

2013 Management's Discussion and Analysis

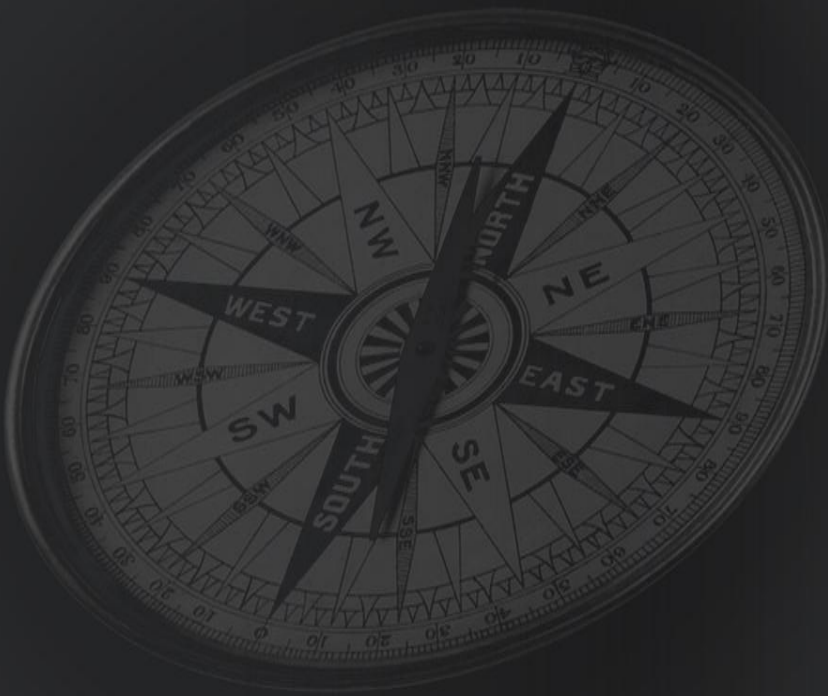




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President's Message

2013 was a year of change for QMX Gold Corporation. The decision to divest of Snow Lake was made in order to strengthen our balance sheet and repay our bridge loan. In Quebec, a cost reduction plan was implemented at Lac Herbin which included the curtailment of further development of the mine and exploration was suspended. These decisions have resulted in a substantial reduction in the cost per ounce of gold produced, although they come at the expense of future production.

2014 is forecast to see the efforts that were begun in 2013 come to fruition. With the price of gold having strengthened considerably over the first few months of the year, market sentiment is decidedly stronger than it has been in the past 24 months. We look forward to repaying our bridge facility and focusing on moving our Quebec operations forward with the addition of new custom milling contracts and acquiring and developing a new deposit from which our own ore will be processed again at our Aurbel Mill. It is my intention that 2014 will be seen as the year that QMX Gold embarked upon a new path to becoming a cash flow positive producer in the Val d'Or area.

I would also like to thank the dedicated staff and employees of QMX. Their loyalty and tireless efforts are what have been, and will continue to be, critical to our success.

Sincerely,

Brett New

President & CEO

Management's Discussion and Analysis

For the year ended December 31, 2013

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 year ended December 31, 2013 and should be read in conjunction with the Company's Audited Annual Consolidated Financial Statements for the year ended December 31, 2013. The financial statements and related notes of QMX have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Certain non-GAAP measures are discussed in this MD&A which 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 March 31, 2014 unless otherwise indicated. References to the 1st, 2nd, 3rd and 4th quarters of 2013 or Q1-2013, Q2-2013, Q3-2013 and Q4-2013, and the 1st, 2nd, 3rd and 4th quarters of 2012 or Q1-2012, Q2-2012, Q3-2012 and Q4-2012 mean the three months ended March 31, June 30, September 30 and December 31, 2013 and 2012 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 potential sale of Snow Lake; the development potential of the Company's properties; 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; 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 mining at the Lac Herbin are based on assumptions underlying mineral reserve and mineral resource estimates, the results of feasibility studies on the properties and the realization of such estimates are set out herein. 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, recent estimates of construction and mining costs and other factors that are set out herein. Production estimates are based on mine plans and production schedules, which have been developed by the Company's personnel and independent consultants. 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 annual information form 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 concentrating on exploration and mine development. The Company is listed on the TSX Venture Exchange ("TSX-V") under the symbol "QMX-V" effective the date of this report. The Company's shares were delisted from the Toronto Stock Exchange ("TSX") on February 19, 2014 due to the market value of the publicly held common shares of the Company falling below levels required under TSX listing requirements. The Company's focus is to grow through the exploration, development and acquisition of mineral properties, directly and indirectly through joint ventures and other opportunities. QMX is now in its fifth year as a junior gold-producing company. The Company holds a significant property position with 200 km² in Canada's richest mining camps: the Abitibi District of Québec, Canada –historically the 3rd richest gold producing region in the world. QMX undertakes exploration across these properties searching for new world class discoveries, while maintaining a focus on growing QMX to become a mid-tier gold producer. For more information, please visit the Company's website www.qmxgold.ca.

Technical programs and information included in this report have been supervised, compiled and reviewed and approved by Patrick Sévigny, Eng., the Company's Vice President of Operations, Québec, and a Qualified Person as defined under NI 43-101.

Strategic Goals

QMX Gold Corporation is committed to increasing shareholder value and senior management has implemented a three-phased plan to that effect:

- **Phase 1: Complete the sale of Snow Lake and repay bridge facility**
 - The sale of Snow Lake to Northern Sun Mining Corp. ("Northern Sun") (formerly Liberty Mines Inc.) was announced in August of 2013
 - The transaction is expected to close in Q2-2014
 - This is expected to generate sufficient cash to fully repay Third Eye Capital
- **Phase 2: Mine-out Lac Herbin and increase custom milling**
 - QMX will continue to process its own ore through much of 2014 as it completes the mine-out of Lac Herbin
 - The Company is also seeking to supplement its own ore that is being processed at the Aurbel mill in order to keep the Aurbel mill running post the depletion of Lac Herbin
- **Phase 3: Develop a new deposit**
 - QMX is actively seeking new deposits to acquire and develop in order to replace the Lac Herbin mine
- **Ongoing Priority: 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.

