Q-GOLD RESOURCES LTD.

Consolidated Financial Statements
(Unaudited – Prepared by Management)

For the three months ended March 31, 2014
[Expressed in Canadian Dollars]

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

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

The accompanying unaudited interim consolidated financial statements of the Corporation have been prepared by management and approved by the Board of Directors of the Corporation.

The Corporation's independent auditors have not performed a review of these consolidated financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditors.

Q-GOLD RESOURCES LTD.

STATEMENT OF FINANCIAL POSITION

		March 31 2014		December 31 2013
ASSETS				
Current Assets				
Cash and cash equivalents	$	47,208	$	51,884
Accounts receivable		697		5,987
Prepaid expenses		148		595
		48,051		58,466
Property Plant and Equipment (Note 6)		21,622		23,375
	$	**69,673**	**$**	**81,841**
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current Liabilities				
Accounts payable and accrued liabilities (Note 4)	$	489,876	$	476,318
Share subscriptions payable (Note 8)		118,000		98,000
Promissory notes payable (Notes 4 and 7)		107,723		106,521
		715,599		680,839
Total Liabilities	**$**	**715,599**	**$**	**680,839**
Share capital (Issued 16,251,970 shares) (Note 8)	$	14,680,378		14,683,899
Reserve for warrants (Note 8)		1,030,238		1,030,238
Reserve for share based payments (Note 8)		1,756,201		1,756,201
Deficit		(18,112,743)		(18,069,336)
		(645,926)		(598,997)
	$	**69,673**	**$**	**81,841**

The accompanying notes are an integral part of the consolidated financial statements

APPROVED ON BEHALF OF THE BOARD:

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

"J. Bruce Carruthers II"
J. Bruce Carruthers II, Director

Q-GOLD RESOURCES LTD.

CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

	Three Months Ended March 31, 2014	2013
REVENUE		
Interest income	$ -	$ -
Other income	-	-
	-	-
EXPENSE		
Accounting	$ -	$ -
Amortization	1,753	2,394
Arizona mineral exploration properties (Note 5)	7,431	49,314
Compliance agency fees	5,689	8,166
Consultants	5,500	-
Insurance	-	5,896
Interest	3,627	4,170
Legal fees	-	1,958
Miscellaneous expenses	-	-
Office (Note 4)	25,695	58,796
Ontario mineral exploration properties (Note 5)	6,334	2,224
Promotion and investor relations	132	2,164
Share based compensation (Note 8)	-	-
Travel	-	924
	56,162	136,006
NET LOSS FROM OPERATIONS	(56,162)	(136,006)
OTHER INCOME (expense)		
Foreign exchange gain (loss)	12,755	44,165
COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	**(43,407)**	**(91,841)**
DEFICIT, BEGINNING OF PERIOD	(18,069,336)	(17,717,524)
DEFICIT, END OF PERIOD	$ (18,112,742)	$ (17,809,365)
Basic loss per share	$ (0.01)	$ 0.02
Weighted average number of shares	16,251,970	5,741,153

The accompanying notes are an integral part of the consolidated financial statements

