

# Q-Gold Resources Ltd.

700 - 401 West Georgia Street  
Vancouver, BC  
V6B 5A1

To the reader:

Q-Gold Resources Ltd (“**Q-Gold**”) is re-filing its 2<sup>nd</sup> quarter unaudited financial statements for the interim period ended June 30, 2018 to reflect the following amendments:

1. Include balances in the Statement of Shareholders’ equity for the comparative period as required under Part 4 of National Instrument 51-102;
2. Include an unreserved statement of compliance with IAS 34 as required under Part 3 of National Instrument 52-107; and
3. Formatting revisions to Note 7 – Share Capital and Stock options to provide clarification as to the subscription number and pricing with respect to the consolidation of shares.
4. Revision to the weighted average number of shares 2018 and basic loss per share 2017 on the Consolidated Statement of Comprehensive Loss.

These amendments are not considered material and have no affect on the financial status of Q-Gold.

Sincerely,

“Fred Leigh”

Fred Leigh

Chief Executive Officer

# **Q-GOLD RESOURCES LTD.**

Consolidated Financial Statements  
(Unaudited – Prepared by Management)

For the three and six months ended June 30, 2018

[Expressed in Canadian Dollars]

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

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

The accompanying unaudited interim consolidated financial statements of the Corporation have been prepared by management and approved by the Board of Directors of the Corporation.

The Corporation's independent auditors have not performed a review of these consolidated financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditors

## Q-GOLD RESOURCES LTD.

### STATEMENT OF FINANCIAL POSITION

	June 30, 2018	December 31, 2017
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 56,642	\$ 1,469
Accounts receivable	2,285	1,909
	<u>58,927</u>	<u>3,378</u>
Property Plant and Equipment (Note 6)	805	943
	<u>\$ 59,731</u>	<u>\$ 4,321</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities (Note 4)	\$ 162,292	\$ 107,596
Share subscriptions payable (Note 7)	103,808	2,948
	<u>266,100</u>	<u>110,543</u>
Long-term liabilities	\$ -	\$ -
Total Liabilities	\$ 266,100	\$ 110,543
Share capital (Issued 9,368,280 shares) (Note 7)	\$ 16,163,487	\$ 16,177,482
Reserve for warrants (Note 7)	1,030,238	1,030,238
Reserve for share based payments (Note 7)	2,050,450	2,050,450
Deficit	<u>(19,450,543)</u>	<u>(19,364,391)</u>
	<u>(206,368)</u>	<u>(106,222)</u>
	<u>\$ 59,731</u>	<u>\$ 4,321</u>

The accompanying notes are an integral part of the consolidated financial statements

APPROVED ON BEHALF OF THE BOARD:

"Robert C. Bryce"  
Robert C. Bryce, Director

"Fred Leigh"  
Fred Leigh, Director

## Q-GOLD RESOURCES LTD.

### CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
<b>REVENUE</b>				
Interest income	\$ -	\$ 1	\$ -	\$ 1
Other income	-	-	-	-
	-	1	-	1
<b>EXPENSE</b>				
Accounting	12,565	\$ 17,800	\$ 15,750	\$ 17,800
Amortization	68	265	139	392
Arizona mineral exploration properties (Note 5)	4,168	7,934	13,142	21,804
Compliance agency fees	5,760	8,313	11,262	14,763
Consultants	2,750	-	2,750	-
Interest	2,023	6,106	2,078	10,563
Legal fees	5,000	361	5,050	565
Office (Note 4)	14,783	16,706	29,582	32,574
Ontario mineral exploration properties (Note 5)	13,805	3,750	18,629	7,500
Promotion and investor relations	48	49	126	131
Share based compensation (Note 7)	-	-	-	-
Taxes	-	(137)	215	39
Travel	91	76	192	76
	61,060	61,224	98,914	106,208
<b>NET LOSS FROM OPERATIONS</b>	(61,060)	(61,224)	(98,914)	(106,207)
<b>OTHER INCOME (expense)</b>				
Foreign exchange gain	(1,071)	16,251	12,762	33,878
Gain on settlement of debt (Note 9)	-	67,850	-	67,850
	(1,071)	84,101	12,762	101,728
<b>COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD</b>	(62,131)	22,877	(86,152)	(4,479)
Foreign exchange gain (loss)	-	-	-	-
<b>COMPREHENSIVE INCOME (LOSS) AND OTHER COMPREHENSIVE INCOME (LOSS)</b>	(62,131)	22,877	(86,152)	(4,478)
<b>DEFICIT, BEGINNING OF PERIOD</b>	(19,388,412)	(19,025,512)	(19,364,391)	(18,998,158)
<b>DEFICIT, END OF PERIOD</b>	\$ (19,450,543)	\$ (19,002,635)	\$ (19,450,543)	\$ (19,002,634)
<b>Basic loss per share</b>	\$ (0.01)	\$ 0.00	\$ (0.01)	\$ (0.00)
<b>Weighted average number of shares</b>	9,368,280	6,368,280	9,368,280	6,368,280