Selected Financial and Other Highlights

QMX Gold Corporation	Three months ended	Three months ended	Twelve months ended	Twelve months ended
	31-Dec-13	31-Dec-12	31-Dec-13	31-Dec-12
Tonnes of ore mined	55,255	34,504	179,212	149,247
Grade per tonne mined	3.79	3.86	4.24	4.57
Total gold ounces mined	6,727	4,277	24,444	21,913
Tonnes of ore milled	59,791	36,756	173,727	154,675
Grade per tonne milled	4.03	3.85	4.27	4.51
Total gold ounces milled	7,752	4,552	23,842	22,429
Average recovery rate	93.6%	87.8%	93.2%	89.7%
Gold ounces poured	7,260	3,995	22,225	20,112
Gold ounces sold	6,858	3,982	22,209	19,564
Average realized gold price (per oz CAD)**	\$1,337	\$1,698	\$1,428	\$1,661
Revenue from mining operations (net of royalties and refining charges CAD 000's)	\$8,727	\$6,337	\$30,615	\$30,886
Mine operating expenses (excludes depletion and amortization - CAD 000's)	\$5,967	\$7,988	\$25,038	\$30,428
Amortization and depletion (CAD 000's)	\$1,788	\$1,073	\$5,998	\$5,412
Gross income/(loss) (CAD 000's)	\$972	(\$2,724)	(\$422)	(\$4,954)
Net (loss) (CAD 000's)	(\$101)	(\$4,192)	(\$42,372)	(\$16,164)
Basic and diluted (loss) per share (CAD)	(\$0.00)	(\$0.14)	(\$1.32)	(\$0.54)
Cash flow from operating activities before working capital adjustments (CAD 000's)***	\$2,318	(\$2,538)	\$2,889	(\$2,736)
Working capital adjustments (CAD 000's)***	(\$2,429)	\$881	\$2,570	(\$154)
Net cash flow from operating activities (CAD 000's)	(\$111)	(\$1,657)	\$5,459	(\$2,890)
*Cost of sales per ounces sold (CAD)	\$870	\$2,006	\$1,127	\$1,555

*see Non GAAP Measures and comments under "Executive Summary – Fourth Quarter" section, regarding Cost of sales at Lac Herbin
**see Non GAAP Measures and comments under "Executive Summary – Fourth Quarter" section, regarding Average realized gold price at Lac Herbin
***see Non GAAP Measures and comments under "Executive Summary – Fourth Quarter" section, regarding cash flow from operations

Executive Summary - Fourth Quarter December 31, 2013

During the three months ended December 31, 2013 the following occurred at QMX:

- Total revenue of \$8.73 million was generated, 38% higher than in Q4-2012. The Company poured 82% more gold this quarter compared to Q4-2012 however lower gold prices in Q4-2013 dampened this effect in terms of revenues. The Company mined 60% more ore tonnage during Q4-2013 compared to Q4-2012 with grades per tonne 2% lower.
- The Company sold 6,858 ounces of gold at an average realized price of \$1,337/oz (USD\$1,271/oz.), compared to 3,982 ounces sold during Q4-2012 at an average realized price of \$1,698/oz (USD\$1,714/oz). Please see Non-GAAP Measures for a description of the calculation of averaged realized price per ounce.

- The Company's Lac Herbin Mine in Val-d'Or poured 7,260 ounces of gold, an 82% increase compared to 3,995 ounces in Q4-2012. The Company has been mining out larger zones this quarter at slightly lower than average grades. The higher production is due to the fact that the mine has benefited from the production from several areas where the development was completed in the previous quarter. These developments have been initiated under the Turn Around Plan. The production from larger zones at slightly lower than average grades combined with a higher availability of the mobile equipment fleet triggered by the development suspension have also contributed to the increase in production.
- Cash cost of sales per ounce (see Non-GAAP Measures) of the Lac Herbin gold sold was \$870/oz Au for Q4-2013 compared to \$2,006/oz for Q4-2012. The Company implemented several cost reduction strategies during the previous quarters resulting in a decreasing cash cost per ounce quarter over quarter during 2013.
- Cash flow from operations, before working capital adjustments (see Non-GAAP Measures), provided \$2.32 million during Q4-2013 compared to using \$2.54 million during Q4-2012. Working capital adjustments used \$2.43 million during Q4-2013 (Q4-2012: providing \$0.88 million) as the Company continued to pay down its accounts payable balances.
- Guidance for the year 2013 was for approximately 20,500 to 23,000 ounces at a cash cost from \$1,200 to \$1,400, at a 92% recovery rate at the Aurbel mill. With the production of 22,225 ounces of gold during 2013, the Company was well within range of the previously forecasted guidance, with cash costs coming in at \$1,127/oz Au for the year, and a mill recovery rate of 93.2%. The Company achieved a milling recovery rate of 93.6% in Q4-2013 compared to 87.8% in Q4-2012. Higher recoveries can be attributed to the efforts made by the Aurbel Mill team which continues to bring operational improvements in the milling process
- As a result of the 20% decline in gold prices during Q2-2012, the Company decided to suspend its capital development initiatives at the Lac Herbin Mine for an undetermined period of time. This ended development of the main ramp below the 42 level and all exploration expenditures at this time. The Company will continue to mine the known mineralized lenses above the 42 level and expects this to continue into the fourth quarter of 2014.
- The Company entered into a custom milling agreement in Q2-2013 with Kerr Mines Inc. (formerly Armistice Resources Corp.) ("Kerr") to begin processing ore from the McGarry Mine in Kirkland Lake, Ontario. Under the agreement, QMX is responsible for the handling, milling and refining of ore and tailings disposal from the ore delivered by Kerr. The term of the agreement is for a minimum of one year and a minimum of 30,000 tonnes of ore delivered by Kerr.
- In October 2013, the Company entered into a definitive agreement to sell the Snow Lake project to Northern Sun for US\$20.0 million. This transaction is expected to close in Q2-2014.

Overview & Outlook

QMX is implementing a three-phased plan: the first to complete the sale of the Snow Lake asset and repay the bridge facility whose maturity has been extended by agreement. The second is to complete the mine-out of Lac Herbin and seek additional custom milling opportunities. The third is a longer term strategy focused on exploration and new mine discovery that leverages the Company's existing assets.

Summarized Financial Results

Liquidity and Capital Resources

As at December 31, 2013, the Company had a working capital deficiency of \$33.53 million compared to a working capital deficiency of \$16.92 million at December 31, 2012.

The Company entered into a definitive agreement in October 2013 to sell the Snow Lake Mine through the sale of its wholly-owned subsidiary to Northern Sun for cash consideration of US\$20.0 million.

The Company is carrying a US\$17,500,000 short-term loan facility with an original maturity date of November 28, 2013. The Company is required to pay cash interest payments starting in June 2013 at a rate of US\$250,000 per month. During Q3-2013, the Company was in breach of some of the covenants of its loan agreement. In particular, the Company was late in making its interest payments. As a result, the lender had exercised its rights under the loan agreement, limiting the Company's access to certain bank accounts and controlling certain cash disbursements, including applying funds in such accounts against interest and fees payable to them. The Company and the lender signed a waiver and amending agreement in October 2013 whereby the Company transferred US\$1.0 million as a security deposit to cover unpaid and accrued interest as well as a waiver fee of US\$100,000. The balance will be used to prepay interest through to maturity. The lender waived the covenant breach and the Company regained access to its bank accounts. The waiver and amending agreement also provided for the extension of the original maturity date at the lender's option subject to a monthly monitoring fee of US\$100,000. The maturity of this loan was extended to March 31, 2014 and the Company is currently negotiating an extension. As at December 31, 2013, the Company has made its required interest payments.

