



November 2, 2006

TSX: QC
AMEX/AIM: QCC

**QUEST REPORTS ITS FINANCIAL RESULTS FOR THE THIRD QUARTER 2006
AND ANNOUNCES AN INCREASE IN ITS DIVIDEND RATE**

Vancouver, British Columbia, November 2, 2006 – Quest Capital Corp. ('Quest' or the 'Company'), announces its unaudited consolidated interim financial results for the nine months ended September 30, 2006 (a copy of which is attached hereto and is also available on SEDAR at www.sedar.com).

HIGHLIGHTS

- Net earnings of \$8.8 million (\$0.06 per share) for the three months ended September 30, 2006 and \$27.7 million (\$0.20 per share) for the nine months ended September 30, 2006, as compared to net earnings of \$4.3 million (\$0.04 per share) and \$12.2 million (\$0.13 per share), respectively, for the comparative periods in 2005;
- Total loans arranged during the nine months ended September 30, 2006 totaled \$205.1 million, of which the Company funded \$184.9 million;
- Loan portfolio increased 98% during the nine months ended September 30, 2006 to \$246.6 million, as compared to \$124.6 million as at December 31, 2005;

Managing Director, A. Murray Sinclair commented: “The growth of our loan portfolio by \$55 million (29%) in the third quarter and \$122 million (98%) in the first nine months of the year is evidence that our business model is being successfully implemented”.

As a reflection of the continued growth in our business, the Company is pleased to announce that on November 1, 2006 its board of directors approved an increase in its dividend rate from \$0.06 per year to \$0.08 per year. This new dividend will be paid quarterly, at the rate of \$0.02 per share. The Company is also pleased to announce that the board of directors has also declared its first quarterly dividend to be paid on November 30, 2006 to shareholders of record at the close the business on November 15, 2006.

About Quest

Quest Capital Corp. is a merchant bank that focuses on providing financial services, specifically mortgages and bridge loans. Quest’s primary expertise is providing asset backed loans to companies in real estate, manufacturing and resource sectors. Quest complements its lending business by providing corporate finance services through its wholly owned subsidiary, Quest Securities Corporation.

For more information about Quest, please visit our website (www.questcapcorp.com) or contact:

A. Murray Sinclair
Managing Director
Tel: (604) 689-1428
Toll free: (800) 318-3094

Mark Monaghan
Vice President
Tel: (416)-367-8383

Forward Looking Statements

Statements contained in this news release that are not historical facts are forward-looking statements that involve various risks and uncertainty affecting the business of Quest. Actual results realized may vary materially from the information provided in this release. As a result, there is no representation by Quest that actual results realized in the future will be the same in whole or in part as those presented herein.

Quest Capital Corp.

Consolidated Financial Statements
(Expressed in thousands of Canadian dollars)
(Unaudited)

September 30, 2006

Quest Capital Corp.

Consolidated Balance Sheets

(expressed in thousands of Canadian dollars)

(Unaudited)

	September 30, 2006	December 31, 2005
Assets		
Cash and cash equivalents	\$ 12,794	\$ 33,739
Marketable securities (note 6)	1,269	945
Loans (note 6 and 7)	246,631	124,551
Investments (note 6)	11,361	17,117
Future income tax asset	7,187	6,488
Restricted cash	2,676	2,265
Prepaid and other receivable	672	739
Resource and fixed assets	510	700
Other assets (note 6)	1,835	2,008
Assets held for disposition (note 5)	-	1,051
	<u>\$ 284,935</u>	<u>\$ 189,603</u>
Liabilities		
Accounts payable and accrued liabilities	\$ 3,885	\$ 3,734
Income taxes payable (note 13)	1,783	458
Dividend payable	-	3,518
Deferred interest and loan fees	4,151	1,685
Asset retirement obligation	1,066	1,884
Debt (note 6 and 8)	10,000	-
Liabilities and provision for loss on assets held for disposition (note 5)	-	730
	<u>20,885</u>	<u>12,009</u>
Shareholders' Equity		
Share capital (note 9)	202,459	138,891
Contributed capital (note 9)	6,366	6,772
Retained earnings	54,106	30,739
Currency translation adjustment	1,119	1,192
	<u>264,050</u>	<u>177,594</u>
	<u>\$ 284,935</u>	<u>\$ 189,603</u>

Contingencies and commitments (note 7 and 11)

Approved by the Board of Directors

"Bob Buchan" Director

"A. Murray Sinclair" Director

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

Quest Capital Corp.