The accompanying notes are an integral part of the consolidated financial statements

**Q-GOLD RESOURCES LTD.**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	SHARE CAPITAL		RESERVES		ACCUMULATED DEFICIT (As Restated)	ACCUMULATED OTHER COMPREHENSIVE INCOME	TOTAL
	NUMBER OF SHARES	AMOUNT (\$)	WARRANTS	SHARE BASED PAYMENTS			
<b>Balance at January 1, 2017 (Note 7)</b>	<b>6,368,280</b>	<b>\$ 15,587,631</b>	<b>\$1,030,238</b>	<b>\$ 1,848,908</b>	<b>\$ (18,998,028)</b>	<b>\$ (130)</b>	<b>\$ (531,381)</b>
Shares issued during the period (Note 7)	-	-	-	-	-	-	-
Warrants issued during the period	-	-	-	-	-	-	-
Stock based compensation	-	-	-	-	-	-	-
Share issuance costs	-	(9,205)	-	-	-	-	(9,205)
Total comprehensive loss for the period	-	-	-	-	(4,478)	-	(4,478)
<b>Balance at June 30, 2017</b>	<b>6,368,280</b>	<b>15,578,426</b>	<b>1,030,238</b>	<b>1,848,908</b>	<b>(19,002,506)</b>	<b>(130)</b>	<b>(545,064)</b>
<b>Balance at December 31, 2017</b>	<b>9,368,280</b>	<b>16,177,482</b>	<b>1,030,238</b>	<b>2,050,450</b>	<b>(19,387,746)</b>	<b>23,356</b>	<b>(106,220)</b>
Shares issued during the period	-	-	-	-	-	-	-
Warrants issued during the period	-	-	-	-	-	-	-
Stock based compensation	-	-	-	-	-	-	-
Share issuance costs	-	(13,995)	-	-	-	-	(13,995)
Total comprehensive loss for the period	-	-	-	-	(86,152)	-	(86,152)
<b>Balance at June 30, 2018</b>	<b>9,368,280</b>	<b>\$ 16,163,487</b>	<b>\$1,030,238</b>	<b>\$ 2,050,450</b>	<b>\$ (19,473,898)</b>	<b>\$ 23,356</b>	<b>\$ (206,367)</b>

The accompanying notes are an integral part of the consolidated financial statements

