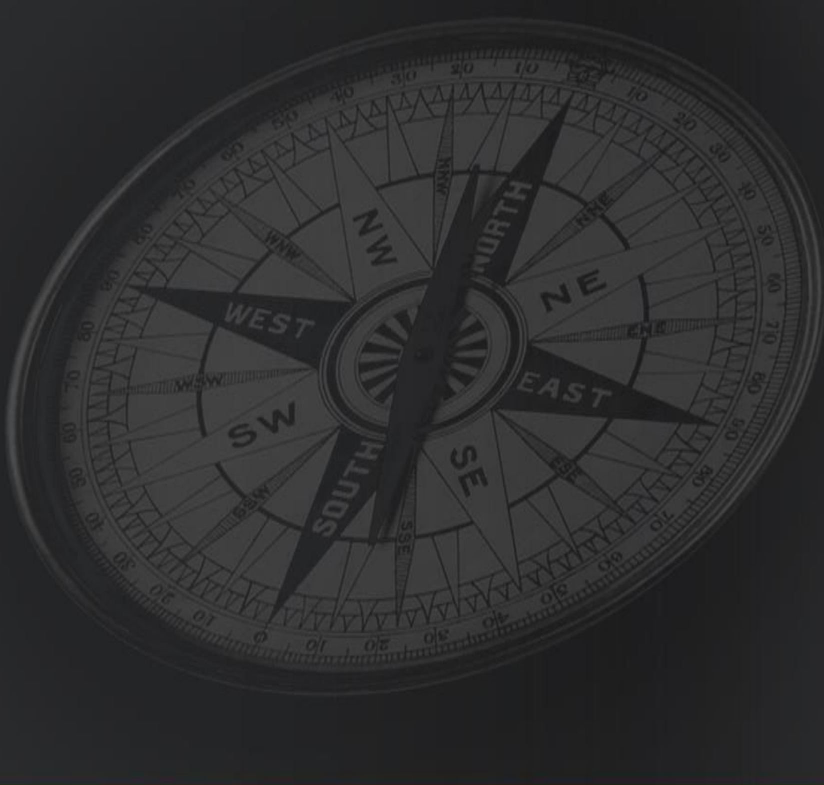
QMX
GOLD CORPORATION

Q3-2016 Management's Discussion and Analysis



QMX
GOLD CORPORATION

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Management's Discussion and Analysis

For the three and nine months ended September 30, 2016

The following Management's Discussion and Analysis ("MD&A") relates to the financial condition and results of operations of QMX Gold Corporation ("we", "our", "us", "QMX", or the "Company") for the three and nine months ended September 30, 2016 and should be read in conjunction with the Company's Condensed Interim Consolidated Financial Statements for the three and nine months ended September 30, 2016 as well as the Company's Annual Consolidated Financial Statements and MD&A for the year ended December 31, 2015. The financial statements and related notes of QMX have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Certain Non-IFRS measures are discussed in this MD&A and are clearly disclosed as such. Additional information, including our press releases, has been filed electronically through the System for Electronic Document Analysis and Retrieval ("SEDAR") and is available online under our profile at www.sedar.com.

This MD&A reports our activities through November 22, 2016 unless otherwise indicated. References to the 1st, 2nd and 3rd quarters of 2016 or Q1-,Q2- and Q3-2016, and the 1st, 2nd and 3rd quarters of 2015 or Q1-,Q2- and Q3-2015 mean the three months ended March 31, June 30, and September 30, 2016 and 2015 respectively.

Unless otherwise noted all amounts are recorded in Canadian dollars.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

Except for statements of historical fact relating to QMX, certain information contained herein constitutes ''forward-looking information'' under Canadian securities legislation. Forward-looking information includes, but is not limited to, statements with respect to mine-out plan at Lac Herbin; the development potential of the Company's properties; the ability to finance; the future price of gold and other minerals; the estimation of mineral reserves and mineral resources; conclusions of economic evaluation; the realization of mineral reserve estimates; the timing and amount of estimated future production, exploration or possible toll milling; future costs of production; future capital expenditures; success of exploration activities; mining or processing issues; currency exchange rates; government regulation of mining operations; and environmental risks. Generally, forward-looking information can be identified by the use of forward-looking terminology such as ''plans'', ''expects'' or ''does not expect'', ''is expected'', ''budget'', ''scheduled'', ''estimates'', ''forecasts'', ''intends'', ''anticipates'' or ''does not anticipate'', or ''believes'', or variations of such words and phrases or statements that certain actions, events or results ''may'', ''could'', ''would'', "might'' or ''will be taken'', ''occur'' or ''be achieved''. Forward-looking statements are based on the opinions and estimates of management as of the date such statements are made. Estimates regarding the anticipated timing, amount and cost of exploration activities are based on past experience in the region, current understandings of regional mineralization and fee quotes received. Capital and operating cost estimates are based on extensive research of the Company, costs incurred at the projects to date, purchase orders placed by the Company to date, and other factors that are set out herein. Forward-looking statements are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking statements, including but not limited to risks outlined in the public disclosure of the Company. Although management of the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking information. The Company does not undertake to update any forward-looking information, except in accordance with applicable securities laws.

About QMX

QMX is a Canadian publicly traded mining company focused on exploration in Val d'Or, Quebec. The Company is listed on the TSX Venture Exchange ("TSX-V") under the symbol "QMX-V". The Company owns a significant portfolio of properties covering 217 sq. km of the Val d'Or Mining Camp in the Abitibi District of Québec, Canada. The Abitibi District historically represents the 3rd richest gold producing region in the world, and is also renowned for many world-class base metal deposits. QMX is systematically exploring its extensive properties searching for new gold and base metal discoveries. The Company also owns the Aurbel Mill and is currently evaluating potential custom milling opportunities. For more information, please visit the Company's website www.qmxgold.ca.

Technical programs and information included in this report have been supervised, compiled, reviewed and approved by David Rigg, P.Geo., the Senior Vice President, Exploration and Strategic Advisor of the Company, and a Qualified Person as defined under NI 43-101.

Third Quarter Highlights

During the Q3-2016, QMX made considerable progress towards solidifying its financial position, which continued into the fourth quarter of 2016. For 2016, the goal was to improve the Company's balance sheet and reduce overhead costs in order to allow QMX to resume exploration activities. As noted in the Subsequent Events section below, significant progress was made on this front in the third quarter, which set the stage for the transformational changes announced early in the fourth quarter.

- As discussed in the second quarter MD&A, given balance sheet constraints, mining activities at Lac Herbin ceased. QMX completed closure activities during the third quarter. All mine site offices and ancillary buildings have been winterized and the exploration staff has moved into the Company's Val d'Or office.
- As part of the overhead reduction strategy, the Aurbel Milling facility has been winterized. This process commenced during the third quarter and was subsequently completed early in the fourth quarter.

Subsequent Events

As a result of the progress reviewed below, QMX has now resumed exploration activities in the Val d'Or Mining Camp.

