



# **Q-Gold Resources Ltd.**

## **Condensed Interim Consolidated Financial Statements**

*For the three and nine months ended September 30, 2021 and 2020*

*(Expressed in Canadian Dollars)*

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

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

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

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

**Q-Gold Resources Ltd.**  
**Condensed Interim Consolidated Statements Of Financial Position**  
(Expressed in Canadian dollars)

As at	September 30, 2021	December 31, 2020
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 321,853	\$ 447,513
Amounts receivable (Note 4,5)	70,995	1,371,877
Loan receivable (Note 5)	250,000	-
Prepaid expenses	5,873	11,898
<b>Total current assets</b>	<b>\$ 648,721</b>	<b>1,831,288</b>
<b>Non-current assets</b>		
Equipment (Note 6)	16,291	-
<b>Total Assets</b>	<b>\$ 665,012</b>	<b>\$ 1,831,288</b>
<b>LIABILITIES AND SHAREHOLDERS' (DEFICIENCY) EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (Note 8,11,12)	\$ 948,997	\$ 552,577
<b>Total Liabilities</b>	<b>\$ 948,997</b>	<b>552,577</b>
<b>Shareholders' (deficiency) equity</b>		
Share capital (Note 9)	\$ 22,223,081	21,995,805
Warrants (Note 10)	219,534	144,310
Share based payment (Note 10)	550,495	344,789
Deficit	(23,277,095)	(21,206,193)
<b>Total shareholders' (deficiency) equity</b>	<b>\$ (283,985)</b>	<b>1,278,711</b>
<b>Total Liabilities and Shareholders' (Deficiency) Equity</b>	<b>\$ 665,012</b>	<b>\$ 1,831,288</b>

Nature of operations and going concern (Note 1)

Commitments and contingencies (Note 7, 16)

Subsequent events (Note 17)

Approved by the Board of Directors on November 17, 2021

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

"Evan Veryard"  
Evan Veryard, Director

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

## Q-Gold Resources Ltd.

### Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian dollars)

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
<b>EXPENSES</b>				
Consultants (Note 11)	\$ (24,792)	123,089	\$ 197,733	\$ 225,061
Share based payments (Note 10)	-	207,075	179,170	207,075
Exploration and evaluation expenditures (Note 7)	250,728	3,096,146	1,555,293	3,105,652
Investor relations and filing fees	23,745	52,812	51,839	64,810
Professional fees	15,789	17,118	50,133	31,368
Office expenses	22,279	20,237	66,097	59,740
Travel	4,444	-	4,444	-
<b>Total expenses</b>	<b>\$ 292,193</b>	<b>\$ 3,516,477</b>	<b>\$ 2,104,709</b>	<b>\$ 3,693,706</b>
<b>Other income (expense)</b>				
Interest income	\$ 7,618	41	\$ 12,990	\$ 244
Interest expense	(814)	-	(814)	-
Part XII.6 tax on Flow through shares	-	-	(1,635)	-
Foreign exchange (loss) gain	(2,544)	(634)	(3,448)	843
<b>Total other (expense) income</b>	<b>4,260</b>	<b>(593)</b>	<b>7,093</b>	<b>1,087</b>
<b>Net loss and comprehensive loss</b>	<b>\$ (287,933)</b>	<b>\$ (3,517,070)</b>	<b>\$ (2,097,616)</b>	<b>\$ (3,692,619)</b>
<b>Loss per share</b>				
- basic and diluted	\$ (0.01)	\$ (0.18)	\$ (0.05)	\$ (0.19)
<b>Weighted average number of shares</b>				
- basic and diluted	44,985,684	19,856,992	44,823,537	19,794,900

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

## Q-Gold Resources Ltd.

### Condensed Interim Consolidated Statements of Changes in Shareholders' (Deficiency) Equity

(Expressed in Canadian dollars)

