

# **Q-GOLD RESOURCES LTD.**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**INTERIM REPORT FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017**

**DATED November 29, 2017**

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### **GENERAL**

The following Management's Discussion and Analysis ("MD&A") should be read in conjunction with the Consolidated Financial Statements for the nine months ended September 30, 2017 of Q-Gold Resources Ltd. ("Q-Gold", the "Company" or the "Corporation") and the notes thereto.

This MD&A was prepared in conformity with National Instrument 51-102F1 and has been approved by the Corporation's Board of Directors prior to release. Under this Instrument, the Corporation is defined as a "Venture Issuer".

The accompanying interim Financial Statements have been prepared by management and are in accordance with International Financial Report Standards ("IFRS"), see note 2 of the Financial Statements, and all amounts are expressed in Canadian dollars unless otherwise noted. Other information contained in this document has also been prepared by management and is consistent with the data contained in the Financial Statements.

The Company's certifying officers are responsible for ensuring that the Financial Statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made. The Company's officers certify that that the Financial Statements fairly present, in all material respects, the financial condition, result of operations and cash flows, of the Company as the date hereof.

### **OVERALL PERFORMANCE**

Q-Gold initiated an exploratory drilling program of its Crown King, Arizona properties in the 3<sup>rd</sup> Quarter of 2017. During the first nine months of 2017 the Company completed exploration activities on these properties consisting of mapping and location of optimal drill sites.

Both camps were historical producers of gold (and silver at Crown King) during the 19<sup>th</sup> Century, but have only incurred minor exploration and production since. Currently all of the Company's properties are only in the exploration stage, although the Company hopes to establish sufficient precious metals values through comprehensive exploration programs planned in both Arizona and Ontario to move the properties into the pre-feasibility stage. The ultimate goal is the commencement of the development and production of gold and silver in these two politically secure, camps within the friendly mining jurisdictions of Arizona and Ontario.

### ***Crown King, Arizona Properties***

In 2008, Q-Gold began accumulating its land position in the Peck Mining District of Yavapai County, near Crown King, which is recognized for its extremely high-grade silver production within the CAVB from Volcanic Massive (VMS) Deposits. Here, the Company currently has 8 prospective U.S. Department of the Interior, Bureau of Land Management (“BLM”) mining claims. The Company remains focused on the Peck and Oriental patented properties.

The Peck was shut down in 1883 due to a legal dispute between the owners. Attempts to reopen the Mine up through 1906 were generally unsuccessful. A silver recession and two World Wars precluded any more attempts of production during the 20th Century. Other than efforts by Q-Gold, the Peck patents have not been explored or investigated beyond surface and the limited open underground workings.

The Company initiated a drill program during the 3<sup>rd</sup> Quarter of 2017 to test the Peck Mine system, including the Oriental vein, which was only lightly-explored prior to the legal dispute of 1883, which shut down all operations on the Oriental vein. Results from this drill program are expected before year-end.

### ***Mine Centre, Ontario Properties***

The Company’s Mine Centre, Ontario properties include the historic Foley gold producing mine (5,267 ounces of gold production from 1898-1900) and the McKenzie Gray gold/ silver zone discovered in 2009, where 45 of the 47 holes drilled by Q-Gold encountered the mineralized zone. The properties contain 5 historic gold mines and over 100 gold veins in various widths, many of which remain to be fully-explored. A second historic mine on Q-Gold’s properties, the “Golden Star”, produced 10,700 ounces of gold in the late 1890’s before surface facilities were destroyed by fire.

The Company has developed a diamond drilling program to test prospective gold zones beneath the old workings of the historic Golden Star Mine. The Company is actively seeking a joint venture partner to participate in the next phase of exploration on its Mine Centre properties.

## **RESULTS OF OPERATIONS**

As the Company is currently a mineral exploration company, it did not have any revenues or profits from operations during the first six months of 2017, or as of the date of this MD&A.

The primary operational activities for the Company during the 3<sup>rd</sup> Quarter of 2017 consisted of mapping and drill preparation (road maintenance/ drill pad construction) on the Crown King Properties and property maintenance on the Mine Centre Properties (see Overall Performance section, above). During the nine months ending September 30, 2017, the Company incurred expenditures totaling \$60,192 (2016 – \$42,888) on its Arizona Properties and \$11,412 (2016 - \$11,750) on its Mine Centre Properties.

Results from exploration activities, coupled with the price of gold and silver and the availability of exploration financing from Canadian sources, will materially affect any future development plans for the Company's properties. Although the prices of gold and silver are presently at attractive levels, they are subject to severe fluctuations as a result of world events and economic conditions, which are obviously beyond the Company's control.

### **SUMMARY OF QUARTERLY RESULTS**

The following table shows financial results from the Company's eight most recently completed quarters:

	2017			2016			2015	
	3 <sup>rd</sup> Qtr.	2 <sup>nd</sup> Qtr.	1 <sup>st</sup> Qtr.	4 <sup>th</sup> Qtr.	3 <sup>rd</sup> Qtr.	2 <sup>nd</sup> Qtr.	1 <sup>st</sup> Qtr.	4 <sup>th</sup> Qtr.
Revenue	1	Nil	Nil	4	11	11	11	32
Income (Loss) from operations	(68,238)	(61,224)	(44,982)	(147,254)	(87,045)	(280,043)	(40,937)	(125,174)
Income (Loss) per Share	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.02)	(0.01)	(0.01)
Income (Loss) per diluted share	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)
Net Income (Loss) before Taxes	(53,383)	22,877	(27,354)	(143,118)	(95,303)	(283,151)	(31,032)	(94,920)
Net Income (Loss) per Share	(0.01)	0.01	(0.01)	(0.01)	(0.01)	(0.02)	(0.01)	(0.01)
Net Income (Loss) per diluted share	(0.01)	0.01	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)

The reported loss in the 3<sup>rd</sup> Quarter of 2017 was less than the reported loss during the same period of 2016, because of the limited cash available to the Company during the 3<sup>rd</sup> Quarter of 2017, which restricted the Company's ability to fund exploration activities on its mineral properties, which are expensed and charged against earnings.