The Company applies for refundable tax credits to certain Quebec government bodies at each taxation year end and records the expected amounts as amounts receivable. The Company is no longer eligible for tax credits from one of the government bodies in Quebec as new legislation has come into force. The Company received \$1.39 million during the year ended December 31, 2013 in relation to these refundable tax credits. At December 31, 2013, \$0.23 million in Quebec tax credits are recorded on the Consolidated Statements of Financial Position.

The Company carried an investment of 7,328,000 common shares of Falco Pacific Resource Group Inc. ("Falco") at December 31, 2013, of which, as at the date of this report, 3,150,000 are held in escrow until certain conditions are met. The Company received 7,000,000 shares of Falco as a result of the sale of the Rouyn-Noranda Base Metal and Gold Camp properties to Falco in 2012. The Company received 328,000 units of Falco in June 2013 in lieu of cash for rental payments due to the Company. Each unit is comprised on one common share of Falco and one-half purchase warrant. Each whole purchase warrant allows the Company to acquire one common share of Falco at a price of \$0.45 per share until December 14, 2014. Subsequent to the end of the year, the Company sold the 328,000 shares of Falco for net proceeds of \$0.17 million.

The Company has and expects to utilize its working capital to meet exploration funding obligations as described under the Significant Future Obligations section of this report, to fund its Lac Herbin mine, its Lac Pelletier project care and maintenance expenses, and to fund its corporate and operating overheads.

The Company has a need for equity for working capital for the development and exploration of its properties. Because of continuing operating losses and a working capital deficiency, the Company's continuance as a going concern is dependent upon its ability to obtain adequate short-term financing and to reach profitable levels of operation. 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 several 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 Cominco Ltd. (formerly Aur Resources Inc.) ("Teck"), the Company is required to make its final \$500,000 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.

Rouyn-Noranda

- **Lac Pelletier Property Acquisition**

The Company has exceeded the required \$1,000,000 option work commitment required to earn its 100% interest. QMX had the option to earn its 100% interest by making a commitment prior to September 1, 2010 to bring the deposit into production. Production from the current Lac Pelletier property is subject to a 3.5% NSR. The Lac Pelletier property hosts the past-producing

Stadacona mine. Production from potential ore bodies lying outside the current property but mined through the historical Stadacona mine workings are subject to a \$1 per tonne toll charge.

During the third quarter of 2010, the Company issued a production commitment notice to Thundermin, thereby exercising its option to acquire the Lac Pelletier Property. Thundermin has initiated an arbitration proceeding pursuant to which it has claimed that the purported exercise by the Company of its option to acquire a 100% interest in the property is invalid, and accordingly, the option agreement and the Company's rights under the agreement have terminated. Arbitration proceedings took place in August 2013 and the Company awaits an outcome. The Company confirms its belief that Thundermin's claim does not have any merit.

The Company also carries a 100% interest in four mining claims located near Lac Pelletier, subject to a 2% NSR. The Company has the option to purchase, at any time, 50% of the NSR for US\$1,000,000. These claims will be included in the Lac Pelletier property package with Thundermin Resources Ltd.

Herblet Lake, Manitoba

In November 2010, the Company entered into an agreement to acquire a 100% interest in certain mining claims in the Herblet Lake area. This agreement was amended in July 2013 and again in November 2013 for a fee of \$50,000. Subsequent to the end of the year, the Company further amended the agreement extending the due dates of certain payments to May 31, 2014. To acquire this 100% interest, the Company is required to make total cash payments of \$300,000 and incur total exploration expenditures of \$3,000,000 according to the following schedule:

	Commitment		
	Cash Payment (\$)	Expenditures (\$)	
November 19, 2010	50,000	-	**Paid December 2010
November 19, 2011	50,000	200,000	**Paid October 2011, expenditures met
November 19, 2012	50,000	300,000	**Paid November 2012, expenditures met
November 19, 2013	-	500,000	**expenditures met
May 31, 2014	50,000	-	
May 31, 2014 (amendment fee)	50,000	-	
November 19, 2014	50,000	-	
November 19, 2015	50,000	-	
November 19, 2016	-	1,000,000	
November 19, 2017	-	1,000,000	
	350,000	3,000,000	

The exercise of the option is subject to an NSR of 3% payable from the date of commencement of commercial production. Upon exercise of the option, the Company will be required to make advanced royalty payments of \$50,000 annually up to \$250,000 to be credited against future NSR payments. The Company has the right to purchase up to 50% of the NSR for a total of \$1,500,000, each 0.5% of the 3% NSR requiring a \$500,000 payment. As of December 31, 2013, the Company is in good standing with respect to its obligations under this agreement.

Results of Operations

For the quarter ended December 31, 2013

The Company sold 6,858 ounces of gold and generated \$8.73 million in revenue from mining operations during the 4th quarter of 2013. QMX averaged a gold sale price of \$1,337 per ounce during Q4-2013 (please see Non-GAAP measures). During Q4-2012, 3,982 ounces of gold were sold generating \$6.34 million in revenue. The average sale price realized during Q4-2012 was \$1,698 per ounce (please see Non-GAAP measures). The Company poured 82% more gold in Q4-2013 compared to Q4-2012 by mining out larger regions resulting in the higher revenues. Mine operating expenses were \$5.97 million (Q4-2012: \$7.99 million) and depreciation and depletion amounted to \$1.79 million (Q4-2012: \$1.07 million). Gross income was \$0.97 million during Q4-2013 compared to a gross loss of \$2.72 million during Q4-2012. Revenue from mining operations includes \$9.17 million from gold sales (Q4-2012: \$6.76 million) reduced by \$0.44 million in refining and royalty charges (Q4-2012: \$0.41 million). The Company is subject to an NSR of 4.5% on Lac Herbin gold sales. The cost of sales per ounce sold during the current quarter, excluding depreciation and depletion, was \$870 per ounce compared to \$2,006 per ounce during the comparative quarter (see Non GAAP Measures). The Company's cost reduction efforts implemented during Q2-2013 impacted the cost of sales per ounce sold resulting in decreases quarter over quarter during 2013.

