

Q1-2015 Management's Discussion and Analysis





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Management's Discussion and Analysis

For the three months ended March 31, 2015

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 months ended March 31, 2015 and should be read in conjunction with the Company's Condensed Interim Consolidated Financial Statements for the three months ended March 31, 2015 as well as the Company's Annual Consolidated Financial Statements and MD&A for the year ended December 31, 2014. 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 May 28, 2014 unless otherwise indicated. References to the 1st quarter of 2015 or Q1-2015, and the 1st quarter of 2014 or Q1-2014 mean the three months ended March 31, 2015 and 2014 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 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". 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. The Company holds a significant property position with 200 km² in one of 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, reviewed and approved by David Rigg, P.Geol., the Chairman of the Company 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**
 - Subsequent to the end of the quarter, the Company completed the sale of its Snow Lake project to a wholly-owned subsidiary of Hudbay Minerals Inc. ("Hudbay"). The proceeds have been applied against the Company's short-term loan. The Company has negotiated with the lender to come to a mutually satisfactory resolution with respect to the remaining debt outstanding.
- **Phase 2: Mine-out Lac Herbin and increase custom milling**
 - Mining has ceased at Lac Herbin with the stock-piling of ore at the Company's mill site. QMX will continue to process its own ore into Q2-2015.
 - The Company has signed a custom milling contract with Abcourt Mines Inc. ("Abcourt") for the treatment of 50,000 tonnes of gold over a six-month period beginning in October of 2014. The term of this agreement has been extended to June 2015.
- **Phase 3: Develop a new deposit**
 - QMX is actively seeking new deposits to acquire and develop in order to replace the ore from 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 31-Mar-15	Three months ended 31-Mar-14
Tonnes of ore mined	41,376	57,104
Grade per tonne mined	3.22	3.64
Total gold ounces mined	4,287	6,681
Tonnes of ore milled	25,335	56,938
Grade per tonne milled	3.33	3.68
Total gold ounces milled	2,715	6,738
Average recovery rate	94.1%	91.6%
Gold ounces poured	2,554	6,171
Gold ounces sold	2,686	6,734
Average realized gold price (per oz CAD)**	\$1,425	\$1,423
Revenue from mining operations (net of royalties and refining charges CAD 000's)	\$4,624	\$9,095
Mine operating expenses (excludes depletion and amortization - CAD 000's)	\$2,825	\$7,222
Amortization and depletion (CAD 000's)	\$391	\$1,758
Gross income (CAD 000's)	\$1,408	\$115
Net (loss) (CAD 000's)	(\$2,795)	(\$1,404)
Basic and diluted (loss) per share (CAD)	(\$0.07)	(\$0.04)
Cash flow from operating activities before working capital adjustments (CAD 000's)***	\$1,373	\$1,409
Working capital adjustments (CAD 000's)***	(\$1,384)	\$868
Cash flow from operating activities (CAD 000's)	(\$12)	\$2,277
Cost of sales per ounces sold (CAD)*	\$1,052	\$1,072
<small>*see Non GAAP Measures and comments under "Executive Summary - First Quarter" section, regarding Cost of Sales at Lac Herbin **see Non GAAP Measures and comments under "Executive Summary - First Quarter" section, regarding Average realized gold price at Lac Herbin ***see Non GAAP Measures and comments under "Executive Summary - First Quarter" section, regarding Cash flow from operations</small>		

Executive Summary - First Quarter March 31, 2015

During the three months ended March 31, 2015 the following occurred at QMX:

- Total revenue of \$4.62 million was generated, 49% lower than in Q1-2014. The Company poured 59% less gold this quarter compared to Q1-2014 and sold 60% less gold this quarter compared to the same period last year. The Company was engaged in custom milling during Q1-2015 which diverted milling of its own ore to inventory stockpiles. The Company mined 28% less ore tonnage during Q1-2015 compared to Q1-2014 with grades per tonne that were 11% lower. Underground mining activity ceased in March 2015 and all ore is at surface.
- The Company sold 2,686 ounces of gold at an average realized price of \$1,425/oz (USD\$1,198/oz), compared to 6,734 ounces sold during Q1-2014 at an average realized price of \$1,423/oz (USD\$1,1,256/oz). See Non-GAAP Measures for a description of the calculation of average realized price per ounce.