Q-GOLD RESOURCES LTD.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	SHARE CAPITAL			RESERVES							
	NUMBER OF SHARES		AMOUNT ($)		WARRANTS		SHARE BASED PAYMENTS		ACCUMULATED DEFICIT (As Restated)		TOTAL
Balance at January 1, 2013	**11,140,862**	**$**	**14,365,950**	**$**	**1,030,238**	**$**	**1,756,201**	**$**	**(17,717,524)**	**$**	**(565,135)**
Shares issued during the period	694,442		62,500		-		-		-		62,500
Share issuance costs	-		(5,464)		-		-		-		(5,464)
Total comprehensive loss for the period	-		-		-		-		(91,841)		(91,841)
Balance at March 31, 2013	**11,835,304**	**$**	**14,422,986**	**$**	**1,030,238**	**$**	**1,756,201**	**$**	**(17,809,365)**	**$**	**(599,940)**
Shares issued during the period	4,416,666		265,000		-		-		-		265,000
Share issuance costs	-		(4,088)		-		-		-		(4,088)
Total comprehensive loss for the period	-		-		-		-		(259,971)		(259,971)
Balance at December 31, 2013	**16,251,970**	**$**	**14,683,898**	**$**	**1,030,238**	**$**	**1,756,201**	**$**	**(18,069,336)**	**$**	**(598,999)**
Shares issued during the period	-		-		-		-		-		-
Share issuance costs	-		(3,521)		-		-		-		(3,521)
Total comprehensive loss for the period	-		-		-		-		(43,407)		(43,407)
Balance at March 31, 2014	**16,251,970**	**$**	**14,680,378**	**$**	**1,030,238**	**$**	**1,756,201**	**$**	**(18,112,743)**	**$**	**(645,926)**

The accompanying notes are an integral part of the consolidated financial statements

Q-GOLD RESOURCES LTD.

CONSOLIDATED STATEMENT OF CASH FLOWS

		March 31 2014		March 31 2013
Cash was provided by (used for)				
Operating activities				
Net income (loss) for the period	$	(43,407)	$	(91,841)
Adjustments for items not affecting cash				
Amortization of property, plant and equipment		1,752		2,394
Unrealized foreign exchange gain (loss)		2,144		-
Working capital used by operating activities		**(39,510)**		**(89,447)**
Changes in non-cash operating working capital (Note 11)		37,153		(4,321)
Cash used by Operations		**(2,356)**		**(93,768)**
Investing activities				
Amounts received from related parties (Note 4)		**-**		**-**
Financing activities				
Proceeds from debt financings		1,202		13,882
Net proceeds from equity financings (Note 8)		(3,521)		58,726
		(2,319)		**72,608**
Change in cash (Decrease)		(4,676)		(21,160)
Cash, beginning of period		51,884		22,210
Cash, end of period	**$**	**47,208**	**$**	**1,050**
Supplemental Disclosure				
Taxes paid	$	-	$	-
Interest paid	$	3,627	$	1,958

The accompanying notes are an integral part of the consolidated financial statements

1. CORPORATE INFORMATION

Q-Gold Resources Ltd. ("Q-Gold" or the “Company”) was originally incorporated under the name Solana Petroleum Corp. under the Business Corporations Act (Alberta) on March 25, 1998. The private company restrictions were removed by Certificate of Amendment dated April 6, 1998. As part of its restructuring, Q-Gold changed its name on January 21, 2004 to Q-Gold Resources Ltd. The Company continued into British Columbia from the jurisdiction of Alberta, effective December 30, 2011. The Company’s registered office is located at 700 - 401 West Georgia Street, Vancouver, British Columbia, CANADA, V6B 5A1, and its records office is located c/o Mineral Creek Resources Inc., 809 West Riordan Road, Suite 100-391, Flagstaff, Arizona, USA, 86001.

Q-Gold is a mineral exploration company focused on exploring and developing mineral properties in Canada and the United States. Q-Gold is in the process of exploring its properties and has not yet identified a commercial 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.

2. BASIS OF PRESENTATION

Statement of compliance

The consolidated financial statements have been prepared by management and reported in Canadian dollars in accordance with International Financial Reporting Standards (IFRS)

These consolidated financial statements were approved and authorized for issuance by the Board of Directors on May 30, 2014.

