

2015 Management's Discussion and Analysis





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Management's Discussion and Analysis

For the year ended December 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 year ended December 31, 2015 and should be read in conjunction with the Company's Annual Consolidated Financial Statements for the year ended December 31, 2015. The financial statements and related notes of QMX have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Certain Non-IFRS measures are discussed in this MD&A and are clearly disclosed as such. Additional information, including our press releases, has been filed electronically through the System for Electronic Document Analysis and Retrieval ("SEDAR") and is available online under our profile at www.sedar.com.

This MD&A reports our activities through April 27, 2016 unless otherwise indicated. References to the 1st, 2nd, 3rd and 4th quarters of 2015 or Q1-, Q2-, Q3- and Q4-2015, and the 1st, 2nd, 3rd and 4th quarters of 2014 or Q1-, Q2-, Q3- and Q4-2014 mean the three months ended March 31, June 30, September 30, and December 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 public disclosure of the Company. Although management of the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking information. The Company does not undertake to update any forward-looking information, except in accordance with applicable securities laws.

About QMX

QMX is a Canadian publicly traded mining company 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 217 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.Geo., the Chairman and interim President and CEO of the Company and a Qualified Person as defined under NI 43-101.

Strategic Goals

QMX Gold Corporation is committed to increasing shareholder value. Senior management implemented a three-phased plan in early 2015 to that effect:

- **Phase 1: Complete the sale of Snow Lake and repay bridge facility**
 - The Company completed the sale of its Snow Lake project in May 2015 to a wholly-owned subsidiary of Hudbay Minerals Inc. ("Hudbay"). The proceeds were applied against the Company's short-term loan. The Company negotiated with the lender to come to a mutually satisfactory resolution with respect to the remaining debt outstanding. The Company made all required payments during 2015 in accordance with an amending agreement to the debt facility and all security held in relation to the facility was released.
 - During 2015, the Company has also been successful in gradually reducing mine site payables from \$2.30 million to \$1.16 million at December 31, 2015.
- **Phase 2: Mine-out Lac Herbin and increase custom milling**
 - The Company was directed to cease exploration and development at Lac Herbin in 2014 and focus on production from known reserves. Mining ceased at Lac Herbin in Q1-2015 as reserves were exhausted. Processing of all ore and low grade stockpiles was completed during Q3-2015. During Q3-and Q4-2015, the Company completed a mill cleanup program and commenced a program of equipment maintenance and repair work that would be otherwise impossible during milling operations and in preparation for new custom milling contracts.
 - In January 2016, the Company entered into a four-year custom milling agreement with Gold Bullion Development Corp. ("GBB"). The agreement provides for custom milling of an initial 70,000 tonnes of stockpiled material from GBB's Grenada Mine near Rouyn-Noranda, Quebec; as well as funding for the expansion of the operating capacity of the Aurbel Mill from 650 tonnes per day (tpd) to 1,200 tpd. Commencing in late 2016 and extending over three years, the agreement includes custom milling of up to 1,400,000 tonnes of material from open pit mining operations at GBB's Grenada Mine in Rouyn-Noranda. The agreement is dependant upon GBB receiving a Certificate of Authorization for the operation of the mine and their financing for the project. GBB are advancing on both of these prerequisites.
- **Phase 3: Develop a new deposit**
 - Restrictions imposed under the QMX bridge facility and the sale of the Snow Lake Mine have led to a major reduction in reserves and resources. The Company is focused on replacing this resource/reserve base and is developing short-, medium- and long-term projects on its extensive land package in Val d'Or. The Company is also actively seeking resource projects for acquisition, joint venture or option.
- **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-Dec-15	Three months ended 31-Dec-14	Twelve months ended 31-Dec-15	Twelve months ended 31-Dec-14
Tonnes of ore mined	3,022	52,523	51,773	224,963
Grade per tonne mined	6.21	4.29	3.44	3.40
Total gold ounces mined	604	7,237	5,726	24,576
Tonnes of ore milled	0	36,844	69,700	209,758
Grade per tonne milled	0.00	4.21	3.48	3.34
Total gold ounces milled	0	4,992	7,792	22,534
Average recovery rate	0.0%	91.3%	88.5%	91.0%
Gold ounces poured	0	4,556	6,897	20,503
Gold ounces sold	1,838	4,531	9,485	20,753
Average realized gold price (per oz CAD)**	\$1,485	\$1,364	\$1,463	\$1,397
Revenue from mining operations (net of royalties and refining charges CAD 000's)	\$2,577	\$6,287	\$14,980	\$27,912
Mine operating expenses (excludes depletion and amortization - CAD 000's)	\$2,574	\$4,458	\$11,825	\$22,116
Amortization and depletion (CAD 000's)	\$234	\$762	\$1,996	\$5,111
Gross (loss)/income (CAD 000's)	(\$232)	\$1,067	\$1,159	\$685
Net (loss) (CAD 000's)	(\$1,914)	(\$5,069)	(\$12,512)	(\$11,513)
Basic and diluted (loss) per share (CAD)	(\$0.05)	(\$0.13)	(\$0.33)	(\$0.30)
Cash flow from operating activities before working capital adjustments (CAD 000's)***	(\$257)	\$1,268	\$1,260	\$3,773
Working capital adjustments (CAD 000's)***	(\$529)	(\$210)	\$7	\$862
Cash flow from operating activities (CAD 000's)	(\$786)	\$1,058	\$1,267	\$4,635
Cost of sales per ounces sold (CAD)*	\$1,400	\$984	\$1,247	\$1,066

