399	4,004	3,452	2,941	3,194	2,168
Non-interest income	5,961	4,028	1,883	2,377	1,202	1,502	1,439	2,425
Earnings before taxes	8,315	5,059	4,291	4,507	3,311	529	3,782	5,836
Net earnings	8,028	11,395	4,295	4,550	3,311	212	3,766	5,834
Basic and Diluted Earnings Per Share	0.06	0.10	0.04	0.05	0.04	0.00	0.04	0.07
Total Assets	208,060	189,603	166,928	123,487	114,030	111,905	106,578	104,356
Total Liabilities	8,999	12,009	6,718	7,525	10,684	12,385	9,928	11,509

The Company's interest and related fees have generally continued to increase for the past eight quarters as the Company's loan portfolio grows.

Non-interest income will vary by quarter depending on the management, advisory and finder's fees received, marketable securities trading gains/(losses) and realized gains and write-down of investments. Quarter-to-quarter comparisons of financial results are not necessarily meaningful and should not be relied upon as an indication of future performance.

During the fourth quarter of 2005, net earnings were impacted by the recognition of a Future Tax Asset of \$6.4 million as a result of the likely realization of unused tax losses from future earnings.

During the fourth quarter of 2004, net earnings were impacted by the provision of \$1.5 million for the 2004 bonuses. In 2005 and 2006, a provision for bonuses has been made on a quarterly basis.

3. LIQUIDITY

The Company's cash resources at March 31, 2006 were \$18.8 million as compared to \$33.7 million as at December 31, 2005. The Company's primary focus is to provide loans and its cash balances vary depending on the timing of loans advanced and repaid.

As at March 31, 2006, the Company had commitments under existing loan agreements to lend further funds of \$7.6 million of which the Company expects to syndicate \$530,000. Advances under these agreements are subject to a number of conditions, including due diligence and no material adverse change in the assets, business or ownership of the borrower.

The Company's loan portfolio as at March 31, 2006 was \$160.1 million comprised of 90% real estate mortgages, 4% in the energy sector, and 6% in other types of companies. As at March 31, 2006, 70% of the loan value in the Company's loan portfolio is scheduled to mature within a year. The Company had approximately \$7.2 million of loans impaired as a result of certain principal and/or interest payments being in arrears as at March 31, 2006. No additional provision for loan losses was made in the first quarter of 2006 and the Company's provision for loan losses remains at \$0.6 million. The Company expects to collect the full carrying value of its loan portfolio.

During the three months ended March 31, 2006, cash flow from operations provided \$6.4 million as compared to \$246,000 for the comparative period in 2005.

During the three months ended March 31, 2006, the Company received \$13.3 million from the exercise of 8,833,335 warrants.

During the three months ended March 31, 2006, the Company's loan portfolio increased by \$35.6 million to \$160.1 million as compared to the start of the year. In the first three months of 2006, the Company had arranged \$52.3 million of new loans (net to Company – \$53.7 million – increase due to the Company paying out a syndicate partner's share) and \$19.4 million of loans (net to the Company – \$18.1 million) were repaid.

Management is not aware of any trends or expected fluctuations in its liquidity that would create any deficiencies. The Company believes that cash flow from continuing operations and existing cash resources will be sufficient to meet the Company's short-term requirements, as well as ongoing operations, and will be able to generate sufficient capital to support the Company's business. Please refer to the section entitled "Subsequent and Proposed Transactions" in this MD&A.

The Company has contractual obligations for its leased office space in Vancouver and Toronto. The total minimum lease payments for the years 2006–2010 are \$1,383,000.

Type of Contractual Obligation	Total \$	Obligation due by period			
		Less than 1 Year \$	1–3 Years \$	3–5 Years \$	More than 5 Years \$
Office Leases	1,383,000	462,000	767,000	154,000	—
Loan Commitments – Net of Syndication	7,068,000	7,068,000	—	—	—
Total	8,451,000	7,530,000	767,000	154,000	—

4. RELATED PARTY TRANSACTIONS

For the three months ended March 31, 2006, the Company received \$262,000 (2005 – \$293,000) in advisory, management and finder's fees from parties related by virtue of having certain directors and officers in common. Other assets include \$480,000 of non-transferable securities held in either private or publicly traded companies related by virtue of having certain directors and officers in common.