- Early in the fourth quarter of 2016, QMX announced that it had completed a non-brokered $6 million private placement equity financing and entered debt settlement agreements with its Quebec based debenture holders and a large portion of its trade payables.
- Osisko Gold Royalties Ltd. participated in the private placement financing, and now holds 15 million shares or approximately 13% of QMX's common shares issued and outstanding.
- The balance sheet restructuring that QMX underwent during the third quarter and early in the fourth quarter has enabled the Company to resume exploration activities on its large and prospective land package. Earlier in the fourth quarter, exploration activities commenced with an initial Phase I exploration program on the south west portion of the property, referred to as the Southwestern Zone. This program consists of data compilation, an OreVision-IP survey and up to 4,000m of diamond drilling.
- QMX also announced management and board changes early in the fourth quarter appointing Brad Humphrey as President, CEO and a director, replacing David Rigg who had stepped in as interim President and CEO in October 2016. David Rigg has been appointed Senior Vice President, Exploration and Strategic Advisor. The company also added Stéphane Amireault to its Board of Directors.
- Mr. Humphrey brings two decades of experience working in capital markets and the mining industry, ranging from research and financial analysis to corporate development and operations. Mr. Humphrey formerly worked for Morgan Stanley as an Executive Director and North American Precious Metals Analyst. Prior to that, he was a Managing Director and Head of Mining Research at Raymond James as well as a mining analyst at CIBC World Markets and Merrill Lynch. Before beginning his capital markets career, Mr. Humphrey held a broad range of industry positions from corporate development to contract underground miner.

- Mr. Amireault, MScA, P.Eng., has over 25 years of experience in mineral exploration, and is currently Vice President Exploration for Belo Sun Mining. Prior to joining Belo Sun, Mr. Amireault was the Vice President Exploration for Sulliden Gold Corporation until its acquisition by Rio Alto Mining in 2014. Mr. Amireault holds a master's degree in Applied Sciences from École Polytechnique of the University of Montréal and is a member in good standing of the Ordre des Ingénieurs du Québec.

Strategic Goals and Outlook

QMX is committed to increasing shareholder value. Senior management believes considerable value exists in its properties in the Val d'Or Mining Camp and is focused on realizing this value, firstly through restructuring the Company's balance sheet and, secondly, by systematically exploring its vast land package. QMX has made significant progress related to the restructuring in the 2016 and has now resumed exploration activities.

- **Systematic Exploration**
  - The balance sheet restructuring that QMX underwent during the third and early into the fourth quarters has enabled the Company to recommence exploration activities on its large and prospective land package. With over 200km^2 of ground in the heart of the Val d'Or mining camp, management believes, that given the size of the land package, a systematic approach is critical. Through an extensive review of historical data and geological structures, and incorporating recent exploration successes in the immediate region, QMX has prioritized a number of prospective zones.
  - Earlier in the fourth quarter of 2016, exploration activities resumed with an initial Phase I exploration program on the south west portion of the property, referred to as the Southwestern Zone. This program consists of data compilation, an OreVision-IP survey and up to 4,000m of diamond drilling. Results from the initial drilling campaign and IP survey will be incorporated into a follow up Phase II program, which is expected to commence early in 2017.
  - As work progresses on the Southwestern Zone, QMX's exploration team will continue to review and evaluate the next set of priority targets.
- **Custom Milling**
  - Although management continues to evaluate potential custom milling opportunities, the Aurbel Mill underwent winterization late in the third quarter in order to reduce overhead costs.
  - In January 2016, the Company signed a four-year custom milling agreement with Gold Bullion Development Corp. ("GBB"). The agreement provides for custom milling of an initial 70,000 tonnes of stockpiled material from GBB's Granada Mine near Rouyn-Noranda, Quebec; as well as funding for the expansion of the operating capacity of the Aurbel Mill from 650 tonnes per day (tpd) to 1,200 tpd. The agreement includes custom milling of up to 1,400,000 tonnes of material from open pit mining operations at GBB's Granada Mine in Rouyn-Noranda. The agreement is dependent upon GBB receiving a Certificate of Authorization ("CA") for the operation of the mine and their financing for the project. GBB received their CA on May 26, 2016 and continue working towards their financing requirements.
  - During the third and fourth quarters of 2016, two additional companies have approached QMX for potential custom milling contracts each for approximately 250,000 tonnes. These companies anticipate production commencing in the late summer of 2017 and the fall of 2018. Additional mill feed of 500,000 tonnes could augment production from the GBB contract and support the Aurbel Mill at full capacity until 2022. Both projects can benefit by the large reduction in volume of potentially acid generating tailings by the floatation of non-acid generating tails. QMX is reviewing the construction of a new, small tailings area which can take potentially acid -generating leached concentrates for storage and long term treatment.
- **Maintaining sustainable, safe environments**
  - QMX continues to focus on safe work practices with the goal of achieving industry leading work safety records.
  - Our operations are managed to ensure that sustainable environmental standards are maintained.

Exploration

The Company's exploration team has outlined multiple prospective targets in the southwestern area of the Company's land package, bordering Integra Gold's Lamaque South property, based on the extensive review of existing geological data. An initial 4,000 metre drilling program is planned to commence once permits are received, with the first set of results anticipated before year-end. Drilling permits for this program have been submitted and QMX is in the process of requesting tenders from drill contractors. Based on results from this program, QMX intends to design a subsequent drilling program in early 2017.

QMX continues to develop additional targets on its large land package. A particular focus is being placed on prospective diorite and gabbro plugs and sills, as well as favourable IP anomalies, in order to test the potential eastward extension of gold mineralization from the adjacent Lamaque South property to the area between the Bourlamaque Batholith and the Poste Intrusion.

Summarized Financial Results

EXECUTIVE SUMMARY

During the three and nine months ended September 30, 2016 the following occurred at QMX:

- During Q3-2016, the Company strengthened its Board of Directors, appointing Bruce Humphrey and Fred Leigh. Mr. Humphrey is a mining engineer with over 35 years' experience. He served as the President and Chief Executive Officer of Desert Sun Mining Corp. from October 2004 to April 2006. From May 1998 to May 2004, Mr. Humphrey served as Senior Vice President and Chief Operating Officer of Goldcorp Inc. He is a member of the Professional Engineers of Ontario. He also serves as a director of several public companies in the resource sector.

  Mr. Leigh has been involved in the junior resource sector for more than 32 years and has had a significant role as founder, director and/or investor in many public companies. He is also the founder and President of Siwash Holdings Ltd., a privately held company that, for over 21 years has invested in early stage opportunities in the resource sector. Siwash was an early investor in successful companies such as Wheaton River Minerals, Hathor Exploration and Blue Pearl Mining.

