
Q-GOLD RESOURCES LTD.

MANAGEMENT’S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2018

DATED: APRIL 12, 2019

GENERAL

The following Management’s Discussion and Analysis (“MD&A”) provides a review of the financial position and results of operations of Q-Gold Resources Ltd. and its subsidiaries (“Q-Gold” or the “Company”) and should be read in conjunction with the audited consolidated financial statements and notes thereto for the years ended December 31, 2018 and 2017. This MD&A covers the most recently completed financial period and the subsequent period up to the date of this MD&A. All amounts are expressed in Canadian dollars, unless otherwise noted.

The accompanying audited consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”) and International Financial Reporting Interpretation Committee (“IFRIC”) interpretations.

The Company’s audited consolidated financial statements have been presented on the basis that the Company will continue as a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the usual course of business. The reader should be aware that historical results are not necessarily indicative of future performance.

This MD&A and the audited consolidated financial statements for the years ended December 31, 2018 and 2017 have been reviewed by the audit committee and approved by the Company’s Board of Directors prior to release.

Qualified Person

Andrew Cheatle, P.Geo., is a “qualified person” as such term is defined in NI 43-101 and CIM definition standards and has reviewed, verified and approved the technical and scientific information and data included in this MD&A.

OVERVIEW

Q-Gold is a publicly traded Canadian exploration company listed on the TSX Venture Exchange (“TSXV”) under the symbol “QGR”. The Company was incorporated as Solana Petroleum Corp. under the Business Corporations Act (Alberta) on March 25, 1998. The Company changed its name to Q-Gold Resources Ltd. on January 21, 2004 and continued into British Columbia effective December 30, 2011. On October 3, 2018, the Company continued into the Province of Ontario under the Business Corporation Act (Ontario). The Company’s head office is located at 65 Queen Street West, Suite 815, Toronto, Ontario M5H 2M5.

Q-Gold is a mineral exploration company focused on exploring its mineral properties near Mine Centre, Ontario and has not yet identified a commercial mineral resource. During the year ended December 31, 2018, Q-Gold maintained its precious metals properties, closed a private placement financing and reviewed prospective alternative opportunities.

Mine Centre, Ontario Properties

The Company has maintained its mineral properties near Mine Centre, Ontario that include the historic Foley gold mine (5,267 ounces of gold produced from 1898 to 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 two historic gold mines and over 100 gold veins of 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 not currently confirmed exploration plans for 2019 on its Mine Centre properties.

Crown King, Arizona Properties

The Company also holds 8 Bureau of Land Management (U.S. Department of the Interior) Mineral Claims near Crown King, Arizona, but anticipates relinquishing them shortly.

RESULTS OF OPERATIONS

As the Company is a mineral exploration company, it did not have any revenues or profits from operations during the year ended December 31, 2018, or as of the date of this MD&A.

The primary operating activities during the year ended December 31, 2018 consisted of maintaining the Company’s mineral properties, investigating new opportunities and general corporate activities. During the year ended December 31, 2018, the Company incurred expenditures totaling \$22,263 (2017: \$156,970) on its Mineral Creek, Arizona Properties and \$59,739 (2017: \$15,150) on its Mine Centre, Ontario Properties.

Field exploration, supervisory costs and costs associated with maintaining its mineral properties are expensed and charged against earnings until the Company has a reasonable expectation that the property is capable of commercial production, supported by a positive economic analysis showing a NI 43-101 compliant Mineral Reserve, approved by the Board.

SELECTED ANNUAL RESULTS

The following table shows financial results from the Company’s three most recently completed fiscal years:

	December 31, 2018	December 31, 2017	December 31, 2016
	\$	\$	\$
Net loss attributable to shareholders of the Company	593,734	366,232	552,604
Basic and diluted loss per share	0.04	0.06	0.10
Total assets	496,572	4,321	8,823
Total non-current financial liabilities	-	-	-

The Company’s results during the past financial year were driven primarily by the successful closing of a private placement financing in July 2018, maintenance of its mineral property interests in Ontario, Canada and Arizona, USA, and corporate expenditure as management assessed the existing properties and actively evaluates new potential opportunities.

The limited availability of funds was the primary driver in fiscal 2017.