Loans and convertible debentures include \$5.7 million in amounts due from parties related by virtue of having certain directors and officers in common. The Company often requires the ability to nominate at least one member to the board of directors of a company to which it provides a loan. The nominee may be an employee, officer or director of the Company and accordingly, the borrower has been considered related to the Company. During the three months ended March 31, 2006, the Company received \$376,000 (2005 – \$441,000) in interest and fees from parties related by virtue of having certain directors and officers in common. During the three months ended March 31, 2006, the Company has made no additional provision for losses on loans and convertible debentures from parties related by virtue of having certain directors in common.

For the three months ended March 31, 2006, the Company received \$12,000 (2005 – \$11,000) in syndication loan administration fees from parties related by virtue of having certain directors and officers in common.

Marketable securities and investments include \$12.8 million of shares held in publicly traded companies related by virtue of having certain directors and officers in common. For the three months ended March 31, 2006, the Company recorded a gain on disposal of securities of \$3.6 million (2005 – \$377,000) from parties related by virtue of having certain directors and officers in common.

Included in accounts payable is \$3.3 million due to officers for bonuses and salaries payable.

5. SUBSEQUENT AND PROPOSED TRANSACTIONS

On April 6, 2006, the Company entered into a binding agreement with a syndicate of underwriters which agreed to purchase, on a bought-deal basis, 15,625,000 common shares of the Company at a purchase price of \$3.20 per common share, for total gross proceeds of \$50 million. The underwriters also have an option, exercisable for a period of 30 days following the closing date, to purchase up to an additional 2,343,750 shares to cover over-allotments and for market-stabilization purposes. This offering is expected to close on April 27, 2006.

6. OUTLOOK

As at March 31, 2006, the Company had \$18.8 million of cash on hand. As previously disclosed, the Company will be completing an offering for gross proceeds of up to \$57.5 million. The prudent deployment of the Company's cash is the paramount focus of management. The Company is not planning any material changes in the make-up of its lending business, although the precise composition of its loan book may vary somewhat from the currently existing percentages as loans are made in the context of market conditions. In this regard, the Company plans to further exploit its market niche by growing its loan portfolio from the deployment of additional capital raised and increasing its marketing efforts to grow its customer base. During the upcoming year, the Company will hire additional employees and raise debt as is required to fund the Company's loan growth.

7. CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company's accounting policies are described in Note 3 of its audited consolidated financial statements for the years ended December 31, 2005 and 2004. Management considers the following policies to be the most critical in understanding the judgments and estimates that are involved in the preparation of its consolidated financial statements and the uncertainties which could materially impact its results, financial condition and cash flows. Management continually evaluates its assumptions and estimates. However, actual results could differ materially from these assumptions and estimates.

Provision for Loan Losses

Loans are stated net of an allowance for credit losses on impaired loans. Such allowances reflect management's best estimate of the credit losses in the Company's loan portfolio and judgments about economic conditions. The evaluation process involves estimates and judgments, which could change in the near term, and result in a significant change to a recognized allowance.

The Company reviews its loan portfolio on a regular basis and specific provisions are established on a loan-by-loan basis. In determining the provision for possible loan losses, the Company considers the following:

- length of time the loans have been in arrears;
- the overall financial strength of the borrowers;
- the nature and quality of collateral and, if applicable, guarantees;
- secondary market value of the loans and the collateral; and
- the borrower's plan, if any, with respect to restructuring the loans.

Valuation of Investments

The Company's investments are primarily held in public companies. Investments are recorded at cost or at cost less amounts written off to reflect any impairment in value that is considered to be other than temporary. The Company regularly reviews the carrying value of its portfolio positions. A decline in market value may be only temporary in nature or may reflect conditions that are more permanent. Declines may be attributable to general market conditions, either globally or regionally, that reflect prospects of the economy as a whole or prospects of a particular industry or a particular company. Such declines may or may not reflect the likelihood of ultimate recovery of the carrying amount of an investment.

In determining whether the decline in value of the investment is other than temporary, quoted market price is not the only factor considered, particularly for thinly traded securities, large-block holdings and restricted shares. Other factors considered include:

- the trend of the quoted market price and trading volume;
- the financial position of the company and its results;
- changes in or reorganization of the business plan of the investment; and
- the current fair value of the investment (based upon an appraisal thereof) relative to its carrying value.