Consolidated Statements of Retained Earnings

(Expressed in thousands of Canadian dollars)

(Unaudited)

For the period ended

	Three months ended September 30		Nine months ended September 30	
	2006	2005	2006	2005
Retained earnings - Beginning of period	\$ 45,336	\$ 18,567	\$ 30,739	\$ 10,706
Net earnings for the period	8,770	4,295	27,680	12,156
Dividends	-	-	(4,313)	-
Retained earnings – End of period	<u>\$ 54,106</u>	<u>\$ 22,862</u>	<u>\$ 54,106</u>	<u>\$ 22,862</u>

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

Quest Capital Corp.

Consolidated Statements of Earnings

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

(Unaudited)

For the period ended

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2006	2005	2006	2005
Interest and related fees	\$ 8,781	\$ 4,399	\$ 21,994	\$ 11,855
Non-interest income				
Management and finder's fees	1,051	505	3,499	2,032
Marketable securities and other assets trading gains	413	204	4,083	589
Realized gains and writedowns of investments	1,904	1,165	9,636	2,429
Other income	-	9	16	665
	3,368	1,883	17,234	5,715
Total interest and non-interest income	12,149	6,282	39,228	17,570
Provision for losses net of recovery	(5)	-	(238)	-
	12,144	6,282	38,990	17,570
Expenses and other				
Salaries and benefits	878	532	2,249	1,466
Bonuses	904	500	4,562	1,350
Stock-based compensation	112	451	393	1,564
Office and other	255	175	747	479
Legal and professional services	432	127	1,182	509
Regulatory and shareholder relations	119	17	426	186
Director's fees	53	85	214	163
Interest	250	7	265	61
Foreign exchange gain	24	110	59	90
Other expenses relating to resource properties	30	24	(173)	162
Writedown, gains adjustment to reclamation provision and settlement of Australian operations	-	(37)	-	(569)
	3,057	1,991	9,924	5,461
Earnings before income taxes	9,087	4,291	29,066	12,109
Provision for income taxes (note 13)	317	-	1,386	-
Non-controlling interest in a subsidiary	-	(4)	-	(47)
Net earnings for the period	\$ 8,770	\$ 4,295	\$ 27,680	\$ 12,156
Earnings per share				
Basic	\$ 0.06	\$ 0.04	\$ 0.20	\$ 0.13
Fully diluted	\$ 0.06	\$ 0.04	\$ 0.20	\$ 0.12
Weighted average number of shares outstanding				
Basic	143,779,107	104,715,468	135,332,615	96,048,801
Fully diluted	146,746,232	108,161,718	138,460,558	98,614,661

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

Quest Capital Corp.

Consolidated Statements of Cash Flows
(Expressed in thousands of Canadian dollars)
(Unaudited)