SUMMARY OF QUARTERLY RESULTS

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

	2018				2017			
	4 th Qtr.	3 rd Qtr.	2 nd Qtr.	1 st Qtr.	4 th Qtr.	3 rd Qtr.	2 nd Qtr.	1 st Qtr.
Earnings and Cash Flow								
Net income (loss) attributable to shareholders of the Company	(388,153)	(119,429)	(62,131)	(24,021)	(308,376)	(53,383)	22,877	(27,350)
Income (loss) per share, basic & diluted	(0.02)	(0.01)	(0.01)	(0.01)	(0.05)	(0.01)	0.00	(0.00)
Cash flow from (used in) operating activities	(298,337)	(304,996)	50,230	19,999	(370,884)	128,845	13,049	24,910
Cash flow from (used in) investing activities	-	-	-	-	-	-	-	-
Cash flow from (used in) financing activities	-	1,000,365	(5,610)	(8,386)	282,513	(43,818)	(24,260)	(14,420)
Balance Sheet								
Total Assets	496,572	763,601	59,731	14,792	4,321	92,218	6,403	16,561

FINANCIAL CONDITION

Net losses for the three and twelve months ending December 31, 2018 totaled \$388,153 (\$0.02 per share) and \$593,734 (\$0.04 per share), compared to losses of \$308,376 (\$0.05 per share) and \$366,232 (\$0.07 per share) for the same periods in 2017.

	Three months ended December 31,		Twelve months ended December 31,	
	2018	2017	2018	2017
EXPENSES				
Accounting	10,000	-	25,000	17,800
Amortization	-	157	943	723
Consultants	80,770	13,358	160,586	54,541
Exploration and evaluation - Arizona	3,750	96,778	22,263	156,970
Exploration and evaluation - Ontario	20,250	3,738	59,739	15,150
Investor relations and filing fees	1,027	1,130	37,637	17,762
Legal fees	(3,750)	367	4,332	4,569
Office	5,749	1,940	9,519	8,688
Share based compensation	133,200	201,542	133,200	201,542
Travel	139,298	302	139,490	540
Total expenses	390,294	319,312	592,709	478,285
Other (expense) income				
Interest income	1,145	1	1,145	-
Interest expense	-	(835)	(836)	(16,307)
Foreign exchange (loss) gain	996	(29,725)	(1,334)	19,008
Gain on settlement of debt	-	41,502	-	109,352
	2,141	10,943	(1,025)	112,053
Net loss and comprehensive loss	(388,153)	(308,369)	(593,734)	(366,232)

Operating expenses were higher in 2018, compared to 2017, as a result of increased activity following the successful closing of the private placement financing in July 2018. General and administrative expenditures increased in the three and twelve months ending December 31, 2018 to \$364,153 (2017: \$207,853) and \$511,732 (2017: \$194,112) respectively.

The increase in general and administrative expenses was due to the appointment of additional management consultants, as the Company assesses new opportunities and looks to embark on a new strategic path, as well as higher filing and regulatory fees and associated administrative expenses. Legal fees and office expenses are net of recoveries, where the payment of previously accrued expenses did not result.

Share-based payments of \$133,200 were recorded in the statement of operations and comprehensive loss during the three and twelve months ended December 31, 2018 (2017: \$201,542). Share-based compensation relates to the vesting of stock options. During the year ended December 31, 2018, 900,000 stock options were granted in a single option grant in November 2018, compared to nil in the comparable period in the prior year. Options granted typically vest immediately. Share-based payments in 2017 related to the revaluation of options.

In the three and twelve months ending December 31, 2018, expenses incurred by the Company on its mineral properties decreased to \$24,000 (2017: \$100,516) and \$82,002 (2017: \$172,120) respectively.

	Three months ended December 31,		Twelve months ended December 31,	
	2018	2017	2018	2017
Mineral Creek, Arizona				
Labour and consulting	3,750	13,380	20,112	34,044
Assays and mapping	-	431	-	965
Drilling	-	58,437	-	58,437
Field expenses	-	18,872	-	39,331
Property maintenance	-	162	1,621	3,404
Option payment	-	-	-	13,074
Travel and accommodation	-	5,496	530	7,118
Truck rental	-	-	-	597
Total expenses	3,750	96,778	22,263	156,970
Mine Centre, Ontario				
Labour and consulting	3,750	3,900	15,000	15,150
Land and property taxes	6,250	(162)	19,489	-
Rent for core storage	10,250	-	25,250	-
	20,250	3,738	59,739	15,150

Cash Flows

Operating Activities

Operating activities in the year ended December 31, 2018 used \$533,105, compared to \$204,081 in the year ended December 31, 2017. In 2018, this included \$72,870 used as a result of changes in non-cash working capital, compared to \$88,246 cash provided by working capital in 2017.

Investing Activities

There were no investing activities in either 2018 or 2017.

Financing Activities

On July 5, 2018, the Company closed a non-brokered private placement financing for gross proceeds of \$1,000,000, consisting of 10,000,000 units at a price of \$0.10 per unit, each unit consisting 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. The Company paid finder fees of \$7,200 related to the Offering plus other share and warrant issue costs of \$6,430.

