

# **Q-GOLD RESOURCES LTD.**

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

**INTERIM REPORT FOR THE THREE MONTHS ENDED MARCH 31, 2011  
DATED JUNE 29, 2011**

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### **GENERAL**

The following Management's Discussion and Analysis ("MD&A") should be read in conjunction with the unaudited Consolidated Financial Statements for the three months ended March 31, 2011 (the "Financial Statements") of Q-Gold Resources Ltd. ("Q-Gold" or the "Company") and the notes thereto.

The accompanying interim Financial Statements have been prepared by management and are in accordance with International Financial Reporting Standards ("IFRS") and all amounts are expressed in Canadian dollars unless otherwise noted. Other information contained in this document has also been prepared by management and is consistent with the data contained in the Financial Statements.

The Company's certifying officers are responsible for ensuring that the Financial Statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made. The Company's officers certify that the Financial Statements fairly present, in all material respects, the financial condition, result of operations and cash flows, of the Company as the date hereof.

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

### **OVERALL PERFORMANCE**

The Company is currently focused on identifying and developing economically recoverable precious metals resources on its Farewell/ Gagaryah (Alaska), Mine Centre (Ontario) and Crown King (Arizona) properties. The Ontario and Arizona properties were significant producing gold (and silver at Crown King) mining camps during the 19th Century, yet have only incurred minor exploration and production since.

Currently all of the Company's properties are in the exploration stage with no mineral production planned. The Company hopes to establish sufficient precious metals values to advance them to a pre-feasibility stage with the ultimate goal of commencing development and production.

The Company completed an equity financing in May of this year, resulting in gross proceeds to the Company totaling \$550,000. These funds were used to fund exploration activities on the Alaskan, Ontario and Arizona Properties, and for general and administrative expenditures.

**Alaskan Properties**

The Company executed a letter of intent to option the Alaskan properties in April of this year (see press release dated April 28, 2011) and is currently conducting a preliminary ground exploration program designed to identify high priority target areas for further exploration later this year.

**Ontario Properties**

During the three months ended March 31, 2011, the Company completed the sampling phase of its 2010 drilling program on the McKenzie Gray gold/ silver discovery. Highlights of this program include a 5.4 metre interval that assayed 293.93 grams/ tonne (g/t) of silver and a 0.15 metre interval of 82.82 g/t gold (see press releases dated January 26, 2011 and February 9 and 23, 2011).

In March, the Company terminated its Letter Agreement with First Star Resources Inc., whereby First Star had the right to earn a 43% interest in the “Nipigon” property, which includes the McKenzie Gray discovery, by making certain cash payments and incurring work expenditures during a four-year period.

The Company is actively seeking new partners for its Ontario properties.

**Arizona Properties**

At Crown King, Arizona, the Company conducted geologic reconnaissance and mapping of its gold and silver holdings during the first quarter of 2011. In May, the Company announced that it had acquired options to two historic silver mines at Crown King, the Peck and the Oriental.

In addition, the Company announced that it had executed a Mining Option Agreement with Cavan Ventures Inc. (see press release dated May 5, 2011), whereby Cavan can earn a 65% interest in the Company’s 3 Federal Patents and 22 Bureau of Land Management Mining Claims near Crown King (the “Joint Venture”). The Joint Venture is currently conducting a mapping and sampling program on the properties and plans to complete an airborne survey later this year.

The Company did not conduct exploration activities on the three Arizona copper properties it has under option. Discussions are ongoing with potential joint venture parties regarding the copper properties.

**RESULTS OF OPERATIONS**

As the Company is currently a mineral exploration company, it did not have any profits from operations during the three months ending March 31, 2011. The only revenue the Company received during this period was income earned on cash deposits. Results from exploration activities, coupled with the price of precious metals will materially affect any future development plans for the Company's properties. Precious metals prices are subject to severe fluctuations as a result of world events and economic conditions, which are obviously beyond the Company's control.