	SHARE CAPITAL		RESERVES		DEFICIT	TOTAL
	NUMBER OF SHARES	AMOUNT (\$)	WARRANTS	SHARE BASED PAYMENTS		
<b>Balance at December 31, 2020</b>	<b>44,741,119</b>	<b>\$ 21,995,805</b>	<b>\$ 144,310</b>	<b>\$ 344,789</b>	<b>\$ (21,206,193)</b>	<b>\$ 1,278,711</b>
Shares issued for property acquisition	250,000	55,000	-	-	-	55,000
Shares issued from private placement	1,666,667	250,000	-	-	-	250,000
Warrant issued	-	(75,224)	75,224	-	-	-
share issue costs	-	(2,500)	-	-	-	(2,500)
Options granted	-	-	-	232,420	-	232,420
Option expired unexercised	-	-	-	(26,714)	26,714	-
Net loss for the period	-	-	-	-	(2,097,616)	(2,097,616)
<b>Balance at September 30, 2021</b>	<b>46,657,786</b>	<b>\$ 22,223,081</b>	<b>\$ 219,534</b>	<b>\$ 550,495</b>	<b>\$ (23,277,095)</b>	<b>\$ (283,985)</b>
<b>Balance at December 31, 2019</b>	<b>19,732,809</b>	<b>\$ 16,685,412</b>	<b>\$ 250,129</b>	<b>\$ 169,850</b>	<b>\$ (17,178,844)</b>	<b>\$ (73,453)</b>
Shares issued for property acquisition	13,000,000	2,860,000	-	-	-	2,860,000
Finder shares issued for property acquisition	800,000	176,000	-	-	-	176,000
Warrants exercised	9,083,310	1,362,497	-	-	-	1,362,497
Valuation of warrants exercised	-	239,181	(239,181)	-	-	-
Warrants expired unexercised	-	-	(10,948)	-	10,948	-
Options granted	-	-	-	207,075	-	207,075
Net loss for the period	-	-	-	-	(3,692,619)	(3,692,619)
<b>Balance at September 30, 2020</b>	<b>42,616,119</b>	<b>\$ 21,323,090</b>	<b>\$ -</b>	<b>\$ 376,925</b>	<b>\$ (20,860,515)</b>	<b>\$ 839,500</b>

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

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

	Nine months ended September 30,	
	2021	2020
<b>Cash (used in) provided by:</b>		
<b>Operating activities</b>		
Net loss for the period	\$ (2,097,616)	\$ (3,692,619)
Adjustments for items not affecting cash		
Share based payments	179,170	207,075
Share issued for property acquisition	55,000	3,036,000
Interest income	(12,329)	-
Part XII.6 tax on flow through shares	1,635	-
Depreciation expenses (Note 6, 7)	2,826	-
Unrealized foreign exchange (gain)	-	(1,729)
	<b>(1,871,314)</b>	<b>(451,273)</b>
Changes in non-cash working capital (Note 15)	430,521	148,819
<b>Net cash (used in) operating activities</b>	<b>\$ (1,440,793)</b>	<b>\$ (302,454)</b>
<b>Investing activities</b>		
Loan (provided) repaid (Note 5)	(250,000)	23,274
Equipment purchased (Note 6)	(19,117)	-
<b>Net cash (used) provided from investing activities</b>	<b>\$ (269,117)</b>	<b>\$ 23,274</b>
<b>Financing activities</b>		
Flow-through funds receivable (Note 9)	300,000	-
Non flow-through unit issued (note 9)	250,000	-
Shares issued from warrants exercised (Note 9)	-	1,362,497
Warrants exercised proceeds (receivables) (Note 9)	1,035,000	(1,125,000)
Share issue costs (Note 9)	(750)	(200)
<b>Net cash provided from financing activities</b>	<b>\$ 1,584,250</b>	<b>\$ 237,297</b>
<b>(Decrease) in cash during the period</b>	<b>\$ (125,660)</b>	<b>\$ (41,884)</b>
<b>Cash, beginning of period</b>	<b>447,513</b>	<b>68,069</b>
<b>Cash, end of period</b>	<b>\$ 321,853</b>	<b>\$ 26,186</b>
<b>Supplemental Disclosure</b>		
Interest paid	\$ 814	\$ -
Share issued for property acquisition	\$ 55,000	\$ 3,036,000

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

# **Q-Gold Resources Ltd.**

## **Notes to the Condensed Interim Consolidated Financial Statements**

For the three and nine months ended September 30, 2021 and 2020

(Expressed in Canadian dollars)

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### **1. NATURE OF OPERATIONS AND GOING CONCERN**

Q-Gold Resources Ltd. ("Q-Gold" or the "Company") was incorporated under the Business Corporations Act (Alberta) on March 25, 1998 under the name Solana Petroleum Corp. In January 2004, the Company changed its name to Q-Gold Resources Ltd., and in December 2011, continued to British Columbia. In October 2018, the Company continued to Ontario.