*see Non IFRS Measures and comments under "Executive Summary - Fourth Quarter" section, regarding Cost of Sales at Lac Herbin
**see Non IFRS Measures and comments under "Executive Summary - Fourth Quarter" section, regarding Average realized gold price at Lac Herbin
***see Non IFRS Measures and comments under "Executive Summary - Fourth Quarter" section, regarding Cash flow from operations

Executive Summary - Fourth Quarter December 31, 2015

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

- Total revenue of \$2.58 million was generated, 59% lower than in Q4-2014. The Company did not participate in mining or milling activities during Q4-2015 as the Company completed milling all ore from the mine-out of Lac Herbin. Revenue in Q4-2015 was generated from gold ounces from a mill clean-up and maintenance program at the Aurbel Mill. The Company engaged a consultant to clean out the mill parts for potential residual gold. Slag accumulated over the last three years in the mill foundry also generated some gold income.
- The Company sold 1,838 ounces of gold at an average realized price of \$1,485/oz (USD\$1,119/oz), compared to 4,531 ounces sold during Q4-2014 at an average realized price of \$1,364/oz (USD\$1,202/oz). See Non-IFRS Measures for a description of the calculation of average realized price per ounce.
- Cash cost of sales per ounce (see Non-IFRS Measures) of the Lac Herbin gold sold was \$1,400/oz Au for Q4-2015 compared to \$984/oz for Q4-2014. Costs during Q4-2015 included the mill cleanup costs as well as maintenance costs during the

program.

- Cash flow from operations, before working capital adjustments (see Non-IFRS Measures), used \$0.26 million during Q4-2015 compared to providing \$1.27 million during Q4-2014. Working capital adjustments used \$0.53 million during Q4-2015 (Q4-2014: used \$0.21 million).
- Production guidance for 2015 was estimated at 5,000 to 6,000 ounces. The Company has produced 7,792 ounces during the year ended December 31, 2015.

Overview & Outlook

In 2015, QMX implemented a three-phased plan. The first phase was to complete the sale of the Snow Lake asset and repay the bridge facility, both of which were completed in 2015. The second phase was to complete the mine-out of Lac Herbin Reserves and seek additional custom milling opportunities. This was completed by April 2015. The third phase is a longer term strategy focused on exploration and new mine discovery that leverages the Company's existing assets. The Company is currently in the third phase.

During 2015, the Company identified several targets with potential in the short term for future production at the Lac Herbin Mine.