LIQUIDITY AND CAPITAL RESOURCES

The Company spends its available funds on its corporate, general and administrative obligations and to maintain its mineral projects with the objective of carrying out exploration activities to establish ore of commercial tonnage and grade. As the Company is in the exploration stage and generates no revenues, the necessary funds have to be raised through equity or debt financing, most commonly within the Canadian public markets. Factors such as equity market conditions and the results of exploration activities will affect future capital raising, which may substantially impact on future activities. There are no assurances that the Company will continue to be successful in raising additional funds or that other forms of equity capital or debt financing will be available to the Company in the future or on satisfactory terms. Any additional equity financing may be on terms that are dilutive, or potentially dilutive, to the Company's shareholders and debt financing, if available, may involve restrictive covenants with respect to the Company's ability to pay dividends, raise additional capital or execute various other financial and operational plans.

If, at any time, the Company's Board of Directors deems continued exploration at its properties to be unwarranted, based on the results of work done up to that time or for any other reason, the Company may suspend or discontinue exploration of such properties and apply the funds on hand towards the acquisition, exploration or development of new properties or, if required, the general working capital of the Company. The Company does not have any commitments for material capital expenditure in the near or long term. As at December 31, 2018, the Company had no long-term debt and no definitive agreements with respect to long-term borrowings had been entered into by the Company.

The Company's objective is to maintain a strong capital base in order to:

- maintain financial flexibility;
- maintain creditor and investor confidence; and
- sustain the future development of the business.

The Company manages its capital structure and adjusts it in light of changes in economic conditions and the risk characteristics of the underlying assets. The most significant alternatives available for the management of the capital structure include the issue of shares or raising of debt finance when management and the board of directors feel the timing is appropriate.

Working Capital

As at December 31, 2018, the Company had working capital of \$419,614 compared with a working capital deficiency of \$(107,165) as at December 31, 2017, including cash of \$454,734 (2017: \$1,469). The Company's primary capital needs are funds for the exploration of its mineral properties, administrative expenses and working capital. The Company will maintain its excess working capital in Canadian dollars, at a large reputable Canadian commercial bank, in high quality short-term deposits or cash.

	2018				2017			
	4 th Qtr.	3 rd Qtr.	2 nd Qtr.	1 st Qtr.	4 th Qtr.	3 rd Qtr.	2 nd Qtr.	1 st Qtr.
Cash	454,734	753,072	56,642	12,023	1,469	88,784	3,756	14,968
Receivables	41,838	10,529	2,285	1,899	1,909	2,334	1,353	55
Current Liabilities	(76,958)	(89,034)	(266,100)	(153,421)	(110,543)	(696,659)	(551,465)	(575,296)
Working Capital	419,614	674,567	(207,173)	(139,500)	(107,165)	(605,541)	(546,357)	(560,274)

OPERATING SEGMENTS

The Company has concluded that it has only one material operating segment (the exploration of its north American mineral licenses) for financial reporting purposes.

OFF-BALANCE SHEET ARRANGEMENTS

To the best of management's knowledge, the Company has no off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or the financial condition of the Company.

ADDITIONAL DISCLOSURES

At the Annual and Special Meeting of shareholders held on September 13, 2018, Messrs. Fred Leigh, Robert C. Bryce and Andrew Cheatle (a new director) were elected as directors of the Company for the ensuing year.

Mr. Cheatle has over 25 years of minerals industry experience as a professional geologist and mining executive, with former roles including President and CEO of Unigold Inc., and as the Executive Director of the Prospectors and Developers Association of Canada (PDAC). His career has spanned both major mining companies (Anglo American Corporation, Goldcorp) and the junior mining sector. He is also currently a Non-Executive Director of Condor Gold plc. and a Director of the Canada - Africa Chamber of Business. He is a graduate of the Royal School of Mines, Imperial College, London and holds an MBA.

On September 14, 2018, the Company appointed Kenny Choi as the Corporate Secretary. Mr. Choi is a corporate lawyer who works as a legal consultant to various TSX and TSX Venture listed companies in the mining and technology industries. He was previously an associate at a large Toronto corporate law firm, where he worked on a variety of corporate and commercial transactions. Mr. Choi studied at Western University, where he obtained a Juris Doctor from the Faculty of Law and an Honours Business Administration degree from the Ivey Business School.

On November 22, 2018, the Company appointed Stephen Woodhead as the Chief Financial Officer. Mr. Woodhead is a graduate of the University of Cape Town and a member of the South African Institute of Chartered Accountants. Mr. Woodhead has over 25 years of experience having worked for Trans Hex Group, a South African diamond producer. From 2003, until it was acquired by Yamana Gold in 2006, Mr. Woodhead was the Chief Financial Officer of Desert Sun Mining, developer of the Jacobina gold mine in Brazil, and in 2011 and 2012 was Chief Financial officer of Crocodile Gold Corp. Mr. Woodhead has also acted as Director, Chief Financial Officer or Vice President, Finance of various other Canadian public companies.