The registered head office of the Company is located at 198 Davenport Road, Toronto Ontario M5R 1J2. The Company's shares trade on the TSX Venture Exchange ("TSXV") under the symbol QGR.

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

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current operations, including exploration and evaluation programs will result in profitable mining operations. The Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise additional financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of operations of such properties, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements or regulations, social licensing requirements, unregistered prior agreements, unregistered claims, aboriginal claims, and non-compliance with regulatory and environmental requirements. The Company's assets may also be subject to increases in taxes and royalties, renegotiation of contracts, political uncertainty and currency exchange fluctuations and restrictions.

#### **Going Concern**

These condensed interim consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations, and do not include any adjustments to the recoverability of assets and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

As at September 30, 2021, Q-Gold has a (negative) working capital of \$(300,276) (December 31, 2010 – \$1,278,711), a deficit of \$23,277,095 (December 31, 2020 - \$21,206,193) and a shareholders' (deficiency) equity of \$(283,985) (December 31, 2020 – \$1,278,711). The continuation of Q-Gold as a going concern is dependent upon the ability of the Company to obtain the necessary equity financing to continue operations, the successful results of mineral property exploration activities and its ability to attain profitable operations and generate funds therefrom or realize proceeds from their sale. Q-Gold may periodically have to raise additional capital to fund projects and continue operations and while it has been successful in doing so in the past, there can be no assurance the Company will be able to do so in the future. See note 9 and 17. Material uncertainties as mentioned above cast significant doubt upon the Company's ability to continue as a going concern.

# **Q-Gold Resources Ltd.**

## **Notes to the Condensed Interim Consolidated Financial Statements**

For the three and nine months ended September 30, 2021 and 2020

(Expressed in Canadian dollars)

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### **1. NATURE OF OPERATIONS AND GOING CONCERN (CONTINUED)**

#### **Novel Coronavirus (“COVID-19”)**

The COVID-19 pandemic is causing a widespread health crisis that has affected economies and financial markets around the world resulting in an economic downturn. In response to the outbreak, governmental authorities in Canada and internationally have introduced various recommendations and measures to try to limit the pandemic, including travel restrictions, border closures, non-essential business closures, quarantines, self-isolations, shelters-in-place and social distancing. The COVID-19 outbreak and the response of governmental authorities to try to limit it are having a significant impact on the private sector and individuals, including unprecedented business, employment and economic disruptions. The continued spread of COVID-19 nationally and globally could have an adverse impact on the Company’s business, operations and financial results, as well as a deterioration of general economic conditions including a possible national or global recession. Due to the speed with which the COVID-19 situation is developing and the uncertainty of its magnitude, outcome and duration, it is not possible to estimate its impact on the Company’s business, operations or financial results, including the Company’s ability to secure financing; however, the impact could be material.

Management is also closely evaluating the impact of COVID-19 on the Company’s business. In order for the Company to continue as a going concern and fund its operations, the Company will require additional financing. The availability of financing will be affected by, among other things, the state of the capital markets considering the impact of COVID-19 and strategic partnership arrangements. COVID-19 has not had a significant impact on the Company to September 30, 2021.

### **2. SIGNIFICANT ACCOUNTING POLICIES**

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

#### **Statement of compliance**

These condensed interim consolidated financial statements of the Company and its subsidiaries were prepared in accordance with International Accounting Standards (“IAS”) 34, Interim Financial Reporting, as issued by the International Accounting Standards Board (“IASB”) and have been prepared in accordance with accounting policies based on the International Financial Reporting Standards (“IFRS”) and International Financial Reporting Interpretations Committee (“IFRIC”) interpretations. The policies set out in the Company’s annual consolidated financial statements for the year ended December 31, 2020 were consistently applied to all the periods presented unless otherwise noted below.

These condensed interim consolidated financial statements were approved and authorized for issuance by the Board of Directors on November 17, 2021.

#### **Basis of preparation**

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

# **Q-Gold Resources Ltd.**

## **Notes to the Condensed Interim Consolidated Financial Statements**

For the three and nine months ended September 30, 2021 and 2020

(Expressed in Canadian dollars)

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### **2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **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., Mineral Creek Resources Inc., 1253034 BC Ltd. and Q-Gold Resources Peru S.A.C.