- The Company entered into a four-year custom milling agreement with Gold Bullion Development ("GBB") in January 2016. This agreement provides for custom milling of an initial 70,000 tonnes of stockpiled material from GBB's Granada Mine near Rouyn-Noranda, Quebec. As well, the agreement provides for funding for the expansion of operating capacity at the Aurbel Mill from 650 tonnes per day to 1,200 tonnes per day. The agreement provides for custom milling of up to 1,400,000 tonnes of material from GBB. GBB were awarded their CA on May 26, 2016 and continue working towards their financing requirements.

- Since the repayment of the Company's bridge loan facility in 2015 which limited development at Lac Herbin, the Company identified shallow mineralization adjacent to the Lac Herbin portal. The Company began to develop and mine several areas in an effort to generate cash flows. The Company processed 3,298 tonnes of ore during Q3-2016, and 21,813 tonnes of ore during the nine months ended September 30, 2016. The Company was shipping ore to a third-party custom milling facility for most of its production.

  During the three and nine months ended September 30, 2016, the Company produced 208 and 2,293 ounces of gold through mining activities. Total revenue of $0.26 million was generated during Q3-2016 through the sale of 167 ounces of gold compared to $2.79 million generated during Q3-2015 through the sale of 1,969 ounces of gold. For the nine months ended September 30, 2016, the Company generated $3.78 million in revenue compared to $12.40 million for the nine months ended September 30, 2015. During the quarter, the realized grades of mined development headings were less than the grades anticipated for these headings.

  The Company has suspended production at the Lac Herbin mine.

Liquidity and Capital Resources

As at September 30, 2016, the Company had a working capital deficiency of $17.89 million compared to a working capital deficiency of $16.07 million at December 31, 2015. (See Non-IFRS Measures.)

Subsequent to the end of the quarter, the Company completed a non-brokered private placement financing raising $6.00 million in cash through the issuance of 49,600,500 common shares and 10,000,000 flow-through shares at a price of $0.10 per share.

At September 30, 2016, the Company was carrying debentures valued at $5.44 million. The original face value of $4.21 million matured on April 28, 2014 with a convertible feature that expired at maturity. The Company had negotiated an extension of these debentures to October 1, 2014 but was in default as at September 30, 2016. Subsequent to the end of the quarter, the Company negotiated settlement agreements with the debenture holders, and paid $0.54 million in cash and issued 10,881,100 in shares to settle this debt in full.

On June 17, 2016, the Company entered into an amendment and forbearance agreement (the "Agreement") with its creditor, Forbes & Manhattan, Inc., (the "Debentureholder") amending certain terms of the secured debenture issued on March 28, 2014 (the "Debenture"). The Agreement sets out revised terms and amendments to the Debenture whereby the Debentureholder agreed to waive the defaults under the Debenture until December 31, 2016. QMX agreed to pay a fee of $65,000 in consideration for the Debentureholder entering into the Agreement, payable through the issuance of common shares of the Company based on the 20-day volume weighted average share price of $0.0686. The Company also agreed to settle a portion of the current outstanding unsecured debt of the Company owed to the Debentureholder which was satisfied by the Company issuing to the Debentureholder such number of common shares of the Company equal to $237,376 based on the 20-day volume weighted average price of $0.0686. The Company issued a total of 4,407,813 common shares to the Debentureholder under the Agreement. The agreement also stipulated an interest rate of 10% payable effective January 1, 2016. In September 2016, the Company entered into another agreement with the Debentureholder extending the maturity date to April 1, 2018. The carrying value of this Debenture at September 30, 2016 was $2.20 million.

In June 2016, the Company entered into a separate short-term loan agreement with Sulliden Mining Capital Inc. ("Sulliden") borrowing an amount of $0.30 million. This loan was unsecured and carried an interest rate of 12% per annum. The loan was due July 31, 2016, and the Company was in default as at September 30, 2016. The Company was subject to an additional 5% default interest on the outstanding balance. The value of the loan at September 30, 2016 was $0.36 million. The loan was repaid in full subsequent to the end of the quarter. Sulliden and the Company share a common officer and director.

In August 2016, the Company borrowed $0.11 million from 2227929 Ontario Inc. This loan was unsecured and non-interest bearing. It was outstanding at September 30, 2016, but was repaid subsequent to the end of the quarter. 2227929 Ontario Inc. and the Company share a common director.

Subsequent to the end of the quarter, the Company entered into various debt settlement agreements with the Company's vendors to settle some of its larger payables. The Company paid a combination of cash and issued shares to reduce this liability.

The Company has been assessed an amount of $0.97 million by Revenue Québec after the audit of the Company's tax returns. These amounts have risen as a result of denied exploration tax credits which the Company received during the last several years. The Company has filed an appeal with respect to these assessments and is vigorously defending its position that the tax credit claims were valid. The Company has accrued these amounts as at September 30, 2016 and December 31, 2015 as the results of the appeal could take a significant amount of time.

The Company has a need for equity for working capital for the exploration of its properties. Because of continuing operating losses, a working capital deficiency and the default of significant amounts of debt, the Company's continuance as a going concern is dependent upon its ability to obtain adequate short-term financing. It is not possible to predict whether financing efforts will be successful or if the Company will attain profitable levels of operations. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Significant Future Obligations

The Company has the following agreements to fund exploration on certain properties as follows:

Val-d'Or

- **Aurbel (including Lac Herbin and Aurbel Gold Mill)**

Pursuant to the acquisition of a 100% interest in the Aurbel property from Teck Resources Limited (formerly Aur Resources Inc.) ("Teck"), the Company has accrued an amount of $500,000 related to a potential final payment upon acceptance of the Aurbel Closure Plan by the Quebec Mining Authorities, which was submitted by Teck to the respective Quebec Mining Authorities in 2006. Production from this property is subject to an aggregate 4.5% NSR.

- **VMS properties**

The Company holds a 100% interest in the VMS properties, subject to Teck retaining between a 2% and a 2.5% NSR on the properties depending on pre-existing underlying royalties. During 2015, Teck assigned its royalty rights to Osisko Gold Royalties Ltd. Certain claims forming part of this property are subject to NSR royalties of 1% to 2.5%, net profits royalties of 5% or net proceeds of production royalties of 10% or 25 cent charge per ton milled. Certain of the properties were held under previously existing joint venture agreements. The other party to these agreements has opted to no longer fund the properties.

Results of Operations

For the three months ended September 30, 2016

The Company sold 167 ounces of gold and generated $0.26 million in revenue from mining operations during Q3-2016. QMX averaged a gold sale price of $1,721 per ounce during Q3-2016 (See Non-IFRS measures). During Q3-2015, 1,969 ounces of gold were sold generating $2.79 million in revenue. With the mine-out of the Lac Herbin reserves completed in 2015, the Company had been targeting near surface mineralization to mine. Grades realized from mining some of these areas were lower than anticipated. The Company suspended mining operations at Lac Herbin during Q3-2016. Costs incurred during Q3-2016 were $1.89 million (Q3-2015: $2.64 million) and depreciation and depletion amounted to $0.15 million (Q3-2015: $0.50 million). Gross loss was $1.78 million during Q3-2016 compared to gross loss of $0.80 million during Q3-2015. Revenue from mining operations includes $0.29 million from gold sales from ore processing (Q3-2015: $2.93 million) reduced by $0.02 million in refining and royalty charges (Q3-2015: $0.14 million). The Company is subject to an NSR of 4.5% on Lac Herbin gold sales from ore processing.

