



Q-Gold Resources Ltd.

Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2018 and 2017

(Expressed in Canadian Dollars)

**NOTICE OF NO AUDITOR REVIEW OF
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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

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

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with standards established by the Chartered Professional Accountants of Canada (CPA Canada) for a review of interim financial statements by an entity's auditor.

Q-Gold Resources Ltd.
Condensed Interim Consolidated Statements Of Financial Position

(Expressed in Canadian dollars - unaudited)

As at	September 30, 2018	December 31, 2017
ASSETS		
Current assets		
Cash	\$ 753,072	\$ 1,469
Amounts receivable (Note 4)	10,529	1,909
Total current assets	763,601	3,378
Non-current assets		
Property Plant and Equipment (Note 5)	-	943
Total Assets	\$ 763,601	\$ 4,321
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		
Current Liabilities		
Accounts payable and accrued liabilities (Note 7,10)	\$ 89,034	\$ 107,596
Share subscriptions payable	-	2,947
Total Liabilities	89,034	110,543
Shareholders' Equity (Deficiency)		
Share capital (Note 8)	17,100,730	16,177,481
Warrants (Note 9)	279,371	1,030,238
Contributed surplus (Note 9)	294,249	2,050,450
Deficit	(16,999,783)	(19,364,391)
	674,567	(106,222)
Total Liabilities and Shareholders' Equity (Deficiency)	\$ 763,601	\$ 4,321

Nature of operation and going concern (Note 1)

Commitments and contingencies (Note 15)

Approved by the Board of Directors on November 21, 2018.

"Robert C. Bryce"

Robert C. Bryce, Director

"Fred Leigh"

Fred Leigh, Director

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

Q-Gold Resources Ltd.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian dollars - unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
EXPENSES				
Accounting	\$ (750)	\$ -	\$ 15,000	\$ 17,800
Amortization (Note 5)	804	174	943	566
Consultants (Note 10)	50,226	13,164	79,816	41,183
Exploration and evaluation expenditures - Arizona (Note 6)	5,371	38,388	18,513	60,192
Exploration and evaluation expenditures - Ontario (Note 6)	20,860	3,912	39,489	11,412
Investor relations and filing fees	25,223	1,738	36,610	16,632
Legal fees	2,817	3,598	8,082	4,202
Office	1,028	2,194	3,770	6,748
Travel	-	162	192	238
Total expenses	\$ 105,579	\$ 63,330	\$ 202,415	\$ 158,973
Other (expense) income				
Interest income	\$ -	\$ 1	\$ -	\$ 1
Interest expense	1,242	(4,909)	(836)	(15,472)
Foreign exchange (loss) gain	(15,092)	14,855	(2,330)	48,733
Gain on settlement of debt	-	-	-	67,850
	(13,850)	9,947	(3,166)	101,112
Net loss and comprehensive loss	\$ (119,429)	\$ (53,383)	\$ (205,581)	\$ (57,861)
Loss per share				
- basic and dilutd	\$ (0.01)	\$ (0.01)	\$ (0.02)	\$ (0.01)
Weighted average number of shares				
- basic and dilutd	18,933,497	6,368,280	12,591,723	6,368,280

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

Q-Gold Resources Ltd.

Condensed Interim Consolidated Statements of Changes in Equity (Deficiency)

(Expressed in Canadian dollars - unaudited)

	SHARE CAPITAL		RESERVES			TOTAL
	NUMBER OF SHARES	AMOUNT (\$)	WARRANTS	SHARE BASED PAYMENTS	ACCUMULATED DEFICIT (As Restated)	
Balance at January 1, 2017	6,368,280	\$ 15,587,631	\$ 1,030,238	\$ 1,848,908	\$ (18,998,158)	\$ (531,381)
Share issuance costs	-	(15,199)	-	-	-	(15,199)
Net loss for the period	-	-	-	-	(57,861)	(57,861)
Balance at September 30, 2017	6,368,280	\$ 15,572,432	\$ 1,030,238	\$ 1,848,908	\$ (19,056,019)	\$ (604,441)
Balance at December 31, 2017	9,368,280	16,177,481	1,030,238	2,050,450	(19,364,391)	(106,222)
Non Flow-through shares issued	7,500,000	750,000	-	-	-	750,000
Flow-through shares issued	2,500,000	250,000	-	-	-	250,000
Warrants issued	-	(283,232)	283,232	-	-	-
Warrants expired unexercised	-	216,250	(1,030,238)	-	813,988	-
Options expired unexercised	-	-	-	(1,756,201)	1,756,201	-
Share and warrant issuance costs	-	(9,769)	(3,861)	-	-	(13,630)
Net loss for the period	-	-	-	-	(205,581)	(205,581)
Balance at September 30, 2018	19,368,280	\$ 17,100,730	\$ 279,371	\$ 294,249	\$ (16,999,783)	\$ 674,567