Going Concern

These consolidated financial statements do not include any adjustments to the recoverability of assets and classification of liabilities that might be necessary should Q-Gold be unable to continue as a going concern. Several adverse conditions cast substantial doubt on the validity of this assumption. As at March 31, 2014 Q-Gold has a working capital deficit of $ 667,548 (December 31, 2013 - $ 622,374), and a retained deficit of $ 18,112,743 (December 31, 2013 - $ 18,069,336). The continuation of Q-Gold as a going concern is dependent upon the ability of Q-Gold to obtain necessary equity financing to continue operations and to determine the existence, discovery and successful exploitation of economically recoverable reserves in its mineral properties, confirmation of Q-Gold’s interests in the underlying properties and the attainment of profitable operations or realize proceeds from their sale. Q-Gold may periodically have to raise additional funds to fund projects and continue operations and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future. Management believes Q-Gold will obtain the funding required to maintain current levels of operations and continue as a going concern for the following year.

2. BASIS OF PRESENTATION (continued)

Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency.

Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis except for financial instruments and share based payment transactions that are measured at fair value.

Use of estimates

The preparation of financial statements, in accordance with IFRS, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from estimates.

Significant accounts that require estimates as the basis for determining the stated amounts include equipment and amounts recorded for amortization, impairment of mineral properties, share based compensation, fair value of brokers warrants, valuation allowance against future income tax assets and foreign currency transactions.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements. The accounting policies have been applied consistently by Company's entities.

a) Consolidation

These consolidated financial statements include the accounts of the Q-Gold Resources Ltd. and its wholly owned subsidiaries, Q-Gold (Ontario) Ltd., and Mineral Creek Resources Inc. Some of Q-Gold's exploration and development activities are conducted jointly with others and accordingly, these consolidated financial statements reflect only Q-Gold's proportionate interest in such activities.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Equipment

Equipment is recorded at cost as is amortized over its estimated useful life using the declining balance method on a quarterly basis using the following annual rates:

Automotive	30%
Computer equipment	30%
Field equipment	30%
Office equipment	30%

Amortization is calculated on additions in the quarter that they were purchased.

c) Mineral properties

Exploration costs and mineral properties maintenance costs incurred to the date of establishing that a property has reserves, which have the potential of being economically recoverable, are charged against earnings. Further costs are deferred once economically recoverable reserves have been determined and, upon reaching commercial production, amortized over periods not exceeding the life of the producing mine and property. Properties acquired under joint venture agreement are charged against earnings.

Properties that are sold under joint venture agreement are a reduction of costs incurred on properties.

d) Asset retirement obligation

Q-Gold recognizes an estimate of the liability associated with an asset retirement obligation (ARO) in the consolidated financial statements at the time the liability is incurred. The estimated fair value of the ARO is recorded as a long-term liability, with a corresponding increase in the carrying amount of the related asset. The liability amount is increased each reporting period due to the passage of time and the amount of accretion is charged to earnings in the period. The ARO can also increase or decrease due to changes in the estimates of timing of cash flows or changes in the original estimated undiscounted cost. Actual costs incurred upon settlement of the ARO are charged against the ARO to the extent of the liability recorded. As at March 31, 2014, Q-Gold has determined that it has no material AROs.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Income taxes

Income tax expense is comprised of current and deferred tax. Income tax expense is recognized in the statement of earnings and comprehensive income except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Deferred tax is recognized on the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

f) Flow-through shares

The resource expenditure deductions for income tax purposes related to Q-Gold's 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 as a deferred tax expense in the statement of comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Foreign currency translation

The reporting currency of Q-Gold is the Canadian dollar. Amounts recorded in foreign currency are translated into Canadian dollars as follows:

(i) Monetary assets and liabilities, at the exchange rate in effect at the balance sheet date;
(ii) Non-monetary assets, at historical exchange rates; and
(iii) Revenue and expenses, at the rate of exchange on the date of the transaction.