**Q-GOLD RESOURCES LTD.****CONSOLIDATED STATEMENT OF CASH FLOWS**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
<b>Cash was provided by (used for)</b>				
<b>Operating activities</b>				
Net income (loss) for the period	\$ (62,131)	\$ 22,877	\$ (86,152)	\$ (4,478)
Adjustments for items not affecting cash				
Amortization of property, plant and equipment	68	265	139	392
Unrealized foreign exchange gain	-	5,196	1,061	5,196
<b>Working capital used by operating activities</b>	<b>(62,064)</b>	<b>28,338</b>	<b>(84,953)</b>	<b>1,110</b>
Changes in non-cash operating working capital (Note 10)	112,294	(15,289)	155,181	36,848
<b>Cash used by Operations</b>	<b>50,230</b>	<b>13,049</b>	<b>70,228</b>	<b>37,958</b>
<b>Financing activities</b>				
Proceeds from debt financings	-	-	-	(24,260)
Net proceeds from equity financings (Note 7)	(5,610)	(24,260)	(13,995)	(14,420)
	(5,610)	(24,260)	(13,995)	(38,680)
<b>Change in cash (Decrease)</b>	<b>44,620</b>	<b>(11,211)</b>	<b>56,231</b>	<b>(721)</b>
<b>Cash, beginning of period</b>	<b>12,023</b>	<b>14,968</b>	<b>411</b>	<b>4,477</b>
<b>Cash, end of period</b>	<b>\$ 56,642</b>	<b>\$ 3,756</b>	<b>\$ 56,642</b>	<b>\$ 3,756</b>
<b>Supplemental Disclosure</b>				
Taxes paid	\$ -	\$ 137	\$ 215	\$ 90
Interest paid	\$ 55	\$ 6,106	\$ 2,023	\$ 7,941

The accompanying notes are an integral part of the consolidated financial statements

June 30, 2018

## **1. CORPORATE INFORMATION**

Q-Gold Resources Ltd. ("Q-Gold" or the "Company") was originally incorporated under 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. The Company's registered office is located at 700 - 401 West Georgia Street, Vancouver, British Columbia, CANADA, V6B 5A1, and its records office is located c/o Mineral Creek Resources Inc., 809 West Riordan Road, Suite 100-391, Flagstaff, Arizona, USA, 86001.

Q-Gold is a mineral exploration company focused on exploring and developing 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 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.

## **2. BASIS OF PRESENTATION**

### **Statement of compliance**

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

The preparation of condensed interim financial statements in accordance with International Account Standards ("IAS") 34, Interim Financial Reporting, requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies. Certain disclosures included in annual financial statements have been condensed or omitted.

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.

These condensed interim consolidated financial statements were approved and authorized for issuance by the Board of Directors on August 29, 2018.

June 30, 2018

## 2. BASIS OF PRESENTATION (continued)

### **Going Concern**

These condensed interim consolidated financial statements 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. Several adverse conditions cast substantial doubt on the validity of this assumption. As at June 30, 2018, Q-Gold has a working capital deficit of \$ 207,174 (December 31, 2017 - \$ 107,165), and a retained deficit of \$ 19,450,543 (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 necessary equity financing to continue operations and to determine the existence, discovery and successful exploitation of economically recoverable reserves in its mineral properties, confirmation of Q-Gold's interests in the underlying properties and the attainment of profitable operations 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.

### **Functional and presentation currency**

These condensed interim consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency.

### **Basis of measurement**

These condensed interim consolidated financial statements have been prepared on a historical cost basis except for financial instruments and share based payment transactions that are measured at fair value.

### **Use of estimates**

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

Significant accounts that require estimates as the basis for determining the stated amounts include equipment and amounts recorded for amortization, impairment of mineral properties, share based compensation, fair value of brokers warrants, valuation allowance against future income tax assets and foreign currency transactions.

### **Prior period adjustment**

During 2014 the Company entered into a settlement agreement whereby they issued a promissory note in the sum of \$100,000 in full and satisfaction of the current debt which resulted in the reduction of the debt of \$83,610. Subsequent to signing the settlement agreement the Company did not record the debt reduction in the accounting records until 2016 and has recorded it as a prior period adjustment.

**June 30, 2018**

**2. BASIS OF PRESENTATION (continued)**

The effects of the adjustment on the 2015 comparative balances are a \$83,610 reduction of the deficit, a reduction in accounts payable of \$161,610 and an increase in promissory notes payable of \$78,000. There were no changes to income taxes or the loss per share.

**3. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies set out below have been applied consistently to all periods presented in these condensed interim consolidated financial statements. The accounting policies have been applied consistently by the Company's entities.

**a) 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.

**b) Equipment**

Equipment is recorded at cost and is amortized over its estimated useful life using the declining balance method on a quarterly basis using the following annual rates:

Automotive	30%
Computer equipment	30%
Field equipment	30%
Office equipment	30%

Amortization is calculated on additions in the quarter that they were purchased.