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. 1253034 BC Ltd. was acquired for the purpose of acquiring the option right to explore the Surupana property in Peru. Q-Gold Resources Peru S.A.C. was incorporated for the exploration of the Surupana property in Peru.

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

#### **Future Accounting Changes**

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing after January 1, 2021. Many are not applicable or do not have a significant impact to the Company and have been excluded.

IAS 1 – Presentation of Financial Statements (“IAS 1”) was amended in January 2020 to provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments clarify that the classification of liabilities as current or noncurrent is based solely on a company's right to defer settlement at the reporting date. The right needs to be unconditional and must have substance. The amendments also clarify that the transfer of a company's own equity instruments is regarded as settlement of a liability, unless it results from the exercise of a conversion option meeting the definition of an equity instrument. The amendments are effective for annual periods beginning on January 1, 2023.

### **3. CRITICAL ACCOUNTING ESTIMATES AND MANAGEMENT JUDGMENTS**

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

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

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

## **Q-Gold Resources Ltd.**

### **Notes to the Condensed Interim Consolidated Financial Statements**

For the three and nine months ended September 30, 2021 and 2020

(Expressed in Canadian dollars)

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#### **3. CRITICAL ACCOUNTING ESTIMATES AND MANAGEMENT JUDGMENTS (CONTINUED)**

*Critical judgment 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 its subsidiaries.

- Determination of functional currency

Based on the primary indicators in IAS 21 – The Effects of Change in Foreign Exchange Rates – the Canadian dollar has been determined as the functional currency of the Company and all subsidiaries, as the Canadian dollar is the currency in which funds from financing activities (i.e. issuing debt and equity instruments) are generated and because the activities of the foreign operation are carried out as an extension of the reporting entity, rather than being carried out with a significant degree of autonomy. Effects of changes in foreign exchange rates are recorded as foreign exchange gain (loss) on the consolidated 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:*

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

The cost estimates are updated annually 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.

- 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 of the options and warrants is determined using the Black-Scholes options pricing model and management assumptions including the expected dividend yield, expected volatility, forfeiture rate, risk free rate and expected life. Should the underlying assumptions change, it will impact the fair value. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

## Q-Gold Resources Ltd.

### Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2021 and 2020

(Expressed in Canadian dollars)

#### 3. CRITICAL ACCOUNTING ESTIMATES AND MANAGEMENT JUDGMENTS (CONTINUED)

*Key sources of estimation uncertainty: (continued)*

- 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.

- Contingencies.

Refer to Notes 1 and 16.

#### 4. AMOUNTS RECEIVABLE

	September 30, 2021		December 31, 2020	
Sales taxes	\$	58,666	\$	36,877
Others (Notes 5, 9)		12,329		1,335,000
	\$	70,995	\$	1,371,877

## Q-Gold Resources Ltd.

### Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2021 and 2020

(Expressed in Canadian dollars)

#### 5. LOAN RECEIVABLE

On May 3, 2021, the Company entered into a loan agreement with Quebec Aur Ltd. ("Borrower"). The Company loaned \$250,000 to the Borrower. Interest on the principal as well as interest on accrued and unpaid when due are calculated at 12% per annum. The loan principal and accrued interest are repayable to the Company on or before May 3, 2022. As at September 30, 2021, loan principal plus accrued interest of \$262,329 remained outstanding.

#### 6. EQUIPMENT

Costs	Equipment
Balance December 31, 2020	\$ -
Additions	19,117
Balance as at September 30, 2021	\$ 19,117
Accumulated depreciation, depletion and impairment	
Balance December 31, 2020	\$ -
Changes for the period	(2,826)
	\$ (2,826)
Net book value as at December 31, 2020	\$ -
Net book value as at September 30, 2021	\$ 16,291

#### 7. EXPLORATION AND EVALUATION EXPENDITURES

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2021	2020	2021	2020
<b>Q-Gold Ontario properties</b>				
Assay	\$ 17,493	\$ -	\$ 101,085	\$ -
Consulting and labour	68,421	9,834	335,389	10,384
Claims	-	1,400	13,204	1,400
Depreciation	1,413	-	2,826	-
Drilling	-	-	508,424	-
Field expenses	5,394	-	51,810	-
Land and property taxes	5,765	466	6,480	4,922
Rent for Core shacks	2,640	2,250	9,810	6,750
Surveying	14,543	-	229,005	-
Travel	4,515	-	16,724	-
	\$ 120,184	\$ 13,950	\$ 1,274,757	\$ 23,456

