

# **Q-GOLD RESOURCES LTD.**

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

**ANNUAL REPORT FOR THE YEAR ENDED DECEMBER 31, 2015**

**DATED April 29, 2016**

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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, 2015 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 the year ending December 31, 2015, Q-Gold continued to focus on identifying and conducting exploration activities on its two historic North American gold and silver mining camps in Ontario and Arizona, where it has extensive land holdings in both. However, because of the continued lack of available funds for exploration, activities on both properties were modest.

The Company focused its exploration efforts during the year at Crown King in the prolific Central Arizona Volcanic Belt, which contains an extensive array of volcanogenic massive sulfide (VMS) deposits, historic producing mines and precious and base metals prospects. The Company maintained its 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 continuing absence of available funds for mineral exploration, the Company was able to financially and technically support both of its land positions in the Ontario and Arizona camps.

These two North American camps were significant historical producers of gold (and silver at Crown King) during the 19<sup>th</sup> Century, but have only incurred minor exploration and production since. Currently all of the Company's 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 the friendly mining jurisdictions of Arizona and Ontario.

***Crown King, Arizona Properties***

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

Geophysical surveys completed in 2012 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 at various depths. After review and approval of the POO, a drill permit for the program was issued by the USFS. It is anticipated that, subject to the availability of funds, the drill program to test the “A” anomaly will be completed during 2016.

***Mine Centre, Ontario Properties***

The Company has concentrated its efforts near Mine Centre, Ontario 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. 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.

Additional delineation drilling at both the Foley and the McKenzie Gray is anticipated in 2016, if market conditions improve. 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. Also, dependent on the availability of funds, will be a diamond drilling program, which has been developed, to be implemented to test prospective gold zones beneath the old workings of the historic 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 2015, 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 2015 consisted of geologic field work on its Crown King Properties and maintenance programs on the Mine Centre Properties (see Overall

Performance section, above). The Company incurred expenditures totaling \$32,481(2014 – \$41,636) on its Arizona Properties and \$ 17,884 (2014 - \$ 42,119) on its Mine Centre Properties.

Subject to the Company’s ability to raise additional funds in 2016, the Company intends to conduct an exploratory diamond drilling program on its extensive “A” anomaly near Crown King. The Company also intends on completing an additional delineation diamond drilling and mini-bulk sampling program on its Foley gold mine and McKenzie Gray gold/ silver deposit at Mine Centre, , subject to 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>2015</b>	<b>2014</b>	<b>2013</b>
<b>Income</b>	\$ 42	\$ 33	\$ Nil
<b>Income (Loss) from operations</b>	(248,188)	(261,188)	(362,419)
<b>Income (Loss) per Share</b>	(0.01)	(0.02)	(0.02)
<b>Income (Loss) per diluted share</b>	(0.01)	(0.01)	(0.01)
<b>Net Income (Loss) for the Year</b>	(195,571)	(261,453)	(351,812)
<b>Income (Loss) per Share</b>	(0.01)	(0.02)	(0.02)
<b>Total Assets</b>	63,390	83,704	81,841
<b>Total long-term liabilities</b>	Nil	Nil	Nil
<b>Cash dividends</b>	Nil	Nil	Nil

The decreased Net Loss for 2015 was the result of a one-time disposition of assets during the period, which resulted in a capital gain. The depressed financial markets continue to reduce the amount of funds available to the Company, which resulted in a decrease in exploration expenditures and thus reduced losses year over year since 2013. Exploration expenditures are expensed and charged against earnings until economically recoverable reserves are established.

Assets reported at the end of 2015 were less than previous years as the Company disposed of some field equipment during the period.

### **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\$):

	2015				2014			
	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>	32	Nil	Nil	10	33	Nil	Nil	Nil
<b>Income (Loss) from operations</b>	(128,035)	(56,250)	(33,562)	(30,341)	(45,157)	(87,068)	(72,801)	(56,162)
<b>Income (Loss) per Share</b>	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)
<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>	(98,322)	(40,041)	(33,262)	(23,946)	(94,787)	(87,004)	(36,255)	(43,407)
<b>Net Income (Loss) per Share</b>	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)
<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, 2015, Q-Gold reported a net loss from operations of \$ 248,188 (\$0.01 per share) versus a loss of \$261,188 (\$0.02 per share) in the same period of 2014. 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 2016 exploration activities, including the drilling program at Crown King, 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, 2015, the Corporation had a working capital deficit of \$ 425,305 (2013 - \$499,839). The Company's monthly overhead is approximately \$ 14,396 (2014 - \$14,185), which includes legal and accounting expenditures, requisite filings with the TSX Venture Exchange (the "Exchange") and Securities Commissions, compliance and all other general and administrative costs. The 2016 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 2016, allowing it to continue raising the necessary capital to resume substantial exploration programs 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, 2015 and as of the date of this MD&A.

**ADDITIONAL DISCLOSURES**

For the year ending December 31, 2015, the Corporation incurred expenses on its mineral properties totaling \$ 50,365(2014 - \$ 83,756). General and Administrative Expenditures for the year totaled \$ 197,865(2013 - \$ 177,466).

**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 a total of 17,473,119 Common Shares were issued and outstanding 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 1,250,000 stock options outstanding to Directors, Officers, Employees and Consultants of the Company with an exercise price of \$0.10 and an expiry date of December 18, 2020. As a result of completed financings, as of the date of this MD&A, there are Common Share purchase warrants outstanding, allowing for the purchase of an additional 2,800,000 common shares of the Company, with an exercise price of \$0.10 and expiry date of October 27, 2016.

**RELATED PARTY TRANSACTIONS**

During 2015, Q-Gold paid its Chief Financial Officer \$ 30,000 (2014 - \$ 33,134), of which, \$ 13,850 was deferred. During this same period, Q-Gold paid its Chief Executive Officer \$ 12,000 (2014 – \$ 6,627), 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, 2015, \$ 139,273(2014 – \$ 138,687) included the total liabilities are 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)