FINANCIAL COMMITMENTS, CONTINGENCIES AND LITIGATION

Exploration Properties

Arizona Mineral Properties

The Company currently holds mineral claims administered by the United States Department of the Interior, Bureau of Land Management in Arizona. The Company 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 payments for 2018 have been made.

Ontario Mineral Properties

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 are not expected to require additional assessment work in 2019.

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 audited consolidated financial statements. Minimum management contractual commitments remaining under the agreements are approximately \$144,562, all due within one year.

Environmental

The Company's mining and exploration activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and are generally becoming more restrictive. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

RELATED PARTY TRANSACTIONS

Compensation of Key Management

Compensation awarded to key management, including the Company's directors and officers, during the years ended December 31, 2018 and 2017 was as follows:

	Three months ended December 31,		Year ended December 31,	
	2018	2017	2018	2017
			\$	\$
Consulting fees	36,364	13,359	101,072	54,541
Share-based payments	59,200	161,233	59,200	161,233
	95,564	174,592	160,272	215,774

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including directors (executive and non-executive) of the Company.

Included in accounts payable and accrued liabilities as at December 31, 2018 is approximately \$5,108 (2017: \$45,878) due to officers and directors of the Company, or their immediate family. The amounts are unsecured, non-interest bearing and due on demand.

Certain directors and officers, or former directors and officers, of the Company (or their family) subscribed for a total of 434,760 units pursuant to the July 2018 private placement of the Company.

On November 22, 2018, the Company granted a total of 900,000 stock options, including 400,000 to certain officers and directors of the Company pursuant to the Company's stock option plan. The stock options vest immediately and may be exercised at a price of \$0.20 per option for a period of three years from the date of grant.

CRITICAL MANAGEMENT JUDGEMENTS AND ACCOUNTING ESTIMATES

The preparation of audited 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 the 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. Such estimates and assumptions affect the carrying value of assets and impact decisions as to when exploration and development costs should be capitalized or expensed.

Estimates and underlying assumptions are reviewed on an ongoing basis and revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Actual results may differ from these estimates and these differences could be material.

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

Critical judgments in applying accounting policies:

- ***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 the following subsidiaries:

Q-Gold (Ontario) Ltd.
Mineral Creek Resources Inc.

- ***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 a 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 consolidated statement of financial position.

Key sources of estimation uncertainty:

- *Share-based payment transactions and warrants*

The Company records share-based payments at fair value over the vesting period. The Company also issues warrants. The fair value is determined using the Black-Scholes options pricing model and management assumptions include 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. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

- *Estimation of decommissioning and restoration costs and the timing of expenditure*

The cost estimates are updated annually during the life of a mine to reflect known developments, (e.g. revisions to cost estimates and to the estimated lives of operations) and are subject to review at regular intervals. Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements, constructive obligations and are measured at fair value. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration or similar liabilities that may occur upon decommissioning of the mine. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities.

- *Income, value added, withholding and other taxes*

In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. The Company considers whether relevant tax planning opportunities are within the Company's control, are feasible, and are within management's ability to implement. Examination by applicable tax authorities is supported based on individual facts and circumstances of the relevant tax position examined in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting period.

The Company is subject to income, value added, withholding and other taxes. 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 during 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, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. 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 related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax 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.

FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Company's financial instruments are comprised of cash, amounts receivable and accounts payable and accrued liabilities. The carrying value of these financial instruments approximates their fair value due to the short-term nature of these instruments. The Company has no financial instruments recorded at fair value. In that the Company incurs expenditures in both Canadian and U.S. dollars, whereas 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.

Financial instruments to be measured at fair value on the 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.

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

	Amortized cost (2017: loans and receivables)	Amortized cost (2017: other liabilities)	TOTAL
<i>At December 31, 2018</i>	\$	\$	\$
Financial assets:			
Cash	454,734	-	454,734
Amounts receivable	343	-	343
Financial liabilities:			
Accounts payable and accrued liabilities	-	76,958	76,958
<hr/>			
<i>At December 31, 2017</i>	\$	\$	\$
Financial assets:			
Cash	1,469	-	1,469
Financial liabilities:			
Accounts payable and accrued liabilities	-	110,543	110,543

The main risks that could adversely affect the Company's financial assets, liabilities or future cash flows are liquidity risk, credit risk and market risk. The Company has minimal interest rate risk as there are no outstanding variable-rate borrowings, and the Company finances its operations primarily through share offerings. Management mandates and agrees policies for managing each of these risks.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they come due. 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 or debt issuances.

As at December 31, 2018, the Company had a cash balance of \$454,734 (2017: \$1,469) and amounts receivable, other than sales taxes receivable, of \$343 (2017: \$-), available to fund financial liabilities that consisted of accounts payable and accrued liabilities of \$76,958 (2017: \$110,543), based on contractual undiscounted payments. During the year ended December 31, 2018, the Company raised \$986,370 (2017: \$200,013), net, through private placement financings.