For the period ended

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2006	2005	2006	2005
Cash flows from operating activities				
Net earnings for the period	\$ 8,770	\$ 4,295	\$ 27,680	\$ 12,156
Adjustments to determine net cash flows relating to operating activities				
Future income tax	828	-	(700)	-
Stock-based compensation	112	451	393	1,564
Non-controlling interest in a subsidiary	-	(4)	-	(47)
Provision for losses	-	-	386	-
Amortization of deferred interest and loan fees	(1,332)	(1,718)	(3,624)	(3,934)
Marketable securities trading gains	(413)	(204)	(4,083)	(589)
Realized gains and writedowns of investments	(1,904)	(1,165)	(9,636)	(2,429)
Gain on dilution in interest of subsidiary	-	-	-	(252)
Depreciation	53	-	128	34
Other expenses relating to resource properties	19	17	58	135
Gains on sale of resource assets and adjustments to retirement obligations	-	(37)	-	(551)
Other assets and investments received as finder's fees	(231)	(233)	(728)	(827)
Deferred interest and loans fees received	2,553	901	5,011	2,461
Activity in marketable securities held for trading				
Purchases	(1,371)	(15)	(3,382)	(15)
Proceeds on sales	1,970	820	8,975	1,895
Expenditures for reclamation and closure	(208)	(566)	(821)	(1,641)
Changes in prepaid and other receivable	72	117	51	521
Changes in accounts payable and accrued liabilities	(553)	85	180	(2,927)
Changes in income taxes payable	(748)	-	1,325	-
	<u>7,617</u>	<u>2,744</u>	<u>21,213</u>	<u>5,554</u>
Cash flows from financing activities				
Proceeds from shares issued	2,101	39,606	62,768	47,106
Dividend payment	(4,312)	-	(7,830)	-
Proceeds from debt	27,931	-	27,931	3,000
Repayment of debt	(17,931)	-	(17,931)	(3,000)
	<u>7,789</u>	<u>39,606</u>	<u>64,938</u>	<u>47,106</u>
Cash flows from investing activities				
Activity in loans				
Net (increase) decrease in loans and convertible debentures	(55,351)	(18,142)	(122,466)	(26,331)
Activity in investments				
Purchases	(75,073)	(966)	(75,679)	(3,651)
Proceeds on sales	77,627	3,201	91,966	7,320
Net proceeds on dilution of a subsidiary	-	-	-	621
Change in restricted cash	17	(2)	(505)	5,900
Cash transferred to purchaser of resource property	-	-	-	(2,546)
Proceeds on sale of resource and fixed assets	-	33	103	166
Expenditures on resource and fixed assets	(2)	(86)	(73)	(102)
Net other assets acquired	(150)	-	(425)	-
	<u>(52,932)</u>	<u>(15,962)</u>	<u>(107,079)</u>	<u>(18,623)</u>
Foreign exchange loss on cash held in a foreign subsidiary	(32)	(21)	(17)	84
Increase (decrease) in cash and cash equivalents	<u>(37,558)</u>	<u>26,367</u>	<u>(20,945)</u>	<u>34,121</u>
Cash and cash equivalents - Beginning of period	<u>50,352</u>	<u>14,361</u>	<u>33,739</u>	<u>6,607</u>
Cash and cash equivalents - End of period	<u>\$ 12,794</u>	<u>\$ 40,728</u>	<u>\$ 12,794</u>	<u>\$ 40,728</u>
Supplemental cash flow information (note 12)				

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

Quest Capital Corp.

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars; tables in thousands, except share capital information)

(Unaudited)

Nine months ended September 30, 2006 and 2005

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 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, Quest Mortgage Corp., 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 nine months ended September 30, 2006.

Quest Capital Corp.

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars; tables in thousands, except share capital information)

(Unaudited)

Nine months ended September 30, 2006 and 2005

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 less than 10% 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		<u>730</u>
Remaining investment	\$	<u>321</u>

6 Financial instruments

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

The fair values of the Company's remaining financial assets and liabilities are as follows:

	September 30, 2006		December 31, 2005	
	Carrying value	Fair value	Carrying value	Fair value
Marketable securities	\$ 1,269	1,481	\$ 945	1,168
Loans and convertible debentures	246,631	246,631	124,551	124,551
Investments	11,361	14,199	17,117	24,430
Other assets	1,028	1,028	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 and debt are estimated to be approximately the equivalent of carrying value due to the relatively short term of these instruments. 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.

Quest Capital Corp.

