



Q-Gold Resources Ltd.

Consolidated Financial Statements

For the three and nine months ended September 30, 2023 and 2022

(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 Consolidated Interim Statements Of Financial Position

(Expressed in Canadian dollars)

As at	September 30, 2023	December 31, 2022
ASSETS		
Current assets		
Cash	\$ 18,756	\$ 237,436
Amounts receivable (Note 4)	91,565	136,803
Loan receivable (Note 5)	75,000	75,000
Prepaid expenses	2,978	17,118
Total current assets	\$ 188,299	\$ 466,357
Non-current assets		
Equipment (Note 6)	9,757	15,170
Total Assets	\$ 198,056	\$ 481,527
LIABILITIES AND SHAREHOLDERS' (DEFICIENCY) EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (Notes 8,12)	\$ 1,589,388	\$ 1,468,898
Loan payable (Note 9)	307,854	285,416
Total Liabilities	\$ 1,897,242	\$ 1,754,314
Shareholders' (deficiency) equity		
Share capital (Note 10)	\$ 23,074,746	\$ 23,074,746
Warrants (Note 11)	156,885	232,109
Share based payment (Note 11)	216,327	218,859
Deficit	(25,147,144)	(24,798,501)
Total Shareholders' (Deficiency) Equity	\$ (1,699,186)	\$ (1,272,787)
Total Liabilities and Shareholders' (Deficiency) Equity	\$ 198,056	\$ 481,527

Nature of operations and going concern (Note 1)

Commitments and contingencies (Notes 7, 17)

Approved by the Board of Directors on November 29, 2023

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

"Andreas Rompel"
 Andreas Rompel, Director

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

Q-Gold Resources Ltd.**Condensed Consolidated Interim Statements of Loss and Comprehensive Loss**

(Expressed in Canadian dollars)

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
EXPENSES				
Consultants (Note 12)	\$ 52,393	\$ 29,074	\$ 157,404	\$ 95,972
Exploration and evaluation expenditures (Note 7)	8,692	215,797	95,295	491,483
Investor relations and filing fees	7,420	11,550	36,913	57,916
Office expenses	18,316	16,603	58,871	62,445
Professional fees	11,081	11,250	52,506	36,832
Share based payments (Note 11)	-	187,051	-	199,439
Travel	-	4,209	-	9,941
Total expenses	\$ 97,902	\$ 475,534	\$ 400,989	\$ 954,028
Other income (expense)				
Foreign exchange gain (loss)	\$ 277	\$ 6,684	\$ 623	\$ (11,065)
Interest expense	(8,141)	(7,579)	(15,217)	(24,764)
Interest expense on flow through expenditure	-	-	(10,816)	(1,349)
Interest income	-	7,561	-	22,438
Total other (expense) income	(7,864)	6,666	(25,410)	(14,740)
Net loss and comprehensive loss	\$ (105,766)	\$ (468,868)	\$ (426,399)	\$ (968,768)
Loss per share				
- basic and diluted	\$ (0.00)	\$ (0.01)	\$ (0.01)	\$ (0.02)
Weighted average number of shares				
- basic and diluted	55,815,476	48,776,001	55,815,476	48,776,001

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

Q-Gold Resources Ltd.

Condensed Consolidated Interim 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, 2022	55,998,695	\$ 23,074,746	\$ 232,109	\$ 218,859	\$ (24,798,501)	\$ (1,272,787)
Warrants expired unexercised (Note 11)	-	-	(75,224)	-	75,224	-
Options cancelled (Note 11)	-	-	-	(2,532)	2,532	-
Net loss for the year	-	-	-	-	(426,399)	(426,399)
Balance at September 30, 2023	55,998,695	\$ 23,074,746	\$ 156,885	\$ 216,327	\$ (25,147,144)	\$ (1,699,186)
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 year	-	-	-	-	(968,768)	(968,768)
Balance at September 30, 2022	55,998,695	23,074,746	244,651	351,984	(23,939,902)	(268,521)