QMX recorded a net loss for the quarter ended December 31, 2013 of \$0.10 million compared to a net loss of \$4.19 million for the quarter ended December 31, 2012. In Q4-2013, the Company recorded a reversal of impairment of \$1.55 million on the Lac Herbin property (2012: \$nil) as well as a reversal of impairment of \$0.14 million on the Snow Lake property (Q4-2012: \$nil). Expenses were \$2.76 million during Q4-2013 (Q4-2012: \$1.47 million) as described below.

General and Administrative expenses				
(CAD 000's)	Q4-2013	Q4-2012	Increase (decrease)	Change
	\$	\$	\$	%
Professional, consulting and management fees	294	763	(469)	(61%)
Stock-based compensation	-	-	-	-
Other general and administrative expenses	103	147	(44)	(30%)
Finance costs	1,844	1,054	790	75%
Finance income	(19)	(15)	(4)	(27%)
Other (gains) and losses: Foreign exchange	727	180	547	304%
Other (gains) and losses: General exploration	10	34	(24)	(72%)
Other (gains) and losses: Sale of asset	21	-	21	100%
Other (gains) and losses: Investments (FVTPL)	(216)	(694)	478	69%

Professional, consulting and management costs decreased by \$0.47 million or 61% during the quarter ended December 31, 2013 compared to the quarter ended December 31, 2012. This is in part a result of the Company's cost reduction efforts, which included a reduction in consulting fees and audit costs. As well, the Company did not accrue bonuses for Q4-2013 where an amount was accrued for Q4-2012. Legal fees were lower in Q4-2013 with the Company incurring costs related to its debt facility compared to Q4-2012 with higher costs incurred related to financing efforts.

Stock-based compensation is a non-cash expense included in professional, consulting and management costs on the Consolidated Statement of Operations and Comprehensive Loss. The Company applies the fair value method of accounting for stock-based compensation. During Q4-2013 and Q4-2012, no stock options were granted and no expense was incurred.

Other general and administrative expenses decreased by 30% during Q4-2013 compared to Q4-2012 as a result cost cutting measures at the corporate level, particular with respect to travel and investor relations costs.

Finance costs increased by \$0.79 million or 75% compared to Q4-2012. In Q4-2013, the Company was accreting costs associated with its short-term loan facility entered into in November 2012 at an effective interest rate of 23%. The Company was also accruing interest related to this loan. The loan was due to mature in November 2013, however the Company entered into an agreement to extend the maturity date of the loan to March 31, 2014. As a result, the Company incurred additional financing costs. In Q4-2012, the Company was accreting costs associated with a previous short-term loan facility entered into in January 2012 at an effective interest rate of 38%. Costs for the current loan outstanding were higher as a result of the higher principal.

Finance income for Q4-2013 and Q4-2012 was earned on term deposits. The Company was earning a moderately higher interest rate on these deposits in 2013 compared to 2012. The Company did not carry significant cash balances throughout either period to generate significant interest income.

The Company recorded unrealized gains on investments of \$0.22 million during Q4-2013 compared to \$0.69 million during Q4-2012. This variance reflects the volatility of the market values of securities. The Company continues to carry other minor investments through its Garson subsidiary. The Company recorded foreign exchange losses of \$0.73 million during Q4-2013 compared to gains of \$0.18 million during Q4-2012. The bridge loan as well as royalties payable are denominated in US dollars, which strengthened during the period, resulting in fluctuations in foreign exchange gains or losses.

For the year ended December 31, 2013

The Company sold 22,209 ounces of gold and generated \$30.61 million in revenue from mining operations and custom milling during the year ended December 31, 2013. QMX averaged a gold sale price of \$1,428 per ounce during 2013 (please see Non-GAAP measures). During the year ended December 31, 2012, 19,564 ounces of gold were sold generating \$30.89 million in revenue. The average sale price realized during 2012 was \$1,661 per ounce (please see Non-GAAP measures). The Company poured 11% more ounces in 2013 compared to 2012 as a result of increased tonnage mined and higher milling recovery rates. The decline in gold prices impacted gold revenues for 2013. Mine operating expenses were \$25.04 million (2012: \$30.43 million) and depreciation and depletion amounted to \$6.00 million (2012: \$5.41 million). The Company focused on cost

reductions during 2013 resulting in an overall reduction in operating costs. The increase in depreciation and depletion results from the increased production. Revenue from mining operations includes \$32.23 million from gold sales (2012: \$32.49 million) reduced by \$1.61 million in refining and royalty charges (2012: \$1.60 million). The Company is subject to an NSR of 4.5% on Lac Herbin gold sales. The cost of sales per ounce sold during the year ended December 31, 2013, excluding depreciation and depletion, was \$1,127 per ounce compared to \$1,555 per ounce during 2012 (see Non GAAP Measures). The Company's cost reduction efforts implemented during the second quarter of 2013 positively impacted the cost of sales per ounce sold.

QMX recorded a net loss for the year ended December 31, 2013 of \$42.37 million compared to a loss of \$16.16 million for the year ended December 31, 2012. In 2013, the Company recorded an impairment charge on its Snow Lake property of \$31.61 million, which was offset by a reversal of impairment recorded on its Lac Herbin property of \$1.55 million. In 2012, the Company recorded an impairment charge of \$10.26 million on the Rouyn properties, a reversal of impairment of \$4.60 million on the Lac Herbin property and a loss on the sale of the Rouyn properties of \$0.76 million. Expenses were \$12.10 million during 2013 (2012: \$4.79 million) as described below.

General and Administrative expenses

(CAD 000's)	2013 \$	2012 \$	Increase (decrease) \$	Change %
Professional, consulting and management fees	1,841	2,353	(512)	(22%)
Stock-based compensation	281	19	262	1,379%
Other general and administrative expenses	610	726	(116)	(16%)
Finance costs	6,724	4,290	2,434	57%
Finance income	(81)	(60)	(21)	(35%)
Other (gains) and losses: Foreign exchange	1,404	(165)	1,569	951%
Other (gains) and losses: General exploration	14	40	(26)	(65%)
Other (gains) and losses: Sale of asset	(15)	-	(15)	100%
Other (gains) and losses: Investments (FVTPL)	1,320	(2,413)	3,733	155%
Deferred income tax (recovery)	(201)	-	(201)	(100%)

Professional, consulting and management costs decreased by \$0.51 million or 22% during the year ended December 31, 2013 compared to the year ended December 31, 2012. While the Company accrued severance amounts during 2013, this was offset by lower professional costs, specifically legal and financing costs, and audit accruals.