## Q-Gold Resources Ltd.

### Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2021 and 2020

(Expressed in Canadian dollars)

#### 7. EXPLORATION AND EVALUATION EXPENDITURES (CONTINUED)

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2021	2020	2021	2020
<b>Q-Gold Peru properties</b>				
Acquisition	\$ 80,255	\$ 3,061,000	\$ 80,255	\$ 3,061,000
Consulting and labour	35,049	21,196	155,241	21,196
Field office support	3,402	-	5,918	-
Field expenses	11	-	5,776	-
Health and safety	84	-	1,879	-
Legal	10,659	-	21,865	-
Travel	1,084	-	9,602	-
	\$ 130,544	\$ 3,082,196	\$ 280,536	\$ 3,082,196
<b>Total Exploration and Evaluation Expenditures</b>	<b>\$ 250,728</b>	<b>\$ 3,096,146</b>	<b>\$ 1,555,293</b>	<b>\$ 3,105,652</b>

The Company maintains certain mineral claims near Mine Centre, Ontario that include the historic Foley gold mine and the McKenzie Gray gold/silver zone.

On July 20, 2020, the Company entered into an acquisition agreement to indirectly acquire an option agreement through its wholly owned subsidiary 1253034 BC Ltd. ("BCCO") who had acquired an option right to earn a 100% interest (the "Acquisition") in the Surupana Silver Property (the "Surupana Property") on July 6, 2020, covering the historical Surupana Silver Mining Camp, located in central Puno province of southern Peru.

The Company entered into a share exchange agreement with BCCO and issued 11,000,000 shares of the Company to its shareholders indirectly owning the option right to the Surupana Property in Peru.

Over a period of five years, the Company will have the exclusive right to acquire a 100% interest in the Surupana Property for a proposed aggregate purchase price consisting of:

- \$175,000 payable by Q-Gold in cash over a period of four years (\$25,000 upon closing of the Acquisition (paid); \$25,000 on or before 12 months from Closing (paid); \$25,000 on or before 24 months from Closing; \$25,000 on or before 36 months from Closing; and \$75,000 on or before 48 months from Closing);
- an aggregate of 14,000,000 common shares of Q-Gold inclusive of the 11,000,000 million shares issued to acquire BCCO (the "Payment Shares") (13,000,000 Payment Shares inclusive of the 11,000,000 million shares issued to acquire BCCO upon Closing (issued); 250,000 Payment Shares on or before 12 months from Closing (issued); 250,000 Payment Shares on or before 24 months from Closing; 250,000 Payment Shares on or before 36 months from Closing; and 250,000 Payment Shares 48 months from Closing);

## Q-Gold Resources Ltd.

### Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2021 and 2020

(Expressed in Canadian dollars)

#### 7. EXPLORATION AND EVALUATION EXPENDITURES (CONTINUED)

- Q-Gold will be required to incur aggregate exploration expenditures totaling \$1,800,000 over a period of five years on the Surupana Property (\$135,000 on or before 12 months from Closing (spent); an additional \$165,000 on or before 24 months from Closing; an additional \$200,000 on or before 36 months from Closing; \$500,000 on or before 48 months from Closing; and an additional \$800,000 on or before 60 months from Closing); and
- the optionor has been granted a 2.0% net smelter returns royalty upon commencement of commercial production (of which 1.0% can be purchased by Q-Gold for US\$850,000).

In addition, in connection with the Acquisition, the Company issued 800,000 common shares in the capital of Q-Gold to an arm's length finder (the "Finders' Shares"). 11,000,000 of the Payment Shares issued upon closing were not subject to any hold periods under applicable securities laws. The remainder of the Payment Shares and the Finders' Shares will be subject to a four month and one day hold period under applicable securities laws.