- The Company's Lac Herbin Mine in Val-d'Or poured 2,554 ounces of gold, a 59% decrease compared to 6,171 ounces in Q1-2014.
- Cash cost of sales per ounce (see Non-GAAP Measures) of the Lac Herbin gold sold was \$1,052/oz Au for Q1-2015 compared to \$1,072/oz for Q1-2014.
- Cash flow from operations, before working capital adjustments (see Non-GAAP Measures), provided \$1.37 million during Q1-2015 compared to providing \$1.41 million during Q1-2014. Working capital adjustments used \$1.38 million during Q1-2015 (Q1-2014: provided \$0.87 million).
- Production guidance for 2015 is estimated at 5,000 to 6,000 ounces.

Overview & Outlook

QMX is implementing a three-phased plan: the first phase is to complete the sale of the Snow Lake asset, which has been completed, and repay the bridge facility. 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 March 31, 2015, the Company had a working capital deficiency of \$34.95 million compared to a working capital deficiency of \$32.05 million at December 31, 2014. (See Non-GAAP Measures.)

The Company is carrying a short-term loan facility with an original face value of US\$17,500,000 and maturity date of November 28, 2013. As at March 31, 2015, the carrying balance of the term loan is approximately US\$17.31 million (\$21.92 million). The Company was required to pay cash interest payments of US\$250,000 per month. The Company entered into an amending agreement that 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 Company sold its shares in Falco Pacific Resource Group Inc. ("Falco") in 2014 and applied the proceeds against the principal of the loan. The maturity of this loan was extended to September 30, 2014 as a result of a sixth amending agreement signed in August 2014.

During October 2014, the Company negotiated a binding term sheet with the lender in respect of this loan facility which sets out the key terms of a forbearance agreement in respect of the loan facility. On October 8, 2014, the lender delivered to the Company a notice of intention to enforce security pursuant to section 244 of *Bankruptcy and Insolvency Act* (Canada) (the "Act") but has not taken any action under the Act.

Subject to the terms of the forbearance agreement, for a period until March 31, 2015 (the "Forbearance Period"), the lender would forbear against the enforcement of its security relating to defaults by the Company of the loan facility. During the Forbearance Period, the Company cooperated in an orderly sales process for its Snow Lake Property in Manitoba. Subsequent to the end of the quarter, the Company completed the sale of the Snow Lake project to Hudbay for cash proceeds of US\$12.30 million and a contingent payment of US\$5.00 million payable if the price of gold is equal to or greater than US\$1,400/oz on the third anniversary of the closing date. The Company has used the proceeds from the sale, including its right to receive the contingent payment, to pay down the short-term loan. The Company also used \$3,900,000 which was originally security against reclamation costs associated with the Snow Lake mine against the principal of the short-term loan. See Subsequent Events.

In November 2014, the Company signed a custom milling agreement with Abcourt Mines Inc. ("Abcourt") to process ore from Abcourt's mine in Val d'Or, Quebec. The term of the agreement is for six months and a minimum of 50,000 tonnes of ore delivered by Abcourt. Subsequent to the end of the year, the Company extended the term of this agreement to end by June 2015.

At March 31, 2015, the Company was carrying debentures with a face value of \$4,210,000 which 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 is in default as at March 31, 2015.

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 (see Transactions with Related Parties). The debenture is non-interest bearing and is secured by all the assets and property of the Company subject to security held by the short-term loan facility described above and certain other assets.

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, 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 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 Resources Limited (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 initiated an arbitration proceeding pursuant to which it 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. During Q4-2013, the Arbitrator delivered its binding decision that the Company's exercise of this option was valid as of August 31, 2010. The Arbitrator has set out a series of deadlines whereby the parties must agree on the ultimate date for the achievement of commercial production. If commercial production is not achieved before August 31, 2015, the Company will be required to make advance royalty payments of \$75,000 annually until commercial production is achieved. The Company has until June 2018 to achieve commercial production.

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. Subsequent to the end of the quarter, the Company terminated this option as part of the Purchase and Sale agreement with Hudbay.

