



Q-Gold Resources Ltd.

Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

(Expressed in Canadian Dollars)

Audit. Tax. Advisory.

Independent Auditor's Report

To the Shareholders of Q-Gold Resources Ltd.

Opinion

We have audited the consolidated financial statements of Q-Gold Resources Ltd. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2022 and 2021, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in shareholders' equity (deficiency) and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss during the year ended December 31, 2022 and, as of that date, the Company's current liabilities exceeded its current assets and the Company had a need for financing. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that material uncertainties exist that cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. In addition to the matter described in the Material uncertainty related to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p data-bbox="310 783 747 814"><i>Allowance for expected credit losses</i></p> <p data-bbox="310 850 857 1350">In connection with the loan receivable disclosed in Note 5 of the consolidated financial statements, the Company recognized \$209,923 in expected credit losses. The expected credit loss model is an unbiased and probability-weighted estimate of credit losses expected to occur in the future, which is based on the probability of default and loss given default and or modifications to terms. 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.</p> <p data-bbox="310 1388 837 1652">Auditing the expected credit losses required the application of significant judgment due to the uniqueness of the contractual terms and embedded uncertainties resulting in the loan receivable and the forward-looking nature of the key assumptions, and the inherent interrelationship of the critical variables used in measuring the expected credit losses.</p>	<p data-bbox="883 850 1250 882">Our audit procedures included:</p> <ul data-bbox="883 888 1427 1325" style="list-style-type: none"> <li data-bbox="883 888 1427 951">• Utilizing a valuations expert to assess the methodology and assumptions used; <li data-bbox="883 957 1427 1087">• Evaluating the process used by management to develop forward-looking information and analysis in determining the expected credit loss amount; <li data-bbox="883 1094 1427 1255">• Assessing certain industry information related to private entities, credit risk, and the likelihood of production for mining properties at certain stages of exploration and development; and <li data-bbox="883 1262 1427 1325">• Testing (lack of) collections during subsequent periods.

Other information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risks of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner of the audit resulting in this independent auditor's report is Glen McFarland.

McGovern Hurley LLP



**Chartered Professional Accountants
Licensed Public Accountants**

Toronto, Ontario
May 1, 2023

Q-Gold Resources Ltd.
Consolidated Statements Of Financial Position

(Expressed in Canadian dollars)

As at	December 31, 2022	December 31, 2021
ASSETS		
Current assets		
Cash	\$ 237,436	\$ 44,566
Amounts receivable (Note 4)	136,803	1,071,855
Loan receivable (Note 5)	75,000	250,000
Prepaid expenses	17,118	26,685
Total current assets	\$ 466,357	\$ 1,393,106
Non-current assets		
Equipment (Note 6)	15,170	14,878
Total Assets	\$ 481,527	\$ 1,407,984
LIABILITIES AND SHAREHOLDERS' (DEFICIENCY) EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (Notes 8,12)	1,468,898	\$ 666,716
Loan payable (Note 9)	285,416	255,260
Total Liabilities	\$ 1,754,314	\$ 921,976
Shareholders' (deficiency) equity		
Share capital (Note 10)	\$ 23,074,746	\$ 23,059,946
Warrants (Note 11)	232,109	376,419
Share based payment (Note 11)	218,859	439,495
Deficit	(24,798,501)	(23,389,852)
Total Shareholders' (Deficiency) Equity	\$ (1,272,787)	\$ 486,008
Total Liabilities and Shareholders' (Deficiency) Equity	\$ 481,527	\$ 1,407,984

Nature of operations and going concern (Note 1)

Commitments and contingencies (Notes 7, 17)

Approved by the Board of Directors on May 1, 2023

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

"Andreas Rompel"
 Andreas Rompel, Director

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

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

(Expressed in Canadian dollars)

	Years ended December 31,	
	2022	2021
EXPENSES		
Consultants (Note 12)	\$ 121,811	\$ 273,551
Exploration and evaluation expenditures (Note 7)	1,204,955	1,656,549
Investor relations and filing fees	68,481	62,843
Office expenses	79,646	88,134
Professional fees	58,336	65,383
Share based payments (Note 11)	199,439	179,170
Travel	9,941	4,444
Total expenses	\$ 1,742,609	\$ 2,330,074
Other income (expense)		
Expected credit loss on loan and interest receivable	\$ (209,923)	-
Foreign exchange gain (loss)	(10,840)	(2,307)
Interest expense	(28,846)	(1,349)
Interest expense on flow through expenditure	(10,816)	(8,199)
Interest income	30,000	20,556
Total other (expense) income	(230,425)	8,701
Net loss and comprehensive loss	\$ (1,973,034)	\$ (2,321,373)
Loss per share		
- basic and diluted	\$ (0.04)	\$ (0.05)
Weighted average number of shares		
- basic and diluted	55,815,476	45,278,562

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

Q-Gold Resources Ltd.