Lac Herbin - FL3 Zone – The FL3 zone was highlighted in mapping and sampling in June 2015 and twelve short drill holes were completed to delineate a high-grade, narrow, Quartz-Tourmaline-Pyrite Vein. The new zone is located very close to the ramp portal to the principal Lac Herbin access ramp and is recognized as one of three en-echelon zones which trend towards surface. The FL1 and FL2 zones were mined in 2014 from development 105 meters and 65 meters below surface. Engineering is active in the region. QMX reopened the mine in October and re-established pumps at the 260-m level to arrest the gradual flooding of the workings. This provides access to the main ventilation raise and escape way and the upper part of the mine. Development of the FL3 zone commenced in October and mining was completed on January 4th, 2016. Custom milling of the ore returned 1,111 ounces gold to QMX.

Lac Herbin Mine – The lack of development and drilling since the directive was received to mine out Herbin Reserves in 2014, has hampered QMX. In 2015 and after the discovery of the FL3 Zone, 4,000 metres of delineation and exploration drilling was outlined in the upper part of the mine to test five additional targets identified as Measured, Indicated or Inferred Resource in 2014; and to explore the potential for previously untested extensions to zones accessible from the ramp. Drilling on these targets requires the use of the ramp as a drilling platform and therefore, has always been hampered by mobile equipment travelling in the ramp. Success in drilling, combined with proximity to the ramp or other underground access in the mine, are required in order to minimize the cost of development.

An initial program of 2,000 metres of delineation and exploration drilling was successfully completed during mining on the FL Zone in Q4-2015. This timing allowed drilling and mining to benefit from shared mine support costs. QMX intends to keep the mine dewatered to the 260-meter level in order to maintain ventilation and safety access in the upper levels. Results from drilling in Q4-2015 successfully identified several areas for additional production. These are currently being developed or are in production. QMX has estimated approximately 8,000 ounces of production from Lac Herbin during 2016.

Other Targets - QMX has identified several additional open pit targets on its large land package held in the Val d'Or area. These are prioritized and appropriate work will be advanced to evaluate their potential.

Summarized Financial Results

Liquidity and Capital Resources

As at December 31, 2015, the Company had a working capital deficiency of \$16.07 million compared to a working capital deficiency of \$32.05 million at December 31, 2014. (See Non-IFRS Measures.)

The Company settled its short term loan facility during the year ended December 31, 2015. The Company used the proceeds from the sale of the Snow Lake property, 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 held as security against reclamation costs associated with the Snow Lake mine, against the principal of the short-term loan. In May 2015, the Company renegotiated the terms of the loan facility to address the balance outstanding. In order to satisfy the debt obligation, the Company and the lender agreed upon a payment schedule

whereby the Company would make certain payments to the lender totalling approximately C\$1.53 million by August 7, 2015. All required payments were made in accordance with the agreement and the obligations of the Company under its Note Purchase Agreement with the lender were satisfied in full. The lender has released and discharged all security held in relation to the facility.

At December 31, 2015, the Company was carrying debentures valued at \$5.12 million. The original face value of \$4.21 million matured on April 28, 2014 with a convertible feature that expired at maturity. The Company had negotiated an extension of these debentures to October 1, 2014 but is in default as at December 31, 2015.

In March 2014, the Company converted US\$1.55 million (\$2.15 million) of royalties payable to Forbes & Manhattan, Inc. ("F&M") to a debenture which matured 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 is currently in negotiation with F&M to come to a resolution with respect to this outstanding obligation.

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

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, as well as funding the new exploration targets described in the Overview and Outlook section of this report, 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 the following agreements to fund exploration on certain properties as follows:

Val-d'Or

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

Pursuant to the acquisition of a 100% interest in the Aurbel property from Teck Resources Limited (formerly Aur Resources Inc.) ("Teck"), the Company 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.

- **VMS properties**

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

Results of Operations

For the quarter ended December 31, 2015

The Company sold 1,838 ounces of gold and generated \$2.58 million in revenue from mining operations during Q4-2015. QMX averaged a gold sale price of \$1,485 per ounce during Q4-2015 (See Non-IFRS measures). During Q4-2014, 4,531 ounces of gold