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

Q-Gold Resources Ltd.
Condensed Interim Consolidated Statements Of Cash Flow
(Expressed in Canadian dollars - unaudited)

	Nine months ended September 30,	
	2018	2017
Cash (used in) provided by:		
<i>Operating activities</i>		
Net (loss) for the period	\$ (205,581)	\$ (57,861)
Adjustments for items not affecting cash		
Amortization of property, plant and equipment	943	566
Interest accrued	-	-
Share based compensation	-	-
Unrealized foreign exchange loss (gain)	317	(15,200)
	(204,321)	(72,495)
Changes in non-cash working capital (Note 14)	(30,446)	239,300
Net cash (used in) provided by operating activities	\$ (234,767)	\$ 166,805
<i>Financing activities</i>		
Debt financings	-	(82,498)
Net proceeds from equity financings (Note 8,9)	986,370	-
Net cash provided by (used in) financing activities	\$ 986,370	\$ (82,498)
Increase in cash during the period	751,603	84,307
Cash, beginning of period	1,469	4,477
Cash, end of period	\$ 753,072	\$ 88,784
Supplemental Disclosure		
Interest paid	\$ (836)	\$ 15,472

Q-Gold Resources Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

Three and nine months ended September 30, 2018 and 2017

(Expressed in Canadian dollars – unaudited)

1. CORPORATE INFORMATION

Q-Gold Resources Ltd. ("Q-Gold" or the "Company") was originally incorporated with the name Solana Petroleum Corp. under the Business Corporations Act (Alberta) on March 25, 1998. The private company restrictions were removed by Certificate of Amendment dated April 6, 1998. As part of its restructuring, Q-Gold changed its name on January 21, 2004 to Q-Gold Resources Ltd. The Company continued into British Columbia from the jurisdiction of Alberta, effective December 30, 2011. Effective October 3, 2018, the Company continued into Ontario from the jurisdiction of British Columbia. The Company's registered office is located at 65 Queen Street West, Suite 815, Toronto, Ontario, M5H 2M5.

Q-Gold is a mineral exploration company focused on exploring mineral properties in Canada and the United States. Q-Gold is in the process of exploring its properties and has not yet identified a commercial Mineral Resource. The recoverability of costs incurred on properties is dependent upon the discovery of an economically recoverable resource and Q-Gold obtaining the necessary financing to complete exploration, development and construction of processing facilities, obtaining government approvals and attaining future profitable production of the Mineral Resources.

Going Concern

These condensed interim consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations, and do not include any adjustments to the recoverability of assets and classification of liabilities that might be necessary should Q-Gold be unable to continue as a going concern. As at September 30, 2018, Q-Gold has a working capital of \$ 674,567(December 31, 2017 – a deficiency of \$107,165), and a retained deficit of \$16,999,783 (December 31, 2017 - \$19,364,391). The continuation of Q-Gold as a going concern is dependent upon the ability of Q-Gold to obtain the necessary equity financing to continue operations, the successful results of mineral property exploration activities and its ability to attain profitable operations and generate funds therefrom or realize proceeds from their sale. Q-Gold may periodically have to raise additional funds to fund projects and continue operations and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future. Management believes Q-Gold will obtain the funding required to maintain current levels of operations and continue as a going concern for the following year.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these condensed interim consolidated financial statements unless otherwise noted below. The accounting policies have been applied consistently by all groups entities.

Statement of compliance

These condensed interim consolidated financial statements of the Company and its subsidiaries were prepared in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"), and have been prepared in accordance with accounting policies based on the International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations. The policies set out in the Company's annual consolidated financial statements for the year ended December 31, 2017 were consistently applied to all the periods presented unless otherwise noted below.

