



Q-Gold Resources Ltd.

Consolidated Financial Statements

For the three and nine months ended September 30, 2022 and 2021

(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, 2022	December 31, 2021
ASSETS		
Current assets		
Cash	\$ 585,358	\$ 44,566
Amounts receivable (Note 4)	106,401	1,071,855
Loan receivable (Note 5)	250,000	250,000
Prepaid expenses	5,653	26,685
Total current assets	\$ 947,412	\$ 1,393,106
Non-current assets		
Equipment (Note 6)	10,638	14,878
Total Assets	\$ 958,050	\$ 1,407,984
LIABILITIES AND SHAREHOLDERS' (DEFICIENCY) EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (Notes 8,12)	948,717	\$ 666,716
Loan payable (Note 9)	277,854	255,260
Total Liabilities	\$ 1,226,571	\$ 921,976
Shareholders' (deficiency) equity		
Share capital (Note 10)	\$ 23,074,746	\$ 23,059,946
Warrants (Note 11)	244,651	376,419
Share based payment (Note 11)	351,984	439,495
Deficit	(23,939,902)	(23,389,852)
Total Shareholders' (Deficiency) Equity	\$ (268,521)	\$ 486,008
Total Liabilities and Shareholders' (Deficiency) Equity	\$ 958,050	\$ 1,407,984

Nature of operations and going concern (Note 1)

Commitments and contingencies (Notes 7, 17)

Approved by the Board of Directors on November 29, 2022

"Robert C. Bryce"

Robert C. Bryce, Director

"Andreas Rompel"

Andreas Rompel, 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,	
	2022	2021	2022	2021
EXPENSES				
Consultants (Note 12)	\$ 29,074	\$ (24,792)	\$ 95,972	\$ 197,733
Exploration and evaluation expenditures (Note 7)	215,797	250,728	491,483	1,555,293
Investor relations and filing fees	11,550	23,745	57,916	51,839
Office expenses	16,603	22,279	62,445	66,097
Professional fees	11,250	15,789	36,832	50,133
Share based payments (Note 11)	187,051	-	199,439	179,170
Travel	4,209	4,444	9,941	4,444
Total expenses	\$ 475,534	\$ 292,193	\$ 954,028	\$ 2,104,709
Other income (expense)				
Foreign exchange gain (loss)	\$ 6,684	\$ (2,544)	\$ (11,065)	\$ (3,448)
Interest expense	(7,579)	(814)	(24,764)	(814)
Interest expense on flow through expenditure	-	-	(1,349)	(1,635)
Interest income	7,561	7,618	22,438	12,990
Total other (expense) income	6,666	4,260	(14,740)	7,093
Net loss and comprehensive loss	\$ (468,868)	\$ (287,933)	\$ (968,768)	\$ (2,097,616)
Loss per share				
- basic and diluted	\$ (0.01)	\$ (0.01)	\$ (0.02)	\$ (0.04)
Weighted average number of shares				
- basic and diluted	48,776,001	44,985,684	48,776,001	44,741,119

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' Equity (Deficiency)

(Expressed in Canadian dollars)

	SHARE CAPITAL		RESERVES			TOTAL
	NUMBER OF SHARES	AMOUNT (\$)	WARRANTS	SHARE BASED PAYMENTS	DEFICIT	
Balance at December 31, 2021	55,748,695	\$ 23,059,946	\$ 376,419	\$ 439,495	\$ (23,389,852)	\$ 486,008
Shares issued for property acquisition (Note 10)	250,000	15,000	-	-	-	15,000
Share issue costs (Note 10)	-	(200)	-	-	-	(200)
Options granted (Note 11)	-	-	-	199,439	-	199,439
Options cancelled (Note 11)	-	-	-	(286,950)	286,950	-
Warrants expired (Note 11)	-	-	(131,768)	-	131,768	-
Net loss for the period	-	-	-	-	(968,768)	(968,768)
Balance at September 30, 2022	55,998,695	\$ 23,074,746	\$ 244,651	\$ 351,984	\$ (23,939,902)	\$ (268,521)
Balance at December 31, 2020	44,741,119	\$ 21,995,805	\$ 144,310	\$ 344,789	\$ (21,206,193)	\$ 1,278,711
Shares issued for property acquisition (Note 10)	250,000	55,000	-	-	-	55,000
Shares issued from private placement	1,666,667	250,000	-	-	-	250,000
Warrants exercised	-	(75,224)	75,224	-	-	-
Share issue costs	-	(2,500)	-	-	-	(2,500)
Options granted (Note 11)	-	-	-	232,420	-	232,420
Options expired unexercised (Note 11)	-	-	-	(26,714)	26,714	-
Net loss for the period	-	-	-	-	(2,097,616)	(2,097,616)
Balance at September 30, 2021	46,657,786	22,223,081	219,534	550,495	(23,277,095)	(283,985)