**c) Mineral properties**

Exploration costs and mineral properties maintenance costs incurred to the date of establishing that a property has reserves, which have the potential of being economically recoverable, are charged against earnings. Further costs are deferred once economically recoverable reserves have been determined and, upon reaching commercial production, amortized over periods not exceeding the life of the producing mine and property. Properties acquired under joint venture agreement are charged against earnings.

Properties that are sold under joint venture agreement are a reduction of costs incurred on properties.

June 30, 2018

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**d) Asset retirement obligation**

Q-Gold recognizes an estimate of the liability associated with an asset retirement obligation (ARO) in the condensed interim consolidated financial statements at the time the liability is incurred. The estimated fair value of the ARO is recorded as a long-term liability, with a corresponding increase in the carrying amount of the related asset. The liability amount is increased each reporting period due to the passage of time and the amount of accretion is charged to earnings in the period. The ARO can also increase or decrease due to changes in the estimates of timing of cash flows or changes in the original estimated undiscounted cost. Actual costs incurred upon settlement of the ARO are charged against the ARO to the extent of the liability recorded. As at December 31, 2016, Q-Gold has determined that it has no material AROs.

**(e) Flow-through shares**

The resource expenditure deductions for income tax purposes related to Q-Gold's Canadian exploratory and development activities funded by flow-through share arrangements are renounced to investors in accordance with Canadian tax legislation. Under IFRS, the amount initially recorded in share capital is limited to the amount of common shares that would have been issued on that date and the difference between the actual proceeds and the amount recorded in share capital is set up as a deferred price premium on flow-through shares. When the expenditures are incurred, the related deferred price premium on flow-through shares is reversed and the related tax affect is recorded to the future tax liability. The difference between the deferred tax benefits and the original liability recorded is recognized as a deferred tax expense in the consolidated statement of comprehensive loss.

**f) Foreign currency translation**

The reporting currency of Q-Gold is the Canadian dollar. Amounts recorded in foreign currency are translated into Canadian dollars as follows:

- (i) Monetary assets and liabilities, at the exchange rate in effect at the balance sheet date;
- (ii) Non-monetary assets, at historical exchange rates; and
- (iii) Revenue and expenses, at the rate of exchange on the date of the transaction.

Gains and losses arising from the translation of foreign currency are included in net loss for the year.

**g) Loss per share**

Basic loss per share is calculated by dividing net loss available to the shareholders by the weighted average number of common shares outstanding during the year. Diluted loss per share is calculated to reflect the dilutive effect of exercising outstanding stock options by application of the treasury stock method.

June 30, 2018

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**h) Share-based compensation**

Q-Gold accounts for share based compensation using the fair value based method with respect to all share based payments to directors, employees and non-employees, including awards that are direct awards of stock and call for settlement in cash or other assets, or stock appreciation rights that call for settlement by the issuance of equity instruments. Under this method, share based payments are recorded as an expense over the vesting period or when the awards or rights are granted with a corresponding increase to reserve for share based payments. When stock options are exercised, the corresponding fair value is transferred from reserve for share based payment to share capital.

**i) Warrants**

Q-Gold has adopted the residual value approach in accounting for the value assigned to the common shares and the warrants, which it has made available in a number of private placement financings.

**j) Financial instruments**

(i) *Non-derivative financial assets*

The Company initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit and loss (FVTPL)) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Financial assets at FVTPL are measured at fair value, and changes therein are recognized in profit or loss.

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Loans and receivables comprise accounts receivable.

Cash and cash equivalents are classified as FVTPL and are accounted for at fair value. Cash equivalents are comprised of cash balances and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

(ii) *Non-derivative financial liabilities*

The Company has the following non-derivative financial liabilities: accounts payable, share subscriptions payable and notes payable. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### k) Impairment

For the purposes of testing impairment, assets are grouped at the lowest levels for which there are largely independent cash in-flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at the cash-generating unit level.

Individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of the fair value less costs to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of the cash flows. Discount factors are determined individually for each cash-generating unit and reflect their respective risk profiles as assessed by management.

##### (i) *Financial assets*

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost, this reversal is recognized in profit or loss.