QMX recorded a net loss for the quarter ended September 30, 2016 of $2.36 million compared to a net loss of $6.57 million for the quarter ended September 30, 2015. Expenses are described below.

General and Administrative expenses

(CAD 000's)	Q3-2016 $	Q3-2015 $	Favourable (unfavourable) $	Change %
Professional, consulting and management fees	216	241	25	10%
Stock-based compensation expense	-	-	-	-
Other general and administrative expenses	66	100	34	34%
Finance costs	183	210	27	13%
Other (gains) and losses: Foreign exchange	126	594	468	79%
Other (gains) and losses: Mining duties	23	10	(13)	(130%)
Other (gains) and losses: General exploration	-	2	2	100%
Other (gains) and losses: Sale or disposal of asset	4	(24)	(28)	(117%)
Other (gains) and losses: Shares for debt	50	-	(50)	(100%)
Other (gains) and losses: Unrealized, investments (FVTPL)	(3)	2	5	250%

Professional, consulting and management costs decreased by 10% during the quarter ended September 30, 2016 compared to the quarter ended September 30, 2015. There were less consultants during Q3-2016 compared to Q3-2015.

Other general and administrative expenses decreased by $0.03 million or 34% during Q3-2016 compared to Q3-2015 primarily as a result of reduced office costs.

Finance costs decreased by $0.03 million or 13% compared to Q3-2015. This decrease is a result of reduced accretion charges on the debentures outstanding. The Company anticipates this balance to decrease next quarter with the settlement of the debentures.

The Company recorded foreign exchange losses of $0.13 million during Q3-2016 compared to $0.59 million during Q3-2015. The debenture and royalties payable are denominated in US dollars, which strengthened compared to the Canadian dollar during Q3-2016, resulting in a foreign exchange loss. During Q3-2015, the US dollar also strengthened against the Canadian dollar, resulting in losses which were higher as a result of the term loan which was denominated in US dollars.

The Company recorded a loss on the settlement of debt though the issuance of shares of $0.05 million during Q3-2016 (Q3-2015: $nil). This is related to the settlement of debt owed to Forbes & Manhattan Inc. The shares were valued at the fair market value on the date of issuance, which was higher than the value attributed to them in the agreement, resulting in the loss.

For the nine months ended September 30, 2016

The Company sold 2,253 ounces of gold and generated $3.78 million in revenue from mining operations during the nine months ended September 30, 2016. This included the balance of gold generated through a mill cleanup project initiated in late 2015. During the nine months ended September 30, 2015, 7,647 ounces of gold were sold generating $12.40 million in revenue. With the mine-out of the Lac Herbin reserves completed in 2015, the Company had been targeting near surface resources. Initially, the mining plan was delayed as a result of test work during the early part of the year. Grades realized from mining some of these areas were lower than anticipated. Costs incurred during 2016 were $7.09 million during the nine months ended September 30, 2016 (nine months ended September 30, 2015: $9.25 million) and depreciation and depletion amounted to $0.50 million (2015: $1.76 million). Gross loss was $3.82 million during the nine months ended September 30, 2016 compared to gross income of $1.39 million during the nine months ended September 30, 2015. Revenue from mining operations includes $3.59 million from gold sales from ore processing (2015: $12.37 million) and $0.37 million from the mill clean up (2015: $0.39 million) reduced by $0.18 million in refining and royalty charges (2015: $0.55 million). The Company is subject to an NSR of 4.5% on Lac Herbin gold sales from ore processing.

QMX recorded net loss for the nine months ended September 30, 2016 of $2.51 million compared to a net loss of $4.03 million for the nine months ended September 30, 2015. Expenses are described below.

General and Administrative expenses

(CAD 000’s)	2016 $	2015 $	Favourable (unfavourable) $	Change %
Professional, consulting and management fees	596	1,144	548	48%
Stock-based compensation expense	-	24	(24)	(100%)
Other general and administrative expenses	216	361	145	40%
Finance costs	631	2,371	1,740	73%
Other (gains) and losses: Foreign exchange	(449)	2,157	2,606	121%
Other (gains) and losses: Mining duties	23	60	37	62%
Other (gains) and losses: Derivative contract	-	(23)	(23)	(100%)
Other (gains) and losses: General exploration	1	8	7	88%
Other (gains) and losses: Sale of asset	(16)	(326)	(310)	(95%)
Other (gains) and losses: Shares for debt	50	-	(50)	(100%)
Other (gains) and losses: Unrealized, investments (FVTPL)	3	3	-	-

Professional, consulting and management costs decreased by 48% during the nine months ended September 30, 2016 compared to the nine months ended September 30, 2015 due to a reduction in bonuses. Bonuses granted in 2015 resulted from the sale of Snow Lake and the successful negotiation of the settlement of the short-term loan. As well, there were less consultants during 2016 compared to 2015.

Other general and administrative expenses decreased by $0.14 million or 40% during 2016 compared to 2015 primarily as a result of reduced regulatory filing costs and office rental costs.

Finance costs decreased by $1.74 million or 73% compared to 2015. This decrease is a result of the repayment of the large term loan in 2015. The Company repaid this loan in August 2015, so no costs with respect to this loan were incurred during the current year.

The Company recorded foreign exchange gains of $0.45 million during 2016 compared to losses of $2.16 million during 2015. The debenture and royalties payable are denominated in US dollars, which weakened compared to the Canadian dollar during 2016, resulting in a foreign exchange gain. During 2015, the US dollar strengthened against the Canadian dollar, resulting in losses which were high as a result of the significant term loan which was denominated in US dollars.

The Company recognized $0.02 million from the sale of assets during the nine months ended September 30, 2016 compared to $0.33 million during the nine months ended September 30, 2015. The Company sold a number of assets during the prior year and some miscellaneous assets during the current year.

The Company recorded an impairment charge and gain/loss on sale of property of $0.08 million during 2016 compared to $7.86 million during 2015. During 2016, the Company sold its interest through its subsidiary in the Copper Prince property to Green Swan Capital Corp. (“Green Swan”). The Company received $0.01 million in cash as well as 200,000 shares of Green Swan as consideration, as well as a 2% net smelter royalty return. The shares were valued at $18,000, which was the fair market value of Green Swan’s common shares at the date of the sale. As the carrying value of the Copper Prince Property at the time of sale was

$nil, the Company recorded a gain on sale of property of $0.03 million for the nine months ended September 30, 2016. The Company also recorded an impairment charge on the Lac Herbin property of $0.11 million during 2016. In comparison, the Company recorded an impairment and loss on the sale of the Snow Lake property of $1.61 million during 2015. The Company also impaired the value of the Lac Pelletier property in 2015 resulting in a charge of $6.15 million. Also Company impaired other properties during 2015 resulting in a further charge of $0.10 million for the nine months ended September 30, 2016.