These condensed interim consolidated financial statements were approved and authorized for issuance by the Board of Directors on November 21, 2018.

Q-Gold Resources Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

Three and nine months ended September 30, 2018 and 2017

(Expressed in Canadian dollars – unaudited)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of preparation

These condensed interim consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments, which are stated at their fair values. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

Consolidation

These condensed interim consolidated financial statements include the accounts of the Q-Gold Resources Ltd. and its wholly owned subsidiaries, Q-Gold (Ontario) Ltd. and Mineral Creek Resources Inc.

Q-Gold (Ontario) Ltd. was incorporated for the purpose of holding title to Q-Gold's mineral properties in Ontario. Mineral Creek Resources Inc. was incorporated for the purpose of holding title to Q-Gold's mineral properties in Arizona.

Subsidiaries consist of entities over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date control is transferred to the Company and are de-consolidated from the date control ceases. The condensed interim consolidated financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiaries after eliminating inter-entity balances and transactions.

Changes in accounting policies

During fiscal 2018, the Company has adopted a number of new IFRS standards, interpretations, amendments and improvements of existing standards. These include IFRS 2, 9 and IFRIC 22. The new standards and changes did not have any material impact on the Company's condensed interim consolidated financial statements.

New and future accounting changes

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for annual accounting periods beginning on January 1, 2019 or later. Updates that are not applicable or are not consequential to the Company have been excluded.

IFRIC 23 – Uncertainty Over Income Tax Treatments (“IFRIC 23”) was issued in June 2017 and clarifies the accounting for uncertainties in income taxes. The interpretation committee concluded that an entity shall consider whether it is probable that a taxation authority will accept an uncertain tax treatment. If an entity concludes it is probable that the taxation authority will accept an uncertain tax treatment, then the entity shall determine taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates consistently with the tax treatment used or planned to be used in its income tax filings. If an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the entity shall reflect the effect of uncertainty in determining the related taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates. IFRIC 23 is effective for annual periods beginning on or after January 1, 2019.

Q-Gold Resources Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

Three and nine months ended September 30, 2018 and 2017

(Expressed in Canadian dollars – unaudited)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Changes in accounting policies (continued)

New and future accounting changes (continued)

IFRS 16 – Leases (“IFRS 16”) was issued by the IASB on January 13, 2016 and will replace existing lease guidance in IFRS and related interpretations and requires companies to bring most leases on balance sheet. The new standard is effective for annual periods beginning on or after January 1, 2019.

3. CRITICAL ACCOUNTING ESTIMATES AND MANAGEMENT JUDGMENTS

The preparation of the condensed interim consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The significant areas of judgement and estimation uncertainty considered by management in preparing the condensed interim consolidated financial statements include:

Critical judgment in applying accounting policies:

- Assets’ carrying values and impairment charges

Events or changes in circumstances can give rise to significant impairment charges or reversals of impairment in a particular year. Management exercises its judgment in determining when such events or changes in circumstances have arisen and where such circumstances evidence a significant or prolonged decline of fair value on assets indicating impairment.

- Control of subsidiaries

The Company consolidates subsidiaries over which it has control. Management assesses control in accordance with IFRS 10 - Consolidated Financial Statements and has determined it controls each of its subsidiaries.

- Determination of functional currency

Based on the primary indicators in IAS 21 – The Effects of Change in Foreign Exchange Rates – the Canadian dollar has been determined as the functional currency of the Company and all subsidiaries as the Canadian dollar is the currency in which funds from financing activities (i.e. issuing debt and equity instruments) are generated and because the activities of the foreign operation are carried out as an extension of the reporting entity, rather than being carried out with a significant degree of autonomy. Effects of changes in foreign exchange rates are recorded as foreign exchange gain (loss) on the statement of loss. If the functional currency of the United States entity had been the US dollar, the effect of changes in foreign exchange rates would have been reflected as other comprehensive income and carried as a cumulative translation adjustment within accumulated other comprehensive income in the equity section of the condensed interim consolidated statement of financial position.

