

# **Q-GOLD RESOURCES LTD.**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**ANNUAL REPORT FOR THE YEAR ENDED DECEMBER 31, 2014**

**DATED April 30, 2015**

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### **GENERAL**

The following Annual Management's Discussion and Analysis ("MD&A") should be read in conjunction with the audited Consolidated Financial Statements for the year ended December 31, 2014 of Q-Gold Resources Ltd. ("Q-Gold", the "Company" or the "Corporation") and the notes thereto.

This MD&A was prepared in conformity with National Instrument 51-102F1 and has been approved by the Corporation's Board of Directors prior to release. Under this Instrument, the Corporation is defined as a "Venture Issuer".

The consolidated financial statements have been audited by Calvista LLP, Professional Accountants, of Calgary, Alberta in accordance with International Financial Report Standards (IFRS), see Note 2 to the Financial Statements. The independent auditors of the Corporation have been appointed by the shareholders of the Corporation.

### **OVERALL PERFORMANCE**

During 2014, Q-Gold continued to focus on identifying and conducting exploration activities on its two historic North American gold and silver mining camps, where it has extensive land holdings in both. However, because of the restriction of available funds for exploration during the year, activities on both properties were modest.

The Company's limited exploration efforts in 2014 were concentrated at Crown King in the prolific Central Arizona Volcanic Belt, which contains an extensive array of volcanogenic massive sulfide (VMS) deposits, mines and precious and base metals prospects. The remaining effort was expended on the Company's 10,000+ acres of contiguous land holdings in the historic (1890-1900) mining camp of Mine Centre, one of Ontario's oldest gold camps. Despite the dearth in available funds for exploration, the Company was able to maintain all of its land position in both the Ontario and Arizona camps, in hopes for better times to come.

Both of these two camps were significant producers of gold (and silver at Crown King) during the 19<sup>th</sup> Century, yet have only incurred minor exploration and production since. Currently all of the above properties are only in the exploration stage, although the Company hopes to establish sufficient precious metals values through comprehensive exploration programs planned in both Arizona and Ontario to move the properties into the pre-feasibility stage. The ultimate goal is the commencement of the development and production of gold and silver in these two politically secure, camps within friendly mining jurisdictions of Arizona and Ontario.

### ***Crown King, Arizona Properties***

Crown King, located in the southern Bradshaw Mountains of Yavapai County, was Arizona's most important gold and silver mining camp from 1870 to 1903. Over 2,000 mines covered the 40 mile extent of the Bradshaws, culminating in the construction of a narrow-gauge railroad from the desert floor to the mountain village of Crown King to haul out the ore. Over 5 million ounces of "bullion" (gold and silver) were extracted under primitive mining methods.

Beginning in 2008, Q-Gold has accumulated an important position in the Peck Mining District, near Crown King, which is famous for its extremely high-grade silver production. Here, the Company currently has 13 prospective U.S. Department of the Interior, Bureau of Land Management ("BLM") mining claims, all located within the prolific Central Arizona Volcanic (VMS) Belt.

Airborne and ground geophysical surveys by the Company, revealed a highly-conductive "tabular body" extending from near-surface to an over 600 metre depth along a 700 metre surface strike length (the "A" anomaly). Based on these results, a Plan of Operations (POO), as required by the U.S. Forest Services (USFS), was submitted for a 6-hole diamond drilling program to test the "A" anomaly. After review and approval of the POO, a drill permit for the program was issued by the USFS. It is anticipated that, subject to available funds, the drill program will be completed during the 3<sup>rd</sup> Quarter of 2015.

### ***Mine Centre, Ontario Properties***

At Mine Centre, the Company has concentrated its efforts over the past few years on delineation drilling of the known gold zones in the historic Foley gold producing mine (5,267 ounces of gold production from 1898-1900) and the McKenzie Gray gold/ silver zone discovered in 2009, where 45 of the 47 holes drilled by Q-Gold encountered the mineralized zone. The properties contain 5 historic gold mines and over 100 gold veins in various widths, many of which remain to be fully-explored.

If market finance conditions permit, additional delineation drilling at both the Foley and the McKenzie Gray is also anticipated in 2015, the latter to further delineate the extent of this sizable gold and silver deposit. The McKenzie Gray mineralized zone can be traced over a strike length on surface for 150m and also plunges to a (drill) depth of 150m. Several geophysical (IP) anomalies adjacent to McKenzie Gray also remain to be drilled.