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars; tables in thousands, except share capital information)

(Unaudited)

Nine months ended September 30, 2006 and 2005

7 Loans and convertible debentures

- a) Loans are repayable over various terms up to 22 months from September 30, 2006, and bear interest at a fixed rate of between 8% and 18% before commitment and other fees. Marketable securities, real property, corporate or personal guarantees generally are pledged as security. At September 30, 2006, the composition of the loan portfolio was 83% real estate mortgages, 10% in resource sectors, and 7% in other sectors. At September 30, 2006, mortgages were geographically located; 63% in British Columbia, 19% in Alberta, 15% in Ontario and 3% in other; and 73% are first mortgages and 27% are second mortgages.

As at September 30, 2006, 76% of the Company's loan portfolio is due within a year. The Company had approximately \$11.5 million of loans impaired as a result of certain principal and/or interest payments being in arrears as at September 30, 2006. The Company's provision for loan losses is \$0.6 million. The Company monitors the repayment ability of borrowers and the value of underlying security. In determining the provision for possible loan losses, management considers the length of time the loans or convertible debenture has been in arrears, the overall financial strength of borrowers and the residual value of security pledged. The Company expects to collect the full carrying value of its loan portfolio.

Loan and convertible debenture analysis as at September 30, 2006 is as follows:

	Term loans	Specific allowance	Carrying amount
Unimpaired loans	\$ 235,759	\$ -	\$ 235,759
Impaired loans	10,872	-	10,872
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	\$ 246,631	\$ -	\$ 246,631
Convertible debentures	586	586	-
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	\$ 247,217	\$ 586	\$ 246,631
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Quest Capital Corp.

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars; tables in thousands, except share capital information)

(Unaudited)

Nine months ended September 30, 2006 and 2005

- b) The Company has recorded an allowance for losses as follows:

	September 30, 2006
Balance - Beginning of period	\$ 537
Additions (Deductions)	
Specific provision for the period	238
Specific loans written off for the period	(189)
Balance – End of period	<u>\$ 586</u>

- c) At September 30, 2006, the Company has also entered into agreements to advance funds of \$14.6 million of which the Company expects to syndicate a portion thereof. 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 Debt

In August 2006, the Company entered into a short term unsecured debt facility for a total amount of \$27.9 million. The facility bears interest at prime plus 2%. At September 30, 2006, \$10.0 million was owing under this facility.

9 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 for cash	15,625,000		47,311
Issued on exercise of stock options	1,074,500		2,901
Issued on exercise of warrants	8,833,335		13,300
Issued on exercise of compensation options	24,225		56
Ending balance – September 30, 2006	<u>144,822,628</u>	<u>\$</u>	<u>202,459</u>

In April 2006, the Company completed an offering of 15,625,000 shares of the Company at a price of \$3.20 per share for aggregate proceeds of \$50,000,000. The Company also granted the underwriters an over allotment option exercisable to May 26, 2006 to purchase up to 2,343,750 shares at a price of \$3.20 per share, of which the underwriters exercised no shares. Net proceeds from the equity offering after expenses were \$47,311,000.

Quest Capital Corp.

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars; tables in thousands, except share capital information)

(Unaudited)

Nine months ended September 30, 2006 and 2005

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	<u>500,000</u>	1.60	October 20, 2008
Exercised	(8,333,335)	1.50	
Exercised	<u>(500,000)</u>	1.60	
Ending balance – September 30, 2006	<u>-</u>		

d) Compensation options issued and outstanding

	Number of warrants	Exercise price per share	Expiry date
Common shares			
Opening balance comprised of:	-	-	
Issued pursuant to an equity placement	1,110,000	\$ 2.30	August 23, 2007
Issued pursuant to an equity placement	<u>48,000</u>	2.30	October 26, 2007
Exercised	<u>(24,225)</u>	2.30	
Ending balance – September 30, 2006	<u>1,133,775</u>		

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.

Quest Capital Corp.