Results of Operations

For the quarter ended March 31, 2015

The Company sold 2,686 ounces of gold and generated \$4.62 million in revenue from mining operations during the 1st quarter of 2015. QMX averaged a gold sale price of \$1,425 per ounce during Q1-2015 (See Non-GAAP measures). During Q1-2014, 6,734 ounces of gold were sold generating \$9.10 million in revenue. The average sale price realized during Q1-2014 was \$1,423 per ounce (See Non-GAAP measures). The Company poured 59% less gold in Q1-2015 compared to Q1-2014. As the Company continued custom milling during the 1st quarter of 2015, the Company's own ore was diverted to inventory stockpiles resulting in this decreased production. Mine operating expenses were \$2.83 million (Q1-2014: \$7.22 million) and depreciation and depletion amounted to \$0.39 million (Q1-2014: \$1.76 million). Gross income was \$1.41 million during Q1-2015 compared to \$0.12 million during Q1-2014. Revenue from mining operations includes \$3.83 million from gold sales (Q1-2014: \$9.58 million) reduced by \$0.19 million in refining and royalty charges (Q1-2014: \$0.48 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 \$1,052 per ounce compared to \$1,072 per ounce during the comparative quarter (see Non GAAP Measures).

QMX recorded a net loss for the quarter ended March 31, 2015 of \$2.80 million compared to a net loss of \$1.40 million for the quarter ended March 31, 2014. In Q1-2015, the Company recorded an impairment charge of \$nil on the Snow Lake property (Q1-2014: a reversal of impairment of \$0.36 million). Expenses were \$4.20 million during Q1-2015 (Q1-2014: \$1.88 million) as described below.

General and Administrative expenses				
(CAD 000's)	Q1-2015 \$	Q1-2014 \$	Favourable (unfavourable) \$	Change %
Professional, consulting and management fees	305	307	2	1%
Stock-based compensation	-	-	-	n/a
Other general and administrative expenses	110	125	15	12%
Finance costs	1,639	886	(753)	(85%)
Finance income	(9)	(17)	(8)	(47%)
Other (gains) and losses: Foreign exchange	2,392	964	(1,428)	(148%)
Other (gains) and losses: General exploration	4	3	(1)	(33%)
Other (gains) and losses: Sale of asset	(238)	-	238	100%
Other (gains) and losses: Sale of investment	-	(34)	34	(100%)
Other (gains) and losses: Unrealized, investments (FVTPL)	-	355	(355)	(100%)

Professional, consulting and management costs decreased by 1% during the quarter ended March 31, 2015 compared to the quarter ended March 31, 2014.

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 Q1-2015 and Q1-2014, no stock options were granted and no expense was incurred.

Other general and administrative expenses decreased by 12% during Q1-2015 compared to Q1-2014 as a result of timing as certain costs incurred during the first quarter of 2014 will be incurred during the second quarter this year.

Finance costs increased by \$0.75 million or 85% compared to Q1-2014. During the first quarter last year, the Company discounted a debenture recognizing a gain of \$0.51 million. This discount was being accreted in the first quarter this year resulting in the majority of this variance. As well, costs related to the Company's short-term loan increased by \$0.26 million in Q1-2015 compared to Q1-2014 as the Company recognized the costs associated with the forbearance agreement during the current period.

Finance income for Q1-2015 and Q1-2014 was earned on term deposits. The Company did not carry significant cash balances throughout either period to generate significant interest income.

The Company recorded foreign exchange losses of \$2.39 million during Q1-2015 compared to losses of \$0.96 million during Q1-2014, a 148% increase. The bridge loan, debenture and royalties payable are denominated in US dollars, which strengthened significantly during the current period, resulting in foreign exchange losses.

The Company sold various mining equipment during Q1-2015 resulting in a gain on sale of assets of \$0.24 million (Q1-2014: \$nil).