#### 8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	September 30, 2021	December 31, 2020
Trade payables	\$ 909,913	\$ 374,252
Accruals	37,449	178,325
Part XII.6 tax accrual on Flow through shares	1,635	-
	\$ 948,997	\$ 552,577

#### 9. SHARE CAPITAL

	Number of Common shares	Amount
Balance, December 31, 2019	19,732,809	\$ 16,685,412
Shares issued through warrants exercised	9,083,310	1,362,497
Valuation on warrants exercised	-	239,181
Shares issued for acquiring 1253430 BC Ltd.	11,000,000	2,420,000
Shares issued for property	2,000,000	440,000
Finder's shares issued for property	800,000	176,000
Flow through units issued through private placement	2,125,000	850,000
Fair value of warrants issued	-	(131,768)
Share issue costs	-	(45,517)
Balance, December 31, 2020	44,741,119	\$ 21,995,805
Shares issued for property	250,000	55,000
Units issued through private placement	1,666,667	250,000
Warrants issued	-	(75,224)
Shares issue costs	-	(2,500)
Balance, September 30, 2021	46,657,786	\$ 22,223,081

## **Q-Gold Resources Ltd.**

### **Notes to the Condensed Interim Consolidated Financial Statements**

For the three and nine months ended September 30, 2021 and 2020

(Expressed in Canadian dollars)

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#### **9. SHARE CAPITAL (CONTINUED)**

During the nine months ended September 30, 2021, the Company received outstanding proceeds of \$300,000 in connection with flow through units subscribed by a related party, Stan Bharti. The Company also received outstanding proceeds of \$1,035,000 in connection with warrants exercised by related companies.

Of the total warrants exercised in 2020, Aberdeen International Inc. ("Aberdeen"), Sulliden Mining Capital Corp. and 2437357 Ontario Inc. each exercised 2.5 million of warrants. All three companies are 10% security holders of the Company.

On July 23, 2021, the Company issued 250,000 common shares related to the Surupana Property acquisition in Peru at a deemed price of \$0.22 per share.

On September 28, 2021, the Company closed the first tranche of non-brokered financing for gross proceeds of \$250,000 (the "First Tranche"). Pursuant to the First Tranche, the Company issued 1,666,667 units of the Company at a price of \$0.15 per Unit. Each Unit consists of one common share of the Company and one share purchase warrant. Each Warrant will entitle the holder to acquire one common share of the Company at an exercise price of \$0.20 for a period of 18 months following the closing date of the First Tranche. Closing of the First Tranche and the Offering is subject to final approval of the TSX Venture Exchange. The issue date fair value of the warrants was estimated at \$75,224 using the Black Scholes option pricing model with the following assumptions: share price of \$0.105, expected dividend yield of 0%; expected volatility of 129% (based on the Company's historical volatility); risk-free interest rate of 0.49% and an expected life of 1.5 years. The Company also paid share issue costs of \$2,500. Aberdeen acquired 1,666,667 units of the Company, resulting in Aberdeen owning 14% of Q-Gold's issued and outstanding shares.

The closing of the First Tranche constitutes a "related party transaction" within the meaning of TSX Venture Exchange Policy 5.9 and Multilateral Instrument 61-101 -Protection of Minority Security Holders in Special Transactions ("MI 61-101") adopted in the Policy as Aberdeen held over 10% of the Common Shares. The Company has relied on exemptions from the formal valuation and minority shareholder approval requirements of MI 61-101 contained in sections 5.5(a) and 5.7(1)(a) of MI 61-101 in respect of related party participation in the placement as neither the fair market value (as determined under MI 61-101) of the subject matter of, nor the fair market value of the consideration for, the transaction, insofar as it involved the related parties, exceeded 25% of the Company's market capitalization (as determined under MI 61-101).

## Q-Gold Resources Ltd.

### Notes to the Condensed Interim Consolidated Financial Statements

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#### 10. RESERVES

	Options			Warrants		
	Number of options	Weighted average exercise prices	Value of options	Number of warrants	Weighted average exercise prices	Value of warrants
December 31, 2020	2,175,000	\$ 0.23	\$ 344,789	1,132,500	\$ 0.59	\$ 144,310
Granted	1,140,000	\$ 0.24	\$ 232,420	1,666,667	0.20	\$ 75,224
Expired	(50,000)	\$ 0.20	\$ (26,714)	-	-	\$ -
September 30, 2021	3,265,000	\$ 0.24	\$ 550,495	2,799,167	\$ 0.36	\$ 219,534

#### Stock options

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

As at September 30, 2021, the Company had stock options outstanding and exercisable as follows:

Grant date	Expiry date	Number outstanding	Number exercisable	Exercise price	Grant date fair value
November 22, 2018	November 22, 2021	750,000	750,000	\$0.20	\$ 111,000
July 9, 2020	July 9, 2022	1,375,000	1,375,000	\$0.245	\$ 207,075
January 8, 2021	January 8, 2026	1,040,000	1,040,000	\$0.26	\$ 221,520
May 19, 2021	May 19, 2026	100,000	100,000	\$0.14	\$ 10,900
		3,265,000	3,265,000		\$ 550,495