were sold generating \$6.29 million in revenue. The average sale price realized during Q4-2014 was \$1,364 per ounce (See Non-IFRS measures). The Company poured 100% less gold in Q4-2015 compared to Q4-2014 as a result of the mine-out of the Lac Herbin mine. Revenue generated in Q4-2015 related to recovery of gold from a mill clean-up and maintenance program completed by the Company during Q4-2015. Costs incurred during Q4-2015 were \$2.57 million (Q4-2014: \$4.46 million) and depreciation and depletion amounted to \$0.23 million (Q4-2014: \$.77 million). Gross loss was \$0.23 million during Q4-2015 compared to gross income of \$1.07 million during Q4-2014. Revenue from mining operations includes \$nil from gold sales from ore processing and \$2.58 million from the residual clean-up (Q4-2014: \$6.60 million) reduced by \$nil in refining and royalty charges (Q4-2014: \$0.31 million). The Company is subject to an NSR of 4.5% on Lac Herbin gold sales from ore processing. The cost of sales per ounce sold during the current quarter, excluding depreciation and depletion, was \$1,400 per ounce compared to \$984 per ounce during the comparative quarter (see Non GAAP Measures). Cost per ounce during Q4-2015 was higher because of the costs related to mill clean-up and maintenance.

QMX recorded a net loss for the quarter ended December 31, 2015 of \$1.91 million compared to a net loss of \$5.07 million for the quarter ended December 31, 2014. In Q4-2015, the Company recorded an impairment charge on mineral property of \$1.04 million related to the cost of rejected tax credits on the Lac Pelletier property which was impaired during the year (Q4-2014: \$4.02 million related to the impairment of the Snow Lake property). Expenses are described below.

General and Administrative expenses

(CAD 000's)	Q4-2015 \$	Q4-2014 \$	Favourable (unfavourable) \$	Change %
Professional, consulting and management fees	147	301	154	51%
Other general and administrative expenses	109	87	(22)	(25%)
Finance costs	214	1,592	1,378	87%
Finance income	-	(16)	(16)	(100%)
Other (gains) and losses: Foreign exchange	303	788	485	62%
Other (gains) and losses: Mining duties	-	143	143	100%
Other (gains) and losses: General exploration	3	-	(3)	(100%)
Other (gains) and losses: Write off of Snow Lake finance costs	-	500	500	100%
Other (gains) and losses: Deposit on aborted Snow Lake sale	-	(1,043)	(1,043)	(100%)
Other (gains) and losses: Sale of asset	(129)	(241)	(112)	(46%)
Other (gains) and losses: Sale of investments	-	(39)	(39)	(100%)
Other (gains) and losses: Unrealized, investments (FVTPL)	(2)	39	41	105%

Professional, consulting and management costs decreased by 51% during the quarter ended December 31, 2015 compared to the quarter ended December 31, 2014 due to decreases in compensation for consultants as well as reduced legal fees. Legal fees last year were higher as a result of the Company's short term loan as well as the costs incurred during the Thundermin arbitration.

Other general and administrative expenses increased by \$0.02 million or 25% during Q4-2015 compared to Q4-2014 primarily as a result of penalties and interest charged from statutory audits.

Finance costs decreased by \$1.38 million or 87% compared to Q4-2014. This decrease is a result of the repayment of the term loan earlier in the year. The loan was settled in full in August 2015.

Finance income for Q4-2015 and Q4-2014 was earned on term deposits, and during Q4-2015, the Company wasn't carrying term deposits. The term deposits were liquidated earlier in 2015 with a portion used to pay down the loan facility and the balance transferred to Hudbay as part of the sale of the Snow Lake property. The Company did not carry significant cash balances throughout either period to generate significant interest income.

The Company recorded foreign exchange losses of \$0.30 million during Q4-2015 compared to \$0.79 million during Q4-2014. The debenture and royalties payable are denominated in US dollars, which weakened during the current period, resulting in foreign exchange losses. Losses were higher during Q4-2014 as a result of the inclusion of the term loan which was also denominated in US dollars.

The Company sold various pieces of mining equipment during Q4-2015 resulting in a gain on sale of assets of \$0.13 million (Q4-2014: \$0.24 million). During the comparative period, Q4-2014, the Company sold their remaining investment in Falco Pacific Resource Group Inc. ("Falco"), whose shares were primarily acquired in 2012 when the Company sold its interest in the Rouyn

properties to Falco. Unrealized losses during Q4-2014 resulted from the reversal of previous mark-to-market gains on these Falco shares in light of the sale.