##### (ii) *Non-financial assets*

Non-financial assets are evaluated at least annually by management for indicators that carrying value is impaired and may not be recoverable. When indicators of impairment are present the recoverable amount of an asset is estimated.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

**l) Revenue recognition**

Revenue from interest income is recognized when received. Although the Company does not currently have any revenues from the production and sale of precious metals, it has adopted the policy that revenues will be recognized when title passes to the buyer, which will generally coincide with the delivery and acceptance of goods and the ability to collect is reasonably assured.

**m) New and future accounting policies**

The Company has assessed the impact of the following standards and amendments and has determined that the adoption of the standards is not expected to have any material impact to the Company. The standards are to be adopted by required compliance date unless otherwise noted with earlier adoption permitted. A brief description of each new standard is listed below:

**Revenue from Contracts with Customers:**

In May 2014, the IASB issued IFRS 15 *Revenue from Contracts with Customers*. It replaces the existing revenue recognition guidance and provides a single, principles based five-step model to be applied to all contracts with customers. Retrospective application of this standard is effective for fiscal years beginning on or after January 1, 2018, with earlier application permitted. The adaptation of this standard did not have any material effect on the financial statements.

**Financial Instruments: Recognition and Measurement:**

In July 2014, IFRS 9 *Financial Instruments* was issued as a complete standard, including the requirements previously issued related to classification and measurement of financial assets and liabilities, and additional amendments to introduce a new expected loss impairment model for financial assets including credit losses. Retrospective application of this standard with certain exemptions is effective for fiscal years beginning on or after January 1, 2018, with earlier application permitted. The adaptation of this standard did not have any material effect on the financial statements.

**Leases:**

In January 2016, the IASB has issued a new standard IFRS 16 "Leases", which replaces IAS 17, "Leases". For lessees applying IFRS 16, a single recognition and measurement model for leases would apply, with required recognition of assets and liabilities for most leases. The standard will come into effect for annual periods beginning on or after January 1, 2019, with earlier adoption permitted if the entity is also applying IFRS 15 "Revenue from Contracts with Customers". The Company is currently evaluating the impact of this standard.

**June 30, 2018**

#### **4. RELATED PARTY TRANSACTIONS**

During the six months ended June 30, 2018, pursuant to compensation agreements with related parties, Q-Gold paid the following fees:

- a) Q-Gold paid its Chief Executive Officer USD \$ 6,000 (2017 – US\$ 6,000).
- b) Q-Gold paid its Chief Financial Officer USD \$ 15,000 (2017 - US\$ 15,000).

These agreements were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

As at June 30, 2018, \$79,977 (December 31, 2017 – \$ 45,878) in the total liabilities are due to officers, directors and family members of directors of the Company.

#### **5. MINERAL PROPERTIES AND COMMITMENTS**

##### **a) Arizona Mineral Properties**

The Company currently holds 8 mineral claims administered by the United States Department of the Interior, Bureau of Land Management in Yavapai County, near Crown King, Arizona. The Company currently holds 8 BLM mineral claims in Yavapai County.

##### **b) Ontario Mineral Properties**

On September 24, 2009, Q-Gold entered into an option and joint venture agreement with Upper Canyon Minerals ("UCM"). This joint venture was terminated on December 9, 2010. Pursuant to the provisions of the termination agreement, Q-Gold granted UCM a 7% "carried interest" to production. Upon presentation of a feasibility study by Q-Gold, UCM will have the option to obtain a 7% participating interest in any development project on the Nipigon and Golden Star tracts, formerly contained in the joint venture. Thus, Q-Gold's current interest in the two properties is 93%.