Quarterly information
Summary Financial Information for the Eight Quarters Ended March 31, 2015

	Q1-2015	Q4-2014	Q3-2014	Q2-2014	Q1-2014	Q4-2013	Q3-2013	Q2-2013
Revenue from mining operations (CAD 000's)	\$ 4,624	\$ 6,287	\$ 5,859	\$ 6,670	\$ 9,095	\$ 8,727	\$ 8,113	\$ 7,375
Mine operating expenses (CAD 000's)	\$ 2,825	\$ 4,458	\$ 5,404	\$ 5,031	\$ 7,222	\$ 5,967	\$ 5,757	\$ 6,886
Net (loss) (CAD 000's)	\$ (2,795)	\$ (5,069)	\$ (2,757)	\$ (2,282)	\$ (1,404)	\$ (101)	\$ (31,852)	\$ (6,380)
Net (loss) per share, basic and diluted (CAD)	\$ (0.07)	\$ (0.13)	\$ (0.07)	\$ (0.06)	\$ (0.04)	\$ (0.00)	\$ (0.98)	\$ (0.20)
Cash flow from operating activities before working capital adjustments (CAD 000's)*	\$ 1,373	\$ 1,267	\$ (21)	\$ 1,118	\$ 1,409	\$ 2,318	\$ 1,480	\$ (166)
Working capital adjustments (CAD 000's)*	\$ (1,384)	\$ (210)	\$ 144	\$ 60	\$ 868	\$ (2,429)	\$ 544	\$ 1,394
Cash provided by (used in) operations (CAD 000's)	\$ (12)	\$ 1,057	\$ 123	\$ 1,178	\$ 2,277	\$ (111)	\$ 2,024	\$ 1,228
Gold ounces sold	2,686	4,531	4,450	5,038	6,734	6,858	5,885	5,366
*Average realized gold price (per ounce) (CAD)	\$ 1,425	\$ 1,364	\$ 1,389	\$ 1,401	\$ 1,423	\$ 1,337	\$ 1,393	\$ 1,456
*Cost of sales per ounce (CAD)	\$ 1,052	\$ 984	\$ 1,214	\$ 999	\$ 1,072	\$ 870	\$ 978	\$ 1,283
Total assets (CAD 000's)	\$ 61,362	\$ 60,295	\$ 65,459	\$ 66,893	\$ 69,731	\$ 70,094	\$ 70,275	\$ 101,920
Long-term financial liabilities (CAD 000's)	\$ 2,866	\$ 2,723	\$ 4,595	\$ 3,731	\$ 3,620	\$ 2,613	\$ 6,406	\$ 6,360

* see *Non GAAP Measures*

Production increased quarter by quarter during 2013. In Q2-2013 and Q3-2013, the Company began mining areas with improved grades. During Q4-2013 and 2014, grades were lower, but the Company mined out larger areas generating increased tonnage to continue the increasing trend in gold sales. In Q2-2014 and Q3-2014, grades were lower as the Company processed lower grade ore to extend the mine life into the first quarter of 2015. In Q4-2014 and Q1-2015, the Company was custom milling, diverting some of its own ore to inventory stockpiles which reduced revenue from its own gold production. Costs were lower in 2013 as the Company implemented various cost-cutting strategies. In Q1-2014, costs were higher as a result of increased mining efforts in a lower grade zone to continue to generate gold production. Low grades during Q2- and Q3-2014 contributed to the higher cost per ounce. Costs continued to decrease going into Q1-2015 as a result of the mine-out of the Lac Herbin mine. 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. Net loss increases throughout 2014 as a result of high debt sustaining costs as well as foreign exchange losses as the Company's debt is denominated in US dollars and the US dollar has strengthened throughout 2014. The Company also recorded an additional impairment charge on the Snow Lake properties of \$4.02 million in Q4-2014. Foreign exchange losses and debt sustaining costs resulted in the loss during Q1-2015.

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 large decline in total assets in Q3-2013 is a result of the impairment charge on the Snow Lake properties. The Company is currently not investing in capital assets. 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. In Q1-2014, long-term liabilities increased, and in Q4-2014, long-term liabilities decreased, both as a result of the debenture to Forbes and Manhattan, Inc., which matures on December 31, 2015. Long-term liabilities increased in Q3-2014 with adjustments to reclamation liabilities for the properties in Quebec.

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 three months ended March 31, 2015

Cash used by operating activities for the three months ended March 31, 2015 was \$0.01 million compared to providing \$2.28 million for the three ended March 31, 2014. During Q1-2015, mining operations provided \$1.80 million, administrative expenses and interest income used \$0.43 million and non-cash working capital used \$1.38 million. During Q1-2014, mining operations provided \$1.87 million, administrative expenses and interest income used \$0.46 million and non-cash working capital provided \$0.87 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 in financing activities was \$0.50 million during the three months ended March 31, 2015 compared to \$0.90 million during the three ended March 31, 2014. In Q1-2015, the Company paid \$0.50 million in interest related to its short-term loan facility (Q1-2014: \$0.89 million). The Company paid \$nil in finance lease payments during Q1-2015 compared to \$0.01 million during Q1-2014. The Company currently does not have any capital lease obligations outstanding.