On January 8, 2021, the Company granted 1,040,000 options to certain officers and consultants of the Company to purchase shares of the Company at a price of \$0.26 per share until January 8, 2026. These options vested immediately. The fair value of the options was estimated using the Black Scholes option pricing model with assumptions based on share price of \$0.26, dividend yield of 0%, expected volatility based on the Company's historical volatility of 119%, risk free interest rate of 0.44% and expected life of 5 years. Of the total options, 250,000 options granted to an officer were accrued during Q4, 2020.

On May 19, 2021, the Company granted 100,000 options to a consultant of the Company to purchase shares of the Company at a price of \$0.14 per share until May 19, 2026. These options vested immediately. The fair value of the options was estimated using the Black Scholes option pricing model with assumptions based on share price of \$0.14, dividend yield of 0%, expected volatility based on the Company's historical volatility of 108%, risk free interest rate of 0.96% and expected life of 5 years.

The weighted average contractual years remaining on the outstanding options, as of September 30, 2021, was 1.86 years (2020 – 1.49 years).

## Q-Gold Resources Ltd.

### Notes to the Condensed Interim Consolidated Financial Statements

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#### 10. RESERVES (CONTINUED)

##### Warrants

As at September 30, 2021, the Company had warrants outstanding and exercisable as follows:

	Grant date	Expiry date	Number outstanding	Exercise price	Grant date fair value
Warrants	December 22, 2020	June 22, 2022	1,062,500	\$0.60	\$ 131,768
Finder Warrants	December 22, 2020	December 22, 2022	70,000	\$0.40	\$ 12,542
Warrants	September 28, 2021	March 28, 2023	1,666,667	\$0.20	\$ 75,224
			2,799,167		\$ 219,534

The weighted average contractual years remaining on the outstanding warrants, as of September 30, 2021, was 1.19 years (2020 – nil).

#### 11. RELATED PARTY TRANSACTIONS

##### Compensation of Key Management

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

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2021	2020	2021	2020
Short-term benefits	\$ 67,750	\$ 54,167	\$ 203,250	\$ 54,167
Share based payments	-	-	53,250	-
	\$ 67,750	\$ 54,167	\$ 256,500	\$ 54,167

The Company shares office space with other companies who may have common officers and directors. The costs associated with the use of this space, including the provision of office equipment and supplies, are administered by 2227929 Ontario Inc. to whom the Company pays a fee of \$10,000 per month. As at September 30, 2021, the Company had a payable balance of \$231,255 (December 31, 2020 - \$186,055) to 2227929 Ontario Inc. to cover shared expenses. Amounts owing are unsecured, non-interest bearing and due on demand. Fred Leigh, a former officer and director of the Company, is a director of 2227929 Ontario Inc.

See Notes 9, 10 and 17.

**Q-Gold Resources Ltd.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
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**12. FINANCIAL INSTRUMENTS**

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

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

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

Financial assets and financial liabilities as at September 30, 2021 were as follows:

	Assets & (Liabilities) at amortized cost	Assets & (Liabilities) at fair value through profit & loss	TOTAL
<b><u>At September 30, 2021</u></b>			
Financial assets:			
Cash	\$ 321,853	\$ -	\$ 321,853
Amounts receivable	\$ 12,329	\$ -	\$ 12,329
Loan receivable	\$ 250,000	\$ -	\$ 250,000
Financial liabilities:			
Accounts payable and accrued liabilities	\$ (947,362)	\$ -	\$ (947,362)

**13. FINANCIAL RISK FACTORS**

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

**a) Liquidity risk**

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

## **Q-Gold Resources Ltd.**

### **Notes to the Condensed Interim Consolidated Financial Statements**

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(Expressed in Canadian dollars)

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#### **13. FINANCIAL RISK FACTORS (CONTINUED)**

##### **b) Credit risk**

Credit risk is the risk that a counterparty will fail to pay amounts owing or fail to perform an obligation causing a financial loss. The Company's credit risk is primarily attributable to amounts receivable and loan receivable. Q-Gold is exposed to the risk that the third party that owes its money will not perform their underlying obligation. The total carrying value of these financial instruments at September 30, 2021 was \$262,329 (December 31, 2020- \$1,335,000 ). Cash is held with high credit quality financial institutions and credit risk is considered minimal. The Company continues to monitor and is subject to, normal mining industry credit risks.