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 7, 10)	250,000	15,000	-	-	-	15,000
Share issue costs (Note 10)	-	(200)	-	-	-	(200)
Options granted (Note 11)	-	-	-	199,439	-	199,439
Options expired unexercised (Note 11)	-	-	-	(207,075)	207,075	-
Options cancelled (Note 11)	-	-	-	(213,000)	213,000	-
Warrants expired unexercised (Note 11)	-	-	(144,310)	-	144,310	-
Net loss for the year	-	-	-	-	(1,973,034)	(1,973,034)
Balance at December 31, 2022	55,998,695	\$ 23,074,746	\$ 232,109	\$ 218,859	\$ (24,798,501)	\$ (1,272,787)
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 7, 10)	250,000	55,000	-	-	-	55,000
Shares issued from private placement (Note 10)	1,666,667	250,000	-	-	-	250,000
Flow-through shares issued (Note 10)	9,090,909	1,000,000	-	-	-	1,000,000
Warrants issued (Note 11)	-	(232,109)	232,109	-	-	-
Share issue costs (Note 10)	-	(8,750)	-	-	-	(8,750)
Options granted (Note 11)	-	-	-	232,420	-	232,420
Options expired unexercised (Note 11)	-	-	-	(137,714)	137,714	-
Net loss for the year	-	-	-	-	(2,321,373)	(2,321,373)
Balance at December 31, 2021	55,748,695	23,059,946	376,419	439,495	(23,389,852)	486,008

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

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

	Years ended December 31,	
	2022	2021
Cash (used in) provided by:		
Operating activities		
Net loss for the year	\$ (1,973,034)	\$ (2,321,373)
Adjustments for items not affecting cash		
Share based payments (Note 11)	199,439	179,170
Shares issued for property acquisition (Note 7,10)	15,000	55,000
Interest income (Note 5)	(30,000)	(19,890)
Interest expense	28,846	7,385
Interest expense on flow through shares	10,816	1,349
Depreciation expense (Notes 6, 7)	5,963	4,239
Provision on loan and interest receivable	209,923	-
Changes in non-cash working capital (Note 16)	732,372	127,790
Net cash (used in) operating activities	\$ (800,675)	\$ (1,966,330)
Investing activities		
Loan (Note 5)	-	(250,000)
Equipment purchased (Note 6)	(6,255)	(19,117)
Net cash (used in) provided from investing activities	\$ (6,255)	\$ (269,117)
Financing activities		
Proceeds from loans payable (Note 9)	-	250,000
Flow-through funds received (Notes 10, 16)	1,000,000	-
Non flow-through unit issued (Note 10)	-	250,000
Change in proceeds receivable	-	1,335,000
Share issue costs (Note 10)	(200)	(2,500)
Net cash provided from financing activities	\$ 999,800	\$ 1,832,500
Increase (decrease) in cash during the year	\$ 192,870	\$ (402,947)
Cash, beginning of year	44,566	447,513
Cash, end of year	\$ 237,436	\$ 44,566
Supplemental Disclosure		
Interest paid	\$ 10,816	\$ 8,199.00
Shares issued for property acquisition (Note 7,10)	\$ 15,000	\$ 55,000
Share subscription and warrants exercised receivable (Note 4, 10)	\$ -	\$ 1,000,000

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

Q-Gold Resources Ltd.
Notes to the Consolidated Financial Statements
For the years ended December 31, 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 December 31, 2022, Q-Gold has a working capital (deficiency) of (\$1,287,957) (December 31, 2021 – \$471,130), a deficit of \$24,798,501 (December 31, 2021 - \$23,389,852) and incurred a net loss of \$1,973,034 (2021 - \$2,321,373) for the year ended December 31, 2022. 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 years ended December 31, 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 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 May 1, 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.

Q-Gold Resources Ltd.
Notes to the Consolidated Financial Statements
For the years ended December 31, 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.