Cash used in investing activities was \$0.15 million during the three months ended March 31, 2015 compared to \$0.18 million during the three months ended March 31, 2014. The Company incurred \$0.01 million in Q1-2015 on their exploration properties in Quebec to keep them in good standing, but exploration programs were deferred (Q1-2014: \$0.01 million). The Company spent \$0.10 million in property, plant and equipment expenditures, specifically on work to raise the tailings pond which commenced in 2014 (Q1-2014: \$nil). The Company also incurred \$0.31 million in Q1-2015 in care and maintenance costs related to the Snow Lake property that have been treated as assets held for sale (Q1-2014: \$0.37 million). Working capital adjustments used \$0.23 million in Q1-2015 compared to providing \$0.03 million in Q1-2014. The Company sold equipment in Q1-2015 generating net proceeds of \$0.50 million compared to \$nil in Q1-2014. The Company did not sell shares during Q1-2015 but during Q1-2014, the Company sold some shares in its investment in Falco Pacific Resource Group for proceeds of \$0.12 million.

New Accounting Policies

The Company has adopted the following new standards, along with any consequential amendments, effective January 1, 2014.

IAS 24 – Related Party Disclosures (“IAS 24”) was amended to clarify that an entity providing key management services to the reporting entity or the parent of the reporting entity is a related party of the reporting entity. The amendments also require an entity to disclose amounts incurred for key management personnel services provided by a separate management entity. The amendments to IAS 24 are effective for annual periods beginning on or after July 1, 2014. The Company has adopted this standard at January 31, 2015.

Future accounting changes

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods on or after January 1, 2015 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.

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. Earlier adoption permitted.

Transactions with Related Parties

During the three months ended March 31, 2015, 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>	
	<u>Three months ended March 31,</u>	
	<u>2015</u>	<u>2014</u>
2227929 Ontario Inc.	\$ 42,014	\$ 52,304
Forbes & Manhattan, Inc.	146,825	259,637

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. Subsequent to the end of the quarter, these fees decreased to \$10,000 per month. As well, a 2% royalty on gold sales from the Aurbel properties (including Lac Herbin) is payable to Forbes & Manhattan, Inc. As mentioned previously in this report, the Company converted US\$1,552,454 of royalties owed to Forbes & Manhattan, Inc. to a debenture that matures on December 15, 2015.

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

	Amounts owed by related parties		Amounts owed to related parties	
	March 31, 2015	December 31, 2014	March 31, 2015	December 31, 2014
2227929 Ontario Inc.	\$ 18,000	\$ 18,000	\$ 320,088	\$ 272,612
Forbes & Manhattan, Inc.	\$ -	\$ -	\$ 1,061,389	\$ 895,182
Forbes & Manhattan, Inc.*	\$ -	\$ -	\$ 1,966,338	\$ 1,801,002
Directors and officers	\$ -	\$ -	\$ 82,277	\$ 114,000

* The Forbes & Manhattan, Inc. debenture is non-interest bearing and is secured by all the assets and property of the Company subject to security held by the short-term loan facility.

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 March 31,	
	2015	2014
Short-term benefits	\$ 234,698	\$ 286,600
Share-based payments	-	-

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 April 2015, the Company entered into a definitive agreement to sell its Snow Lake project to a wholly-owned subsidiary of Hudbay Minerals Inc. ("Hudbay"). The Company completed the sale in May 2015. Under the terms of the agreement, Hudbay acquired 100% of the Company's interest in the Snow Lake project for US\$12.3 million in cash and a contingent payment of US\$5.0 million payable if the price of gold is equal to or greater than US\$1400/oz on the third anniversary of the closing date. The Snow Lake project consists of the Snow Lake mine and an associated processing plant, which are currently on care and maintenance, as well as \$1,867,000 in cash which supports the closure obligations associated with the property. The \$1,867,000 in cash was transferred to Hudbay on closing. The Company incurred costs with respect to this transaction in the amount of \$494,000. The Company used the proceeds of the sale, including its right to receive the contingent payment, to pay down the short-term loan.