Stock-based compensation is a non-cash expense included in professional, consulting and management costs on the Consolidated Statement of Operations and Comprehensive Loss. The Company applies the fair value method of accounting for stock-based compensation. During the year ended December 31, 2013, the Company granted 1,872,500 stock options to directors, officers, employees and consultants of the Company resulting in \$0.28 million charged to the statement of operations and \$0.05 million was charged to mineral properties. During 2012, 88,250 stock options were granted resulting in \$0.02 charge to the statement of operations and \$0.01 mineral properties.

Other general and administrative expenses decreased by 16% in 2013 compared to 2012 as a result of cost cutting measures at the corporate level.

Finance costs increased by \$2.43 million or 57% compared to 2012. In 2013, the Company was accreting costs associated with its short-term loan facility entered into in November 2012 at an effective interest rate of 23%. The Company was also accruing interest related to this loan. In 2012, the Company was accreting costs associated with a previous short-term loan facility entered into in January 2012 at an effective interest rate of 38%. Costs for the current loan outstanding were higher as a result of the higher principal. As well, as the maturity of the Company's current loan outstanding has been extended, the Company is incurring additional finance costs with respect to this extension in 2013.

Finance income for 2013 and 2012 was earned on term deposits. The Company is earning a moderately higher interest rate on these deposits in 2013 compared to 2012. The Company did not carry significant cash balances throughout either period to generate significant interest income.

The Company recorded unrealized losses on investments of \$1.32 million during 2013 compared to gains of \$2.41 million during 2012. This variance is a result of the lower fair market value of the Company's Falco shares as at December 31, 2013 compared to at December 31, 2012. The Company continues to carry other minor investments through its Garson subsidiary. The Company recorded foreign exchange losses of \$1.40 million during 2013 compared to gains of \$0.17 million during 2012. The

bridge loan as well as royalties payable are denominated in US dollars, which strengthened during the year, resulting in fluctuations in foreign exchange gains or losses.

Deferred income tax recovery is recorded as a result of the tax effect of unexercised warrants that expired during the year ended December 31, 2013.

Quarterly information
Summary Financial Information for the Eight Quarters Ended December 31, 2013

	Q4-2013	Q3-2013	Q2-2013	Q1-2013	Q4-2012	Q3-2012	Q2-2012	Q1-2012
Revenue from mining operations (CAD 000's)	\$ 8,727	\$ 8,113	\$ 7,375	\$ 6,400	\$ 6,337	\$ 8,297	\$ 8,114	\$ 8,138
Mine operating expenses (CAD 000's)	\$ 5,967	\$ 5,757	\$ 6,886	\$ 6,429	\$ 7,988	\$ 7,221	\$ 7,463	\$ 7,756
Net income (loss) (CAD 000's)	\$ (101)	\$ (31,852)	\$ (6,380)	\$ (4,039)	\$ (4,192)	\$ 4,477	\$ (5,171)	\$ (11,278)
Net income (loss) per share, basic and diluted (CAD)	\$ (0.00)	\$ (0.98)	\$ (0.20)	\$ (0.13)	\$ (0.14)	\$ 0.15	\$ (0.17)	\$ (0.38)
Cash flow from operating activities before working capital adjustments (CAD 000's)*	\$ 2,318	\$ 1,480	\$ (166)	\$ (744)	\$ (2,538)	\$ 415	\$ (298)	\$ (315)
Working capital adjustments (CAD 000's)*	\$ (2,429)	\$ 544	\$ 1,394	\$ 3,061	\$ 881	\$ (2,548)	\$ 1,664	\$ (151)
Cash provided by (used in) operations (CAD 000's)	\$ (111)	\$ 2,024	\$ 1,228	\$ 2,317	\$ (1,657)	\$ (2,133)	\$ 1,366	\$ (466)
Gold ounces sold	6,858	5,885	5,366	4,100	3,982	5,287	5,251	5,043
*Average realized gold price (per ounce) (CAD)	\$ 1,337	\$ 1,393	\$ 1,456	\$ 1,641	\$ 1,698	\$ 1,651	\$ 1,625	\$ 1,689
*Mining operating expenses (per ounce) (CAD)	\$ 870	\$ 978	\$ 1,283	\$ 1,568	\$ 2,006	\$ 1,366	\$ 1,421	\$ 1,538
Total assets (CAD 000's)	\$ 70,094	\$ 70,275	\$ 101,920	\$ 105,707	\$ 105,855	\$ 103,852	\$ 102,757	\$ 115,250
Non-current liabilities (CAD 000's)	\$ 2,613	\$ 6,406	\$ 6,360	\$ 10,695	\$ 10,508	\$ 10,555	\$ 10,948	\$ 21,850

* see *Non GAAP Measures*

A turnaround plan had been initiated resulting in increased production quarter over quarter translating steadily into increasing revenues during most of 2012. Q4-2012 and Q1-2013 saw a dip in production from lower grades mined. However, production increased in Q2-2013 and Q3-2013 as the Company began mining areas with improved grades. During Q4-2013, grades were lower, but the Company mined out larger areas generating increased tonnage to continue the increasing trend in gold production. The decline in gold prices during Q2-2013 and Q3-2013 negated the impact of increased production resulting in lower revenues than the comparative quarters. During 2012, mining costs steadily decreased quarter over quarter with both improved grades and recoveries, and increased efficiencies. Mining costs increased during Q4-2012 as a result of an inventory impairment charge. Costs were lower in 2013 as the Company worked to reduce costs. During Q1-2012, the Company assessed an impairment charge of \$8.50 million to its mineral properties in Rouyn resulting in the large loss for that period. A further write-down of \$1.76 million was recorded in Q2-2012. During Q3-2012, the Company sold its Rouyn properties resulting in a loss on sale of \$0.76 million. However, this was offset by the reversal of an impairment charge on its Lac Herbin property taken in 2012 of \$4.60 million. The large loss in Q3-2013 is a result of the Company recording an impairment charge on the Snow Lake properties of \$31.76 million. In Q4-2013, the Company recorded a reversal of impairment on the Lac Herbin properties of \$1.55 million.

Stock-based compensation is a non-cash expense representing an estimate of the fair value of options granted to directors, officers, employees and consultants of the Company calculated by applying the Black-Scholes option pricing model. This can generate fluctuations in net loss quarter over quarter.

The decrease in total assets during 2012 was a result of an impairment charge and the sale of some of its mineral properties in Rouyn. This was partially offset by a reversal of an impairment charge to its Lac Herbin mineral property in Q3-2012. The large decline in total assets in Q3-2013 is a result of the impairment charge on the Snow Lake properties. As well, the Company re-evaluated its reclamation provision for the Snow Lake property in Q2-2012 resulting in a large decrease in assets and long-term

liabilities. Long-term liabilities decreased in Q4-2013 as a result of the reclamation deposit on the Snow Lake property being reclassified as liabilities for assets held for sale which is a current liability.

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.