Foreign currency transactions

The functional currency of an entity is the currency of the primary economic environment in which the entity operates. The Canadian dollar has been determined as the functional currency of the Company and all subsidiaries and it 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. Foreign currency transactions are translated into the functional currency of the entity in which they occur using the exchange rates prevailing at the dates of transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation of monetary assets and liabilities denominated in currencies other than functional currency at period-end exchange rates are recognized in the consolidated statement of loss.

Equipment

Equipment is carried at cost, less accumulated depreciation and impairment losses. Equipment is depreciated at 30% over its estimated useful life using the declining balance method.

Impairment of non-financial assets

At the end of each reporting period, the Company reviews and evaluates the recoverable amount of its property and equipment and when events or changes in circumstances indicate that the carrying amounts of related assets or groups of assets might not be recoverable.

For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). The recoverable amount is the higher of an asset's fair value less costs to sell and value in use (being the present value of the expected future cash flows of the relevant asset). Any resulting write-down of the excess of carrying value over the recoverable amount is charged to the consolidated statement of loss.

Q-Gold Resources Ltd.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2022 and 2021
(Expressed in Canadian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Exploration and evaluation expenditures

Exploration and evaluation expenditures comprise costs of the initial search for mineral deposits and performing a detailed assessment of deposits that have been identified as having economic potential. Exploration and evaluation costs are expensed as incurred and included in the consolidated statement of loss until technical feasibility and commercial viability of extraction of reserves are demonstrable. Once a mine development decision has been made by the Company, subsequent expenditures incurred to develop the mine are capitalized to mine development assets. Exploration and evaluation costs include an allocation of administration and salary costs as determined by management.

Financial instruments

Financial assets

Initial recognition and measurement

Non-derivative financial assets within the scope of IFRS 9 are classified and measured as “financial assets at fair value”, as either fair value through profit or loss (“FVPL”) or fair value through other comprehensive income (“FVOCI”), and “financial assets at amortized costs”, as appropriate. The Company determines the classification of financial assets at the time of initial recognition based on the Company’s business model and the contractual terms of the cash flows.

All financial assets are recognized initially at fair value plus, in the case of financial assets not at FVPL, directly attributable transaction costs on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Subsequent measurement – financial assets at amortized cost

After initial recognition, financial assets measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the Effective Interest Rate (“EIR”) method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in the consolidated statements of loss. The Company’s cash and amounts receivable and loan receivable are recorded at amortized cost.

Subsequent measurement – financial assets at FVPL

Financial assets measured at FVPL include financial assets management intends to sell in the short term and any derivative financial instrument that is not designated as a hedging instrument in a hedge relationship. Financial assets measured at FVPL are carried at fair value in the consolidated statements of financial position with changes in fair value recognized in other income or expense in the consolidated statements of loss. The Company does not measure any financial assets at FVPL.

Subsequent measurement – financial assets at FVOCI

Financial assets measured at FVOCI are non-derivative financial assets that are not held for trading and the Company has made an irrevocable election at the time of initial recognition to measure the assets at FVOCI. The Company does not measure any financial assets at FVOCI.

After initial measurement, investments measured at FVOCI are subsequently measured at fair value with unrealized gains or losses recognized in other comprehensive income or loss in the consolidated statements of comprehensive loss. When the investment is sold, the cumulative gain or loss is not reclassified to profit or loss. Dividends from such investments are recognized in other income in the consolidated statements of loss when the right to receive payments is established.

Q-Gold Resources Ltd.
Notes to the Consolidated Financial Statements
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2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Derecognition

A financial asset is derecognized when the contractual rights to the cash flows from the asset expire, or the Company no longer retains substantially all the risks and rewards of ownership.

Impairment of financial assets

The Company's only financial assets subject to impairment are amounts receivable and loan receivable, which are measured at amortized cost. The Company has elected to apply the simplified approach to impairment as permitted by IFRS 9, which requires the expected lifetime loss to be recognized at the time of initial recognition of the receivable. To measure estimated credit losses, accounts receivable have been grouped based on shared credit risk characteristics, including the number of days past due. An impairment loss is reversed in subsequent periods if the amount of the expected loss decreases and the decrease can be objectively related to an event occurring after the initial impairment was recognized.