For the year ended December 31, 2015

The Company sold 9,485 ounces of gold and generated \$14.98 million in revenue from mining operations during the year ended December 31, 2015. QMX averaged a gold sale price of \$1,463 per ounce during 2015 (See Non-IFRS measures). During the year ended December 31, 2014, 20,753 ounces of gold were sold generating \$27.91 million in revenue. The average sale price realized during 2014 was \$1,397 per ounce (See Non-IFRS measures). Mining operations ceased during the first quarter of 2015 as the Company completed the mine-out of the Lac Herbin mine. Milling of stock-piled ore continued into Q3-2015 with the Company completing milling its own ore by July 2015. The Company commenced a mill clean-up program during Q3-2015 which generated income from residual gold found through this clean-up process. The Company poured 66% less gold in 2015 compared to 2014. Mine operating expenses were \$11.83 million (2014: \$22.12 million) and depreciation and depletion amounted to \$2.00 million (2014: \$5.11 million). Gross income was \$1.16 million during 2015 compared to gross income of \$0.69 million during 2014. Revenue from mining operations includes \$15.62 million from gold sales (2014: \$29.00 million) reduced by \$0.64 million in refining and royalty charges (2014: \$1.51 million). The Company is subject to an NSR of 4.5% on Lac Herbin gold sales from ore processing. The cost of sales per ounce sold during the current period, excluding depreciation and depletion, was \$1,247 per ounce compared to \$1,066 per ounce during the comparative period (see Non GAAP Measures). Costs per ounce were higher during 2015 compared to 2014 because of the Company ceased mining and milling its own ore, generating fewer ounces for the costs incurred.

QMX recorded a net loss for the year ended December 31, 2015 of \$12.51 million compared to a net loss of \$11.51 million for the year ended December 31, 2014. In 2015, the Company recorded an impairment and loss on sale on mineral property of \$8.89 million - \$1.60 million on the Snow Lake property (2014: reversal of impairment of \$3.58 million), \$7.12 million on the Lac Pelletier property and \$0.17 million on the Ferdeber property. Expenses are described below.

General and Administrative expenses				
(CAD 000's)	2015	2014	Favourable (unfavourable)	Change %
	\$	\$	\$	
Professional, consulting and management fees	1,291	1,285	(6)	(0%)
Stock-based compensation	24	-	(24)	(100%)
Other general and administrative expenses	470	434	(36)	(8%)
Finance costs	2,585	5,317	2,732	51%
Forgiveness of debt	(1,638)	-	1,638	100%
Finance income	(10)	(75)	(65)	(87%)
Other (gains) and losses: Foreign exchange	2,461	2,061	(400)	(19%)
Other (gains) and losses: Mining duties	60	214	154	72%
Other (gains) and losses: General exploration	11	7	(4)	(57%)
Other (gains) and losses: Write off of Snow Lake finance costs	-	500	500	100%
Other (gains) and losses: Deposit on aborted Snow Lake sale	-	(1,043)	(1,043)	(100%)
Other (gains) and losses: Gain on derivative asset	(23)	-	23	100%
Other (gains) and losses: Sale of asset	(455)	(286)	169	59%
Other (gains) and losses: Sale of investments	-	(927)	(927)	(100%)
Other (gains) and losses: Unrealized, investments (FVTPL)	2	1,134	1,132	100%

Professional, consulting and management costs did not markedly change during the year ended December 31, 2015 compared to the year ended December 31, 2014. There was a reduction of regular consulting fees during the year, but this was offset by bonuses issued earlier in the year.

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 2015, 1,750,000 stock options were granted and \$0.02 million in stock-based compensation expense was recorded for the year ended December 31, 2015 (2014: no options granted and no expense incurred).

Finance costs decreased by \$2.73 million or 51% compared to 2014. This decrease is a result of reduced carrying costs of the term loan as well as the successful renegotiation of the loan, where interest costs were waived for part of the year. The loan was settled in full in August 2015, with the Company recognizing a forgiveness of debt of \$1.64 million during the year ended December 31, 2015.

Finance income for 2015 and 2014 was earned on term deposits. The term deposits were liquidated during the year ended December 31, 2015 with a portion used to pay down the loan facility and the balance transferred to Hudbay as part of the sale of the Snow Lake property. The Company did not carry significant cash balances throughout either period to generate significant interest income.