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars; tables in thousands, except share capital information)

(Unaudited)

Nine months ended September 30, 2006 and 2005

During the nine months ended September 30, 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	500,000		2.77
Exercised	(1,074,500)		1.95
Cancelled	(37,500)		2.30
	<hr/>		
Closing balance	8,951,333	\$	2.01
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Options exercisable	7,898,978	\$	1.97
	<hr/>		

The following table summarizes information about stock options outstanding and exercisable at September 30, 2006:

<u>Options outstanding</u>				<u>Options exercisable</u>		
Range of exercise prices	Options outstanding	Weighted average remaining contracted life (years)	Weighted average exercise price	Options exercisable	Weighted average exercise price	
\$ 0.81	113,333	1.06	\$ 0.81	113,333	\$ 0.81	
\$ 1.51	273,000	2.89	1.51	273,000	1.51	
\$ 1.80 to 1.95	6,890,000	2.36	1.95	6,683,750	1.95	
\$ 2.30	1,175,000	4.21	2.30	624,209	2.30	
\$ 2.64 to 3.08	500,000	4.42	2.77	204,686	2.75	
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	8,951,333	2.72	\$ 2.01	7,898,978	\$ 1.97	
	<hr/>			<hr/>		

f) Contributed capital

Opening balance	\$ 6,772
Stock-based compensation	393
Fair value of stock options exercised	(799)
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Ending balance	\$ 6,366
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During the three months ended September 30, 2006, no new grants of stock options took place.

Quest Capital Corp.

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars; tables in thousands, except share capital information)

(Unaudited)

Nine months ended September 30, 2006 and 2005

10 Related party transactions

- a) For the nine months ended September 30, 2006, the Company received \$1,202,000 (2005 - \$667,000) in advisory, management and finder's fees from parties related by virtue of having certain directors and officers in common. Other assets include \$479,000 of non-transferable securities held in either private or publicly traded companies related by virtue of having certain directors and officers in common. For the nine months ended September 30, 2006, the Company recorded a write-down of other assets of \$74,000 (2005-\$Nil) in parties related by virtue of having certain directors in common.
- b) Loans and convertible debentures include \$1,000,000 in amounts due from parties related by virtue of having a director in common. During the nine months ended September 30, 2006, the Company received \$580,000 (2005 - \$1,770,000) in interest and fees from parties related by virtue of having certain directors and officers in common. During the nine months ended September 30, 2006, the Company has made \$386,000 in additional provision for losses on convertible debentures from parties related by virtue of having a director in common.
- c) For the nine months ended September 30, 2006, the Company received \$31,000 (2005-\$96,000) in syndication loan administration fees from parties related by virtue of having certain directors and officers in common.
- d) Marketable securities and investments include \$8,920,000 of shares held in publicly traded companies related by virtue of having certain directors and officers in common. For the nine months ended September 30, 2006, the Company recorded a gain on disposal of securities of \$10,727,000 (2005 - \$1,072,000) from parties related by virtue of having certain directors and officers in common. For the nine months ended September 30, 2006, the Company recorded a write-down of investments of \$470,000 in parties related by virtue of having certain directors in common.
- e) Included in accounts payable is an accrual of \$2,650,000 payable to officers and employees under the Company's incentive plan.

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

Quest Capital Corp.

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars; tables in thousands, except share capital information)

(Unaudited)

Nine months ended September 30, 2006 and 2005

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

2006	\$	484,000
2007		406,000
2008		331,000
2009		331,000
2010		254,000
2011		33,000

- d) Other commitments and contingencies are disclosed elsewhere in these consolidated financial statements and notes.

12 Supplemental cash flow information

Non-cash operating, financing and investing activities

	Three months ended September 30		Nine months ended September 30	
	2006	2005	2006	2005
Marketable securities and investments received as loan fees	\$ 804	\$ 561	\$ 1,204	\$ 2,051
Fair value of compensation options issued	-	500	-	500
Other assets and investments received as finder's fees	231	828	728	828
Investment purchases funded by brokerage margin account	(30,899)	-	(30,899)	-
Investment proceeds used to repay brokerage margin account	30,899	-	30,899	-
Loans and debentures settled with shares	-	-	-	4,516
Shares received as consideration for sale of resource property	-	-	-	1,800

Quest Capital Corp.

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars; tables in thousands, except share capital information)

(Unaudited)

Nine months ended September 30, 2006 and 2005

13 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 be realized from future earnings.