Gains and losses arising from the translation of foreign currency are included in net loss for the year.

h) Loss per share

Basic loss per share is calculated by dividing net loss available to the shareholders by the weighted average number of common shares outstanding during the year. Diluted loss per share is calculated to reflect the dilutive effect of exercising outstanding stock options by application of the treasury stock method.

i) Share-based compensation

Q-Gold accounts for share based compensation using the fair value based method with respect to all share based payments to directors, employees and non-employees, including awards that are direct awards of stock and call for settlement in cash or other assets, or stock appreciation rights that call for settlement by the issuance of equity instruments. Under this method, share based payments are recorded as an expense over the vesting period or when the awards or rights are granted with a corresponding increase to reserve for share based payments. When stock options are exercised, the corresponding fair value is transferred from reserve for share based payment to share capital.

j) Warrants

Q-Gold has adopted the relative fair value approach in accounting for the value assigned to the common shares and the warrants, which it has made available in a number of private placement financings.

k) Financial instruments

(i) *Non-derivative financial assets*

The Company initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit and loss (FVTPL)) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company's marketable securities are classified as FVTPL. Marketable securities held in companies with an active market are classified as current assets at fair value. Upon initial recognition, material transaction costs are recognized in profit or loss as incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets at FVTPL are measured at fair value, and changes therein are recognized in profit or loss.

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Loans and receivables comprise accounts receivable, prepaid expenses and loans to related parties.

Cash and cash equivalents are classified as FVTPL and are accounted for at fair value. Cash equivalents are comprised of cash balances and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

(ii) *Non-derivative financial liabilities*

The Company has the following non-derivative financial liabilities: accounts payable, notes payable and refundable deposits. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

l) Impairment

(i) *Financial assets*

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measure at amortized cost, this reversal is recognized in profit or loss.

(ii) *Non-financial assets*

Non-financial assets are evaluated at least annually by management for indicators that carrying value is impaired and may not be recoverable. When indicators of impairment are present the recoverable amount of an asset is estimated.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Revenue recognition

Revenue from interest income is recognized when received. Although the Company does not currently have any revenues from the production and sale of precious metals, it has adopted the policy that revenues will be recognized when title passes to the buyer, which will generally coincide with the delivery and acceptance of goods, and the ability to collect is reasonably assured.

n) Accounting Standards Issued but not yet Applied

The Corporation has assessed the impact of the following standards and amendments and has determined that the adoption of the standards is not expected to have any material impact to the Corporation. The standards are to be adopted by required compliance date unless otherwise noted with earlier adoption permitted. A brief description of each new standard is listed below:

(i) IAS 32, Financial Instruments (amended 2011), is required to be applied for periods beginning on or after January 1, 2014.

(ii) IFRS 9, Financial Instruments, no longer has a required compliance date as the International Accounting Standards Board decided that the previous mandatory effective date of January 1, 2015, would not allow sufficient time for entities to prepare to apply the new standard because the impairment phase of the IFRS 9 project has not yet been completed. Accordingly, the International Accounting Standards Board decided that a new date should be decided upon when the entire IFRS 9 project is closer to completion.

4. DUE FROM RELATED PARTIES AND RELATED PARTY TRANSACTIONS

During the three months ended March 31, 2014, pursuant to compensation agreements with related parties, Q-Gold paid the following fees:

a) Q-Gold recorded deferred payments to its Chief Financial Officer of $ 10,346 (2013 - $19,674).

b) Q-Gold recorded deferred payments to its Chief Executive Officer of $ 10,346 (2013 – $ 19,674).

These agreements were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

5. MINERAL PROPERTIES AND COMMITMENTS

a) Arizona Gold Properties

During 2013, Q-Gold terminated a 5-year option it had to acquire five Federal patents and four Bureau of Land Management ("BLM") Mining Claims.

b) Arizona Silver Properties

On August 5, 2010, Q-Gold executed a 5- year purchase option agreement to acquire two patented claims and six U.S. Bureau of Land Management Mining Claims in Arizona prospective for silver and gold. This purchase option agreement was terminated in 2013.

On March 19, 2011, Q-Gold executed a 5-year purchase option agreement to acquire five patented claims in the Peck Mining District of Arizona. This purchase option agreement was terminated in 2013.