Q-Gold Resources Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

Three and nine months ended September 30, 2018 and 2017

(Expressed in Canadian dollars – unaudited)

3. CRITICAL ACCOUNTING ESTIMATES AND MANAGEMENT JUDGMENTS (CONTINUED)

Key sources of estimation uncertainty:

- Assets' carrying values and impairment charges

The determination of carrying values and impairment charges and their individual assumptions require that management make an estimate based on the best available information at each reporting period. Under situations where management has determined indicators of impairment are present, an impairment assessment will be performed by management whereupon management looks at the higher of recoverable amount or fair value less costs to sell in the case of assets.

- Share-based payment transactions

The Company records share-based compensation at fair value over the vesting period. The fair value of the grant is determined using the Black-Scholes options pricing model and management assumptions including the expected dividend yield, expected volatility, forfeiture rate, risk free rate and expected life. Should the underlying assumptions change, it will impact the fair value of the share-based compensation. Similar calculations are made in order to value warrants. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

- Taxes, income taxes and deferred taxes

The Company is subject to income and other taxes in various jurisdictions. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain in the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due.

The determination of the Company's income and other tax liabilities requires interpretation of complex laws and regulations often involving multiple jurisdictions. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax filings are subject to audit and potential reassessment subsequent to the financial statement reporting period. Where the final outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made. Any estimates for value added and withholding taxes have been included in amounts receivable or accounts payable and accrued liabilities.

- Contingencies

Refer to Note 15.

Q-Gold Resources Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

Three and nine months ended September 30, 2018 and 2017

(Expressed in Canadian dollars – unaudited)

4. AMOUNTS RECEIVABLE

	September 30, 2018		December 31, 2017	
Sales taxes receivable	\$	9,111	\$	1,909
Other		1,418		-
	\$	10,529	\$	1,909

5. PROPERTY PLANT AND EQUIPMENT

Reconciliation of the carrying amounts for the period ended September 30, 2018 and December 31, 2017 are as follows:

Cost	Automotive	Computer equipment	Field equipment	Office equipment	Total
Balance, December 31, 2016	\$ 11,773	\$ 9,101	\$ 73,828	\$ 5,193	\$ 99,895
Net additions (disposal) in 2017	-	-	-	-	-
Balance, December 31, 2017	11,773	9,101	73,828	5,193	99,895
Net additions (disposal) in 2018	-	-	-	-	-
Balance, September 30, 2018	\$ 11,773	\$ 9,101	\$ 73,828	\$ 5,193	\$ 99,895
Accumulated amortization					
Balance, December 31, 2016	\$ 11,773	\$ 9,101	\$ 72,233	\$ 5,122	\$ 98,229
Amortization in 2017	-	-	652	71	723
Balance, December 31, 2017	11,773	9,101	72,885	5,193	98,952
Amortization in 2018	-	-	943	-	943
Balance, September 30, 2018	\$ 11,773	\$ 9,101	\$ 73,828	\$ 5,193	\$ 99,895
Net book value					
Net book value, December 31, 2017	\$ -	\$ -	\$ 943	\$ -	\$ 943
Net book value, September 30, 2018	\$ -	\$ -	\$ -	\$ -	\$ -

Q-Gold Resources Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

Three and nine months ended September 30, 2018 and 2017

(Expressed in Canadian dollars – unaudited)

6. EXPLORATION AND EVALUATION EXPENDITURES

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
<u>Mineral Creek Arizona properties</u>				
Labour and consulting	\$ 3,750	\$ 10,847	\$ 16,362	\$ 20,664
Assays and mapping	-	17	-	534
Field expenses	-	13,633	-	20,459
Property maintenance	1,621	3,201	1,621	3,242
Option payment	-	10,327	-	13,074
Travel and accommodation	-	363	530	1,622
Truck rental	-	-	-	597
	\$ 5,371	\$ 38,388	\$ 18,513	\$ 60,192
<u>Q-Gold Ontario properties</u>				
Labour and consulting	\$ 3,750	\$ 3,750	\$ 11,250	\$ 11,250
Land and property taxes	9,610	162	13,239	162
Rent for Core shacks	7,500	-	15,000	-
	\$ 20,860	\$ 3,912	\$ 39,489	\$ 11,412
Total Exploration and Evaluation Expenditures	\$ 26,231	\$ 42,300	\$ 58,002	\$ 71,604

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	September 30, 2018	December 31, 2017
Trade payables	\$ 52,034	\$ 70,428
Accruals	35,058	15,000
Interest payables	-	22,168
Loan payable	1,942	-
	\$ 89,034	\$ 107,596

Q-Gold Resources Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

Three and nine months ended September 30, 2018 and 2017

(Expressed in Canadian dollars – unaudited)

8. SHARE CAPITAL

a) Authorized

Unlimited number of common shares
Unlimited number of first preferred shares
Unlimited number of second preferred shares

The first and second preferred shares may each be issued in one or more series and the directors are authorized to fix, before issuance, the number of shares in and the designation, rights, privileges, restrictions and conditions attaching to the shares of each series.