**Q-GOLD RESOURCES LTD.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

June 30, 2018

**6. PROPERTY PLANT AND EQUIPMENT**

	Automotive	Computer equipment	Field equipment	Office equipment	Total
<b>Cost</b>					
January 1, 2017	\$ 11,773	\$ 9,101	\$ 73,828	\$ 5,193	\$ 99,895
Additions (disposal) in 2017	---	---	---	---	---
Balance, December 31, 2017	11,773	9,101	73,828	5,193	99,895
Net additions (disposal) in 2018	--	--	--	--	--
Balance, June 30, 2018	11,773	9,101	73,828	5,193	99,895
<b>Accumulated amortization</b>					
January 1, 2017	11,773	9,101	72,133	5,106	98,113
Amortization in 2017	---	---	652	71	723
Balance, December 31, 2017	11,773	9,101	72,855	5,193	98,852
Amortization in 2018	--	--	139	--	139
Balance, June 30, 2018	11,773	9,101	72,924	5,293	99,091
Net book value, December 31, 2017	\$ --	\$ --	\$ 943	\$ --	\$ 943
Net book value, June 30, 2018	\$ --	\$ --	\$ 805	\$ --	\$ 805

**7. SHARE CAPITAL**

**a) Authorized**

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

June 30, 2018

7. SHARE CAPITAL (continued)

b) Issued and outstanding common shares

	Number of Shares	Amount \$
<b>Balance as at January 1, 2017</b>	6,368,280	15,587,631
Shares issued during 2017	3,000,000	600,000
Share issue costs	---	(10,149)
<b>Balance as at December 31, 2017</b>	9,368,280	16,177,482
Shares issued during the period	---	---
Share Consolidation	---	---
Share issue costs	---	(13,995)
<b>Balance as at June 30, 2018</b>	9,368,280	16,163,487

On December 27, 2017, the Company announced it had completed a non-brokered private placement for gross proceeds of \$600,000. Pursuant to the terms of the private placement, the Company received subscriptions for 3,000,000 units at \$0.20 cents each ("Units"). Each Unit consisting of one common share and one common share purchase warrant of the Company, entitling the holder to acquire one common share of the Company at a price of \$0.30 on or before December 27, 2019.

c) 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 equals 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. On December 18, 2015, the Board of Directors granted options allowing three Directors, one Officer and one Consultant to the Company to acquire a total of 312,500 common shares at an exercise price of \$0.20, within 5 years. On June 9, 2016, the Board of Directors granted options allowing three Directors, one Officer and one Consultant to the Company to acquire a total of 250,000 common shares at an exercise price of \$0.20, within 5 years.

June 30, 2018

**7. SHARE CAPITAL (continued)**

**c) Stock options (continued)**

At a shareholders' meeting on July 31, 2017, approval was obtained and the exercise price of the outstanding stock options were re-priced to \$0.20 each. The stock-based compensation recognized under the fair value method for the options granted in 2015 was \$24,827 and \$67,880 for those issued in 2016. On January 16, 2018, the Company's shares were consolidated on a 1 new share for every 4 old share basis. All amounts have been adjusted to give retroactive effect to the consolidation. As at June 30, 2018, 562,500 options were outstanding (2017 – 450,000) under the following terms, which include an expected volatility rate of 130% and a risk free interest rate of 3%:

Number of Shares	Option price \$	Grant date	Expiry date
312,500	0.20	December 18, 2015	December 18, 2020
250,000	0.20	June 9, 2016	June 9, 2021

Q-Gold uses the Black-Scholes valuation of stock options. The weighted average contractual years remaining on these options, as of June 30, 2018, is 3.00 years (June 30, 2017 – 4.00 years).

Stock option transactions and the number of stock options outstanding are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Balance January 1, 2017	562,500	\$0.40
Options Granted – 2017	---	---
Options Exercised – 2017	---	---
Options Cancelled – 2017	---	---
Options Expired – 2017	---	---
Repricing of Stock Options July 31, 2017	---	(0.20)
Balance December 31, 2017	562,500	\$0.20
Options Granted – 2018	---	---
Options Exercised – 2018	--	--
Options Cancelled – 2018	--	--
Options Expired – 2018	---	---
Balance June 30, 2018	562,500	\$0.25

**June 30, 2018**

**7. SHARE CAPITAL (continued)**

**d) Warrants**

Warrants are issued within units of private placements as an incentive to the investor. Using the residual value method, no value was allocated to these warrants within the units. As a result of a financing completed in 2017 there are warrants outstanding as of June 30, 2018, allowing the purchase of an additional 3,000,000 common shares (after share consolidation) of Q-Gold under the following terms:

Number of Warrants	Exercise Price \$	Expiry date
3,000,000	0.30	December 27, 2019

The following is a continuity schedule of warrants from January 1, 2017 to June 30, 2018:

	Number of Warrants
Balance January 1, 2017	2,700,000
Granted – 2017	3,000,000
Expired – 2017	(2,700,000)
Balance December 31, 2017	3,000,000
Granted – 2018	---
Expired – 2018	---
Balance June 30, 2018	3,000,000

**e) Share based payments**

The following is a continuity of the share-based payments from January 1, 2017 to June 30, 2018:

<b>Balance January 1, 2017</b>	<b>\$ 1,848,908</b>
Stock-based compensation – 2017	201,542
Exercise of options – 2017	--
<b>Balance December 31, 2017</b>	<b>2,050,450</b>
Stock-based compensation – 2018	--
Exercise of options – 2018	--
<b>Balance June 30, 2018</b>	<b>\$ 2,050,450</b>

June 30, 2018

## **8. FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS**

Q-Gold is exposed to a number of different risks arising from normal course business exposures, as well as Q-Gold'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. Q-Gold does not have sufficient working capital to maintain its operations for the next 12 months. Q-Gold may also issue debt, equity, sell assets or use some form of venture financing to access additional capital. As Q-Gold is in the development stage of growth it has no production upon which it could rely on to fund its operations for the exploration of its opportunities.

Financial liabilities consist of accounts payable which are current and will be settled within one year. As of June 30, 2018, \$ 85,387 (December 31, 2017 - \$ 67,618) in accounts payable were aged over ninety days, with \$56,450 (December 31, 2017 - \$1,349) being aged between 31-90 days and the remaining \$ 20,455 (December 31, 2017 - \$24,624) being aged less than 30 days.

### **b) Credit Risk**

Credit risk is the risk that 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. Q-Gold 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 Q-Gold and may also affect the value of Q-Gold's assets and liabilities.

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

June 30, 2018

**8. FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS (continued)**

**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 Q-Gold's condensed interim consolidated financial statements.

**9. 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 development 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.

As at June 30, 2018, Q-Gold had working capital deficit of \$ 207,174 (December 31, 2017 - \$107,165) and long-term debt of \$Nil (December 31, 2017 - \$ Nil). Q-Gold currently has no external restrictions.

During 2017, the Company reached a settlement agreement with a creditor whereby the Company paid \$16,000 to the creditor, who in return forgave the remaining \$67,850 of the total principal and interest owing at the time equal to \$83,850.

**10. CHANGE IN NON-OPERATING WORKING CAPITAL**

Change in non-operating working capital consists of the following:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Accounts receivable	\$ (376)	\$ 1,327
Accounts payable	54,697	(41,579)
Share subscriptions repayable	<u>100,860</u>	<u>77,100</u>
	<u>\$ 155,181</u>	<u>\$ 36,848</u>

June 30, 2018

**11. SEGMENTED INFORMATION**

Q-Gold's operations comprise two reporting operating segments engaged in mineral exploration in Canada and the United States. As the operations comprise two operating segments, amounts disclosed in the condensed interim consolidated financial statements relating to the loss for the year also represent the consolidated segment amounts.

At June 30, 2018 and 2017, the Company's mineral exploration expenditures and interests were located in:

	Six Months Ending June 30, 2018	Six Months Ending June 30, 2017
Canada	18,629	7,500
United States of America	13,142	21,804
<b>Total</b>	<b>\$ 31,771</b>	<b>\$ 29,304</b>

At June 30, 2018, Q-Gold's mineral properties are all located in Canada and the United States.

**12. COMMITMENTS**

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) 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.

**13. SUBSEQUENT EVENTS**

On July 5, 2018, the Company announced it had completed a private placement offering for gross proceeds of \$1,000,000 (the "Offering"). The Offering consisted of: (i) 7,500,000 Units (each a "Unit") at a price of \$0.10 per Unit; and (ii) 2,500,000 Flow-Through Units (each a "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 (the "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 Warrant.