Credit risk

Credit risk is risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. With respect to credit risk arising from financial assets of the Company, which comprise cash and receivables, the Company's exposure to credit risk arises from default of counterparties, with a maximum exposure equal to the carrying amount of these instruments. Cash balances are held with high credit quality financial institutions.

Commodity price risk

The ability of the Company to explore, evaluate and develop its exploration properties and the future profitability of the Company are directly related to the price of base and precious metals. The Company monitors metal prices to determine the appropriate course of action to be taken.

Currency risk

Foreign currency risk is created by fluctuations in the fair value or cash flows of financial instruments due to changes in foreign exchange rates and exposure as a result of investment in its subsidiaries. The Company is exposed to currency risk by incurring certain expenditures in US dollars for its operations in the United States. The Company has sought to minimize this risk by keeping its cash reserves in Canadian dollars and only purchasing US dollars as needed.

ACCOUNTING STANDARDS AND INTERPRETATIONS

Share-based payments and warrants

During the year ended December 31, 2018, the Company elected to change its accounting policy for the treatment of share-based payments and warrants whereby amounts recorded for expired unexercised share options and warrants are transferred to deficit on expiry. The value of unexercised and outstanding warrants and options will continue to be recorded in the warrant reserve and share based payment reserve accounts, respectively. The Company believes that this presentation provides more relevant financial information. Previously, the Company's policy was to record the value of expired options and warrants within share based payment reserve along with the value of outstanding share options. The Company also changed its policy in connection with the approach to valuing warrants issued as part of a unit in an equity financing. Previously, the Company recorded the value to be \$nil, as a result of using a residual method to allocation the proceeds from a unit financing to shares and warrants. The Company has retroactively applied a method of allocating the proceeds to the shares and warrants based on a fair value approach.

Accounting changes

During fiscal 2018, the Company adopted a number of new IFRS standards, interpretations, amendments and improvements of existing standards, including IFRS 2 and 9 and IFRIC 22. The new standards and changes did not have a material impact on the Company’s consolidated financial statements.

IFRS 9, Financial Instruments

IFRS 9 replaces International Accounting Standard (“IAS”) 39, Financial Instruments: Recognition and Measurement. IFRS 9 introduces new requirements for the classification, measurement and impairment of financial assets and hedge accounting. It establishes two primary measurement categories for financial assets: (i) amortized cost and (ii) fair value either through profit or loss (“FVPL”) or through other comprehensive income (“FVOCI”); establishes criteria for the classification of financial assets within each measurement category based on business model and cash flow characteristics; and eliminates the existing held for trading, held to maturity, available for sale, loans and receivable and other financial liabilities categories. IFRS 9 also introduces a new expected credit loss model for the purpose of assessing the impairment of financial assets.

The following table shows the previous classification under IAS 39 and the new classification under IFRS 9 for the Company’s financial instruments:

	Financial instrument classification	
	Under IAS 39	Under IFRS 9
Financial assets		
Cash	Loans and receivables	Amortized cost
Amounts receivable	Loans and receivables	Amortized cost
Financial liabilities		
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost

The Company adopted IFRS 9 retrospectively without restating comparatives and therefore the comparative information in respect of financial instruments for the year ended December 31, 2017 was accounted for in accordance with the Company’s previous accounting policy under IAS 39. Significant accounting policies which outline the current and previous accounting policies pertaining to financial instruments.

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.

IAS 1 – Presentation of Financial Statements (“IAS 1”) and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors (“IAS 8”) were amended in October 2018 to refine the definition of materiality and clarify its characteristics. The revised definition focuses on the idea that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2020. Earlier adoption is permitted.

IFRS 16 – Leases (“IFRS 16”) was issued in January 2016 and replaces IAS 17 – Leases as well as some lease related interpretations. With certain exceptions for leases under twelve months in length or for assets of low value, IFRS 16 states that upon lease commencement a lessee recognises a right-of-use asset and a lease liability. The right-of-use asset is initially measured at the amount of the liability plus any initial direct costs. After lease commencement, the lessee shall measure the right-of-use asset at cost less accumulated depreciation and accumulated impairment. A lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognise the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. IFRS 16 requires that lessors classify each lease as an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise it is an operating lease. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Earlier adoption is permitted if IFRS 15 has also been applied. The Company does not expect the adoption of IFRS 16 to have a significant impact on its financial statements.

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. The Company does not expect the adoption of IFRIC 23 to have a significant impact on its financial statements.

RISKS AND UNCERTAINTIES

Investing in the Company involves risks that should be carefully considered. The operations of the Company are speculative due to the high-risk nature of its business, which is the acquisition, financing, exploration and development of mineral properties. These risk factors could materially affect the Company’s future operating results and could cause actual events to differ materially from those described in forward-looking information relating to the Company.