On January 16, 2018, the Company's shares were consolidated on a 1 new share for every 4 old share basis. All common shares and per share amounts have been restated to give retroactive effect to the share consolidation.

b) Issued and outstanding common shares

Reconciliation of the number and value of common shares for the periods ended September 30, 2018 and December 31, 2017 were as follows. All issued shares are fully paid.

	Number of Common shares	Amount
Balance, December 31, 2016	6,368,280	\$ 15,587,631
Shares issued during 2017	3,000,000	600,000
Share issue costs	-	(10,150)
Balance, December 31, 2017	9,368,280	\$ 16,177,481
Private placement - units	7,500,000	750,000
Private placement - flow through units	2,500,000	250,000
Value allocation on warrants issued	-	(283,232)
Adjustment to warrants exercised in prior period	-	216,250
Share issue costs	-	(9,769)
Balance, September 30, 2018	19,368,280	\$ 17,100,730

On July 5, 2018, the Company completed a private placement offering for gross proceeds of \$1,000,000. The offering consisted of: (i) 7,500,000 Units at a price of \$0.10 per Unit; and (ii) 2,500,000 Flow-Through Units ("FT Unit") at a price of \$0.10 per FT Unit. Each Unit consists of one common share of the Company and one common share purchase warrant, entitling the holder to acquire one additional common share at an exercise price of \$0.15 for a period of 24 months from issuance. Each FT Unit consists of one common share issued on a "Flow-Through basis", and one common share purchase warrant. The issue date fair value of the warrants was estimated at \$283,232 using the Black Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 107.6%; risk-free interest rate 1.91% and an expected life of 2 years.

The Company paid finder fees and other share and warrant issue costs totaled \$13,630. It is contemplated that the Flow-Through Shares will entitle the holders to a 100% CEE tax deduction as set forth under the *Income Tax Act* (Canada).

Q-Gold Resources Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

Three and nine months ended September 30, 2018 and 2017

(Expressed in Canadian dollars – unaudited)

8. SHARE CAPITAL (CONTINUED)

On December 27, 2017, the Company completed a non-brokered private placement for gross proceeds of \$600,000, issuing 3,000,000 units at \$0.20 cents per unit. Each unit consisting of one common share and one common share purchase warrant, entitling the holder to acquire one common share of the Company at a price of \$0.30 on or before December 27, 2019.

9. RESERVES

Options and share purchase warrant transactions for the periods ended September 30, 2018 and December 31, 2017 are summarized as follows:

	Options			Warrants		
	Number of Options	Weighted average exercise prices	Value of options	Number of warrants	Weighted average exercise prices	Value of warrants
December 31, 2016	562,500	\$ 0.40	\$ 1,848,908	2,700,000	\$ 0.40	\$ 1,030,238
Granted	-	-	-	3,000,000	0.30	-
Expired	-	-	-	(2,700,000)	(0.40)	-
Revaluation of options	-	0.20	201,542	-	-	-
December 31, 2017	562,500	\$ 0.20	\$ 2,050,450	3,000,000	\$ 0.30	\$ 1,030,238
Granted	-	-	-	10,000,000	\$ 0.15	\$ 283,232
Expired	-	-	\$(1,756,201)	-	-	(1,030,238)
Warrant issue costs	-	-	-	-	-	(3,861)
September 30, 2018	562,500	\$ 0.20	\$ 294,249	13,000,000	\$ 0.18	\$ 279,371

a) Stock options

Q-Gold has established a stock option plan for the benefit of directors, officers, employees and consultants of Q-Gold. The exercise price of each option shall not be less than the market price of Q-Gold's stock as calculated on the date of the grant. The options can be granted for a maximum term of five years and certain options to employees and consultants vest over periods of time, determined by the board of directors.