##### **c) Market risk**

Market risk consists of currency risk, commodity price risk and interest rate risk. The objective of market risk management is to manage and control market risk exposures within acceptable limits while maximizing returns. The Company recognizes that external factors, which it cannot control such as financial market instability and commodity prices, can adversely affect its ability to raise the necessary capital to maintain ongoing operations.

##### **d) Currency risk**

Q-Gold's operations are in Canada, Peru and historically in 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 relative to the Canadian dollar will, consequently, have an impact upon the reported results of the Company and may also affect the value of its assets and liabilities. The Company has sought to minimize this risk by keeping its cash reserves in Canadian dollars and only purchasing US dollars as needed. Q-Gold has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

##### **e) Interest rate risk**

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

#### **14. CAPITAL DISCLOSURES**

Q-Gold's capital structure consists of shareholders' equity (deficiency) and current liabilities. The primary capital management objectives are to maintain a flexible capital structure, which optimizes the cost of capital at acceptable risk to facilitate ongoing exploration and to maintain a strong capital base so as to maintain investor confidence and provide an appropriate return to its shareholders. Q-Gold has the ability to adjust its capital structure by issuing new equity and adjusting its mineral exploration program to the extent the mineral exploration expenditures are not committed to. The Company's capital management objectives, policies and processes have remained unchanged during the nine months ended September 30, 2021 and 2020.

## Q-Gold Resources Ltd.

### Notes to the Condensed Interim Consolidated Financial Statements

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#### 14. CAPITAL DISCLOSURES (CONTINUED)

As at September 30, 2021 Q-Gold had a (negative) working capital of \$(300,276) (December 31, 2020 - \$1,278,711) and no long-term debt.

No other capital requirements are imposed by a lending institution or regulatory body, other than of the TSXV which requires adequate working capital or financial resources of the greater of (i) \$50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months.

#### 15. CHANGE IN WORKING CAPITAL

Change in working capital consists of the following:

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2020	2021	2021	2020
Amounts receivable	\$ 85,076	\$ (8,630)	\$ (21,789)	\$ (15,985)
Prepaid expenses	22,823	1,769	6,025	(808)
Accounts payable and accrued liabilities	(37,903)	37,820	446,285	165,612
	\$ 69,996	\$ 30,959	\$ 430,521	\$ 148,819

#### 16. COMMITMENTS AND CONTINGENCIES

##### Management contracts

The Company is party to certain management contracts and severance obligations. These contracts contain clauses requiring additional payments of \$542,000 to be made to the officers of the Company upon the occurrence of certain events such as a change of control. As the triggering effect has not taken place, the contingent payments have not been reflected in these condensed interim consolidated financial statements. Additional minimum management contractual commitments remaining under the agreements are approximately \$258,500, 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 generally becoming more restrictive. The Company believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

##### Exploration properties

###### *Arizona Mineral Properties*

The Company held mineral claims administered by the United States Department of the Interior, Bureau of Land Management in Arizona. The Company was 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 Company has relinquished these claims in 2019.

## **Q-Gold Resources Ltd.**

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#### **16. COMMITMENTS AND CONTINGENCIES (CONTINUED)**

##### *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 2021.

##### *Peru Surupana Silver Property*

The Company is required to make certain options payments in cash and shares and incur exploration spending as per the option agreement signed in July 2020. See Note 7 for details.

##### *Flow-through Commitment*

Pursuant to the terms of the flow-through agreements entered into on December 22, 2020, the Company is committed to incur Canadian Exploration Expenditures of \$850,000 by December 31, 2021. Through September 30, 2021, the Company had incurred the \$850,000 in eligible exploration which met the expenditures commitment to be made by December 31, 2021. The Company has indemnified the subscribers of current flow-through share offering against any tax-related amounts that become payable by the shareholder as a result of the Company not meeting its expenditure commitment.

#### **17. SUBSEQUENT EVENT**

Subsequent to September 30, 2021, the Company entered into a loan agreement with Aberdeen and borrowed a short-term loan of \$250,000. Interest will be accrued at 12% per annum on the principal and interest accrued and unpaid. Principal and accrued interest are due and repayable on April 27, 2022.