Future Tax Asset

The Company has recognized a future tax asset to the extent that the amount is more likely than not to be realized from future earnings. The Company will reassess at each balance sheet date its existing future income tax assets, as well as potential future income tax assets that have not

been previously recognized. The Company will assess its ability to continue to generate future earnings based on its current loan portfolio, expected rate of return, the quality of the collateral security and ability to reinvest the funds. If an asset has been recorded and the Company assesses that realization is no longer viable, the asset will be written down. Conversely, if the Company determines that there is an unrecognized future income tax asset which is more likely than not to be realized, it will be recorded in the balance sheet and statement of earnings.

Asset Retirement Obligations

The amounts recorded for asset retirement obligations are based on the fair value of the estimated future costs to obtain final closure from regulatory agencies of the Company's remaining resource property.

8. CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

No new accounting policies have been adopted during the three months ended March 31, 2006.

9. DISCLOSURE OF OUTSTANDING SHARE DATA

Share Position

As at April 21, 2006, Quest's issued and outstanding share position was 128,123,128 Common shares.

Outstanding Stock Options

Number Of Options	Exercise Price \$	Expiry Date
113,333	0.81	October 22, 2007
300,000	1.51	August 19, 2009
6,800,000	1.95	November 20, 2008
1,100,000	1.95	April 7, 2010
175,000	2.30	November 1, 2010
75,000	2.30	November 15, 2010
1,000,000	2.30	December 21, 2010
350,000	2.64	February 1, 2011
9,913,333		

Outstanding Compensation Options

Number Of Options	Exercise Price \$	Expiry Date
1,085,775	2.30	August 23, 2007
48,000	2.30	October 26, 2007
1,133,775		

Dividends

The Board of Directors declared its first semi-annual dividend of \$0.03 per share which was paid on January 4, 2006 to shareholders of record on December 19, 2005.

10. RISKS AND UNCERTAINTIES

Additional risk factors are disclosed under “Risk Factors” in the Revised Annual Information Form filed on SEDAR at www.sedar.com.

Liquidity Risk

The Company maintains a sufficient amount of liquidity to fund its obligations as they come due under normal operating conditions.

Credit Risk

Credit risk management is the management of all aspects of borrower risk associated with the total loan portfolio, including the risk of loss of principal and/or interest from the failure of the borrowers to honour their contractual obligations to the Company.

The composition of the loan portfolio at March 31, 2006 was 90% in first and second real estate mortgages, 4% in the energy sector and 6% in other types of companies. The Company generally receives security equal to approximately 75% of the loan value for real estate mortgages and at least 50% security on commercial bridge loans to publicly traded development stage companies. The Company provides for loan losses on a specific loan basis and has a provision of \$0.6 million as at March 31, 2006.

11. FORWARD-LOOKING INFORMATION

These materials include certain statements that constitute “forward-looking statements” within the meaning of Section 27A of the United States *Securities Act of 1933* and Section 21E of the *United States Securities Exchange Act of 1934*. These statements appear in a number of places in this document and include statements regarding our intent, belief or current expectation and that of our officers and directors. Such forward-looking statements involve known and unknown risks and uncertainties that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. When used in this document, words such as “believe”, “anticipate”, “estimate”, “project”, “intend”, “expect”, “may”, “will”, “plan”, “should”, “would” “contemplate”, “possible”, “attempts”, “seek”, and similar expressions are intended to identify these forward-looking statements. These forward-looking statements are based on various factors and were derived utilizing numerous assumptions that could cause our actual results to differ materially from those in the forward-looking statements. Accordingly, you are cautioned not to put undue reliance on these forward-looking statements. Forward-looking statements include, among others, statements regarding our expected financial performance in future periods, our plan of operations and our business strategy and plans or budgets.

9

12. INTERNAL DISCLOSURE CONTROLS AND PROCEDURES

We have evaluated the effectiveness of our disclosure controls and procedures and have concluded, based on our evaluation that they are sufficiently effective as of March 31, 2006 to provide reasonable assurance that material information relating to the Company and its consolidated subsidiaries is made known to management and disclosed in accordance with applicable securities regulations.