Annual information

	2013	2012	2011
Revenue from mining operations (CAD 000's)	\$ 30,615	\$ 30,886	\$ 15,544
Mine operating expenses (CAD 000's)	\$ 25,038	\$ 30,428	\$ 22,638
Net (loss) (CAD 000's)	\$ (42,372)	\$ (16,164)	\$ (13,644)
Net (loss) per share, basic and diluted (CAD)	\$ (1.32)	\$ (0.54)	\$ (0.53)
Cash flow from operating activities before working capital adjustments (CAD 000's)*	\$ 2,889	\$ (2,736)	\$ (10,138)
Working capital adjustments (CAD 000's)*	\$ 2,570	\$ (154)	\$ 846
Cash provided by (used in) operations (CAD 000's)	\$ 5,459	\$ (2,890)	\$ (9,292)
Gold ounces sold	22,209	19,564	10,362
*Average realized gold price (per ounce) (CAD)	\$ 1,428	\$ 1,661	\$ 1,575
*Mining operating expenses (per ounce) (CAD)	\$ 1,127	\$ 1,555	\$ 2,185
Total assets (CAD 000's)	\$ 70,094	\$ 105,855	\$ 124,256
Non-current liabilities (CAD 000's)	\$ 2,613	\$ 10,508	\$ 22,943

* see *Non GAAP Measures*

Cash Flows for the quarter ended December 31, 2013

Cash used by operating activities for the three months ended December 31, 2013 was \$0.11 million compared to the use of \$1.66 million for the three months ended December 31, 2012. During Q4-2013, mining operations provided \$2.76 million, administrative expenses and interest income used \$0.44 million and non-cash working capital used \$2.43 million. During Q4-2012, mining operations used \$1.65 million, administrative expenses and interest income used \$0.89 million and non-cash working capital provided \$0.88 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 used by financing activities was \$1.27 million during the three months ended December 31, 2013 compared to providing \$3.85 million during the three months ended December 31, 2012. During Q4-2013, the Company paid \$1.25 million in interest on its short-term loan as well waiver and monitoring fees. During Q4-2012, the Company entered into a short-term loan for \$17.45 million, incurring \$3.37 million in financing costs and interest. As well, during Q4-2012, the Company retired its earlier short-term loan using \$10.23 million in cash. During Q4-2013, the Company paid \$0.02 million in finance lease payments (Q4-2012: \$0.01 million).

Cash provided by investing activities was \$0.69 million during the three months ended December 31, 2013 compared to the use of \$1.80 million during the three months ended December 31, 2012. Expenditures on exploration interests used \$0.47 million during the current quarter compared to \$1.66 million during the comparative quarter as summarized below. The Company announced during Q3-2013 its intention to suspend capital development at the Lac Herbin mine resulting in lower costs for the current period. The Company used \$0.07 million to purchase property and equipment compared to \$0.44 million during Q4-

2012. Working capital adjustments used \$0.11 million during Q4-2013 compared to providing of \$0.31 million during Q4-2012. During Q4-2013, the Company received \$1.04 million as a deposit on the pending sale of the Snow Lake property (Q4-2012: \$nil). Also during Q4-2013, the Company received \$0.30 million in net proceeds from the sale of equipment (Q4-2012: \$nil).

Cash expenditures on exploration interests for the three months ended December 31, 2013:						
(CAD 000's)	PRODUCING PROPERTIES	NON-PRODUCING PROPERTIES				
Description	Lac Herbin (\$)	Lac Pelletier (\$)	VMS (\$)	Aurbel (\$)	Snow Lake, Manitoba (\$)	TOTAL (\$)
Acquisition and property maintenance	-	4	4	11	52	71
Development costs	-	-	-	-	-	-
Exploration costs	9	-	1	1	387	398
Total	9	4	5	12	439	469

Cash Flows for the year ended December 31, 2013

Cash provided by operating activities for the year ended December 31, 2013 was \$5.46 million compared to the use of \$2.89 million for the year ended December 31, 2012. During 2013, mining operations provided \$5.58 million, administrative expenses and interest income used \$2.69 million and non-cash working capital provided \$2.57 million. During 2012, mining operations provided \$0.46 million, administrative expenses and interest income used \$3.19 million and non-cash working capital used \$0.15 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 used by financing activities was \$2.61 million during the year ended December 31, 2013 compared to providing \$9.02 million during the year ended December 31, 2012. In 2013, the Company paid \$2.55 million in interest, and waiver and monitoring fees related to its outstanding loan. In 2012, the Company raised \$28.32 million in cash through short-term bridge loans, including US\$10.00 million from RIF and US\$17.50 million (\$17.37 million) from another lender. Costs relating to these loans, including prepaid interest, financing costs, the value of put options, a loan extension fee and a discount on face value, amounted to \$6.03 million. Also during 2012, the Company retired some of its short-term loans with the payment of \$10.95 million, as well as retiring a convertible debenture for \$2.23 million. In 2013, the Company made finance lease payments of \$0.06 million (2012: \$0.09 million).

Cash used by investing activities was \$3.47 million during the year ended December 31, 2013 compared to the use of \$6.71 million during the year ended December 31, 2012. Expenditures on exploration interests used \$4.39 million during the current year compared to \$6.57 million during the comparative year as summarized below. The Company used \$0.48 million to purchase property and equipment, and refurbish the Aurbel mill, compared to \$2.57 million during 2012. Working capital adjustments used \$1.43 million during 2013 compared to \$3.19 million during 2012. During 2013, the Company received \$1.39 million in exploration tax credits compared to \$0.63 during 2012. During 2013, the Company received \$1.04 million as a deposit on the pending sale of its Snow Lake property. During 2012, the Company received \$5.00 million as proceeds on the sale of its Rouyn properties. As well, the Company sold equipment for net proceeds of \$0.40 million during 2013 compared to \$nil during 2012.

Cash expenditures on exploration interests for the year ended December 31, 2013:						
(CAD 000's)	PRODUCING PROPERTIES	NON-PRODUCING PROPERTIES				
Description	Lac Herbin (\$)	Lac Pelletier (\$)	VMS (\$)	Aurbel (\$)	Snow Lake, Manitoba (\$)	TOTAL (\$)
Acquisition and property maintenance	25	11	12	56	220	324
Development costs	1,694	-	-	-	-	1,694
Exploration costs	639	4	1	1	1,726	2,371
Total	2,358	15	13	57	1,946	4,389

New accounting policies

The Company has adopted the following new standards, along with any consequential amendments, effective January 1, 2013.