Liquidity Concerns and Financing Risks

The Company has limited financial resources, no source of operating cash flow and no assurance that additional funding will be available for further exploration of its projects or to fulfill its obligations under any applicable agreements. There can be no assurance that adequate financing will be obtained in the future or that the terms of such financing, if secured, will be favorable. Failure to obtain such additional financing could result in the delay or indefinite postponement of further exploration of the Company’s projects with the possible loss of such properties. While the Company’s financial statements have been prepared on the basis of a going concern, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business, failure to secure additional funding may cast doubt about the validity of that assumption.

Exploration and Mining Risks

The Company is engaged in mineral exploration, which involves a high degree of risk and few properties that are explored are ultimately developed into producing mines. The long-term profitability of the Company’s operations will be in part directly related to the cost and success of the Company’s exploration programs.

Mineral exploration involves many risks, which even a combination of experience, knowledge and careful evaluation may not overcome. Operations will be subject to all the hazards and risks normally incidental to the exploration and development of, and production from, mineral resources, any of which could result in work stoppages; damage to or destruction of property or production facilities; personal injury; environmental damage; monetary losses and legal liability. Hazards such as unusual or unexpected geological formations and other conditions such as formation pressures, flooding, fire, explosions, cave-ins, landslides, inclement or hazardous weather conditions, power outages, labour or transportation disruptions and the inability to obtain suitable machinery, equipment or labour are associated with mineral exploration, development and operation.

Substantial expenditures are required to establish ore reserves through exploration techniques such as drilling, to carry out environmental and social impact assessments, to develop metallurgical processes to extract the metal from the ore and, in the case of new properties, to develop the mining and processing facilities and infrastructure at any site chosen for mining. Even if commercial mineralization is discovered, it may take several years until production is possible, during which time the economic feasibility of production may change.

Stage of Development

The Company is in the business of exploring its mineral properties, with the ultimate goal of producing therefrom. None of the Company's properties have commenced commercial production and it has no history of earnings or cash flow from its operations. As a result of the foregoing, there can be no assurance that the Company will be able to develop any of its properties profitably or that its activities will generate positive cash flow. The Company's operating expenses and capital expenditures may increase in subsequent years in relation to the engagement of consultants and personnel and purchase of equipment associated with advancing exploration, development and commercial production at the Company's properties. The Company expects to continue to incur losses for the foreseeable future. There can be no assurance that the Company will generate any revenues or achieve profitability. A prospective investor in the Company must be prepared to rely solely upon the ability, expertise, judgment, discretion, integrity and good faith of management in all aspects of the development and implementation of the Company's business activities.

Markets for Securities

There can be no assurance that an active trading market in the Company's securities will be established and sustained. The market prices for securities of many companies, particularly exploration stage companies, are subject to wide fluctuations that are not necessarily reflective of their operating performance, underlying asset values or the prospects of such companies. Factors such as commodity prices, government regulation, interest rates, share price movements of peer companies and competitors, as well as overall market movements, may have a significant impact on the market price of the securities of the Company. There can be no assurance that significant fluctuations in the Company's share price will not occur.

Mineral Resource and Mineral Reserve Estimates

There are numerous uncertainties inherent in estimating Mineral Resources and Mineral Reserves, including many factors beyond the control of the Company. Such estimates are a subjective process and the accuracy of any Mineral Resource or Mineral Reserve estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation. These amounts are estimates only and the actual level of mineral recovery from such deposits may be different. Differences between management's assumptions, including economic assumptions such as metal prices and market conditions, could have a material adverse effect on the Company's financial position and results of operations.

Regulatory Requirements, Permits and Licenses

Even if the Company's mineral properties are proven to host economic Mineral Reserves or Mineral Resources, factors such as government regulation may prevent or restrict the mining of any such deposits or the repatriation of profits. The Company's exploration and potential future development activities, including mine development, mill construction, road, rail and other transportation facilities, will require permits and approvals from various government authorities and are subject to extensive federal, departmental and local laws and regulations governing prospecting, development, production, exports, taxes, labour standards, occupational health and safety, mine safety and other matters. Such laws and regulations are subject to change, can become more stringent and compliance can therefore become more time consuming and costly. Any changes in regulations or shifts in political conditions are beyond the control of the Company and may adversely affect its business. There can be no guarantee that the Company will be able to obtain or maintain all necessary licenses, permits and approvals that may be required to explore and develop its properties, commence construction or for the operation of mining facilities. In addition, the Company may be required to compensate those suffering loss or damage by reason of its activities.