Consolidated Balance Sheets

(Expressed in thousands of Canadian dollars)
(Unaudited)

Consolidated Financial Statements

10

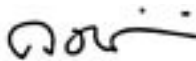
	March 31, 2006 \$	December 31, 2005 \$
Assets		
Cash and cash equivalents	18,783	33,739
Marketable securities (note 6)	672	945
Loans (note 6 and 7)	160,141	124,551
Investments (note 6)	14,677	17,117
Future tax asset	6,500	6,488
Restricted cash	3,791	2,265
Prepaid and other receivable	685	739
Resource and fixed assets	676	700
Other assets (note 6)	2,135	2,008
Assets held for disposition (note 5)	—	1,051
	208,060	189,603
Liabilities		
Accounts payable and accrued liabilities	5,245	4,192
Dividend payable	—	3,518
Deferred interest and loan fees	2,446	1,685
Asset retirement obligation	1,308	1,884
Liabilities and provision for loss on assets held for disposition (note 5)	—	730
	8,999	12,009
Shareholders' Equity		
Share capital (note 8)	152,191	138,891
Contributed capital (note 8)	6,908	6,772
Retained earnings	38,767	30,739
Currency translation adjustment	1,195	1,192
	199,061	177,594
	208,060	189,603
Contingencies and commitments (note 7 and 10)		

The accompanying notes are an integral part of these consolidated financial statements.

Approved by the Board of Directors



Director



Director

Consolidated Statements of Retained Earnings

(Expressed in thousands of Canadian dollars)

(Unaudited)

Three months ended March 31

	2006 \$	2005 \$
Retained earnings – Beginning of period	30,739	10,706
Net earnings for the period	8,028	3,311
Retained earnings – End of period	38,767	14,017

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Earnings

(Expressed in thousands of Canadian dollars, except per-share amounts)

(Unaudited)

Three months ended March 31

	2006 \$	2005 \$
Interest and related fees	5,798	3,452
Non-interest income		
Management and finder's fees	1,251	415
Marketable securities trading gains	1,738	370
Realized gains and writedowns of investments	2,956	417
Other income	16	—
	5,961	1,202
Total interest and non-interest income	11,759	4,654
Expenses and other		
Salaries and benefits	668	350
Bonuses	1,600	400
Stock-based compensation	136	406
Office and other	198	145
Legal and professional services	467	103
Regulatory and shareholder relations	264	58
Director's fees	88	40
Foreign exchange gain	(1)	(7)
Other expenses relating to resource properties	24	118
Writedown, gains adjustment to reclamation provision and settlement of Australian operations	—	(270)
	3,444	1,343
Earnings before income taxes	8,315	3,311
Provision for income taxes	287	—
Net earnings for the period	8,028	3,311
Earnings per share		
Basic	0.065	0.037
Fully diluted	0.064	0.036
Weighted average number of shares outstanding		
Basic	122,932,235	90,465,568
Fully diluted	126,053,811	92,270,620

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Cash Flows

(Expressed in thousands of Canadian dollars)

(Unaudited)

Three months ended March 31

	2006 \$	2005 \$
Cash flows from operating activities		
Net earnings for the period	8,028	3,311
Adjustments to determine net cash flows relating to operating items		
Future tax asset	(12)	—
Stock-based compensation	136	406
Amortization of deferred interest and loan fees	(945)	(835)
Marketable securities trading gains	(1,738)	(370)
Realized gains and writedowns of investments	(2,956)	(417)
Depreciation	27	17
Other expenses relating to resource properties	34	(189)
Other assets and investments received as finder's fees	(394)	—
Deferred interest and loans fees received	1,232	673
Activity in marketable securities held for trading		
Purchases	(557)	—
Proceeds on sales	3,044	936
Expenditures for reclamation and closure	(593)	(594)
Changes in receivables and other receivables	51	107
Changes in accounts payables and accrued liabilities	1,051	(2,799)
	6,408	246
Cash flows from financing activities		
Proceeds from shares issued	13,300	—
Dividend payment	(3,518)	—
Proceeds from short-term debt	—	3,000
	9,782	3,000
Cash flows from investing activities		
Activity in loans		
Net (increase) decrease in loans	(35,578)	(9,298)
Net (increase) decrease in convertible debentures	—	(16)
Activity in investments		
Purchases	(278)	(1,478)
Proceeds on sales	6,220	1,196
Change in restricted cash	(1,523)	5,632
Cash transferred to purchaser of resource property	—	(2,546)
Expenditures on resource and fixed assets	(13)	—
	(31,172)	(6,510)
Foreign exchange loss on cash held in a foreign subsidiary	26	125
Increase (decrease) in cash and cash equivalents	(14,956)	(3,139)
Cash and cash equivalents – Beginning of period	33,739	6,607
Cash and cash equivalents – End of period	18,783	3,468
Supplemental cash flow information (note 11)		

The accompanying notes are an integral part of these consolidated financial statements.