IFRS 10, Consolidated Financial Statements ("IFRS 10") provides a single model to be applied in the control analysis for all investees, including entities that currently are special purpose entities in the scope of SIC 12, Consolidation – Special Purpose Entities ("SIC 12"). In addition, the consolidation procedures are carried forward substantially unmodified from IAS 27, Consolidated and Separate Financial Statements ("IAS 27"). The Company adopted IFRS 10 in its financial statements for the annual period beginning January 1, 2013. The Company's subsidiary is wholly-owned and the Company is in compliance with IFRS 10. There was no change to the financial presentation as a result of this change.

IFRS 11 – Joint Arrangements ("IFRS 11") was issued by the IASB in May 2011 and will replace IAS 31 Interest in Joint Ventures and SIC 13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers. IFRS 11 is a new standard which focuses on classifying joint arrangements by their rights and obligations rather than their legal form. Entities are classified into two groups: joint operations and joint ventures. A joint operation exists when the parties have rights to the assets and obligations for the liabilities of a joint arrangement. A joint venture exists when the parties have rights to the net assets of a joint arrangement. Assets, liabilities, revenues and expenses in a joint operation are accounted for in accordance with the arrangement. Joint ventures are accounted for using the equity method. The adoption of this standard did not result in any changes to the Company's investments in joint ventures.

IFRS 13, Fair Value Measurement ("IFRS 13") converges IFRS and US GAAP on how to measure fair value and the related fair value disclosures. The new standard creates a single source of guidance for fair value measurements, where fair value is required or permitted under IFRS, by not changing how fair value is used but how it is measured. The focus will be on an exit price. IFRS 13 is effective for annual periods beginning on or after January 1, 2013. Adoption of this standard had no significant impact on the Company's financial statements other than inclusion of additional disclosure in Note 25.

IAS 1, Presentation of Financial Statements ("IAS 1"), has been amended to require entities to separate items presented in other comprehensive income ("OCI") into two groups, based on whether or not items may be recycled in the future. Entities that choose to present OCI items before tax will be required to show the amount of tax related to the two groups separately. The amendment is effective for annual periods beginning on or after July 1, 2012. There is no impact of the changes to IAS 1 to the Company's financial statements.

Future accounting changes

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for accounting periods beginning after January 1, 2014 or later periods. Updates are not applicable or are not consequential to the Company have been excluded thereof. The Company has not yet determined the potential impact of these changes on the consolidated financial statements.

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.

IAS 32 – Financial Instruments: Presentation ("IAS 32") was amended by the IASB in December 2011 to clarify certain aspects of the requirements on offsetting. The amendments focus on the criterion that an entity currently has a legally enforceable right to set off the recognized amounts and the criterion that an entity intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously. The amendments to IAS 32 are effective for annual periods beginning on or after January 1, 2014. Earlier adoption is permitted.

IAS 36 – Impairments of Assets ("IAS 36") was amended by the IASB in May 2013 to clarify the requirements to disclose the recoverable amounts of impaired assets and require additional disclosures about the measurement of impaired assets when the

recoverable amount is based on fair value less costs of disposal, including the discount rate when a present value technique is used to measure the recoverable amount. The amendments to IAS 36 are effective for annual periods beginning on or after January 1, 2014. Earlier adoption is permitted.

IAS 39 – Financial Instruments: Recognition and Measurement (“IAS 39”) was amended by the IASB in June 2013 to clarify that novation of a hedging derivative to a clearing counterparty as a consequence of laws or regulations or the introduction of laws or regulations does not terminate hedge accounting. The amendments to IAS 39 are effective for annual periods beginning on or after January 1, 2014. Earlier adoption is permitted.

IFRIC 21 – Levies (“IFRIC 21”) was issued in May 2013. IFRIC 21 provides guidance on the accounting for levies within the scope of IAS 37 – Provisions, Contingent Liabilities and Contingent Assets (“IAS 37”). IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (“obligating event”). IFRIC 21 clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. IFRIC 21 is effective for annual periods commencing on or after January 1, 2014. Earlier adoption is permitted.

Transactions with Related Parties

During the year ended December 31, 2013, the Company entered into the following transactions in the ordinary course of business with related parties that are not subsidiaries of the Company.

	<u>Purchases of goods and services</u>	
	Year ended December 31,	
	2013	2012
2227929 Ontario Inc.	\$ 217,004	\$ 231,885
Forbes & Manhattan, Inc.	926,918	434,196

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.

Mr. Stan Bharti is the Executive Chairman of Forbes & Manhattan, Inc. Mr. Bharti was a director of the Company until his resignation on March 6, 2012; however as the Company is part of the Forbes & Manhattan 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 Forbes & Manhattan Board of Advisors. An administration fee of \$25,000 per month is charged by Forbes & Manhattan, Inc. pursuant to a consulting agreement. As well, a 2% royalty is payable on gold sales from the Aurbel properties (including Lac Herbin) to Forbes & Manhattan, Inc.

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

	Amounts owed by related parties		Amounts owed to related parties	
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
2227929 Ontario Inc.	\$ 18,000	\$ 18,000	\$ 127,018	\$ 44,914
Forbes & Manhattan, Inc.	\$ -	\$ -	\$ 1,964,545	\$ 1,251,476
Directors and officers	\$ -	\$ -	\$ 60,000	\$ -

The 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.

Mr. David Rigg, Chairman of the Board of the Company, is the President and CEO of Northern Sun. As well, Mrs. Deborah Battiston, CFO of the Company, is also the CFO of Northern Sun.

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:

	Year ended December 31,	
	2013	2012
Short-term benefits	\$ 1,298,373	\$ 1,500,741
Share-based payments	194,400	5,400

During the year month ended December 31, 2013, the Company incurred a severance cost of \$0.25 million with respect to a former officer of the Company.

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.

Subsequent Events

In January 2014, the Company sold 328,000 shares of Falco for net proceeds of \$0.17 million.

The Company's shares were delisted from the TSX on February 19, 2014 and began trading on the TSX-V on February 20, 2014.

In March 2014, the Company converted US\$1,552,454 of royalties payable to Forbes & Manhattan, Inc. to a debenture which matures on December 31, 2015. The debenture is non-interest bearing and is secured by all assets and property of the Company subject to security held by the short-term loan and certain other assets.

Subsequent to the end of the year, 36,088 stock options expired unexercised.

Outstanding Share Data

As at the date of this report, 38,325,574 common shares of the Company are outstanding. Of the options to purchase common shares issued under the share option plan of the Company, 2,250,500 remain outstanding with exercise prices ranging from \$0.24 to \$8.50 and with expiry dates ranging between July 14, 2014 and January 10, 2018. If exercised, 2,250,500 common shares would be issued generating \$2.82 million in proceeds.

As at the date of this report, there were 2,900,000 share purchase warrants outstanding with an exercise price of \$0.0465 expiring on November 28, 2015. If exercised, 2,900,000 common shares would be issued generating \$0.13 million in proceeds.