The Company recorded foreign exchange losses of \$2.46 million during 2015 compared to \$2.06 million during 2014. The bridge loan was, and the debenture and royalties payable are, denominated in US dollars, which strengthened during the year, resulting in foreign exchange losses.

The Company sold various mining equipment during 2015 resulting in a gain on sale of assets of \$0.46 million (2014: \$0.29 million). The Company also entered into foreign exchange derivative contracts and recorded a gain of \$0.02 million during the year ended December 31, 2015 (2014: \$nil). The Company sold their investment in Falco during the year ended December 31, 2014 resulting in a realized gain on sale of investments. Unrealized losses during 2014 resulted from the reversal of previous mark-to-market gains on these Falco shares in light of the sale.

Annual information

	2015	2014	2013
Revenue from mining operations (CAD 000's)	\$ 14,980	\$ 27,912	\$ 30,612
Mine operating expenses (CAD 000's)	\$ 11,825	\$ 22,116	\$ 25,038
Net (loss) (CAD 000's)	\$ (12,512)	\$ (11,513)	\$ (42,372)
Net (loss) per share, basic and diluted (CAD)	\$ (0.33)	\$ (0.30)	\$ (1.32)
Cash flow from operating activities before working capital adjustments (CAD 000's)*	\$ 1,260	\$ 3,773	\$ 2,889
Working capital adjustments (CAD 000's)*	\$ 7	\$ 863	\$ 2,570
Cash provided by (used in) operations (CAD 000's)	\$ 1,267	\$ 4,635	\$ 5,459
Gold ounces sold	9,485	20,753	22,209
Average realized gold price (per ounce) (CAD)	\$ 1,463	\$ 1,397	\$ 1,428
*Mining operating expenses (per ounce) (CAD)	\$ 1,247	\$ 1,066	\$ 1,127
Total assets (CAD 000's)	\$ 26,519	\$ 60,295	\$ 70,094
Long-term financial liabilities (CAD 000's)	\$ 3,728	\$ 2,723	\$ 2,613

* see *Non IFRS Measures*

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

	Q4-2015	Q3-2015	Q2-2015	Q1-2015	Q4-2014	Q3-2014	Q2-2014	Q1-2014
Revenue from mining operations (CAD 000's)	\$ 2,577	\$ 2,790	\$ 4,989	\$ 4,624	\$ 6,287	\$ 5,859	\$ 6,670	\$ 9,095
Mine operating expenses (CAD 000's)	\$ 2,574	\$ 2,640	\$ 3,786	\$ 2,825	\$ 4,458	\$ 5,404	\$ 5,031	\$ 7,222
Net (loss) (CAD 000's)	\$ (1,914)	\$ (6,567)	\$ (1,237)	\$ (2,795)	\$ (5,069)	\$ (2,757)	\$ (2,282)	\$ (1,404)
Net (loss) per share, basic and diluted (CAD)	(\$0.05)	\$ (0.17)	\$ (0.03)	\$ (0.07)	\$ (0.13)	\$ (0.07)	\$ (0.06)	\$ (0.04)
Cash flow from operating activities before working capital adjustments (CAD 000's)*	\$ (257)	\$ (246)	\$ 391	\$ 1,373	\$ 1,267	\$ (21)	\$ 1,118	\$ 1,409
Working capital adjustments (CAD 000's)*	\$ (529)	\$ 1,705	\$ 214	\$ (1,384)	\$ (210)	\$ 144	\$ 60	\$ 868
Cash provided by (used in) operations (CAD 000's)	\$ (786)	\$ 1,459	\$ 605	\$ (11)	\$ 1,057	\$ 123	\$ 1,178	\$ 2,277
Gold ounces sold	1,838	1,969	2,992	2,686	4,531	4,450	5,038	6,734
*Average realized gold price (per ounce) (CAD)	\$ 1,485	\$ 1,458	\$ 1,487	\$ 1,425	\$ 1,838	\$ 1,389	\$ 1,401	\$ 1,423
*Cost of sales per ounce (CAD)	\$ 1,400	\$ 1,341	\$ 1,265	\$ 1,052	\$ 984	\$ 1,214	\$ 999	\$ 1,072
Total assets (CAD 000's)	\$ 26,519	\$ 25,973	\$ 35,428	\$ 61,362	\$ 60,295	\$ 65,459	\$ 66,893	\$ 69,731
Long-term financial liabilities (CAD 000's)	\$ 3,728	\$ 2,478	\$ 2,855	\$ 2,866	\$ 2,723	\$ 4,595	\$ 3,731	\$ 3,620