The Company currently holds 13 mineral claims administered by the United States Department of the Interior, Bureau of Land Management in Yavapai County, near Crown King, Arizona.

c) Ontario Properties

On September 24, 2009, Q-Gold entered into an option and joint venture agreement with Upper Canyon Minerals ("UCM"). This joint venture was terminated on December 9, 2010. Pursuant to the provisions of the termination agreement, Q-Gold granted UCM a 7% "carried interest" to production. Upon presentation of a feasibility study by Q-Gold, UCM will have the option to obtain a 7% participating interest in any development project on the Nipigon and Golden Star tracts, formerly contained in the joint venture. Thus, Q-Gold's current interest in the two properties is 93%.

d) Arizona Copper Properties

On August 26, 2008, Q-Gold announced that it had executed a 5-year purchase option agreement on three Arizona base metals properties. During the 3rd Quarter 2012, after geologic review, the two remaining Arizona copper properties under the amended option agreement were relinquished to their owners and the agreement terminated. Therefore, the Company has no further rights or obligations with regard to these properties.

6. PROPERTY PLANT AND EQUIPMENT

	Automotive	Computer equipment	Field equipment	Office equipment	Total
Cost					
January 1, 2013	$ 14,500	$ 9,101	$ 81,527	$ 5,167	$110,295
Additions (disposal) in 2013	---	---	---	---	---
Balance, December 31, 2013	14,500	9,101	81,527	5,167	110,295
Additions (disposal) in 2014	---	---	---	---	---
Balance, March 31, 2014	14,500	9,101	81,527	5,167	110,295
Accumulated amortization					
January 1, 2013	9,158	7,802	57,137	4,278	78,376
Amortization in 2013	998	851	6,229	466	8,544
Balance, December 31, 2013	10,156	8,653	63,366	4,744	86,920
Amortization in 2014	326	34	1,361	32	1,753
Balance, March 31, 2014	10,482	8,687	64,727	4,776	88,672
Net book value, December 31, 2013	4,344	448	18,161	423	23,375
Net book value, March 31, 2014	4,018	414	16,800	391	21,622

7. SHORT TERM LIABILITIES

During 2012, Q-Gold issued unsecured promissory notes, payable to a director of the Company with a 10% financing fee. The outstanding principal balance as of March 31, 2014 was $11,000.

During 2012, Q-Gold issued an unsecured promissory note at an interest rate of 5% per annum. The outstanding principal balance as of March 31, 2014 was $25,000.

During 2012, Q-Gold issued an unsecured promissory note, payable to a family member of the Chief Executive Office of the Company with a 10% finance fee. In event of failure to make full payment, an additional 5% of finance fee per month and a convertible option to receive 10% of the common shares of Mineral Creek Resources Inc. During 2013, the lender agreed to reduce the interest payable on the note to 10% per annum. The outstanding principal balance as of March 31, 2014 was $ 25,133.

During 2012, Q-Gold issued unsecured promissory notes, payable to a third party. The notes accrue interest at a rate of 10% per annum and have an aggregate outstanding principal balance as of March 31, 2014 of $ 46,590.

8. SHARE CAPITAL

a) Authorized

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

	Number of Shares	Amount $
Balance as at January 1, 2013	11,140,862	14,365,951
Shares Issued during 2013	5,111,108	327,500
Share issue costs	--	(9,552)
Balance as at December 31, 2013	16,251,970	14,683,898
Shares Issued during the period	---	---
Share issue costs	---	(3,521)
Balance as at March 31, 2014	16,251,970	14,680,378