There were no options granted during the nine months ended September 30, 2018 and 2017. During the nine months ended September 30, 2018, the Company reversed the fair value of all the expired options totalling \$1,756,201 against the deficit. Q-Gold uses the Black-Scholes option pricing model to value stock options. The weighted average contractual years remaining on these options, as of September 30, 2018, is 2.43 years (2017 – 3.7 years).

As at September 30, 2018, the Company had stock options outstanding and exercisable as follows:

Grant date	Expiry date	Number Outstanding	Number Exercisable	Exercise Price	Grant date Fair Value
December 18, 2015	December 18, 2020	312,500	312,500	\$0.20	\$ 160,680
June 9, 2016	June 9, 2021	250,000	250,000	\$0.20	\$ 133,569
		562,500	562,500		\$ 294,249

Q-Gold Resources Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

Three and nine months ended September 30, 2018 and 2017

(Expressed in Canadian dollars – unaudited)

9. RESERVES (CONTINUED)

b) Warrants

Warrants are issued within units of private placements as an incentive to the investor. During the nine months ended September 30, 2018, the Company changed its valuation method on warrants. As a result, upon the issue of 10,000,000 warrants in terms of the private placement on July 5, 2018, fair value of \$283,232 was attributed to warrants. The Company reversed the fair value of all the expired warrants, totaling \$1,030,238, against deficit.

As at September 30, 2018, the Company has share purchase warrants outstanding as follows:

Grant date	Expiry date	Number Outstanding	Number Exercisable	Exercise Price	Grant date Fair Value
December 27, 2017	December 27, 2019	3,000,000	3,000,000	\$0.30	\$ -
July 5, 2018	July 5, 2020	10,000,000	10,000,000	\$0.15	\$ 283,232
		13,000,000	13,000,000		\$ 283,232

10. RELATED PARTY TRANSACTIONS

Compensation of Key Management

Key management includes the Company's directors and officers. Compensation awarded to key management included:

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2018	2017	2018	2017
Short-term benefits	\$ 35,259	\$ 13,163	\$ 64,849	\$ 41,183
	\$ 35,259	\$ 13,163	\$ 64,849	\$ 41,183

Included in accounts payable and accrued liabilities as at September 30, 2018 is approximately \$16,842 (December 31, 2017 - \$45,878) due to officers, directors and family members of directors of the Company.

Of the total private placement financing completed in July 2018, certain directors, former officers, former directors and family subscribed a total of 434,760 units.

11. FINANCIAL INSTRUMENTS

Financial instruments measured at fair value on the condensed interim consolidated statements of financial position are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

Q-Gold Resources Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

Three and nine months ended September 30, 2018 and 2017

(Expressed in Canadian dollars – unaudited)

11. FINANCIAL INSTRUMENTS (CONTINUED)

The Company's financial instruments consist of cash, amounts receivable, accounts payable and accrued liabilities. The fair value of these financial instruments approximates their carrying values due to the short-term nature of these instruments. The Company has no financial instruments recorded at fair value.

Financial assets and financial liabilities as at September 30, 2018 and December 31, 2017 were as follows:

	Cash, loans and receivables	Assets/liabilities at fair value through profit and loss	Other liabilities	TOTAL
<u>At September 30, 2018</u>				
Financial assets:				
Cash	\$ 753,072	\$ -	\$ -	\$ 753,072
Amounts receivable	\$ 1,418	\$ -	\$ -	\$ 1,418
Financial liabilities:				
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 89,034	\$ 89,034
<u>At December 31, 2017</u>				
Financial assets:				
Cash	\$ 1,469	\$ -	\$ -	\$ 1,469
Amounts receivable	\$ -	\$ -	\$ -	\$ -
Financial liabilities:				
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 107,596	\$ 107,596
Share subscriptions payable	\$ -	\$ -	\$ 2,947	\$ 2,947

12. FINANCIAL RISK FACTORS

Q-Gold is exposed to a number of different risks arising from normal course business exposures, as well as the Company's use of financial instruments. These risk factors include liquidity risk and credit risk.

a) Liquidity Risk

Liquidity risk is the risk that Q-Gold will encounter difficulty in meeting its obligations associated with financial liabilities. The Company's ability to continue as a going concern is dependent on the Board and Management's ability to raise the required capital through future equity sales or debt issues. As Q-Gold is in the exploration stage, it has no production upon which it could rely to fund its operations or the exploration of its properties.