In addition to the sale proceeds, the Company has applied the \$3,900,000 that was used as security to Kinross for reclamation obligations against the loan. The Company has negotiated with the lender to come to a mutually satisfactory resolution with respect to the remaining debt outstanding. In order to satisfy the debt obligation, the Company has agreed to a payment schedule whereby the Company will make certain payments to the lender totalling approximately \$1,520,000 by August 7, 2015. Upon completion of those payments, the obligation to the lender will be satisfied in full and the lender will provide a release of all security.

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, 1,819,000 remain outstanding with exercise prices ranging from \$0.24 to \$4.68 and with expiry dates ranging between June 9, 2015 and January 10, 2018. If exercised, 1,819,000 common shares would be issued generating \$1.08 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 1) a reconciliation of working capital to the financial statements as at March 31, 2015 and December 31, 2014, 2) a reconciliation of cash cost per gold ounce sold for the three months ended March 31, 2015 and 2014, 3) a reconciliation of the average realized gold price for the three months ended March 31, 2015 and 2014 and 4) a reconciliation of cash flows provided by or used in operating activities for the three months ended March 31, 2015 and 2014.

Working Capital		
(CAD 000's)		
	<u>March 31, 2015</u>	<u>December 31, 2014</u>
Current assets:		
Cash and cash equivalents	\$ 805	\$ 1,466
Restricted cash equivalents	3,904	3,900
Amounts receivable	256	216
Inventory	3,272	2,302
Prepaid expenses	1,085	618
Investments	5	5
	9,327	8,507
Current liabilities		
Accounts payable and accrued liabilities	\$ 10,238	\$ 9,686
Liabilities of assets held for sale	5,070	4,965
Short-term loan	21,923	19,191
Debentures	4,804	4,698
Debenture	1,681	1,462
Provision for closure and reclamation	563	557
	44,279	40,559
Working capital/(deficit) (current assets less current liabilities)	(\$34,952)	(\$32,052)

	Three months ended	
	<u>March 31, 2015</u>	<u>March 31, 2014</u>
	Ounces sold	2,686
Mine operating expenses (CAD 000's)	\$2,825	\$7,222
Cash cost per ounce sold (CAD) (mine operating expenses divided by ounces sold)	\$1,052	\$1,072

	Three months ended	
	<u>March 31, 2015</u>	<u>March 31, 2014</u>
	Gross Revenue	
From commercial production ounces (CAD 000's) before refining and royalty charges	\$3,827	\$9,583
Ounces sold	2,686	6,734
Average realized gold price (CDN\$) (Gross revenue divided by ounces sold)	\$1,425	\$1,423

Net cash flow from operating activities

	Three months ended	
	<u>March 31, 2015</u>	<u>March 31, 2014</u>
Cash flow provided by (used in) operating activities before working capital adjustments (CAD 000's)	\$1,373	\$1,409
Cash flow provided by (used in) working capital adjustments (CAD 000's)	(\$1,384)	868
Net cash flow from operating activities (CAD 000's)	(\$12)	\$2,277

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
Contractual commitments	772,790	772,790	-	-	-
	<u>772,790</u>	<u>772,790</u>	<u>-</u>	<u>-</u>	<u>-</u>

The Company is party to certain management contracts. These contracts contain clauses requiring additional payments of up to \$1.50 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 \$0.77 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 Arbitrator delivered its decision that the Company's exercise of this option was valid as of August 31, 2010. The Arbitrator has set out a series of deadlines whereby the parties must agree on the ultimate date for the achievement of commercial production. If commercial production is not achieved before August 31, 2015, the Company will be required to make advance royalty payments of \$75,000 annually until commercial production is achieved. The Company has until June 2018 to achieve commercial production.

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 March 31, 2015 and December 31, 2014, 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.

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, but completed mining the property on March 18, 2015. All ore is now at surface. 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.

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, and is in default of several of its debt covenants. 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'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 during 2015 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. As well, the Company carries short and long term debt denominated in US dollars.

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 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.

May 28, 2015