Operational activities for the Company during the first quarter were primarily focused on obtaining joint venture partners for its Mine Centre and Crown King Properties. During the period ending March 31, 2011, the Company incurred expenditures totaling \$ 105,668 (2010 - \$ 113,571) on its Mine Centre Properties and \$ 85,658 (2010 - \$ 79,960) on its Crown King Properties. The expenditures on the Mine Centre properties were a result of activities relating to the completion of the McKenzie Gray drilling program, which was initiated in 2010. The expenditures on the Crown King properties related to geologic reconnaissance and property maintenance.

Subject to the Company's ability to raise additional funds in 2011, the Company intends to complete additional exploration on the Alaskan properties.

**SUMMARY OF QUARTERLY RESULTS**

The following table shows financial results from the Company's eight most recently completed quarters:

	2011	2010				2009			
	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.	4 <sup>th</sup> Qtr.	3 <sup>rd</sup> Qtr.	2 <sup>nd</sup> Qtr.	
<b>Income (Expense)</b>	437	2,768	480	505	6,511	(201)	1,314	570	
<b>Income (Loss) before foreign exchange &amp; extraordinary items</b>	(441,287)	(1,039,189)	(541,255)	(198,733)	(286,044)	24,797	(543,746)	(290,510)	
<b>Income (Loss) per Share</b>	(0.02)	(0.07)	(0.03)	(0.01)	(0.03)	0.01	(0.09)	(0.05)	
<b>Income (Loss) per diluted share</b>	(0.01)	(0.07)	(0.03)	(0.01)	(0.03)	0.01	(0.09)	(0.05)	
<b>Net Income (Loss) before Taxes</b>	(422,596)	(1,005,989)	(533,602)	(174,121)	(303,837)	(35,886)	(550,705)	(295,689)	
<b>Net Income (Loss) per Share</b>	(0.02)	(0.07)	(0.03)	(0.01)	(0.03)	(0.01)	(0.09)	(0.05)	
<b>Net Income (Loss) per diluted share</b>	(0.01)	(0.07)	(0.03)	(0.01)	(0.03)	(0.01)	(0.09)	(0.05)	

The work programs conducted in Ontario and Arizona, as described in the sections above, incurred only minimal expenditures during the First Quarter of 2011, resulting in the decreased reported losses during the period versus the previous quarter.

### **FINANCIAL CONDITION**

Losses for the three months ending March 31, 2011 (prior to extraordinary items) totaled \$440,850 (\$0.02 per share) versus \$286,044 (0.03 per share) for the same period in 2010. The reason for the increased losses reported by the Company in 2011 over the previous quarter is the increased general and administrative expenditures resulting from the relocation of the Company's headquarters to Vancouver, British Columbia.

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 2011 exploration activities, as well as general corporate activities, from equity financings and joint ventures, for which it is actively seeking partners.

Income, as reported in the table above, is derived from interest earned on the Company's cash deposited in interest-bearing accounts with various financial institutions in Canada.

### **LIQUIDITY AND CAPITAL RESOURCES**

At March 31, 2011, the Corporation had a working capital deficit of \$386,748 (December 31, 2010 - \$17,580). The Company's monthly overhead is approximately \$66,915 (March 31, 2010 - \$25,919), 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 2011 costs of maintaining the Mine Centre Properties and the Crown King Properties in good standing are \$91,750 and \$198,500, respectively. The Alaskan property does not require any expenditures during 2011 to keep it in good standing, pursuant to the terms of the Company's option agreement.

The Company believes that the outlook is positive to continue raising the necessary capital to maintain and continue exploration on its principal properties as well as for general and administrative purposes during 2011. 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 March 31, 2011 and as of the date of this MD&A.

### **ADDITIONAL DISCLOSURES**

For the quarter ending March 31, 2011, the Corporation incurred expenses on its mineral properties totaling \$191,326 (2010 - \$193,531). General and Administrative Expenditures for the period totaled \$246,815 (2010 - \$99,024). The increased General and Administrative Expenditures were the result of the Company opening a headquarters office in Vancouver.