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,	
	2022	2021
Cash (used in) provided by:		
Operating activities		
Net loss for the year	\$ (968,768)	\$ (2,097,616)
Adjustments for items not affecting cash		
Share based payments	199,439	179,170
Interest income	(22,438)	55,000
Interest expense	22,595	(12,329)
Interest expense on flow through shares	1,349	1,635
Depreciation expense (Notes 6, 7)	4,239	2,826
	(763,584)	(1,871,314)
Changes in non-cash working capital (Note 16)	289,576	430,521
Net cash (used in) operating activities	\$ (474,008)	\$ (1,440,793)
Investing activities		
Loan repaid (Note 5)	-	(250,000)
Equipment purchased (Note 6)	-	(19,117)
Net cash (used in) provided from investing activities	\$ -	\$ (269,117)
Financing activities		
Flow-through funds received (Notes 10, 16)	1,000,000	300,000
Non flow-through unit issued (Note 10)	-	250,000
Warrants exercised proceeds (receivables) (Note 10)		1,035,000
Non flow-through units issued (Note 10)	15,000	-
Share issue costs (Note 10)	(200)	(750)
Net cash provided from financing activities	\$ 1,014,800	\$ 1,584,250
Increase (decrease) in cash during the period	\$ 540,792	\$ (125,660)
Cash, beginning of period	44,566	447,513
Cash, end of period	\$ 585,358	\$ 321,853
Supplemental Disclosure		
Interest paid	\$ 1,349	\$ -
Warrants exercised receivable (Note 4, 8)	\$ -	\$ 375,000

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

Q-Gold Resources Ltd.

Notes to the Consolidated Financial Statements

For the three and nine months ended September 30, 2022 and 2021
(Expressed in Canadian dollars)

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 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, 2022, Q-Gold has a working capital (deficiency) of \$(279,159) (December 31, 2021 – \$471,130), a deficit of \$23,939,902 (December 31, 2021 - \$23,389,852) and incurred a net loss of \$968,768 for the nine months ended September 30, 2022 (2021 - net loss of \$2,097,616). 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. 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 Consolidated Financial Statements

For the three and nine months ended September 30, 2022 and 2021
(Expressed in Canadian dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN (CONTINUED)

Novel Coronavirus (“COVID-19”)

The Company’s operations could be significantly adversely affected by the effects of a widespread global outbreak of a contagious disease, including the recent outbreak of respiratory illness caused by COVID-19. The Company cannot accurately predict the impact COVID-19 will have on its operations and the ability of others to meet their obligations with the Company, including uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected countries. In addition, a significant outbreak of contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could further affect the Company’s operations and ability to finance its operations. To date, COVID-19 has had minimal effect on the Company’s operations and on the Company’s ability to finance its operations.

2. SIGNIFICANT ACCOUNTING POLICIES

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

Statement of compliance

These consolidated financial statements of the Company and its subsidiaries were prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”), and International Financial Reporting Interpretations Committee (“IFRIC”) interpretations. Except as discussed under changes in accounting policies (Note 2), the Company has consistently applied the accounting policies used in the preparation of these consolidated financial statements throughout all periods presented.

These consolidated financial statements were approved and authorized for issuance by the Board of Directors on November 29, 2022.

Basis of preparation

These 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 consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

Q-Gold Resources Ltd.