1 NATURE OF OPERATIONS

Quest Capital Corp.'s ("Quest" or the "Company") primary focus is providing commercial bridge loans and mortgage financings of up to approximately \$35.0 million. The Company also provides a range of services including the raising of capital, consulting, management and administrative services through its wholly owned subsidiaries, Quest Management Corp. and Quest Securities Corporation.

2 BASIS OF PRESENTATION

The accompanying financial information does not include all disclosure required under generally accepted accounting principles for annual financial statements. The accompanying financial information reflects all adjustments, consisting primarily of normal recurring adjustments, which are, in the opinion of management necessary for a fair presentation of results for the interim periods. These consolidated financial statements should be read in conjunction with the Company's 2005 audited annual financial statements and notes.

3 SIGNIFICANT ACCOUNTING POLICIES

These interim consolidated financial statements follow the same accounting policies and methods of their application as the Company's annual financial statements. These interim consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles and include the Company's accounts and those of its wholly owned subsidiaries, Quest Management Corp., Quest Securities Corporation, Viceroy Gold Corporation and its 75% proportionate joint-venture interest in the Castle Mountain Property.

4 CHANGE IN ACCOUNTING POLICIES

No new accounting policies have been adopted during the three months ended March 31, 2006.

5 ASSETS AND LIABILITIES AND PROVISION FOR LOSS ON ASSETS

In November 2005, Lara Exploration Ltd. ("Lara"), in which the Company had a 66% interest, agreed to acquire a private Brazilian company that holds the rights to nine prospective gold, nickel, copper and zinc properties in Brazil. In return for the assignment of the shares of the private Brazilian company to Lara, the Company agreed to transfer its 3,000,000 escrow shares of Lara to the shareholders of the private Brazilian company for nominal consideration. On completion of the transaction and a concurrent private placement by Lara, the Company holds approximately 9% of the outstanding shares of Lara and ceased to exercise control or significant influence of Lara. This transaction was completed in February 2006 and the Company's remaining investment has been accounted for using the cost method. The following is a breakdown of the net assets disposed of:

	\$
Assets held for disposition	1,051
Liabilities and provision for loss on assets held for disposition	730
Remaining investment	321

6 FINANCIAL INSTRUMENTS

The carrying values of cash and cash equivalents, restricted cash, other receivables, and accounts payable approximate their fair values due to the short-term nature of these instruments.

The fair value of the Company's remaining financial assets and liabilities is as follows:

	March 31, 2006		December 31, 2005	
	Carrying value \$	Fair value \$	Carrying value \$	Fair value \$
Marketable securities	672	1,060	945	1,168
Loans and convertible debentures	160,141	160,141	124,551	124,551
Investments	14,677	28,617	17,117	24,430
Other assets	1,729	1,729	1,601	1,601

Marketable securities and investments represent shares in publicly traded companies. The fair value represents the quoted trading price of the shares. The fair value of loans is estimated to be approximately the equivalent of carrying value due to the relatively short term of these loans. The fair value of convertible debentures is generally considered to be the equivalent of carrying value unless the trading price of the underlying security exceeds the conversion price of the debenture. Fair value is then considered to be the quoted trading price of the underlying security. Financial instruments included in other assets include securities and investments in capital pool companies which are restricted from trading and are carried at cost.

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7 LOANS AND CONVERTIBLE DEBENTURES

A Loans are repayable over various terms up to 28 months from March 31, 2006, and bear interest at a fixed rate of between 8.75% and 15% before commitment and other fees. Marketable securities, real property, corporate or personal guarantees generally are pledged as security. At March 31, 2006, the composition of the loan portfolio was 90% mortgages, 4% in the energy sector and 6% in other types of companies. The convertible debenture interest rate is 8% and due September 2006.