Financial liabilities consist of accounts payable which are current and will be settled within one year. As of September 30, 2018, \$22,538 (December 31, 2017 - \$ 67,618) in accounts payable were aged over ninety days, with \$47,348 (December 31, 2017 - \$1,349) being aged between 31-90 days and the remaining \$ 19,148 (December 31, 2017 - \$24,624) being aged less than 30 days.

Q-Gold Resources Ltd.

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Three and nine months ended September 30, 2018 and 2017

(Expressed in Canadian dollars – unaudited)

12. FINANCIAL RISK FACTORS (CONTINUED)

b) Credit Risk

Credit risk is the risk that a counterparty will fail to pay amounts owing or fail to perform an obligation causing a financial loss. Not having a producing asset generating sales and accounts receivable, Q-Gold's credit risk is considered limited as there is no exposure to a single customer or counterparty. With respect to credit risk arising from financial assets of the Company, which comprises cash and minimal receivables, the Company's maximum exposure equals the carrying amount of these instruments. Cash is held with high credit quality financial institutes and credit risk is considered minimal. The Company continues to monitor and is subject to, normal mining industry credit risks.

c) Market Risk

Market risk consists of currency risk, commodity price risk and interest rate risk. The objective of market risk management is to manage and control market risk exposures within acceptable limits while maximizing returns. 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.

d) Currency Risk

Q-Gold's operations are in Canada and the United States. The international nature of Q-Gold's operations results in foreign exchange risk as transactions are denominated in foreign currency.

The operating results and the financial position of Q-Gold are reported in Canadian dollars. The fluctuations of the operating currencies in relation to the Canadian dollar will, consequently, have an impact upon the reported results of the Company and may also affect the value of its assets and liabilities. The Company has sought to minimize this risk by keeping its cash reserves in Canadian dollars and only purchasing US dollars as needed.

Q-Gold has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

e) Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The risk that Q-Gold will realize a loss as a result of a decline in the fair value of cash is limited because of their short-term investment nature. A variable rate of interest is earned on cash; changes in market interest rates at the year-end would not have a material impact on the Company's condensed interim consolidated financial statements.

13. CAPITAL DISCLOSURES

Q-Gold's capital structure consists of shareholders' equity and debt. The primary capital management objectives are to maintain a flexible capital structure which optimizes the costs of capital at acceptable risk to facilitate ongoing exploration and to maintain a strong capital base so as to maintain investor confidence and provide an appropriate return to its shareholders. Q-Gold has the ability to adjust its capital structure by issuing new equity and adjusting its mineral exploration program to the extent the mineral exploration expenditures are not committed to.

Q-Gold Resources Ltd.

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13. CAPITAL DISCLOSURES (CONTINUED)

As at September 30, 2018, Q-Gold had working capital of \$674,567 (December 31, 2017 – deficiency of \$107,165) and no long-term debt. The Company currently is not subject to external restrictions.

14. CHANGE IN WORKING CAPITAL

Change in working capital consists of the following:

	September 30, 2018	September 30, 2017
Accounts receivable	\$ (8,634)	\$ 347
Accounts payable	(18,865)	37,047
Share subscriptions repayable	(2,947)	201,906
	\$ (30,446)	\$ 239,300

15. COMMITMENTS AND CONTINGENCIES

Properties

Q-Gold is required to remit annual claim maintenance payments to the United States Department of the Interior, Bureau of Land Management in the amount of US\$ 1,240 for the eight mineral claims (US\$ 155 per claim) held by Q-Gold's Arizona subsidiary.

The mining claims held by Q-Gold in the Kenora Mining Division of Ontario require an annual application of assessment work credits. Through application of Q-Gold's "banked" assessment work credits, its mining claims located in the Kenora Mining Division will not require additional assessment work credits until the end of 2018.

Management Contracts

The Company is party to certain management contracts and severance obligations. These contracts contain clauses requiring additional payments of up to \$180,000 to be made to the officers of the Company upon the occurrence of certain events such as a change of control. As the triggering effect has not taken place, the contingent payments have not been reflected in these condensed interim consolidated financial statements. Additional minimum management contractual commitments remaining under the agreements are approximately \$123,500, all due within one year.