The provision for (recovery of) income taxes consists of the following as at September 30, 2006:

	Three months ended September 30,		Nine months ended September 30,	
	2006	2005	2006	2005
Current				
Canada	\$ (711)	\$ -	\$ 1,886	\$ -
United States	200	-	200	-
Total current expenses	(511)	-	2,086	-
Future				
Canada	828	-	(700)	-
United States	-	-	-	-
Total future recovery	828	-	(700)	-
Total provision for income taxes	\$ 317	\$ -	\$ 1,386	\$ -

QUEST CAPITAL CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2006

INTRODUCTION

The following information, prepared as of October 27, 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 financings secured by first and second real estate mortgages;
- providing commercial bridge loans primarily 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 generates revenues from gains on sale of marketable securities and investments. The Company also 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
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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 September 30, 2006 were \$284.9 million comprised of \$12.8 million of cash, \$1.3 million of marketable securities, \$246.6 million in loans; \$11.4 million in investments with a fair value of \$14.2 million and \$12.8 million of other assets.

The composition of the loan portfolio at September 30, 2006 was 83% in first and second real estate mortgages, 10% in resource sectors, and 7% in other sectors. At September 30, 2006, mortgages were geographically located; 63% in British Columbia, 19% in Alberta, 15% in Ontario and 3% in other areas; and 73% are first mortgages and 27% are second mortgages. 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 September 30, 2006, the Company had consolidated net earnings of \$8.8 million (\$0.06 per share) compared to net earnings of \$4.3 million (\$0.04 per share) for the comparative period in 2005. During the nine months ended September 30, 2006, the Company had consolidated net earnings of \$27.7 million (\$0.20 per share) compared to \$12.2 million (\$0.13 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 September 30, 2006 as compared to the comparative period in 2005, due to the growth in its loan portfolio year-over-year. Total loans as at September 30, 2006 were \$246.6 million as compared to \$98.1 million as at September 30, 2005, representing a 151% increase. Interest and related fees during the three months ended September 30, 2006 totaled \$8.8 million as compared to \$4.4 million for the comparative period in 2005, representing a 100% increase. During the nine months ended September 30, 2006, the Company earned interest and related fees of \$22.0 million compared to \$11.9 million for the comparative period in 2005, due to the growth in its loan portfolio year-over-year.

Non-Interest Income

Net earnings were positively impacted by an increase in management and finder's fees during the nine months ended September 30, 2006 as compared to the comparative period in 2005, primarily as a result of increased activity in the Company's corporate finance business. The fair value of non-monetary compensation received as finder's fees in the form of shares, broker warrants and/or options are estimated using the trading price for shares, adjusted for liquidity, hold periods and other restrictions and the Black-Scholes option model for warrants.

Marketable securities are carried at the lower of average cost and market value. Accordingly, trading gains during the three months ended September 30, 2006 resulted in the Company recording a gain of \$0.4 million compared to \$0.2 million for the comparative period in 2005. During the nine months ended September 30, 2006, the Company recorded trading gains of \$4.1 million as compared to \$0.6 million for 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 \$1.9 million during the three months ended September 30, 2006 as compared to \$1.2 million for the comparative period in 2005. During the nine months ended September 30, 2006, the Company realized gains from the sale of investments of \$9.6 million as compared to \$2.4 million for the comparative period in 2005.

Expenses and Other

Total expenses and other for the three months ended September 30, 2006 was \$3.1 million as compared to \$2.0 million for the comparative period in 2005. Total expenses and other for the nine months ended September 30, 2006 were \$9.9 million as compared to \$5.5 million for the comparative period in 2005.

Salaries and benefits have increased during the three months and nine months ended September 30, 2006 as compared to the comparative periods in 2005 as a result of expansion of the business and the addition of new employees.