Title to Properties

The Company holds its interest in properties through 8 Bureau of Land Management mineral claims in Yavapai County, near Crown King Arizona, administered by the United States Department of the Interior, and a number of mining claims and leases in Ontario, Canada. It is possible that the Company's mineral properties may be subject to prior unregistered agreements or transfers or native land claims and title may be affected by undetected defects. Title to, and the area of, the mining claims may be disputed and there may be challenges to the title of the properties in which the Company may have an interest, which, if successful, could result in the loss or reduction of the Company's interest in the properties.

Environmental Regulations

The Company's activities are subject to environmental protection and employee health and safety regulations promulgated by government agencies from time to time. Environmental legislation provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas, which would result in environmental pollution. A breach of such legislation may result in the imposition of fines and penalties. In addition, certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner that will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessment of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations. Any failure to comply fully with all applicable laws and regulations could have significant adverse effects on the Company, including the suspension or cessation of operations, and there is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations.

Commodity Prices

The ability of the Company to explore and evaluate its mineral properties and the future profitability of the Company are directly related to the price of gold and other metals. Gold and other metal prices fluctuate widely and are affected by numerous factors beyond the control of the Company. The level of interest rates, the rates of inflation, the world supply of gold and the stability of exchange rates can all cause significant fluctuations in prices.

Such external economic factors are in turn influenced by changes in international investment patterns, monetary systems and political developments. The price of gold has fluctuated widely in recent years and future price declines could cause commercial production to be impracticable, thereby having a material adverse effect on the Company's business, financial condition and result of operations. The Company monitors metal prices to determine the appropriate course of action to be taken.

Uninsurable Risks

The Company maintains insurance to cover normal business risks. The Company may, however, become subject to liability for pollution or hazards against which it cannot insure or against which it may elect not to insure. The payment of such liabilities may have a material adverse effect on the Company's financial position. In the course of exploration of, and development and production from, mineral properties, certain risks, and in particular, unexpected or unusual geological operating conditions including explosions, rock bursts, cave-ins, land movements, earth work failures, fires, flooding and earthquakes may occur. It is not always possible to fully insure against such risks and the Company has currently decided not to take out insurance against such risks due to high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any future profitability and result in increasing costs and a decline in the value of the securities of the Company.

Reliance on Key Individuals and Outside Parties

The Company's success depends upon the personal efforts and commitment of key members of management. It is expected that the contribution of these individuals will be a significant factor in the Company's growth and success. The loss of the services of these members of management and certain key employees could have a material adverse effect on the Company. The Company will also rely upon consultants, engineers and others for exploration, development, construction and operating expertise. If such parties' work is deficient or negligent or is not completed in a timely manner, it could have a material adverse effect on the Company.

Competition

The mineral industry is intensely competitive in all its phases. The Company competes with many companies possessing greater financial and technical resources for the acquisition of mineral properties, as well as for the recruitment and retention of qualified employees. Such competition may result in the Company being unable to acquire desired properties, recruit or retain qualified employees, or acquire the capital necessary to fund its operations and develop its properties. The Company's inability to compete with other mineral companies for these resources would have a material adverse effect on the Company's results of operation and business.

Conflicts of Interest

Certain directors of the Company are also directors, officers or shareholders of other companies that are similarly engaged in the business of acquiring, developing and exploiting natural resource properties. Such associations may give rise to conflicts of interest from time to time. The directors of the Company are required by law to act honestly and in good faith with a view to the best interests of the Company and to disclose any interest, which they may have in any project or opportunity of the Company. If a conflict of interest arises at a meeting of the board of directors, any director in a conflict will disclose his interest and abstain from voting on such matter. In determining whether or not the Company will participate in any project or opportunity, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time.

Litigation

Legal proceedings, with and without merit, may arise from time to time in the course of the Company's business. Defense and settlement costs of legal claims can be substantial, even with respect to claims that have no merit. The process of defending such claims could take away from management time and effort. Due to the inherent uncertainty of the litigation process, the resolution of any legal proceeding to which the Company or one or more of its subsidiaries may become subject, could have a material effect on the Company's financial position, results of operations or project development activities.

Corruption and Bribery Laws

The Company's operations are governed by, and involve interactions with, many levels of government in various countries. The Company is required to comply with anti-corruption and anti-bribery laws, including the *Criminal Code* (Canada), and the *Canadian Corruption of Foreign Public Officials Act*, as well as similar laws in the countries in which the Company conducts its business. In recent years, there has been a general increase in both the frequency of enforcement and the severity of penalties under such laws, resulting in greater scrutiny and punishment for companies convicted of violating anti-corruption and anti-bribery laws. Furthermore, a company may be found liable for violations by not only its employees, but also by its contractors and third party agents. Although the Company has adopted steps to mitigate such risks, such measures may not always be effective in ensuring that the Company, its employees, contractors or third party agents will comply strictly with such laws.