A second historic mine on Q-Gold's properties, the "Golden Star", produced 10,700 ounces of gold in the late 1890's before surface facilities were destroyed by fire. When funds are available, a drill program, which has been developed, will be implemented to test prospective gold zones beneath the old workings of the Golden Star Mine.

## **RESULTS OF OPERATIONS**

As the Company is currently a mineral exploration company, it did not have any revenues or profits from operations during 2014, or as of the date of this MD&A.

Results from exploration activities, coupled with the price of gold and silver and the availability of exploration financing from Canadian sources, will materially affect any future development plans for the Company's properties. Although the prices of gold and silver are presently at attractive levels, they are subject to severe fluctuations as a result of world events and economic conditions, which are obviously beyond the Company's control.

The primary operational activities for the Company during 2014 consisted of geologic field work and property maintenance programs on the Mine Centre and Crown King Properties (see Overall Performance section, above). The Company incurred expenditures totaling \$ 41,636 (2013 – \$ 59,166) on its Arizona Properties and \$ 42,119 (2013 - \$ 54,474) on its Mine Centre Properties.

Subject to the Company's ability to raise additional funds in 2015, the Company intends to complete an additional delineation diamond drilling and mini-bulk sampling program on its Foley gold mine and McKenzie Gray gold/ silver deposit at Mine Centre. Exploration activities consisting of continuing geophysical surveys on targets revealed by the geophysical surveys and a permitted diamond drilling program on its extensive "A" anomaly near Crown King, are also planned during the second half of 2015, but are subject to the availability of funds.

## **SELECTED ANNUAL INFORMATION**

The financial data shown below (CDN\$) has been reconciled with IFRS (see Note 2 to the Financial Statements).

	<b>2014</b>	<b>2013</b>	<b>2012</b>
<b>Income</b>	33	\$ Nil	\$ 90,078
<b>Income (Loss) from operations</b>	(261,188)	(362,419)	(939,927)
<b>Income (Loss) per Share</b>	(0.02)	(0.02)	(0.16)
<b>Income (Loss) per diluted share</b>	(0.01)	(0.01)	(0.09)
<b>Net Income (Loss) for the Year</b>	(261,453)	(351,812)	(942,231)
<b>Income (Loss) per Share</b>	(0.02)	(0.02)	(0.162)
<b>Total Assets</b>	83,704	81,841	79,702
<b>Total long-term liabilities</b>	Nil	Nil	Nil
<b>Cash dividends</b>	Nil	Nil	Nil

The increased income reported in 2012 was the result of management fees the Company received in connection with a now terminated joint venture proposal on its Arizona silver properties. Losses reported during 2012 were much larger than those reported in 2013 and 2014 due to the depressed financial markets, through which the Company finances its operations. Fundraising activities, principally through private placement equity offerings, finance the Company's exploration programs at Mine Centre and Crown King, the costs of which are expensed and charged against earnings until economically recoverable reserves are established.

Assets reported during the past three years have remained nearly constant.

### **SUMMARY OF QUARTERLY RESULTS**

The following table shows financial results, prepared in accordance with International Financial Reporting Standards (see Note 1 to the Financial Statements), from the Corporation's eight most recently completed quarters (CDN\$):

	2014				2013			
	4 <sup>th</sup> Qtr.	3 <sup>rd</sup> Qtr.	2 <sup>nd</sup> Qtr.	1 <sup>st</sup> Qtr.	4 <sup>th</sup> Qtr.	3 <sup>rd</sup> Qtr.	2 <sup>nd</sup> Qtr.	1 <sup>st</sup> Qtr.
<b>Revenue</b>	33	Nil	Nil	Nil	4	Nil	Nil	Nil
<b>Income (Loss) from operations</b>	(45,157)	(87,068)	(72,801)	(56,162)	(101,894)	(55,682)	(68,837)	(136,006)
<b>Income (Loss) per Share</b>	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.02)
<b>Income (Loss) per diluted share</b>	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)
<b>Net Income (Loss) before Taxes</b>	(94,787)	(87,004)	(36,255)	(43,407)	(146,367)	(38,572)	(75,032)	(91,841)
<b>Net Income (Loss) per Share</b>	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.02)
<b>Net Income (Loss) per diluted share</b>	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)