### **INTERNATIONAL FINANCIAL REPORTING STANDARDS**

In February 2008, the Accounting Standards Board confirmed the International Financial Reporting Standards will replace Canadian GAAP in 2011 for publicly accountable enterprises. Accordingly, Q-Gold adopted International Financial Reporting Standards (“IFRS”) for its financial periods beginning on and after January 1, 2011, with a transition date of January 1, 2010.

The Company’s IFRS conversion plan was comprehensive and addressed matters including changes in accounting policies, restatement of comparative periods, organizational and internal controls and any required changes to business processes. Through in-depth training and the preparation of reconciliations of historical Canadian GAAP financial statements to IFRS, the Company believes that it has obtained a thorough understanding of IFRS.

The Company has also reviewed its current internal and disclosure control processes and believes they will not need significant modification as a result of our conversion to IFRS.

IFRS employs a conceptual framework that is similar to Canadian GAAP; however significant differences exist in certain matters of recognition, measurement and disclosure. While the adoption of IFRS will not change the actual cash flows of the Company, the adoption will result in changes to the reported financial position and results of operations of the Company. In order to allow the users of the financial statements to better understand these changes, we have provided the reconciliations between Canadian GAAP and IFRS for the total assets, total liabilities, shareholders equity in Note 3 to the interim financial statements. The adoption of IFRS has had no significant impact on the statement of comprehensive income or the net cash flows of the Company. The changes made to the statements of financial position did not change the net income or cash flows and therefore no reconciliations have been presented.

In preparing the reconciliations, the Company applied the principles and elections of IFRS 1, with a transition date of January 1, 2010. As the Company has adopted IFRS effective January 1, 2010, it will apply the provisions of IFRS 1 as described under the section entitled “Initial Adoption – IFRS 1”, with a January 1, 2010 transition date. The Company will also apply IFRS standards in effect at December 31, 2011 as required by IFRS 1.

The Company has restated all prior period figures in accordance with IFRS.

### **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 of the date of this MD&A, Common Shares totaling 32,982,003 were issued and outstanding and 60,304,573 on a fully-diluted basis. No Preferred Shares were issued as of the date of this MD&A.

As of the date of this MD&A, the Company has 2,741,667 stock options outstanding to Directors, Officers, Employees and Consultants of the Company at an option prices ranging from \$0.12 to \$4.05 per share, with expiry ranging from February 6, 2012 to April 27, 2016. As of the date of this MD&A, there are purchase warrants and Agent's Options outstanding, as a result of completed financings, allowing for the purchase of an additional 24,574,237 common shares of the Company, with exercise prices ranging from \$0.10 to \$0.90 and expiration dates from June 30, 2011 to May 24, 2013.

### **RELATED PARTY TRANSACTIONS**

In September 2010, the Company entered into an employment contract with J. Bruce Carruthers II, Chief Operating Officer, whereby Mr. Carruthers is paid US\$ 6,250 per month.

The Company also entered into an employment contract with Eric A. Gavin, Chief Financial Officer, whereby Mr. Gavin is paid US\$ 6,250 per month.

Two Directors of the Company were paid \$ 26,787 during the quarter ended March 31, 2011 for Directors Fees (2010 - \$ nil).

A private company, of which one of the Directors is a shareholder of, was paid management fees in 2011 totaling CDN\$ 16,183 (2010 - \$ 22,882).

As disclosed in Note 4 to the Financial Statements, two officers of the Company owe an aggregate \$54,977 to the Company as of March 31, 2011.

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

The Company's financial instruments are comprised of cash, accounts receivable, marketable securities, accounts payable and accrued liabilities, promissory notes payable and long-term debt, see Note 2 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, the Company believes this risk to be minimal and therefore, the Company 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 is available on SEDAR at [www.sedar.com](http://www.sedar.com)