Quarterly information

Summary Financial Information for the Eight Quarters Ended September 30, 2016

	Q3-2016	Q2-2016	Q1-2016	Q4-2015	Q3-2015	Q2-2015	Q1-2015	Q4-2014
Revenue from mining operations (CAD 000's)	$ 264	$ 1,319	$ 2,195	$ 2,577	$ 2,790	$ 4,989	$ 4,624	$ 6,287
Mine operating expenses (CAD 000's)	$ 1,886	$ 3,076	$ 2,131	$ 2,574	$ 2,640	$ 3,786	$ 2,825	$ 4,458
Net income/(loss) (CAD 000's)	$ (2,442)	$ (2,517)	$ 8	$ (1,914)	$ (6,567)	$ (1,237)	$ (2,795)	$ (5,069)
Net income/(loss) per share, basic and diluted (CAD)	$ (0.06)	$ (0.07)	$ 0.00	($0.05)	$ (0.17)	$ (0.03)	$ (0.07)	$ (0.13)
Cash flow from operating activities before working capital adjustments (CAD 000's)*	$ (1,932)	$ (1,997)	$ (229)	$ (257)	$ (246)	$ 391	$ 1,373	$ 1,267
Working capital adjustments (CAD 000's)*	$ 1,805	$ 1,444	$ 299	$ (529)	$ 1,705	$ 214	$ (1,384)	$ (210)
Cash provided by (used in) operations (CAD 000's)	$ (127)	$ (553)	$ 70	$ (786)	$ 1,459	$ 605	$ (11)	$ 1,057
Gold ounces sold	167	870	1,216	1,838	1,969	2,992	2,686	4,531
Total assets (CAD 000's)	$ 25,296	$ 25,969	$ 26,403	$ 26,519	$ 25,973	$ 35,428	$ 61,362	$ 60,295
Long-term financial liabilities (CAD 000's)	$ 5,978	$ 3,848	$ 3,789	$ 3,728	$ 2,478	$ 2,855	$ 2,866	$ 2,723

** see Non IFRS Measures*

The decreasing trend in revenue from mining operations results from reduced development at the Lac Herbin mine while the term loan was outstanding. The Company ceased mining known reserves at its Lac Herbin mine in Q1-2015. During Q3-2015, the Company completed milling its stockpiled ore. Revenues during this period also included initial gold sales from a mill cleanup program, revenues which continued into Q1-2016. The Company began mining near-surface zones during the end of Q4-2015 and into Q2-2016, generating some revenue. The Company ceased mining Lac Herbin again in Q3-2016, and will focus on exploration activities going forward.

Net loss increased throughout 2015 as a result of ceasing mining activity at the mill, foreign exchange losses and impairment losses. Costs during 2016 were higher as the Company experienced delays in its mining plan, and then lower grades than anticipated. The Company recorded an additional impairment charge on the Snow Lake properties of $4.02 million in Q2-2015, and recorded a loss on sale on this property of $1.58 million during Q3-2015. During Q3-2015, the Company recorded an impairment charge on the Lac Pelletier property resulting in this increase to loss. Net income during Q1-2016 was recognized as a result of unrealized foreign exchange gains.

The Company has not been investing significantly in capital assets. The decrease in assets during Q2-2015 is a result of the sale of the Snow Lake property. The decrease in assets during Q3-2015 results from the impairment charge on the Lac Pelletier property, as well as the depletion of inventories. The small increase in assets during Q4-2015 reflects increased inventories as the Company started mining the FL zone. As well, changes to the asset reclamation provisions, resulting from changes in estimates of the mine and mill life, resulted in increases to assets. During 2015, the Company sold equipment assets which also contributed to the decrease total assets throughout the year. Long-term financial liabilities increased in Q3-2016 as a result of the extension of the maturity of the debenture outstanding. The value of the Company's provision for reclamation costs is being revalued each period at prevailing discount rates. Consequently, there can be significant variation in this value quarter to quarter.

Cash Flows for the nine months ended September 30, 2016

Cash used by operating activities for the nine months ended September 30, 2016 was $0.61 million compared to providing $2.05 million for the nine months ended September 30, 2015. During the nine months ended September 30, 2016, mining operations used $3.32 million, administrative expenses used $0.84 million and non-cash working capital provided $3.55 million. During the nine months ended September 30, 2015, mining operations provided $3.15 million, administrative expenses and interest income used $1.64 million and non-cash working capital provided $0.54 million. The net change in non-cash working capital reported on the cash flow statement identifies the changes in current assets and current liabilities that occurred during the period. An increase in a liability (or a decrease in an asset) is a source of funds; while a decrease in a liability (or an increase in an asset) account is a use of funds.

Cash provided by financing activities was $0.41 million during the nine months ended September 30, 2016 compared to the use of $20.43 million during the nine months ended September 30, 2015. The Company entered into short term loan agreements during the nine months ended September 30, 2016, borrowing $0.61 million and repaying $0.20 million. During the nine months ended September 30, 2015, the Company repaid its term loan in full with the use of $19.80 million and cash, as well as paying $0.62 million in interest and financing costs related to this loan.

Cash used in investing activities was $0.01 million during the nine months ended September 30, 2016 compared to providing $18.11 million during the nine months ended September 30, 2015. There was very little investment activity during 2016, however, in 2015, the Company sold the Snow Lake property for proceeds of $12.56 million, and restricted cash related to the Snow Lake property was released providing $5.77 million. The Company received $1.51 million in proceeds from the sale of assets. The Company also spent $0.51 million on the investment of properties and the purchase of equipment for continuing operations, and $0.68 million on assets held for sale.

New Accounting Policies

The Company has adopted the following new standards, along with any consequential amendments, effective January 1, 2016.

IAS 1 – Presentation of Financial Statements ("IAS 1") was amended in December 2014 in order to clarify, among other things, that information should not be obscured by aggregating or by providing immaterial information, that materiality consideration apply to all parts of the financial statements and that even when a standard requires a specific disclosure, materiality considerations do apply. The amendments are effective for annual periods beginning on or after January 1, 2016. There was no material change to the Company's financial statements upon the adoption of this standard.

Future accounting changes

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods on or after January 1, 2016 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

IFRS 9 – Financial Instruments ("IFRS 9") was issued by the IASB in November 2009 with additions in October 2010 and May 2013 and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted.

IFRS 15 - Revenue from Contracts with Customers ("IFRS 15") addresses how and when entities recognize revenue, as well as requires more detailed and relevant disclosures. IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programs, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC-31 Revenue - Barter Transactions Involving Advertising Services. The Section provides a single, principles based five-step model to be applied to all contracts with customers, with certain exceptions. The standard is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted.