Bonuses of \$0.9 million during the three months ended September 30, 2006 and \$4.6 million during the nine months ended September 30, 2006, represent amounts under the incentive plan to officers and employees of the Company. The increase in bonuses is the result of the realized gain on sale of securities and increased level of loan activity. The payments and allocations under such plan are subject to the approval of the Compensation Committee and Board of Directors. The Company's incentive plan includes discretionary and non-discretionary components. The non-discretionary components are based on the Company's corporate finance activities and loan underwritings. The discretionary components are primarily based on the earnings of the Company.

Stock based compensation decreased during the three months and nine months ended September 30, 2006 over the comparative period in 2005, as a result of fewer options being issued and vested.

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

Income tax expense was \$1.4 million for the nine months ended September 30, 2006. The Company estimates its annual effective tax rate for its Canadian entities will be 6.5% and nominal for its U.S. entities for 2006. In addition, income tax expense has been positively impacted by the recognition of a future tax asset as a result of the likely realization of unused tax losses to be realized from fiscal earnings beyond 2006. During the quarter the Company was able to reduce its estimated annual effective tax rate through the use of tax efficient strategies of acquiring and disposing of investments. The Company further intends to proceed with a reorganization amongst its wholly owned entities as an effective tax planning strategy.

2. SUMMARY OF QUARTERLY RESULTS **(In thousands of Canadian dollars, except per share amounts)**

	Third Qtr 2006	Second Qtr 2006	First Qtr 2006	Fourth Qtr 2005	Third Qtr 2005	Second Qtr 2005	First Qtr 2005	Fourth Qtr 2004
Interest and related fees	8,781	7,415	5,798	5,555	4,399	4,004	3,452	2,941
Non-interest income	3,368	7,905	5,961	4,028	1,883	2,377	1,202	1,502
Earnings before taxes	9,087	11,664	8,315	5,059	4,291	4,507	3,311	529
Net earnings	8,770	10,882	8,028	11,395	4,295	4,550	3,311	212
Basic and Diluted Earnings Per Share	0.06	0.08	0.06	0.10	0.04	0.05	0.04	0.00
Total Assets	284,935	267,891	208,060	189,603	166,928	123,487	114,030	111,905
Total Liabilities	20,885	14,828	8,999	12,009	6,718	7,525	10,684	12,385

The Company's interest and related fees have 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 positively 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, provisions for bonuses have been made on a quarterly basis.

3. LIQUIDITY

The Company's cash resources at September 30, 2006 were \$12.8 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 will vary depending on the timing of loans advanced and repaid.

As at September 30, 2006, the Company had commitments under existing loan agreements to lend further funds of \$14.6 million of which the Company expects to syndicate a portion thereof. 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 September 30, 2006 was \$246.6 million comprised of 83% real estate mortgages, 10% in resource sectors, and 7% in other sectors. As at September 30, 2006, 76% of the loan value is scheduled to mature within a year. The Company had approximately \$11.5 million of loans impaired as a result of certain principal and/or interest payments being in arrears as at September 30, 2006 against which the Company has a provision of \$0.6 million. The Company expects to collect the full carrying value of its loan portfolio.

During the nine months ended September 30, 2006, cash flow from operations provided \$21.2 million as compared to \$5.6 million for the comparative period in 2005, as a result of higher earnings and proceeds received from the sale of marketable securities.

In April 2006, the Company completed an equity offering of 15,625,000 common shares and received net proceeds of \$47.3 million.

During the nine months ended September 30, 2006, the Company's loan portfolio increased by \$122.1 million to \$246.6 million as compared to December 31, 2005. In the nine months ended September 30, 2006, the Company had arranged \$205.1 million of new loans (net to Company – \$184.9 million) and \$70.8 million of loans (net to the Company - \$58.2 million) were repaid.

As part of the Company's effective tax planning strategies significant acquisitions and disposals of investments occurred during the current quarter funding by internal sources and the use of margin accounts. During the upcoming quarter, the Company will continue with similar type of transactions.

Management is not aware of any trends or expected fluctuations that would create any liquidity 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. However, Quest assumes short-term debt from time to time to fund its investments and loan operations. In addition, Quest is reviewing the implementation of various term debt facilities.

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 \$1,839,000.