Loan and convertible debenture analysis as at March 31, 2006 is as follows:

	Term loans \$	Specific allowance \$	Carrying amount \$
Unimpaired loans	152,881	—	152,881
Impaired loans	7,203	337	6,866
	160,084	337	159,747
Convertible debentures	594	200	394
	160,678	537	160,141

As at March 31, 2006, 70% of the Company's loan portfolio is due within a year. At March 31, 2006, loans and convertible debentures of \$394,000 (2005 – \$2,810,000) net of allowances were in U.S. dollars. Accordingly, the Company is exposed to foreign currency risk in this regard.

B The Company monitors the repayment ability of borrowers and the value of underlying security.

Certain of the Company's loans are in arrears and realization by the Company on its security may result in a shortfall. In determining the provision for possible loan losses, management considers the length of time the loans have been in arrears, the overall financial strength of borrowers and the residual value of security pledged. The Company has recorded an allowance for losses as follows:

	March 31, 2006 \$
Balance – Beginning of period	537
Add Specific provision for the period	—
Balance – End of period	537

C At March 31, 2006, the Company has also entered into agreements to advance funds of \$7.6 million (includes \$1.5 million provided in the form of a letter of credit which has been classified as “restricted cash”) of which the Company expects to syndicate \$530,000. Advances under these agreements are subject to due diligence, no material adverse change in the assets, business or ownership of the borrower and other terms.

8 SHARE CAPITAL

A Authorized

Unlimited First and Second Preferred Shares

Unlimited common shares without par value

B Shares issued and outstanding

	Number of shares	Amount \$
Common shares		
Opening balance – January 1, 2006	119,265,568	138,891
Issued on exercise of warrants	8,833,335	13,300
Ending balance – March 31, 2006	128,098,903	152,191

C Warrants issued and outstanding

	Number of warrants	Exercise price per share \$	Expiry date
Common shares			
Opening balance comprised of:	—		
Issued pursuant to a private placement	8,333,335	1.50	June 30, 2008
Issued pursuant to a private placement	500,000	1.60	October 20, 2008
Exercised	(8,333,335)	1.50	
Exercised	(500,000)	1.60	
Ending balance – March 31, 2006	—		

D Compensation options issued and outstanding

	Number of warrants	Exercise price per share \$	Expiry date
Common shares			
Opening balance comprised of:	—	—	
Issued pursuant to a private placement	1,110,000	2.30	August 23, 2007
Issued pursuant to a private placement	48,000	2.30	October 26, 2007
Ending balance – March 31, 2006	1,158,000		

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E Stock options outstanding

The Company has a stock option plan under which the Company may grant options to its directors, employees and consultants for up to 10% of the issued and outstanding common shares. The exercise price of each option is required to be equal to or higher than the market price of the Company's common shares on the day of grant. Vesting and terms of the option agreement are at the discretion of the Board of Directors.

During the three months ended March 31, 2006, the change in stock options outstanding was as follows:

	Number of shares	Weighted average share price
Common shares		
Opening balance	9,563,333	1.91
Granted	350,000	2.64
Closing balance	9,913,333	1.99
Options exercisable	8,420,364	1.94

The following table summarizes information about stock options outstanding and exercisable at March 31, 2006:

Range of exercise prices \$	Options outstanding			Options exercisable	
	Options outstanding	Weighted average remaining contracted life (years)	Weighted average exercise price \$	Options exercisable	Weighted average exercise price \$
0.81	113,333	1.50	0.81	113,333	0.81
1.51	300,000	3.30	1.51	290,625	1.46
1.80 to 1.95	7,900,000	2.79	1.95	7,487,500	1.95
2.30 to 2.64	1,600,000	4.70	2.37	528,906	2.36
	9,913,333	3.10	1.99	8,420,364	1.94

F Contributed capital

	\$
Opening balance	6,772
Stock-based compensation	136
Ending balance	6,908

The fair values of options for the three months ended March 31, 2006 have been estimated using an option pricing model. Assumptions used in the pricing model are as follows:

Risk-free interest rate	3.50%
Expected life of options	2.5 years
Expected stock price volatility	30%
Expected dividend yield	2.75%
Weighted average fair value of options	0.50

9 RELATED PARTY TRANSACTIONS

A For the three months ended March 31, 2006, the Company received \$262,000 (2005 – \$293,000) in advisory, management and finder’s fees from parties related by virtue of having certain directors and officers in common. Other assets include \$480,000 of non-transferable securities held in either private or publicly traded companies related by virtue of having certain directors and officers in common.