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

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

	Nine months ended September 30,	
	2023	2022
Cash (used in) provided by:		
<i>Operating activities</i>		
Net loss for the year	\$ (426,399)	\$ (968,768)
Adjustments for items not affecting cash		
Share based payments (Note 11)	-	199,439
Interest income (Note 5)	-	(22,438)
Interest expense	22,438	22,595
Interest expense on flow through shares	10,816	1,349
Depreciation expense (Notes 6, 7)	5,413	4,239
Changes in non-cash working capital (Note 16)	169,052	289,576
Net cash (used in) operating activities	\$ (218,680)	\$ (474,008)
<i>Financing activities</i>		
Flow-through funds received (Notes 10, 16)	-	1,000,000
Non flow-through units issued (Note 10)	-	15,000
Share issue costs (Note 10)	-	(200)
Net cash provided from financing activities	\$ -	\$ 1,014,800
Increase (decrease) in cash during the year	\$ (218,680)	\$ 540,792
Cash, beginning of year	237,436	44,566
Cash, end of year	\$ 18,756	\$ 585,358
Supplemental Disclosure		
Interest paid	\$ -	\$ 1,349

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

Q-Gold Resources Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2023 and 2022

(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, 2023, Q-Gold has a working capital (deficiency) of (\$1,708,943) (December 31, 2022 – (\$1,287,957)), a deficit of \$25,147,144 (December 31, 2022 - \$24,798,501) and incurred a net loss of \$105,766 and \$426,399 for the three and nine months ended September 30, 2023 (three and nine months ended September 30, 2022 - \$468,868 and \$968,768). 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 Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2023 and 2022

(Expressed in Canadian dollars)

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 of the group's 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, 2023.

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.

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.

Q-Gold Resources Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2023 and 2022

(Expressed in Canadian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 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

Q-Gold Resources Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2023 and 2022

(Expressed in Canadian dollars)

3. CRITICAL ACCOUNTING ESTIMATES AND MANAGEMENT JUDGMENTS (CONTINUED)

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.

- Expected credit losses - Determining an allowance for expected credit losses ("ECLs") requires management to make estimates and assumptions about credit losses expected to occur in the future, which is based on the probability of default, loss given default, and expected cash shortfall relating to the underlying loan receivable. The expected credit loss is determined by evaluating a range of possible outcomes incorporating the time value of money and reasonable and supportable information about past events, current conditions, and future economic forecasts.
- 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.

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

Q-Gold Resources Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2023 and 2022

(Expressed in Canadian dollars)

3. CRITICAL ACCOUNTING ESTIMATES AND MANAGEMENT JUDGMENTS (CONTINUED)

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, 7 and 17.

4. AMOUNTS RECEIVABLE

	September 30, 2023	December 31, 2022
Sales taxes	\$ 76,598	\$ 121,836
Others (Note 5)	14,967	14,967
	\$ 91,565	\$ 136,803

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, 2023. As at September 30, 2023, loan principal plus accrued interest of \$299,890 remained outstanding. As at December 31, 2022 it was determined that full collectability could not be assured and an expected credit loss provision of \$175,000 was taken on the loan principal and a further expected credit loss provision of \$34,923 was taken on the outstanding interest for a total expected credit loss provision of \$209,923. No interest income has been recorded on the loan for the three or nine months ended September 30, 2023.

Accrued interest of \$14,967 as at September 30, 2023 (December 31, 2022 - \$14,967) has been included in amounts receivable (Note 4).

At the time the loan was provided, the borrower was not related to the Company. As at September 30, 2023, the borrower was controlled by a corporation that had an officer and director in common with the Company.