Notes to the Consolidated Financial Statements

For the three and nine months ended September 30, 2022 and 2021
(Expressed in Canadian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Consolidation

These 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 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 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 on or after January 1, 2023. Many are not applicable or do not have a significant impact to the Company and have been excluded. Management is currently evaluating the impact of these pronouncements on the Company's consolidated financial statements.

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.

IAS 37 – Provisions, Contingent Liabilities, and Contingent Assets (“IAS 37”) was amended. The amendments clarify that when assessing if a contract is onerous, the cost of fulfilling the contract includes all costs that relate directly to the contract – i.e. a full-cost approach. Such costs include both the incremental costs of the contract (i.e. costs a company would avoid if it did not have the contract) and an allocation of other direct costs incurred on activities required to fulfill the contract – e.g. contract management and supervision, or depreciation of equipment used in fulfilling the contract. The amendments are effective for annual periods beginning on January 1, 2022.

IFRS 3 – Business Combinations (“IFRS 3”) was amended. The amendments introduce new exceptions to the recognition and measurement principles in IFRS 3 to ensure that the update in references to the revised conceptual framework does not change which assets and liabilities qualify for recognition in a business combination. An acquirer should apply the definition of a liability in IAS 37 – rather than the definition in the Conceptual Framework – to determine whether a present obligation exists at the acquisition date as a result of past events. For a levy in the scope of IFRIC 21, the acquirer should apply the criteria in IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. In addition, the amendments clarify that the acquirer should not recognize a contingent

Q-Gold Resources Ltd.

Notes to the Consolidated Financial Statements

For the three and nine months ended September 30, 2022 and 2021
(Expressed in Canadian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Future Accounting Changes (continued)

asset at the acquisition date. The amendments are effective for annual periods beginning on January 1, 2022.

IAS 16 – Property, Plant and Equipment (“IAS 16”) was amended. The amendments introduce new guidance, such that the proceeds from selling items before the related property, plant and equipment is available for its intended use can no longer be deducted from the cost. Instead, such proceeds are to be recognized in profit or loss, together with the costs of producing those items.

3. CRITICAL ACCOUNTING ESTIMATES AND MANAGEMENT JUDGMENTS

The preparation of the 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 consolidated financial statements include:

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.

Q-Gold Resources Ltd.

Notes to the Consolidated Financial Statements

For the three and nine months ended September 30, 2022 and 2021
(Expressed in Canadian dollars)

3. CRITICAL ACCOUNTING ESTIMATES AND MANAGEMENT JUDGMENTS (continued)

Key sources of estimation uncertainty (continued):

- 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.

- 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

Q-Gold Resources Ltd.

Notes to the Consolidated Financial Statements

For the three and nine months ended September 30, 2022 and 2021

(Expressed in Canadian dollars)

3. CRITICAL ACCOUNTING ESTIMATES AND MANAGEMENT JUDGMENTS (continued)

Key sources of estimation uncertainty (continued):

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, 7 and 17.

4. AMOUNTS RECEIVABLE

	September 30, 2022	December 31, 2021
Sales taxes	\$ 64,072	\$ 51,965
Flow-through unit subscription and warrant exercise (Note 10)	-	1,000,000
Others (Note 5)	42,329	19,890
	\$ 106,401	\$ 1,071,855

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 loan principal as well as interest on accrued and unpaid interest are calculated at 12% per annum. The loan principal and accrued interest are repayable to the Company on or before December 31, 2022. As at September 30, 2022, loan principal plus accrued interest of \$292,329 (December 31, 2021 - \$269,890) remained outstanding. As at September 30, 2022 accrued interest of \$42,329 (December 31, 2021 - \$19,890) has been included in amounts receivable (Note 4).

6. EQUIPMENT

Costs	Equipment
Balance as at December 31, 2021 and September 30, 2022	\$ 19,117
Accumulated depreciation, depletion and impairment	
Balance December 31, 2021	\$ (4,239)
Changes for the period	(4,239)
Balance September 30, 2022	\$ (8,478)
Net book value as at December 31, 2021	\$ 14,878
Net book value as at September 30, 2022	\$ 10,638

Q-Gold Resources Ltd.