### **FINANCIAL CONDITION**

Losses for the three months ending September 30, 2017 (prior to extraordinary items) totaled \$68,238 (\$0.01 per share), which was significantly less than the losses of \$147,254 (\$0.01 per share) for the same period in 2016. During that period in 2016, the Company incurred exploration expenditures in connection with its exploratory drilling program near Crown King. The reported income (after extraordinary items) during the 2<sup>nd</sup> Quarter, totaling \$22,877, resulted from a debt settlement agreement the Company was able to reach with a creditor (see Note 10 to the Financial Statements).

All exploration costs are expensed and charged against earnings until economically recoverable reserves are established. Until Q-Gold can establish economically recoverable reserves and initiate

mineral production on its properties, the outlook for both cash flow and profit will be negative. In the near-term, the Corporation anticipates being able to fund much of its current exploration activities, as well as general corporate activities, from equity financings and joint ventures, for which it is actively seeking partners.

#### **LIQUIDITY AND CAPITAL RESOURCES**

At September 30, 2017, the Corporation had a working capital deficit of \$ 605,541 (December 31, 2016 - \$533,046). The Company's monthly overhead during the 3<sup>rd</sup> Quarter of 2017 was approximately \$8,246 (2016 - \$4,497). The 2017 costs of maintaining the Arizona Properties and the Mine Centre Properties in good standing are US\$ 5,240 and Nil, respectively.

The Company is hopeful that it will be able to successfully raise the necessary capital to fund exploratory operations, maintain its principal properties and to fund general and administrative expenses during the remainder of 2017 and early 2018. However, the Company recognizes that external factors, which it cannot control such as financial market instability and commodity prices, can adversely affect its ability to raise the necessary capital to maintain ongoing operations.

#### **OFF-BALANCE SHEET ARRANGEMENTS**

The Company did not have any off-balance sheet arrangements as of September 30, 2017 and as of the date of this MD&A.

#### **ADDITIONAL DISCLOSURES**

For the nine months ending September 30, 2017, the Corporation incurred expenses on its mineral properties totaling \$71,604 (2016 - \$ 54,038). General and Administrative Expenditures for the period totaled \$ 102, 842 (2016 - \$ 40,908).

#### **OUTSTANDING SHARE DATA**

The Company's authorized capital consists of an unlimited number of common shares ("Common Shares") and an unlimited number of first and second preferred shares ("Preferred Shares"). As of the date of this MD&A, Common Shares totaling 25,473,119 were issued and outstanding and 35,723,119 on a fully-diluted basis. No Preferred Shares were issued as of the date of this MD&A.

As of the date of this MD&A, the Company has 2,250,000 stock options outstanding to Directors, Officers, Employees and Consultants of the Company with an exercise price of \$0.10 per share, and expiring between December 18, 2020 and June 9, 2021. As of the date of this MD&A, there are purchase warrants and Agent's Options outstanding, as a result of completed financings, allowing for the purchase of an additional 8,000,000 common shares of the Company, at an exercise price of \$0.10, expiring December 9, 2017.

At Q-Gold's Annual and Special Meeting of the Shareholders, held on July 31, 2017, the shareholders of the Company approved a share consolidation of up to 1 new share for every 4 existing shares and the repricing of the outstanding stock options at an exercise price of \$0.05 per share. The

Company's Board of Directors have not yet approved the share consolidation, but are expected to do so during the 4<sup>th</sup> Quarter of 2017.

#### **RELATED PARTY TRANSACTIONS**

The Company has two employment contracts, one with J. Bruce Carruthers II, Chief Executive Officer, whereby Mr. Carruthers is paid US\$ 1,000 per month, the other with Eric A. Gavin, Chief Financial Officer, whereby Mr. Gavin is paid US\$ 2,500 per month.

#### **FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS**

The Company's financial instruments are comprised of cash, accounts receivable, marketable securities, accounts payable and accrued liabilities, promissory notes payable and long-term debt, see Note 2 to the Financial Statements. In that the Company's expenditures occur in both Canadian and U.S. Dollars, and that it obtains capital predominantly in Canadian Dollars, the Company is exposed to some currency risk. However, the Company believes this risk to be minimal and therefore, the Company is not exposed to any significant price, credit or liquidity risk.

#### **FORWARD LOOKING STATEMENTS**

Certain statements contained in the MD&A constitute forward-looking statements. Such forward-looking statements involve a number of known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from actual future results and achievements expressed or implied by such statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made.

#### **ADDITIONAL INFORMATION**

Additional Information on Q-Gold, including Quarterly and Annual Financial Statements, an Annual Information Form, an Information Circular and the NI 43-101 Qualifying Report on the Company's Mine Centre Properties are all available on SEDAR at [www.sedar.com](http://www.sedar.com)