Q-Gold Resources Ltd.
Notes to the Condensed Consolidated Interim Financial Statements
For the three and nine months ended September 30, 2023 and 2022
(Expressed in Canadian dollars)

6. EQUIPMENT

Costs	Equipment
Balance as at December 31, 2022	\$ 25,372
Additions	-
Balance September 30, 2023	\$ 25,372
Accumulated depreciation, depletion and impairment	
Balance December 31, 2022	\$ (10,202)
Changes for the period	(5,413)
Balance September 30, 2023	\$ (15,615)
Net book value as at December 31, 2022	\$ 15,170
Net book value as at September 30, 2023	\$ 9,757

7. EXPLORATION AND EVALUATION EXPENDITURES

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
<u>Q-Gold Ontario properties</u>				
Assay	\$ -	\$ 17,610	\$ 364	\$ 17,610
Consulting and labour	-	93,802	47,069	201,401
Claims	-	3,283	4,000	25,715
Depreciation	1,804	1,413	5,412	4,239
Field expenses	-	42,371	2,364	80,225
Land and property taxes	1,837	-	5,159	1,852
Rent for core shacks	3,000	1,000	8,000	8,000
Travel	-	16,632	-	24,021
	\$ 6,641	\$ 176,111	\$ 72,368	\$ 363,063
<u>Q-Gold Peru properties</u>				
Acquisition	-	14,978	-	60,986
Consulting and labour	2,049	24,511	22,522	64,501
Field office support	2	165	349	715
Field expenses	-	-	-	730
Health and safety	-	-	-	46
Travel	0	32	56	1,442
	\$ 2,051	\$ 39,686	\$ 22,927	\$ 128,420
Expenditures	\$ 8,692	\$ 215,797	\$ 95,295	\$ 491,483

Q-Gold Resources Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2023 and 2022

(Expressed in Canadian dollars)

7. EXPLORATION AND EVALUATION EXPENDITURES (CONTINUED)

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.

Over a period of five years, the Company had 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 (paid); \$25,000 on or before 36 months from Closing; and \$75,000 on or before 48 months from Closing); During the nine months ended September 30, 2023 the Company cancelled the option agreement forfeiting its remaining interest in the Surupana Property. As at September 30, 2023 \$nil (December 31, 2022 - \$100,000) 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, 2023 an aggregate of 13,500,000 shares have been issued in connection with this transaction and the remaining 500,000 shares will not be issued as a result of the cancellation of the option agreement during the nine months ended September 30, 2023. As at September 30, 2023 no shares remain to be issued in connection with the Acquisition.
- Q-Gold was initially 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 had 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.

Q-Gold Resources Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

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(Expressed in Canadian dollars)

7. EXPLORATION AND EVALUATION EXPENDITURES (CONTINUED)

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. SAIS Sollocota is in substance, the local community that regulates physical access to the property. As a result the Company cancelled the option agreement and forfeited its interest in the Surupana Property during the nine months ended September 30, 2023.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	September 30, 2023	December 31, 2022
Trade payables	\$ 1,323,798	\$ 1,181,056
Accruals	265,590	277,026
Part XII.6 interest accrual	-	10,816
	\$ 1,589,388	\$ 1,468,898

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. Principal plus accrued interest are due and payable on or before October 31, 2024. 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, 2023 the loan principal of \$250,000 (December 31, 2022 - \$250,000) plus accrued interest of \$57,854 (December 31, 2022 - \$35,416) remained outstanding. A former officer of the Company (Ryan Ptolemy) 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.

Q-Gold Resources Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

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(Expressed in Canadian dollars)

10. SHARE CAPITAL (CONTINUED)

b) Issued and outstanding shares

	Number of Common shares		Amount
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, December 31, 2022 and June 30, 2023	\$ 55,998,695	\$	23,074,746

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.

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	0.07	199,439	-	-	-
Cancelled	(1,000,000)	0.26	(213,000)	-	-	-
Expired	(1,375,000)	0.25	(207,075)	(1,132,500)	0.59	(144,310)
December 31, 2022	3,220,000	\$ 0.08	\$ 218,859	6,212,121	\$ 0.20	\$ 232,109
Expired	-	-	0	(1,666,667)	0.20	(75,224)
Cancelled	(40,000)	0.07	(2,532)	-	-	-
September 30, 2023	3,220,000	\$ 0.08	\$ 216,327	4,545,454	\$ 0.20	\$ 156,885

Warrants

As at September 30, 2023 the Company had warrants outstanding as follows:

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

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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 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 146%, risk free interest rate of 1.65% and expected life of 5 years.