Notes to the Consolidated Financial Statements

For the three and nine months ended September 30, 2022 and 2021

(Expressed in Canadian dollars)

7. EXPLORATION AND EVALUATION EXPENDITURES

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
<u>Q-Gold Ontario properties</u>				
Assay	\$ 17,610	\$ 17,493	\$ 17,610	\$ 101,085
Consulting and labour	93,802	68,421	201,401	335,389
Claims	3,283	-	25,715	13,204
Depreciation	1,413	1,413	4,239	2,826
Drilling	-	-	-	508,424
Field expenses	42,371	5,394	80,225	51,810
Land and property taxes	-	5,765	1,852	6,480
Rent for core shacks	1,000	2,640	8,000	9,810
Surveying	-	14,543	-	229,005
Travel	16,631	4,515	24,021	16,724
	\$ 176,111	\$ 120,184	\$ 363,063	\$ 1,274,757
<u>Q-Gold Peru properties</u>				
Acquisition	\$ 14,978	\$ 80,255	\$ 60,986	\$ 80,255
Consulting and labour	24,511	35,049	64,501	155,241
Field office support	165	3,402	715	5,918
Field expenses	-	11	730	5,776
Health and safety	-	84	46	1,879
Legal	-	10,659	-	21,865
Travel	32	1,084	1,442	9,602
	\$ 39,687	\$ 130,544	\$ 128,420	\$ 280,536
Expenditures	\$ 215,797	\$ 250,728	\$ 491,483	\$ 1,555,293

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.

During 2020, the Company entered into a share exchange agreement with BCCO and issued 11,000,000 shares of the Company to BCCO's shareholders indirectly owning the option right to the Surupana Property in Peru.

Q-Gold Resources Ltd.

Notes to the Consolidated Financial Statements

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(Expressed in Canadian dollars)

7. EXPLORATION AND EVALUATION EXPENDITURES (continued)

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); As at September 30, 2022 \$100,000 (December 31, 2021 - \$125,000) remains outstanding.
- an aggregate of 14,000,000 common shares of Q-Gold (13,000,000 Payment Shares (issued); 250,000 (issued) Payment Shares on or before 12 months from Closing (issued); 250,000 Payment Shares on or before 24 months from Closing (Note 10); 250,000 Payment Shares on or before 36 months from Closing; and 250,000 Payment Shares 48 months from Closing). As at September 30, 2022 an aggregate of 13,500,000 shares have been issued in connection with this transaction and 500,000 shares remain to be issued.
- 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 (incurred); an additional \$165,000 on or before 24 months from Closing (partially incurred); 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.

A Force Majeure noticed was delivered to the Optionee on July 9, 2022 as SAIS Sollocota, the owners of the Surupana Property, has not permitted the Company to access the property.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	September 30, 2022	December 31, 2021
Trade payables	\$ 872,458	\$ 606,519
Accruals	74,910	58,848
Part XII.6 tax accrual	1,349	1,349
	\$ 948,717	\$ 666,716

9. LOAN PAYABLE

On October 27, 2021, the Company entered into a loan agreement with Aberdeen International Inc. ("Aberdeen") for an unsecured loan of \$250,000. Interest is accrued and calculated at 12% per annum.

Q-Gold Resources Ltd.

Notes to the Consolidated Financial Statements

For the three and nine months ended September 30, 2022 and 2021
(Expressed in Canadian dollars)

9. LOAN PAYABLE (continued)

Principal plus accrued interest are due and payable on or before October 27, 2022. Aberdeen and the Company may negotiate repayment of the loans via the transfer of securities or other investment products but any arrangement for repayment other than cash is subject to a subsequent written agreement.

As of September 30, 2022, the loan principal of \$250,000 (December 31, 2021 – \$250,000) plus accrued interest of \$27,854 (December 31, 2021 - \$5,260) remained outstanding. A previous officer of the Company is also an officer of Aberdeen.