### **FINANCIAL CONDITION**

For the year ended December 31, 2014, Q-Gold reported a net loss from operations of \$ 261,188 (\$0.02 per share) versus a loss of \$362,419 (\$0.02 per share) in the same period of 2013. Revenue, as reported in the table above, is derived from interest earned on the Company's cash deposited in interest-bearing accounts with financial institutions in Canada

All exploration costs are expensed and charged against earnings until economically recoverable reserves are established. Until Q-Gold can establish economically recoverable reserves and initiate mineral production on its properties, the outlook for both cash flow and profit will be negative. In the near-term, the Corporation anticipates being able to fund much of its 2015 exploration activities, as well as general corporate activities, from equity financings and joint ventures, for which it is actively seeking partners.

### **LIQUIDITY AND CAPITAL RESOURCES**

At December 31, 2014, the Corporation had a working capital deficit of \$499,839 (2013 - \$622,374). The Company's monthly overhead is approximately \$14,185 (2013 - \$20,732), which includes legal and accounting expenditures, requisite filings with the TSX Venture Exchange (the "Exchange") and Securities Commissions and all other general and administrative costs. The 2015 costs of maintaining the Arizona and Ontario Properties in good standing are \$1,820 and \$ Nil, respectively.

The Company is hopeful that the financial markets where it raises money to fund its operations will improve during 2015, allowing it to continue raising the necessary capital to maintain and continue exploration on its principal properties as well as for general and administrative purposes. However, 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.

### **OFF-BALANCE SHEET ARRANGEMENTS**

The Company did not have any off-balance sheet arrangements as of December 31, 2014 and as of the date of this MD&A.

### **ADDITIONAL DISCLOSURES**

For the year ending December 31, 2014, the Corporation incurred expenses on its mineral properties totaling \$ 83,756 (2013 - \$ 113,640). General and Administrative Expenditures for the year totaled \$ 177,466 (2013 - \$ 248,783).

### **OUTSTANDING SHARE DATA**

The Company's authorized capital consists of an unlimited number of common shares ("Common Shares") and an unlimited number of first and second preferred shares ("Preferred Shares"). As a result of private placement equity financings and a one for two share consolidation that was effected in September 2014, a total of 14,673,119 Common Shares were issued and outstanding and 21,252,128 Common Shares on a fully-diluted basis as of the date of this MD&A. No Preferred Shares were issued as of the date of this MD&A,

As of the date of this MD&A, the Company has 31,875 stock options outstanding to Directors, Officers, Employees and Consultants of the Company with option exercise prices ranging from \$3.84 to \$5.92 per share, and expiry dates ranging from June 2, 2015 to April 27, 2016. As a result of completed financings, there are purchase warrants and Agent's Options outstanding, allowing for the purchase of an additional 6,547,134 common shares of the Company, with an exercise price of \$0.10 and an expiration date of March 24, 2016.

### **RELATED PARTY TRANSACTIONS**

During 2014, Q-Gold paid its Chief Financial Officer \$ 33,134 (2013 - \$ 54,587), of which, \$ 10,000 was deferred. During this same period, Q-Gold paid its Chief Executive Officer \$ 6,627 (2013 – \$ 55,928), all of which was deferred.

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.

As at December 31, 2014, \$ 68,062 (2013 – \$ 76,919) included the accounts payable due to officers, directors and family members of directors of the Company.

### **FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS**

The Company's financial instruments are comprised of cash, accounts receivable, accounts payable and accrued liabilities, and promissory notes payable (see Note 2. I) to the Financial Statements). In that the Company's expenditures occur in both Canadian and U.S. Dollars, and that it obtains capital predominantly in Canadian Dollars, the Company is exposed to some currency risk. However, based on current exchange rates, the Company believes this risk to be minimal and therefore it is not exposed to any significant price, credit or liquidity risk.

### **FORWARD LOOKING STATEMENTS**

Certain statements contained in the MD&A constitute forward-looking statements. Such forward-looking statements involve a number of known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from actual future results and achievements expressed or implied by such statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made.

### **ADDITIONAL INFORMATION**

Additional Information on Q-Gold, including Quarterly and Annual Financial Statements, an Annual Information Form, an Information Circular and the NI 43-101 Qualifying Report on the Company's Mine Centre Properties are all available on SEDAR at [www.sedar.com](http://www.sedar.com)