For financial assets measured at amortized cost, the Company recognizes lifetime expected credit losses ("ECL") when there has been a significant increase in credit risk since initial recognition. If the credit risk on such financial instruments has not increased significantly since initial recognition, the Company measures the loss allowance on those financial instruments at an amount equal to 12-month ECL.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial asset. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial asset that are possible within 12 months after the reporting date. In assessing whether the credit risk on a financial asset has increased significantly since initial recognition, the Company compares the risk of default on the financial asset at the reporting date with the risk of default occurring at the initial recognition. The Company considers both quantitative and qualitative factors that are supportable, including historical experience and forward-looking information that is available without undue cost or effort.

Irrespective of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise. The Company presumes that the credit risk on a financial asset has not increased significantly since initial recognition if the financial asset is determined to have low credit risk at the reporting date.

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Financial liabilities

Initial recognition and measurement

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVPL as is the case for held for trading or derivative instruments, or the Company has opted to measure the financial liability at FVPL. The Company's financial liabilities include accounts payable and accrued liabilities and loan payable which are measured at amortized cost. All financial liabilities are recognized initially at fair value and in the case of long-term debt, net of directly attributable transaction costs.

Q-Gold Resources Ltd.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2022 and 2021
(Expressed in Canadian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent measurement – financial liabilities at amortized cost

After initial recognition, financial liabilities measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in the consolidated statement of loss.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires with any associated gain or loss recognized in other income or expense in the consolidated statements of loss.

Cash

Cash comprised of cash on hand and deposits. Deposits within Canada are held in Canadian chartered banks or in financial institutions controlled by a Canadian chartered bank. Deposits within Peru are held in financial institutions controlled by Spanish chartered banks.

Prepaid expenses

Prepaid expenses represent payments made or obligations incurred in advance of the receipt of goods or rendering of services. Prepaid expenses are typically included in other current assets on the consolidated statement of financial position.

Provisions

General

Provisions are recognized when (a), the Company has a present obligation (legal or constructive) as a result of a past event, and (b), it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the consolidated statement of operations, net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Rehabilitation provision

The Company records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation and re-vegetation of affected areas.

The obligation generally arises when the asset is installed or the ground / environment is disturbed at the production location. When the liability is initially recognized, the present value of the estimated cost is capitalized by increasing the carrying amount of the related mining assets to the extent that it was incurred prior to the production of related ore. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognized in the consolidated statement of loss as a finance cost. Additional disturbances or changes in rehabilitation costs will be recognized as additions or charges to the corresponding assets and rehabilitation liability when they occur. For closed sites, changes to estimated costs are recognized immediately in the consolidated statement of loss.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

As at December 31, 2022 and 2021, the Company determined that it has no material rehabilitation obligations related to its assets.

Revenue recognition

Revenue from interest income is recognized when earned.

Operating segments

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

Loss per share

Basic loss per share is calculated by dividing loss attributable to common shareholders by the weighted average number of common shares outstanding for the year. In the event of the Company reporting net profit, the diluted loss per share will be similar to basic loss per share, except that the denominator will be increased to include the number of additional shares that would have been outstanding if the dilutive potential common shares in connection with the issued share options and warrants had been issued using the treasury stock method. The Company's options and warrants were anti-dilutive for the years ended December 31, 2022 and 2021.

Income taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes and the initial recognition of assets or liabilities that affect neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Share based payments

Share based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured and are recorded at the date the goods or services are received.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The fair value of share based payments is determined using the Black-Scholes option pricing model. The expense is recognized over the period during which the options vest based on the estimate of equity instruments expected to vest. Upon exercise of the stock options, consideration paid by the option holder together with the amount previously recognized in the share based payment reserve is recorded as an increase to share capital. Unexercised expired stock options are transferred to deficit.

Warrants

Warrants are recognized at fair value on the date of grant and are measured using the Black-Scholes option pricing model. Upon exercise of warrants, consideration paid by the warrant holder together with the amount previously recognized in warrants is recorded as an increase to share capital. Unexercised expired warrants are transferred to deficit.

Contingencies

In assessing loss contingencies related to legal proceedings that are pending or unasserted claims that may result in such proceedings, the Company and its legal counsel evaluate the perceived merits of any legal proceedings or unasserted claims and the amount of relief sought or expected to be sought.

If the assessment of a contingency suggests that a loss is probable, the amount can be reliably estimated, and there is a present obligation as a result of a past event, then a loss is recorded. The details of a contingent loss are disclosed unless the possibility of any outflow in settlement is remote. Legal fees incurred with pending legal proceedings are expensed as incurred.