Type of Contractual Obligation	Obligation due by period				
	Total	Less than 1 Year	1 - 3 Years	3 - 5 Years	More than 5 Years
Office Leases	\$1,839,000	\$484,000	\$1,068,000	\$287,000	-
Loan Commitments	\$14,600,000	\$14,600,000			-
Total	\$16,439,000	\$15,084,000	\$1,068,000	\$287,000	-

4. RELATED PARTY TRANSACTIONS

For the nine months ended September 30, 2006, the Company received \$1,202,000 (2005 - \$667,000) in advisory, management and finder's fees from parties related by virtue of having certain directors and officers in common. Other assets include \$479,000 of non-transferable securities held in either private or publicly traded companies related by virtue of having certain directors and officers in common. For the nine months ended September 30, 2006, the Company recorded a write-down of other assets of \$74,000 (2005-\$Nil) in parties related by virtue of having certain directors in common.

Loans and convertible debentures include \$1,000,000 in amounts due from parties related by virtue of having a director in common. During the nine months ended September 30, 2006, the Company received \$580,000 (2005 - \$1,770,000) in interest and fees from parties related by virtue of having certain directors and officers in common. During the nine months ended September 30, 2006, the Company has provided an additional allowance of \$386,000 for a loss on a convertible debenture from a party related by virtue of having a director in common.

For the nine months ended September 30, 2006, the Company received \$31,000 (2005-\$96,000) in syndication loan administration fees from parties related by virtue of having certain directors and officers in common.

Marketable securities and investments include \$8,920,000 of shares held in publicly traded companies related by virtue of having certain directors and officers in common. For the nine months ended September 30, 2006, the Company recorded a gain on disposal of securities of \$10,727,000 (2005 - \$1,072,000) from parties related by virtue of having certain directors and officers in common. For the nine months ended September 30, 2006, the Company recorded a write-down of investments of \$470,000 in parties related by virtue of having certain directors in common.

As at September 30, 2006 included in accounts payable is an accrual of \$2,650,000 payable to officers and employees under the Company's incentive plan.

5. SUBSEQUENT AND PROPOSED TRANSACTIONS

Nothing to report.

6. OFF BALANCE SHEET ARRANGEMENTS

The Company has no off balance sheet arrangements.

7. OUTLOOK

As at September 30, 2006, the Company had \$12.8 million of cash on hand. Reinvestment of the Company's cash as loans mature 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 portfolio may vary somewhat from the currently existing percentages as loans are made in the context of market conditions. During the upcoming year, the Company may hire additional employees and raise equity or debt as is required to fund the growth of the Company's loan portfolio (also refer to Liquidity).

8. 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's Credit Committee reviews its loan portfolio on a monthly 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.

9. CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

No new accounting policies have been adopted during the nine months ended September 30, 2006.

10. DISCLOSURE OF OUTSTANDING SHARE DATA

As at October 27, 2006, the Company had the following common shares, stock options and compensation options outstanding:

Common shares	144,822,628
Stock options	8,951,333
Compensation options	1,133,775
Fully diluted shares outstanding	154,907,736

Dividends

The Board of Directors declared its second semi-annual dividend of \$0.03 per share which was paid on July 6, 2006 to shareholders of record on June 21, 2006.

11. RISKS AND UNCERTAINTIES

Additional risks 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. As at September 30, 2006, 76% of the value of the loan portfolio is scheduled to mature within a year.

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 September 30, 2006 was 83% in first and second real estate mortgages, 10% in resource sectors, and 7% in other sectors. At September 30, 2006, mortgages were geographically located; 63% in British Columbia, 19% in Alberta, 15% in Ontario and 3% in other; and 73% are first mortgages and 27% are second mortgages. The Company generally provides real estate mortgages to approximately 75% of the value of the security and generally provides commercial bridge loans to primarily publicly traded development stage companies to approximately 50% of the value of guarantees and security. The Company provides for loan losses on a specific loan basis and has a provision of \$0.6 million as at September 30, 2006.

12. 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.