10. SHARE CAPITAL

a) Authorized

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

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

b) Issued and outstanding shares

	Number of Common shares	Amount
Balance, December 31, 2020	44,741,119	\$ 21,995,805
Shares issued for property (Note 7)	250,000	55,000
Units issued through private placement	1,666,667	250,000
Flow through units issued through private placement	9,090,909	1,000,000
Warrants issued	-	(232,109)
Shares issue costs	-	(8,750)
Balance, December 31, 2021	55,748,695	\$ 23,059,946
Shares issued for property (Note 7)	250,000	15,000
Shares issue costs	-	(200)
Balance, September 30, 2022	\$ 55,998,695	\$ 23,074,746

On July 23, 2021, the Company issued 250,000 common shares related to the Surupana Property acquisition in Peru at a price of \$0.22 per share (Note 7). The shares were valued based on their quoted market value at the time of issue.

On September 28, 2021, the Company closed a non-brokered financing for gross proceeds of \$250,000. Pursuant to the financing, 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. 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

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10. SHARE CAPITAL (continued)

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 International Inc. acquired 1,666,667 units of the Company. Ryan Ptolemy, former CFO of the Company, is also CFO of Aberdeen International Inc.

The closing of the financing 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 International Inc. held over 10% of the common shares of the Company. 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).

On December 31, 2021, the Company issued 9,090,909 flow-through units of the Company to a related party, Stan Bharti, at a price of \$0.11 per unit for total proceeds of \$1,000,000. Each unit consists of one flow-through common share of the Company and one-half non-flow-through share purchase warrant. Each whole warrant will entitle the holder to acquire one common share of the Company at an exercise price of \$0.20 for a period of 24 months following the closing date of the offering. The fair value of the warrants was estimated at \$156,885 using the Black Scholes option pricing model with the following assumptions: share price of \$0.093, expected dividend yield of 0%; expected volatility of 106% (based on the Company's historical volatility); risk-free interest rate of 0.95% and an expected life of 2 years. The Company also incurred share issue costs of \$6,250. As at December 31, 2021, the proceeds related to this transaction in the amount of \$1,000,000 remain outstanding and was included in amounts receivable (Note 4). The amount was collected on February 28, 2022.

On June 20, 2022, the Company issued 250,000 common shares related to the Surupana Property acquisition in Peru at a price of \$0.06 per share (Note 7). The shares were valued based on their quoted market value at the time of issue.

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11. 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, 2021	2,515,000	\$ 0.25	\$ 439,495	7,344,621	\$ 0.26	\$ 376,419
Granted	3,080,000	\$ 0.11	199,439	-	-	-
Expired	(1,750,000)	\$ 0.26	(286,950)	(1,062,500)	0.60	(131,768)
September 30, 2022	3,845,000	\$ 0.14	\$ 351,984	6,282,121	\$ 0.20	\$ 244,651

Warrants

As at September 30, 2022, the Company had warrants outstanding as follows:

	Grant date	Expiry date	Number outstanding	Exercise price	Grant date fair value
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
Warrants	December 31, 2021	December 31, 2023	4,545,454	\$0.20	\$ 156,885
			6,282,121		\$ 244,651

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11. RESERVES (continued)

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.

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 with a fair value of \$53,250 granted to an officer were accrued and included as share based payments during the year ended December 31, 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.

On February 1, 2022, the Company granted 125,000 options to a consultant of the Company to purchase shares of the Company at a price of \$0.11 per share until February 1, 2027. 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 \$0.11, dividend yield of 0%, expected volatility based on the Company's historical volatility of 78%, risk free interest rate of 1.65% and expected life of 5 years.

On July 6, 2022, the Company granted 2,955,00 options to a consultants of the Company to purchase shares of the Company at a price of \$0.07 per share until July 6, 2027. 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 \$0.07, dividend yield of 0%, expected volatility based on the Company's historical volatility of 145%, risk free interest rate of 3.06% and expected life of 5 years.

The weighted average contractual years remaining on the outstanding options, as of September 30, 2022, was 4.09 years (December 31, 2021 – 2.12 years).

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11. RESERVES (continued)

Stock options (continued)

As at September 30, 2022, the Company had stock options outstanding and exercisable as follows:

Grant date	Expiry date	Number outstanding	Number exercisable	Exercise price	Grant date fair value
January 8, 2021	January 8, 2026	665,000	665,000	\$0.26	\$ 141,645
May 19, 2021	May 19, 2026	100,000	100,000	\$0.14	\$ 10,900
February 1, 2022	February 1, 2027	125,000	125,000	\$0.11	\$ 12,388
July 6, 2022	July 6, 2027	2,955,000	2,955,000	\$0.07	\$ 187,052
		3,845,000	3,845,000		\$ 351,984

12. RELATED PARTY TRANSACTIONS

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, 2022, the Company had a payable balance of \$384,632 (December 31, 2021 - \$265,155) to 2227929 Ontario Inc. to cover shared expenses. Amounts owing are unsecured, non-interest bearing and due on demand.