IFRS 16 - Leases ("IFRS 16") replaces IAS 17 - Leases. The new model requires the recognition of almost all lease contracts on a lessee's statement of financial position as a lease liability reflecting future lease payments and a 'right-of-use asset' with exceptions for certain short-term leases and leases of low-value assets. In addition, the lease payments are required to be presented on the statement of cash flow within operating and financing activities for the interest and principal portions, respectively. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted if IFRS 15, Revenue from Contracts with Customers, is also applied.

Transactions with Related Parties

During the nine months ended September 30, 2016 and 2015, the Company entered into the following transactions in the ordinary course of business with related parties that are not subsidiaries of the Company.

	Purchases of goods and services			
	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
2227929 Ontario Inc.	$ 22,500	$ 46,285	$ 67,674	$ 130,429
Forbes & Manhattan, Inc.	194,020	78,272	386,074	355,243

The Company shares office space with other companies who may have officers or directors in common with the Company. The costs associated with this space, including the provision of office equipment and supplies, and certain other services are administered by 2227929 Ontario Inc. to whom the Company pays a fee. Other companies who share officers and directors with the Company may have similar arrangements with 2227929 Ontario Inc. The company entered into a loan agreement with 2227929 Ontario Inc. borrowing $0.11 million. This was repaid subsequent to the end of the quarter. Mr. Fred Leigh, a newly appointed director of the Company, is a director of 2227929 Ontario Inc.

Mr. Stan Bharti is the Executive Chairman of F&M. Mr. Bharti was a director of the Company until his resignation on March 6, 2012; however as the Company is part of the F&M Group of Companies, it continues to receive the benefits of such membership, including access to mining professionals, advice from Mr. Bharti, and strategic advice from the F&M Board of Advisors. An administration fee of $10,000 per month is charged by F&M pursuant to a consulting agreement. As well, a 2% royalty is payable on gold sales from the Aurbel properties (including Lac Herbin) to F&M. The Company converted US$1,552,454 of royalties owed to F&M to a debenture that matured on December 15, 2015 (Note 15 to the financial statements). This Company entered into an amendment agreement with F&M whereby 1) the maturity date of the debenture was extended to December 15, 2016, 2) interest is now payable on this debenture and 3) a fee payable in shares of $65,000 was agreed to. During Q3-2016, the Company and F&M agreed to extend the maturity date of the debenture to April 1, 2018.

The Company entered into a loan agreement with Sulliden Mining Corp. Mrs. Deborah Battiston, CFO of the Company, is also an officer of Sulliden. As well, Mr. Bruce Humphrey, a newly appointed director of the Company, is also a director of Sulliden. This loan was repaid subsequent to the end of the quarter.

The following balances were outstanding at the end of the reporting period:

	Amounts owed by related parties		Amounts owed to related parties	
	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015
2227929 Ontario Inc.	$ 18,000	$ 18,000	$ 626,499	$ 437,027
Forbes & Manhattan, Inc.	$ -	$ -	$ 1,122,763	$ 1,301,629
Forbes & Manhattan, Inc.*	$ -	$ -	$ 2,189,220	$ 2,148,596
Sulliden Mining Capital Corp.**	$ -	$ -	$ 364,001	$ -
Directors and officers	$ -	$ -	$ 352,110	$ 144,649

* The Forbes & Manhattan, Inc. debenture is secured by all the assets and property of the Company and interest bearing as of January 1, 2016 in accordance to the amendment agreement (Note 15 to the financial statements).
** The short-term loan is unsecured, and bears interest at a rate of 12% per annum. Default interest of an additional 5% applies on the occurrence of a default under the agreement.

The other amounts outstanding are unsecured, non-interest-bearing with no fixed terms of payments. No guarantees have been given or received. No expense has been recognized in the current or prior periods for bad or doubtful debts in respect of the amounts owed by related parties.

Compensation of key management personnel of the Company
The remuneration of directors and other members of key management personnel during the period were as follows:

	Three months ended September 30, 2016	Three months ended September 30, 2015	Nine months ended September 30, 2016	Nine months ended September 30, 2015
Short-term benefits	$ 123,722	$ 125,330	$ 361,934	$ 814,885
Share-based payments	-	15,180	-	15,180

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company.

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

Outstanding Share Data

As at the date of this report, 116,631,220 common shares of the Company are outstanding. Of the options to purchase common shares issued under the share option plan of the Company, 9,722,500 remain outstanding with exercise prices ranging from $0.05 to $2.00 and with expiry dates ranging between November 29, 2016 and October 26, 2021. If exercised, 9,722,500 common shares would be issued generating $1.30 million in proceeds.

As at the date of this report, there were no share purchase warrants outstanding.

Non-IFRS Measures

The Company has included certain Non-IFRS performance measures, namely cash costs per gold ounce sold, working capital and average realized gold price, throughout this document. In the gold mining industry, these are common Non-IFRS performance measures but do not have any standardized meaning. The Company believes that, in addition to conventional measures prepared in accordance with GAAP, we and certain investors use this information to evaluate the Company's performance and ability to generate cash, profits and meet financial commitments. These Non-IFRS measures are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP. The following tables provide 1) a reconciliation of working capital to the financial statements as at September 30, 2016 and December 31, 2015, 2) a reconciliation of cash cost per gold ounce sold for the nine months ended September 30, 2016 and 2015, 3) a reconciliation of the average realized gold price for the nine months ended September 30, 2016 and 2015 and 4) a reconciliation of cash flows provided by or used in operating activities for the six months ending June 30, 2016 and 2015.

Working Capital		
(CAD 000's)		
Current assets:	**September 30, 2016**	December 31, 2015
Cash and cash equivalents	**$ 64**	$ 276
Amounts receivable	**709**	420
Inventory	**466**	1,307
Prepaid expenses	**246**	193
Investments	**18**	3
	1,503	2,199
Current liabilities		
Accounts payable and accrued liabilities	**$ 13,476**	$ 11,000
Short-term loans	**477**	-
Debentures	**5,439**	5,119
Debenture	**-**	2,148
	19,392	18,267
Working capital/(deficit) (current assets less current liabilities)	**($17,889)**	($16,068)

	Three months ended		Six months ended	
	September 30, 2016	September 30, 2015	**September 30, 2016**	September 30, 2015
Cash flow provided by (used in) operating activities before working capital adjustments (CAD 000's)	**($1,932)**	($246)	**($4,157)**	$1,517
Cash flow provided by (used in) working capital adjustments (CAD 000's)	**$1,805**	$1,705	$3,548	$536
Net cash flow from operating activities (CAD 000's)	**($127)**	$1,459	($609)	$2,053

Contractual Obligations and Contingencies

The following table summarizes the Company's contractual obligations over the next five years and thereafter.