The Company closed the second and final tranche of a 9 cent private placement financing on January 16, 2013, resulting in gross proceeds of $62,500. Pursuant to the terms of the private placement, the Company received subscriptions for 694,442 units (“Units”). Each Unit consisting of one common share and one common share purchase warrant of the Company, entitling the holder to acquire one common share of the Company at a price of $0.105 within 24 months of issuance (the “Warrants”). The Warrants are subject to an Acceleration Clause whereby, subject to the closing sales price of the Shares (or the closing bid, if no sales were reported on a trading day) as quoted on the TSX Venture Exchange (or such other stock exchange, quotation system or market on which the Shares are listed and where a majority of the trading volume of the Shares occurs) exceeds $0.30 for a period of 10 consecutive trading days, the Company may, within five days of such event, provide notice by way of press release to the subscriber of early expiry, and thereafter such warrants shall expire on that date which is 30 days from the date such notice is given.

8. SHARE CAPITAL (continued)

As of December 31, 2012, the Company had received $38,000 in funds from subscribers for this second tranche, which is classified on the balance sheet as Share Subscriptions Payable as of December 31, 2012. This liability was cleared from the Company's balance sheet subsequent to the closing of the 2nd tranche on January 16, 2013.

On April 26, 2013, the Company announced it had completed a non-brokered private placement for gross proceeds of $265,000. Pursuant to the terms of the private placement, the Company received subscriptions for 4,416,666 units at six cents each ("Units"). Each Unit consisting of one common share and one common share purchase warrant of the Company, entitling the holder to acquire one common share of the Company at a price of $0.10 within 12 months of issuance (the "Warrants").

c) Stock options

Q-Gold has established a stock option plan for the benefit of directors, officers, employees and consultants of Q-Gold. The exercise price of each option equals the market price of Q-Gold's stock as calculated on the date of the grant. The options can be granted for a maximum term of five years and certain options to employees and consultants vest over periods of time, determined by the board of directors. As at March 31, 2014, 63,750 options were outstanding (2013 – 63,750) under the following terms, which include an expected volatility rate of 130% and a risk free interest rate of 3%:

Number of Shares	Option price $	Grant date	Expiry date
31,250	1.92	June 2, 2010	June 2, 2015
3,750	1.92	July 28, 2010	July 28, 2015
25,000	2.96	September 3, 2010	September 3, 2015
3,750	1.92	April 27, 2011	April 27, 2016

Q-Gold uses the Black-Scholes valuation of stock options. The weighted average contractual years remaining on options as of March 31, 2014 is 1.4 years (December 31, 2013 – 1.6 years).

Stock option transactions and the number of stock options outstanding are summarized as follows:

8. SHARE CAPITAL (continued)

	Number of Options	Weighted Average Exercise Price
Balance January 1, 2013	97,188	$2.25
Options Granted – 2013	--	--
Options Exercised – 2013	--	--
Options Cancelled – 2013	(33,438)	$2.11
Options Expired – 2013	--	--
Balance December 31, 2013	63,750	$2.33
Options Granted – 2014	--	--
Options Exercised – 2014	--	--
Options Cancelled – 2014	--	--
Options Expired – 2014	--	--
Balance March 31, 2014	63,750	$2.33

d) Warrants

Warrants are issued within units of private placements as an incentive to the investor. Using the residual value method, no value was allocated to these warrants within the units. As a result of financings completed in 2012 and 2013, there are warrants outstanding as of March 31, 2014, allowing the purchase of an additional 14,048,942 common shares of Q-Gold under the following terms:

Number of Warrants	Exercise Price $	Expiry date
4,416,666	0.10	April 26, 2014
3,657,000	0.12	September 7, 2014
2,952,500	0.12	October 1, 2014
2,328,334	0.105	November 30, 2014
694,442	0.105	January 16, 2015

8. SHARE CAPITAL (continued)

The following is a continuity schedule of warrants from January 1, 2013 to March 31, 2014:

	Number of Warrants		Estimated Grant Date Fair Market Value
Balance January 1, 2013	9,585,522	$	1,030,238
Granted – 2013	5,111,108		Nil
Expired – 2013	(647,688)		Nil
Balance December 31, 2013	14,048,942	$	1,030,238
Granted – 2014	Nill		Nil
Expired – 2014	Nil		Nil
Balance March 31, 2014	14,048,942	$	1,030,238

e) Share based payments

The following is a continuity of the share based payments from January 1, 2013 to March 31, 2014:

Balance January 1, 2013	**$**	**1,756,201**
Stock-based compensation – 2013		--
Exercise of options – 2013		--
Balance December 31, 2013		**1,756,201**
Stock-based compensation – 2014		--
Exercise of options – 2014		--
Balance March 31, 2014	**$**	**1,756,201**

9. FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS

Q-Gold is exposed to a number of different risks arising from normal course business exposures, as well as Q-Gold's use of financial instruments. These risk factors include liquidity risk and credit risk.

a) Liquidity Risk

Liquidity risk is the risk that Q-Gold will encounter difficulty in meeting its obligations associated with financial liabilities. Q-Gold does not have sufficient working capital to maintain its operations for the next 12 months. Q-Gold may also issue debt, equity, sell assets or use some form of venture financing to access additional capital. As Q-Gold is in the development stage of growth it has no production upon which it could rely on to fund its operations for the exploration of its opportunities.

Financial liabilities consist of accounts payable which are current and will be settled within one year. As of March 31, 2014, $ 307,429 in accounts payable were aged over ninety days, with $ 171,260 being aged 31-90 days and the remaining $ 11,187 being aged less than 30 days.

b) Credit Risk

Credit risk is the risk that counterparty will fail to pay amounts owing or fail to perform an obligation causing a financial loss. Not having a producing asset generating sales and accounts receivable, Q-Gold's credit risk is considered limited as there is no exposure to a single customer or counterparty. Q-Gold 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 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 in relation to the Canadian dollar will, consequently, have an impact upon the reported results of Q-Gold and may also affect the value of Q-Gold's assets and liabilities.

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 at the year-end would not have a material impact on Q-Gold's consolidated financial statements.

10. CAPITAL DISCLOSURES

Q-Gold's capital structure consists of capital deficiency and debt. The primary capital management objectives are to maintain a flexible capital structure which optimizes the costs of capital at acceptable risk to facilitate ongoing development 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.

As at March 31, 2014, Q-Gold had working capital deficit of $ 667,548 (December 31, 2013 - $ 622,374) and long term debt of $ nil (December 31, 2013 - $ nil). Q-Gold currently has no external restrictions.

11. CHANGE IN NON OPERATING WORKING CAPITAL AND SUPPLEMENTARY INFORMATION

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

	March 31 2014	**December 31 2013**
Accounts receivable	$ (2,852)	$7,705
Prepaid expenses	$ 447	$ 11,286
Accounts payable	$ 13,558	$ (36,674)
Share subscriptions repayable	$ 26,000	$ 60,000
	$ 37,153	$ 42,317

12. SEGMENTED INFORMATION

Q-Gold's operations comprise two reporting operating segments engaged in mineral exploration in Canada and the United States. As the operations comprise two operating segments, amounts disclosed in the consolidated financial statements relating to the loss for the year also represent the consolidated segment amounts.

At March 31, 2014 and March 31, 2013, the Company's mineral exploration expenditures and interests were located in:

	March 31, 2014	March 31, 2013
Canada	$ 6,334	$ 58,796
United States of America	$ 7,431	$ 49,314
Total	**$ 13,765**	**$ 108,110**

At March 31, 2014, all of Q-Gold's mineral properties are located in Canada and the United States and substantially all cash is on deposit with Canadian chartered banks in Canadian currency.

13. COMMITMENTS

Q-Gold is required to remit annual claim maintenance payments to the United States Department of the Interior, Bureau of Land Management in the amount of $1,820 for the thirteen mineral claims ($140 per) held by Q-Gold's Arizona subsidiary.

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 will not require additional assessment work credits until 2016.