Non-GAAP Measures

The Company has included certain Non-GAAP 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-GAAP 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-GAAP 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 a reconciliation of working capital to the financial statements for the years ended December 31, 2013 and December 31, 2012, a reconciliation of cash costs per gold ounce sold for the three and twelve months ended December 31, 2013 and 2012, and a reconciliation of cash flows provided by or used in operating activities for the three and twelve months ended December 31, 2013 and 2012.

Working Capital

(CAD 000's)	<u>December 31, 2013</u>	<u>December 31, 2012</u>
Current assets:		
Cash and cash equivalents	\$415	\$1,036
Amounts receivable	330	915
Tax credits receivable	233	1,552
Inventory	2,801	2,938
Prepaid expenses	1,643	1,873
Investments	6	8
	5,428	8,322
Current liabilities		
Accounts payable and accrued liabilities	\$11,118	\$11,114
Deposit on sale of property	1,064	-
Liabilities of assets held for sale	4,133	
Current portion of finance lease obligations	7	6
Short-term loan	18,453	14,126
Convertible debenture	4,181	-
	38,956	25,246
Working capital/(deficit) (current assets less current liabilities)	(\$33,528)	(\$16,924)

Cash cost per ounces sold

	<u>Three months ended</u>		<u>Twelve months ended</u>	
	<u>December 31, 2013</u>	<u>December 31, 2012</u>	<u>December 31, 2013</u>	<u>December 31, 2012</u>
Ounces sold	6,858	3,982	22,209	19,564
Mine operating expenses (CAD 000's)	\$5,967	\$7,988	\$25,038	\$30,428
Cash cost per ounce sold (CAD) (mine operating expenses divided by ounces sold)	\$870	\$2,006	\$1,127	\$1,555

Average realized gold price (CDN\$)

	<u>Three months ended</u>		<u>Twelve months ended</u>	
	<u>December 31, 2013</u>	<u>December 31, 2012</u>	<u>December 31, 2013</u>	<u>December 31, 2012</u>
Gross Revenue				
From commercial production ounces (CAD 000's) before refining and royalty charges	\$9,168	\$6,760	\$31,725	\$32,491
Ounces sold	6,858	3,982	22,209	19,564
Average realized gold price (CDN\$) (Gross revenue divided by ounces sold)	\$1,337	\$1,698	\$1,428	\$1,661

Net cash flow from operating activities

	Three months ended		Twelve months ended	
	<u>December 31,</u> <u>2013</u>	<u>December 31,</u> <u>2012</u>	<u>December 31,</u> <u>2013</u>	<u>December 31,</u> <u>2012</u>
Cash flow provided by (used in) operating activities before working capital adjustments (CAD 000's)	\$2,318	(\$2,538)	\$2,889	(\$2,736)
Cash flow provided by (used in) working capital adjustments (CAD 000's)	(\$2,489)	\$881	\$2,570	(\$154)
Net cash flow from operating activities (CAD 000's)	(\$111)	(\$1,657)	\$5,459	(\$2,890)

Contractual Obligations and Contingencies

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

Contractual Obligation	Total	Payments due by period:			
		< 1 year	1 - 3 years	4 - 5 years	> 5 years
Finance lease obligations	7,000	7,000	-	-	-
Contractual commitments	1,260,000	1,260,000	-	-	-
	<u>1,267,000</u>	<u>1,267,000</u>	-	-	-

The Company is party to certain management contracts. These contracts contain clauses requiring additional payments of up to \$3.60 million be made upon the occurrence of certain events such as a change of control. As the likelihood of these events taking place is not determinable, the contingent payments have not been reflected in these consolidated financial statements. Additional minimum management contractual commitments remaining under the agreements are approximately \$1.26 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.

Arbitration proceedings have taken place with Thundermin with respect to the Lac Pelletier property. The Company currently awaits the outcome of these proceedings. The Company believes that Thundermin's claim is without merit.

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.

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 geologic 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

The Company is in commercial production on its Herbin property. 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 as 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.

Liquidity Concerns, Future Financings and Indebtedness

The Company will require significant capital and operating expenditures in connection with the development of 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 development plans, forfeit rights in some or all of its properties or reduce or terminate some or all of its activities.

The Company is subject to certain debt covenants. There can be no assurance that the Company will be successful in repaying all of its indebtedness. 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 expects to obtain the funds to pay its operational and capital expenditures in 2013 through its future cash flows from the Lac Herbin Mine operations as well as private equity ventures. 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 cannot be certain that its existing capital resources and future cash flows from operations will 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 or if there is a contravention of its debt covenants, 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.

Foreign Exchange

Gold is sold in United States dollars 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.

Mineral Resource and Mineral Reserve Estimates May be Inaccurate

There are numerous uncertainties inherent in estimating mineral resources and mineral reserves, including many factors beyond the control of the Company. Such estimates are a subjective process, and the accuracy of any mineral resource or mineral reserve 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.

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. As the Company develops the Lac Herbin and Lac Pelletier properties, the need for skilled labour will increase. 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.

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.

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.

Share Price Fluctuations

The market price of securities of many companies, particularly development 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 from time to time in the course of the Company's business. Defense and settlement costs of legal claims can be substantial, even with respect to claims that have no merit. The Company has received a notice of arbitration from Thundermin in respect of the exercise of the option to acquire the Lac Pelletier property. 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.

Disclosure Controls and Procedures and Internal Controls Over Financial Reporting

Subject to the limitations, if any, described below, the Company's CEO and CFO, have as at the end of the year ended December 31, 2013 designed Disclosure and Control Procedures, ("DC&P") or caused it to be designed under their supervision, to provide reasonable assurance that:

- material information relating to the issuer is made known to us by others, particularly during the period in which the interim filings are being prepared; and
- information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

Internal control over financial reporting has been designed, based on the framework established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in Canada.

There have been no significant changes to the Company's disclosure controls and procedures and internal controls over financial reporting that occurred during the year ended December 31, 2013 that have materially affected, or are reasonably likely to materially affect, the Company's disclosure controls and procedures and internal control over financial reporting.

Management, under the supervision of the CEO and CFO, has evaluated the effectiveness of our internal control over financial reporting using the framework designed as described above and based on this evaluation, the CEO and CFO have concluded that internal control over financial reporting was effective as of December 31, 2013.

Because of inherent limitations, internal control over financial reporting and disclosure controls can provide only reasonable assurances and may not prevent or detect misstatements. Furthermore, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Audit and Governance Committee's of the Company have reviewed this MD&A, and the consolidated financial statements for the year ended December 31, 2013, and QMX's board of directors approved these documents prior to their release.

March 31, 2014