If the Company finds itself subject to an enforcement action or is found to be in violation of such laws, this may result in significant penalties, fines and/or sanctions being imposed, resulting in a material adverse effect on the Company's reputation and results of its operations.

Foreign Mining Tax Regimes

Mining and corporate tax regimes in foreign jurisdictions are subject to differing interpretations and are subject to constant change. The Company's interpretation of taxation law as applied to its transactions and activities may not coincide with that of the tax authorities. As a result, transactions may be challenged by tax authorities and the Company's operations may be reassessed, which could result in significant additional taxes, penalties and interest. In addition, future changes to mining tax regimes in foreign jurisdictions could result in significant additional taxes payable by the Company, which would have a negative impact on its financial results.

OUTSTANDING SHARE DATA

The Company's authorized capital consists of an unlimited number of common shares and an unlimited number of first and second preferred shares. As of the date of this MD&A, common shares totaling 19,368,280 were issued and outstanding. No Preferred Shares were issued as of the date of this MD&A.

As of the date of this MD&A, the Company has 1,012,500 stock options outstanding to directors, officers, employees and consultants of the Company with an exercise price of \$0.20 per share and expiring between December 18, 2020 and November 22, 2021.

As of the date of this MD&A, there are share purchase warrants outstanding as a result of completed financings allowing for the purchase of an additional 13,000,000 common shares of the Company, at exercise price ranging from \$0.15 to \$0.30, expiring between December 27, 2019 and July 5, 2020.

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 one new share for every four existing shares and the repricing of the outstanding stock options at an exercise price of \$0.20 per share (post consolidation). The share consolidation was effected on January 16, 2018, resulting in 9,368,280 shares issued and outstanding at that time. On July 5, 2018, the Company announce the completion of a private placement financing, which resulted in the issuance of 10,000,000 common shares and 10,000,000 common share purchase warrants exercisable at \$0.15 per share, with an expiration date of July 5, 2020.

ADDITIONAL INFORMATION

Additional Information concerning Q-Gold, including press releases, interim 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, has been filed electronically through the System for Document Analysis and Retrieval and is available online under its profile at www.sedar.com

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

Certain statements in the MD&A constitute forward-looking statements. Forward-looking statements consist of statements that are not purely historical, including any statements regarding beliefs, plans, expectations or intentions for the future. Such statements involve a number of known and unknown risks and uncertainties and other factors that may cause actual results, performance or developments to differ materially from those contained in or implied by such statements.

No assurance can be given that any of the events anticipated by the forward-looking statements will occur or, if they do occur, what benefits may accrue to the Company.

Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date such statements were made. In particular, the Company cautions that the completion of proposed acquisitions cannot be predicted with certainty and that there can be no assurance at this time that any proposed acquisitions will be completed in the manner expected or at all. These forward looking statements reflect management's current views and are based on certain expectations, estimates and assumptions which may prove to be incorrect. A number of risks and uncertainties could cause actual results to differ materially from those expressed or implied by the forward-looking statements, as well as other factors beyond the Company's control.

Except for statements of historical fact, certain information contained herein constitutes forward-looking statements under Canadian securities legislation. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "budget", "forecast", "schedule", "continue", "estimate", "expect", "project", "predict", "potential", "target", "intend", "believe" or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, "occur" or "be achieved". Such statements and assumptions also include those relating to guidance; proposed acquisitions; strategy; development potential and timetable for the Company's properties; the Company's ability to raise additional financing; results of operations and financial condition; commodity prices; mineralization projections; the timing and amount of estimated future exploration and development; the success of exploration activities; mining or processing issues; currency exchange rates; government regulation and permitting of mining operations; reliance on qualified personnel; competition; dependence on outside parties; and environmental risks. Forward-looking statements are based on the opinions and estimates of management and certain qualified persons as of the date such statements are made.

By their nature, forward-looking statements are subject to numerous known and unknown risks and uncertainties that could significantly affect anticipated results or the level of activity, performance or achievements in the future and, accordingly, actual results may differ materially from those expressed or implied by such forward-looking statements. The Company is exposed to numerous operational, technical, financial and regulatory risks and uncertainties, many of which are beyond its control and may significantly affect anticipated future results, including but not limited to risks related to: uncertainties inherent in estimating mineral resources and mineral reserves; lack of revenues; revocation of government approvals; corruption and uncertainty with court systems and the rule of law; availability of external financing on acceptable terms; actual results of current exploration activities; changes in project parameters as plans continue to be refined; future mineral prices; failure of equipment or processes to operate as anticipated; accidents, labour or community disputes; other risks of the mining industry; and other risk factors, including without limitation the risk factors described herein. Estimates regarding the anticipated timing, amount and cost of exploration activities are based on previous industry experience and regional political and economic stability. Capital and operating cost estimates are based on research of the Company or its consultants. Although management has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements. The Company does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.