		Payments due by period:			
Contractual Obligation	Total	< 1 year	1 - 3 years	4 - 5 years	> 5 years
Contractual commitments	$ 668,000	$ 668,000	$ -	$ -	$ -
	668,000	668,000	-	-	-

The Company is party to certain management contracts. These contracts contain clauses requiring additional payments of up to $1.74 million be made upon the occurrence of certain events such as a change of control. As a triggering event 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 $0.67 million, all due within one year.

The Company's mining and exploration activities are subject to various law and regulations governing the protection of the environment. These law 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.

The Company is, from time to time, involved in various claims and legal proceedings. The Company cannot reasonably predict the likelihood or outcome of these activities. The Company does not believe that adverse decisions in any pending or threatened proceedings related to any matter, or any amount which may be required to be paid by reasons thereof, will have a material effect on the financial condition or future results of operations. As at September 30, 2016 and 2015, no amounts have been accrued related to such matters.

The Company has 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.

Risks and Uncertainties

The operations of the Company are speculative due to the high-risk nature of its business, which is the acquisition, financing, exploration, development and operation of mining properties. These risk factors could materially affect the Company's future operating results and could cause actual events to differ materially from those described in forward–looking information relating to the Company.

Liquidity Concerns, Future Financings and Indebtedness

The Company will require capital in connection with exploration activities on its properties. There can be no assurance that the Company will be successful in obtaining required financing as and when needed. Volatile markets may make it difficult or impossible for the Company to obtain debt financing or equity financing on favourable terms, if at all. Failure to obtain additional financing on a timely basis may cause the Company to postpone or slow down its exploration plans, forfeit rights in some or all of its properties or reduce or terminate some or all of its activities.

There can be no assurance that the Company will be successful in repaying all of its indebtedness or that its secured creditor will not take action to enforce its security. The Company is carrying a debenture secured by the Company's assets that now matures on April 1, 2018 as a result of the forbearance and amendment agreement as well as a recent amending agreement. The Company's level of indebtedness could have important consequences for its operations, including:

- The Company will need to use a large portion of its cash flow to repay principal and pay interest on its debt, which will reduce the amount of funds available to finance its operations and other business activities;
- The Company's debt level may limit its ability to pursue other business opportunities, borrow money for operations or capital expenditures in the future, or implement its business strategy.

The Company's ability to meet its payment obligations will depend on its future financial performance, which will be affected by financial, business, economic and other factors. The Company will not be able to control many of these factors, such as economic conditions in the markets in which it operates. The Company cautions that its existing capital resources and future cash flows from operations may not be sufficient to allow it to pay principal and interest on the Company's debt and meet its other obligations. If these amounts are insufficient, the Company may be required to refinance all or part of its existing debt, sell assets, borrow more money or issue additional equity. The ability of the Company to access the bank public debt or equity capital markets on an efficient basis may be constrained by the dislocation in the credit markets, capital and/or liquidity constraints in the banking markets and equity conditions at the time of issuance.

Nature of Mining, Mineral Exploration and Development Projects

Mining operations generally involve a high degree of risk. The Company's operations are subject to the hazards and risks normally encountered in the mineral exploration, development and production, including environmental hazards, explosions, unusual or unexpected geological formations or pressures and periodic interruptions in both production and transportation due to inclement or hazardous weather conditions. Such risks could result in damage to, or destruction of, mineral properties or producing facilities, personal injury, environmental damage, delays in mining, monetary losses and possible legal liability.

Development projects have no operating history upon which to base estimates of future cash operating costs. For development projects, reserve and resource estimates and estimates of cash operating costs are, to a large extent, based upon the interpretation of geological data obtained from drill holes and other sampling techniques, and feasibility studies, which derive estimates of cash operating costs based upon anticipated tonnage and grades of ore to be mined and processed, ground conditions, the configuration of the ore body, expected recovery rates of minerals from the ore, estimated operating costs, anticipated climatic conditions and other factors. As a result, actual production, cash operating costs and economic returns could differ significantly from those estimated. Indeed, current market conditions are forcing many mining operations to increase capital and operating cost estimates. It is not unusual for new mining operations to experience problems during the start-up phase, and delays in the commencement of production often can occur.

Mineral exploration is highly speculative in nature. There is no assurance that exploration efforts will be successful. Even when mineralization is discovered, it may take several years until production is possible, during which time the economic feasibility of production may change. Substantial expenditures are required to establish proven and probable mineral reserves through drilling. Because of these uncertainties, no assurance can be given that exploration programs will result in the establishment or expansion of mineral resources or mineral reserves. There is no certainty that the expenditures made by the Company towards the search and evaluation of mineral deposits will result in discoveries or development of commercial quantities of ore.

Revenues

There can be no assurance that significant losses will not occur in the near future or that the Company will be profitable in the future. The Company's operating expenses and capital expenditures may increase in subsequent years in relation to the engagement of consultants, personnel and equipment associated with advancing exploration, development and commercial production of the Company's properties. The development of the Company's properties will require the commitment of substantial resources to conduct time-consuming development. There can be no assurance that the Company will generate sufficient revenues or achieve profitability.

Foreign Exchange

Gold is sold in United States dollars ("US dollar) and consequently, the Company is subject to foreign exchange risks relating to the relative value of the Canadian dollar as compared to the US dollar. To the extent QMX generates revenue, it will be subject to foreign exchange risks as revenues will be received in US dollars while operating and capital costs will be incurred primarily in Canadian dollars. A decline in the US dollar would result in a decrease in the real value of QMX's revenues and adversely affect its financial performance. As well, the Company carries a debenture debt denominated in US dollars.

Mineral Resource Estimates May Be Inaccurate

There are numerous uncertainties inherent in estimating mineral resources, including many factors beyond the control of the Company. Such estimates are a subjective process, and the accuracy of any mineral resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation. These amounts are estimates only and the actual level of mineral recovery from such deposits may be different. Differences between management's assumptions, including economic assumptions such as metal prices and market conditions, could have a material adverse effect on the Company's financial position and results of operations.

Differences between management's assumptions, including economic assumptions such as metal prices and market conditions, and actual events could have a material adverse effect on the Company's mineral reserve estimates.

QMX may also consider expending financial resources and time on developing projects that do not have estimated mineral resources. Such a project will be inherently speculative and risky.

Failure to Meet Production Targets and Cost Estimates

The Company prepares future production and capital cost estimates. Actual production and costs may vary from the estimates for a variety of reasons such as estimates of grade, tonnage, dilution and metallurgical and other characteristics of the ore varying from the actual ore mined, revisions to mine plans, risks and hazards associated with mining, adverse weather conditions, unexpected labour shortages or strikes, equipment failures and other interruptions in production capabilities. Production costs may also be affected by increased mining costs, variations in predicted grades of the deposits, increases in level of ore impurities, labour costs, raw material costs, inflation and fluctuations in currency exchange rates. Failure to achieve production targets or cost estimates could have a material adverse impact on the Company's sales, profitability, cash flow and overall financial performance. In the event that the Company obtains debt financing, repayment terms associated with such financing will likely be based on production schedule estimates. Any failure to meet such timelines or to produce amounts forecast may constitute defaults under such debt financing, which could result in the Company having to repay loans.