Flow-through shares

The resource expenditure deductions for income tax purposes related to Q-Gold's Canadian exploratory and development activities funded by flow-through share arrangements are renounced to investors in accordance with Canadian tax legislation. Under IFRS, the amount initially recorded in share capital is limited to the amount of common shares that would have been issued on that date and the difference between the actual proceeds and the amount recorded in share capital is set up as a deferred price premium on flow-through shares. When the expenditures are incurred, the related deferred price premium on flow-through shares is reversed and the related tax affect is recorded to the future tax liability. The difference between the deferred tax benefits and the original liability recorded is recognized in the consolidated statement of loss. The Company indemnified the subscribers of current and previous flow-through share offerings against any tax-related amounts that become payable by the shareholder as a result of the Company not meeting its expenditure commitments.

Current Accounting Changes

Certain standards changes under IFRS were effective on January 1, 2022. The adoption of these changes had no material impact on the Company's consolidated financial statements.

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.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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.

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3. CRITICAL ACCOUNTING ESTIMATES AND MANAGEMENT JUDGMENTS (CONTINUED)

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.

- 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.

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3. CRITICAL ACCOUNTING ESTIMATES AND MANAGEMENT JUDGMENTS (CONTINUED)

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

	December 31, 2022	December 31, 2021
Sales taxes	\$ 121,836	\$ 51,965
Flow-through unit subscription and warrant exercise (Note 10)	-	1,000,000
Others (Note 5)	14,967	19,890
	\$ 136,803	\$ 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, 2023. As at December 31, 2022, 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.

Accrued interest of \$14,967 for the year ending December 31, 2022 (2021 - \$19,890) 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 December 31, 2022, the borrower was controlled by a corporation that had an officer and director in common with the Company.

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6. EQUIPMENT

Costs	Equipment
Balance as at December 31, 2021	\$ 19,117
Additions	6,255
Balance December 31, 2022	\$ 25,372
Accumulated depreciation, depletion and impairment	
Balance December 31, 2021	\$ (4,239)
Changes for the period	(5,963)
Balance December 31, 2022	\$ (10,202)
Net book value as at December 31, 2021	\$ 14,878
Net book value as at December 31, 2022	\$ 15,170

7. EXPLORATION AND EVALUATION EXPENDITURES

	Years ended December 31,	
	2022	2021
<u>Q-Gold Ontario properties</u>		
Assay	\$ 34,016	\$ 101,085
Consulting and labour	505,333	394,237
Claims	25,715	13,204
Depreciation	5,963	4,239
Drilling	313,807	508,424
Field expenses	46,176	52,190
Land and property taxes	1,852	6,717
Rent for core shacks	13,250	11,810
Surveying	56,448	229,005
Travel	49,777	16,724
	\$ 1,052,337	\$ 1,337,635
<u>Q-Gold Peru properties</u>		
Acquisition	\$ 61,171	\$ 80,462
Consulting and labour	88,239	194,256
Field office support	947	1,769
Field expenses	736	5,668
Health and safety	46	1,887
Legal	-	25,384
Travel	1,479	9,488
	\$ 152,618	\$ 318,914
Expenditures	\$ 1,204,955	\$ 1,656,549

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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 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 (paid); \$25,000 on or before 36 months from Closing; and \$75,000 on or before 48 months from Closing); As at December 31, 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 December 31, 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. SAIS Sollocota is in substance, the local community that regulates physical access to the property.

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8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2022		December 31, 2021
Trade payables	\$ 1,181,056	\$	606,519
Accruals	277,026		58,848
Part XII.6 interest accrual	10,816		1,349
	\$ 1,468,898	\$	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. Principal plus accrued interest are due and payable on or before October 31, 2023. 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 December 31, 2022 the loan principal of \$250,000 (December 31, 2021 - \$250,000) plus accrued interest of \$35,416 (December 31, 2021 - \$5,260) 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.

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, December 31, 2022	\$ 55,998,695	\$	23,074,746

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10. SHARE CAPITAL (continued)

b) Issued and outstanding shares

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 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). Subsequent to December 31, 2021, the amount was collected.