On July 6, 2022, the Company granted 2,955,000 options to certain officers and 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, 2023, was 3.12 years (December 31, 2022 – 4.44 years).

As at September 30, 2023 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	40,000	40,000	\$0.26	\$ 8,520
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	2,915,000	2,915,000	\$0.07	\$ 184,520
		3,180,000	3,180,000		\$ 216,328

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11. 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, 2023, the Company had a payable balance of \$520,232 (December 31, 2022 - \$418,532) to 2227929 Ontario Inc. to cover shared expenses. Amounts owing are unsecured, non-interest bearing and due on demand.

As at September 30, 2023, included in accounts payable is \$30,000 (December 31, 2022 - \$30,000) are funds advanced from 222792 Ontario Inc. This balance bears no interest and has no set repayment terms.

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,	
	2023	2022	2023	2022
Short-term benefits	\$ 38,250	\$ 52,750	\$ 114,750	\$ 128,250
Share based payments	-	110,775	-	110,775
	\$ 38,250	\$ 52,750	\$ 114,750	\$ 239,025

Included in accounts payable and accrued liabilities as at September 30, 2023 is approximately \$184,038 (December 31, 2022 - \$78,114) due to directors and officers of the Company. These amounts are unsecured, non-interest bearing and due on demand.

12. 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, 2023 and December 31, 2022 were as follows:

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13. FINANCIAL INSTRUMENTS (continued)

	Assets & (Liabilities) at amortized cost	Assets & (Liabilities) at fair value through profit & loss	TOTAL
<u>At September 30, 2023</u>			
Financial assets:			
Cash	\$ 18,756	\$ -	\$ 18,756
Amounts receivable	\$ 14,967	\$ -	\$ 14,967
Loan receivable	\$ 75,000	\$ -	\$ 75,000
Financial liabilities:			
Accounts payable and accrued liabilities	\$ (1,589,388)	\$ -	\$ (1,589,388)
Loan payable	\$ (307,854)	\$ -	\$ (307,854)
	Assets & (Liabilities) at amortized cost	Assets & (Liabilities) at fair value through profit & loss	TOTAL
<u>At December 31, 2022</u>			
Financial assets:			
Cash	\$ 237,436	\$ -	\$ 237,436
Amounts receivable	\$ 14,967	\$ -	\$ 14,967
Loan receivable	\$ 75,000	\$ -	\$ 75,000
Financial liabilities:			
Accounts payable and accrued liabilities	\$ (1,468,898)	\$ -	\$ (1,468,898)
Loan payable	\$ (285,416)	\$ -	\$ (285,416)

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. The Company recognizes a loss allowance for expected credit losses on financial assets measured at amortized cost. 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, 2023 was

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14. FINANCIAL RISK FACTORS (continued)

b) Credit risk (continued)

\$166,565 (December 31, 2022 - \$211,803). 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 and Peru. 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.

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, 2023 and 2022.

As at September 30, 2023, Q-Gold had a working capital (deficiency) of (\$1,708,943) (December 31, 2022 – (\$1,287,957)) 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

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15. CAPITAL DISCLOSURES (continued)

required in order to maintain operations and cover general and administrative expenses for a period of 6 months.

16. CHANGE IN NON-CASH WORKING CAPITAL

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

	Nine months ended	
	September 30,	
	2023	2022
Amounts receivable	\$ 45,238	\$ 1,020,729
Prepaid expenses	14,140	3,185
Accounts payable and accrued liabilities	109,674	121,444
	<u>\$ 169,052</u>	<u>\$ 1,145,358</u>

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 \$128,000, 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 2023.

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17. COMMITMENTS AND CONTINGENCIES

Peru Surupana Silver Property

The Company was previously required to make certain options payments in cash and shares and incur exploration spending as per the option agreement signed in July 2020. During 2022, the Company claimed force majeure due to property access issues and terminated the existing option agreement. See Note 7 for details.