B Loans and convertible debentures include \$5.7 million in amounts due from parties related by virtue of having certain directors and officers in common. The Company often requires the ability to nominate at least one member to the board of directors of a company to which it provides a loan. The nominee may be an employee, officer or director of the Company and accordingly, the borrower has been considered related to the Company. During the three months ended March 31, 2006, the Company received \$376,000 (2005 – \$441,000) in interest and fees from parties related

by virtue of having certain directors and officers in common. During the three months ended March 31, 2006, the Company has made no additional provision for losses on loans and convertible debentures from parties related by virtue of having certain directors in common.

C For the three months ended March 31, 2006, the Company received \$12,000 (2005 – \$11,000) in syndication loan administration fees from parties related by virtue of having certain directors and officers in common.

D Marketable securities and investments include \$12.8 million of shares held in publicly traded companies related by virtue of having certain directors and officers in common. For the three months ended March 31, 2006, the Company recorded a gain on disposal of securities of \$3.6 million (2005 – \$377,000) from parties related by virtue of having certain directors and officers in common.

E Included in accounts payable is \$3.3 million due to officers for bonuses and salaries payable.

10 CONTINGENCIES AND COMMITMENTS

A Surety bond guarantees totalling US\$2,405,000 have been provided by Castle Mountain Joint Venture to ensure compliance with reclamation and other environmental agreements.

B On March 22, 2002, Quest Investment Corporation, a predecessor of the Company, and other parties were named as defendants in a lawsuit filed in the Supreme Court of British Columbia. The plaintiff has claimed approximately \$410,000 plus interest due for consulting services. Management intends to fully defend this claim. Accordingly, no provision has been made for this claim in the consolidated financial statements. The ultimate outcome of this claim is not determinable at the time of issue of these consolidated financial statements and the costs, if any, will be charged to income in the period(s) in which they are finally determined.

C The Company has entered into operating leases for office premises. Minimum annual lease payments required are approximately as follows:

	\$
2006	462,000
2007	307,000
2008	230,000
2009	230,000
2010	154,000

D Other commitments and contingencies are disclosed elsewhere in these consolidated financial statements and notes.

11 SUPPLEMENTAL CASH FLOW INFORMATION

Non-cash operating, financing and investing activities

	Three months ended March 31, 2006 \$	Three months ended March 31, 2005 \$
Marketable securities and investments received as loan fees	475	749
Other assets and investments received as finder's fees	394	34
Loans and debentures settled with shares	—	4,516
Shares received as consideration for sale of resource property	—	1,800

12 Income taxes

The Company has utilized tax losses in certain of its entities to reduce its taxable income in Canada. The Company has recognized a future tax asset to the extent that the amount is more likely than not to be realized from future earnings.

The provision for (recovery of) income taxes consists of the following:

	Three months ended March 31, 2006 \$	Three months ended March 31, 2005 \$
Current		
Canada	299	—
United States	—	—
Total current expenses	299	—
Future		
Canada	(12)	—
United States	—	—
Total future recovery	(12)	—
Total (recovery of) provision for income taxes	287	—

13 SUBSEQUENT EVENTS

On April 6, 2006, the Company entered into a binding agreement with a syndicate of underwriters which agreed to purchase, on a bought-deal basis, 15,625,000 common shares of the Company at a purchase price of \$3.20 per common share, for total gross proceeds of \$50 million. The underwriters also have an option, exercisable for a period of 30 days following the closing date, to purchase up to an additional 2,343,750 shares to cover over-allotments and for market-stabilization purposes. This offering is expected to close on April 27, 2006.

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AUDITOR

PricewaterhouseCoopers LLP
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REGISTRAR AND TRANSFER AGENT

Computershare Trust Company of Canada
Vancouver, British Columbia

SHARE CAPITALIZATION

April 27, 2006
Issued and outstanding 143,748,128
Fully diluted 157,138,986

SHARES LISTED

Exchange and Symbol
TSX – QC
AIM – QCC
AMEX – QCC

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