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, 2020	2,175,000	\$ 0.23	\$ 344,789	1,132,500	\$ 0.59	\$ 144,310
Granted	1,140,000	\$ 0.24	232,420	6,212,121	0.20	232,109
Expired	(800,000)	\$ 0.20	(137,714)	-	-	\$ -
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

Warrants

As at December 31, 2022 the Company had warrants outstanding as follows:

	Grant date	Expiry date	Number outstanding	Exercise price	Grant date fair value
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
			6,212,121		\$ 232,109

Subsequent to the year 1,666,667 warrants expired.

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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 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 a 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 December 31, 2022, was 4.44 years (December 31, 2021 – 2.12 years).

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11. RESERVES (CONTINUED)

As at December 31, 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	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	2,955,000	2,955,000	\$0.07	\$ 187,052
		3,220,000	3,220,000		\$ 218,860

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 December 31, 2022, the Company had a payable balance of \$418,532 (December 31, 2021 - \$265,155) to 2227929 Ontario Inc. to cover shared expenses. Amounts owing are unsecured, non-interest bearing and due on demand.

As at December 31, 2022, included in accounts payable is \$30,000 (December 31, 2021 - \$nil) 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:

	Years ended	
	December 31,	
	2022	2021
Short-term benefits	\$ 156,500	\$ 271,000
Share based payments	153,010	53,250
	\$ 309,510	\$ 324,250

Included in accounts payable and accrued liabilities as at December 31, 2022 is approximately \$78,114 (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:

13. FINANCIAL INSTRUMENTS (continued)

- 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 December 31, 2022 and 2021 were as follows:

	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)
	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. 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 December 31, 2022 was \$211,803 (December 31, 2021 - \$1,321,855). 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 years ended December 31, 2022 and 2021.

As at December 31, 2022, Q-Gold had a working capital (deficiency) of (\$1,287,957) (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 NON-CASH WORKING CAPITAL

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

	Years ended	
	December 31,	
	2022	2021
Amounts receivable	\$ 930,129	\$ (15,088)
Prepaid expenses	9,567	(14,787)
Accounts payable and accrued liabilities	792,676	157,665
	\$ 1,732,372	\$ 127,790

For the year ended December 31, 2022, \$1,000,000 of cash was provided from receipt of flowthrough receivables, which netted to \$732,372 of changes in non cash working capital.

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 \$145,000, all due within one year.

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17. COMMITMENTS AND CONTINGENCIES (CONTINUED)

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.

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. During 2022, the Company claimed force majeure due to property access issues. 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 was committed to incurring Canadian Exploration Expenditures of \$1,000,000 by December 31, 2022. Through December 31, 2022, the Company had incurred \$1,000,000 in eligible exploration expenditures which left a \$nil expenditure commitment to be made by December 31, 2022. Certain interpretations are required to assess the eligibility of flow-through expenditures that if changes, could result in the denial of renunciation. 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.

18. INCOME TAXES

a) Provision for income taxes

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% (2021 - 26.5%) to the effective tax rate is as follows:

	2022	2021
	\$	\$
(Loss) before income taxes	(1,973,034)	(2,321,373)
Expected income tax recovery based on statutory rate	(523,000)	(615,000)
Adjustment to expected income tax recovery:		
Share based compensation	53,000	47,000
Flow-through renunciation	265,000	225,000
Expenses not deductible for tax purposes	(78,000)	55,000
Change in benefit of tax assets not recognized	283,000	288,000
Deferred income tax provision (recovery)	-	-

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18. INCOME TAXES (CONTINUED)

b) **Deferred income tax**

Deferred income tax assets have not been recognized in respect of the following deductible temporary differences:

	2022	2021
	\$	\$
Non-capital loss carry-forwards (Canada)	6,066,000	5,499,000
Non-capital loss carry-forwards (Peru)	193,000	-
Equipment	10,000	4,000
Share issue costs	18,000	29,000
Exploration and evaluation expenditures	1,700,000	1,370,000
Total	7,987,000	6,902,000

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can use the benefits.

The Company also expects to have tax losses in its US subsidiary that have not been recognized.

As at December 31, 2022, the Company had estimated non-capital losses for Canadian income tax purposes of approximately \$6,066,000 (2021 - \$5,499,000) available to use against future taxable income. The non-capital losses expire between 2026 to 2042.

As at December 31, 2022, the Company had estimated non-capital losses for Peru of approximately \$193,000 (2021 - \$nil) available to use against 50% of the future taxable income in subsequent years. The non-capital losses do not expire.