See Notes 5, 9, 10 and 11.

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,	
	2022	2021	2022	2021
Short-term benefits	\$ 52,750	\$ 67,750	\$ 128,250	\$ 203,250
Share based payments	110,775	-	110,775	53,250
	\$ 52,750	\$ 67,750	\$ 239,025	\$ 256,500

Included in accounts payable and accrued liabilities as at September 30, 2022 is approximately \$51,644 (December 31, 2021 - \$27,026) due to directors and officers of the Company. These amounts are unsecured, non-interest bearing and due on demand.

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13. FINANCIAL INSTRUMENTS

Financial instruments 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.

The Company's financial instruments consist of cash, amounts receivable, loan receivable, accounts payable and accrued liabilities and loan payable. 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, 2022 and December 31, 2021 were as follows:

	Assets & (Liabilities) at amortized cost	Assets & (Liabilities) at fair value through profit & loss	TOTAL
<u>At September 30, 2022</u>			
Financial assets:			
Cash	\$ 585,358	\$ -	\$ 585,358
Amounts receivable	\$ 43,452	\$ -	\$ 43,452
Loan receivable	\$ 250,000	\$ -	\$ 250,000
Financial liabilities:			
Accounts payable and accrued liabilities	\$ (948,717)	\$ -	\$ (948,717)
Loan payable	\$ (277,854)	\$ -	\$ (277,854)
	Assets & (Liabilities) at amortized cost	Assets & (Liabilities) at fair value through profit & loss	TOTAL
<u>At December 31, 2021</u>			
Financial assets:			
Cash	\$ 44,566	\$ -	\$ 44,566
Amounts receivable	\$ 1,019,890	\$ -	\$ 1,019,890
Loan receivable	\$ 250,000	\$ -	\$ 250,000
Financial liabilities:			
Accounts payable and accrued liabilities	\$ (666,716)	\$ -	\$ (666,716)
Loan payable	\$ (255,260)	\$ -	\$ (255,260)

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14. 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.

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, 2022 was \$293,452 (December 31, 2021 - \$1,269,890). 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 consolidated financial statements.

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15. CAPITAL DISCLOSURES

Q-Gold's capital structure consists of shareholders' equity 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, 2022 and 2021.

As at September 30, 2022 Q-Gold had a working capital (deficiency) of \$(279,159) (December 31, 2021 – \$471,130) 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.

16. CHANGE IN WORKING CAPITAL

Change in working capital consists of the following:

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2022	2021	2022	2021
Amounts receivable	\$ (21,101)	\$ 85,076	\$ 987,892	\$ (21,789)
Prepaid expenses	32,520	22,823	21,032	6,025
Accounts payable and accrued liabilities	83,454	(37,903)	280,652	446,285
	\$ 94,873	\$ 69,996	\$ 1,289,576	\$ 430,521

For the nine months ended September 30, 2022 \$1,000,000 of cash was provided from receipt of flowthrough receivables there were also \$289,576 of changes in non cash working capital.

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17. COMMITMENTS AND CONTINGENCIES

Management contracts

The Company is party to certain management contracts and severance obligations. These contracts contain clauses requiring additional payments of \$302,000 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 consolidated financial statements. Additional minimum management contractual commitments remaining under the agreements are approximately \$328,968 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

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 2022.

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 31, 2021, the Company is committed to incurring Canadian Exploration Expenditures of \$1,000,000 by December 31, 2022. As at September 30, 2022 the Company has incurred \$318,470 in eligible exploration expenditures which left a \$681,530 expenditure commitment to be made as of September 30, 2022.

As at December 31, 2021, the Company had incurred \$63,047 in eligible exploration expenditures which left a \$936,953 expenditure commitment to be made by December 31, 2022. 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.