Licences and Permits, Laws and Regulations

The Company's exploration and development activities, including mine, mill, road, rail and port facilities, require permits and approvals from various government authorities, and are subject to extensive federal, provincial and local laws and regulations governing prospecting, development, production, exports, taxes, labour standards, occupational health and safety, mine safety and other matters. Such laws and regulations are subject to change, can become more stringent and compliance can therefore become more costly. In addition, the Company may be required to compensate those suffering loss or damage by reason of its activities. There can be no guarantee that QMX will be able to maintain or obtain all necessary licences, permits and approvals that may be required to explore and develop its properties, commence construction or operation of mining facilities.

Gold and Base Metal Prices

The profitability of the Company's operations will be dependent upon the market price of mineral commodities. Mineral prices fluctuate widely and are affected by numerous factors beyond the control of the Company. The level of interest rates, the rate of inflation, the world supply of mineral commodities and the stability of exchange rates can all cause significant fluctuations in prices. Such external economic factors are in turn influenced by changes in international investment patterns, monetary systems and political developments. The price of mineral commodities has fluctuated widely in recent years, and future price declines could cause commercial production to be impracticable, thereby having a material adverse effect on the Company's business, financial condition and result of operations.

Environmental

The Company's activities are subject to extensive federal, provincial and local laws and regulations governing environmental protection and employee health and safety. Environmental legislation is evolving in a manner that is creating stricter standards, while enforcement, fines and penalties for non-compliance are also increasingly stringent. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations. Further, any failure by the Company to comply fully with all applicable laws and regulations could have significant adverse effects on the Company, including the suspension or cessation of operations.

Title to Properties

The acquisition of title to resource properties is a very detailed and time-consuming process. The Company holds its interest in certain of its properties through mining claims. Title to, and the area of, the mining claims may be disputed. There is no guarantee that such title will not be challenged or impaired. There may be challenges to the title of the properties in which the Company may have an interest, which, if successful, could result in the loss or reduction of the Company's interest in the properties.

Uninsured Risks

The Company maintains insurance to cover normal business risks. In the course of exploration and development of mineral properties, certain risks, and in particular, unexpected or unusual geological operating conditions including explosions, rock bursts, cave ins, fire and earthquakes may occur. It is not always possible to fully insure against such risks as a result of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any future profitability and result in increasing costs and a decline in the value of the common shares of the Company.

Competition

QMX competes with many other mining companies that have substantially greater resources than the Company. Such competition may result in the Company being unable to acquire desired properties, recruit or retain qualified employees or acquire the capital necessary to fund its operations and develop its properties. The Company's inability to compete with other mining companies for these resources would have a material adverse effect on the Company's results of operation and business.

Dependence on Outside Parties

QMX has relied upon consultants, engineers and others and intends to rely on these parties for development, construction and operating expertise. Substantial expenditures are required to construct mines, to establish mineral reserves through drilling, to carry out environmental and social impact assessments, to develop metallurgical processes to extract the metal from the ore and, in the case of new properties, to develop the exploration and plant infrastructure at any particular site. If such parties' work is deficient or negligent or is not completed in a timely manner, it could have a material adverse effect on QMX.

Qualified Personnel

Recruiting and retaining qualified personnel in the future is critical to the Company's success. The number of persons skilled in the exploration and development of mining properties is limited and competition for this workforce is intense. The development of the Company's properties may be significantly delayed or otherwise adversely affected if the Company cannot recruit and retain qualified personnel as and when required. The financial uncertainty under which the Company is currently operating could negatively impact the retention and recruitment of personnel.

Availability of Reasonably Priced Raw Materials and Mining Equipment

QMX will require a variety of raw materials in its business as well as a wide variety of mining equipment. To the extent these materials or equipment are unavailable or available only at significantly increased prices, the Company's production and financial performance could be adversely impacted.

Share Price Fluctuations

The market price of securities of many companies, particularly exploration stage companies, experience wide fluctuations in price that are not necessarily related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that fluctuations in the Company's share price will not occur.

Internal Controls

QMX has invested resources to document and analyze its system of internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance with respect to the reliability of financial reporting and financial statement preparation.

Insurance

The Company believes that it currently maintains insurance in such amounts as it considers to be reasonable to protect against certain risks and hazards related to its operations. However, no assurance can be given that the current insurance coverage will continue to be available at economically reasonable premiums in the future or that the current insurance coverage provides sufficient coverage against all potential losses. Any deficiency in insurance coverage could result in the Company incurring significant costs that could have a material adverse effect upon its financial performance and results of operations.

Litigation

Legal proceedings may arise or be threatened from time to time in the course of the Company's business. In particular, the Company has had a few court orders imposed against it regarding overdue accounts payable. Defense and settlement costs of legal claims can be substantial, even with respect to claims that have no merit. The process of defending such claims could take away from management time and effort and the resolution of any particular legal proceeding to which the Company or one or more of its subsidiaries may become subject could have a material effect on the Company's financial position and results of operations.

Reliance on Limited Number of Properties

Currently, the Company relies on a limited number of property interests. As a result, unless the Company acquires additional property interests, any adverse developments affecting any of the current properties could have a material adverse effect upon the Company and would materially and adversely affect the potential production, profitability, financial performance and results of operations.

Conflicts of Interest

Certain of the directors and officers of the Company may serve from time to time as directors, officers, promoters and members of management of other companies involved in natural resource exploration and development and therefore it is possible that a conflict may arise between their duties as a director or officers of the Company and their duties as a director, officer, promoter or member of management of such other companies.

The directors and officers of the Company are aware of the existence of laws governing accountability of directors and officers for corporate opportunity and requiring disclosures by directors of conflicts of interest and the Company will rely upon such laws in respect of any directors' and officers' conflicts of interest or in respect of any breaches of duty by any of its directors or officers. All such conflicts will be disclosed by such directors or officers in accordance with applicable laws and the directors and officers will govern themselves in respect thereof to the best of their ability in accordance with the obligations imposed upon them by law.

Critical Accounting Estimates

The preparation of the Company's Consolidated Financial Statements in conformity 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 reported amounts of revenues and expenses during the reported period. Such estimates and assumptions affect the carrying value of assets, impact decisions as to when exploration and development costs should be capitalized or expensed, and affect estimates for provisions for reclamation costs. Other significant estimates made by the Company include factors affecting valuations of stock based compensation and the valuation of income tax accounts. The Company regularly reviews its estimates and assumptions, however, actual results could differ from these estimates and these differences could be material.

Off Balance Sheet items

The Company does not have any off balance sheet items.

November 22, 2016