* see *Non IFRS Measures*

During Q1-2014, the Company was mining areas with improved grades. In Q2-2014 and Q3-2014, grades were lower as the Company processed lower grade ore to extend the mine life into 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. The Company ceased mining at its Lac Herbin mine in Q1-2015 and was stock-piling inventory. Production of this inventory continued into Q2- and Q3-2015. During Q3-2015, the Company completed milling its stockpiled ore. Revenues during this period also included initial gold sales from a mill cleanup program, revenues which continued into Q4-2015. In Q1-2014, costs reflected the Company's mining efforts in a lower grade zone to continue to generate gold production. Equipment breakdown during Q2-2015 at the mill resulted in higher costs per ounce during that quarter. In Q3- and Q4-2015, costs continued to decrease with the decrease in production, but with lower ounces produced, the cost per ounce increased. Net loss increased 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 strengthened throughout 2014. Net loss increased throughout 2015 as a result of ceasing mining activity at the mill, foreign exchange losses and impairment losses. The Company also recorded an additional impairment charge on the Snow Lake properties of \$4.02 million in Q4-2014, and recorded a loss on sale on this property of \$1.58 million during Q2-2015. During Q3-2015, the Company recorded an impairment charge on the Lac Pelletier property resulting in this increase to loss.

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 Company is currently not investing in capital assets. The decrease in assets during Q2-2015 is a result of the sale of the Snow Lake property. The decrease in assets during Q3-2015 results from the impairment charge on the Lac Pelletier property, as well as the depletion of inventories. The small increase in assets during Q4-2015 reflects increased inventories as the Company started mining the FL zone during Q4-2015. As well, changes to the asset reclamation provisions, resulting from changes in estimates of the mine and mill life, resulted in increases to assets. During 2015, the Company sold equipment assets which also contributed to the decrease total assets throughout the year. Long-term liabilities increased through Q3-2014 long-term as a result of changes to the Company's asset reclamation provisions. Liabilities increased in Q4-2015, both as a result of the reclassification of debt from long-term to current, namely the reclamation provision with respect to the Lac Herbin property, as well as the debenture to Forbes and Manhattan, Inc., which matured on December 31, 2015. Long-term liabilities decreased in Q3-2015 as a result of the

derecognition of the Lac Pelletier reclamation provision. And in Q4-2015, with the Company's resumption of mining at Lac Herbin, long-term liabilities increased with revised estimates of asset reclamation provisions. The Company's reclamation at Lac Herbin was reclassified to long-term as it is expected that the Company can continue mining at Lac Herbin over the next few years. 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 year ended December 31, 2015

Cash provided by operating activities for the year ended December 31, 2015 was \$1.27 million compared to \$4.64 million for the year ended December 31, 2014. During 2015, mining operations provided \$3.15 million, administrative expenses and interest income used \$1.90 million and non-cash working capital provided \$0.01 million. During 2014, mining operations provided \$5.81 million, administrative expenses and interest income used \$2.02 million and non-cash working capital provided \$0.85 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 \$20.43 million during the year ended December 31, 2015 compared to \$5.60 million during the year ended December 31, 2014. In 2015, the Company paid \$19.80 million to fully settle its term loan facility (2014: \$2.01 million). As well, the Company paid \$0.62 million in interest related to its short-term loan facility (2014: \$3.58 million).

Cash provided by investing activities was \$17.97 million during the year ended December 31, 2015 compared to \$2.02 million during the year ended December 31, 2014. The Company received \$12.56 million in net proceeds from the sale of the Snow Lake property (2014: \$nil). The amount received accounts for costs paid on the transaction as well as the term deposit of \$1.87 million that was transferred to Hudbay. As well, the release of funds from term deposits provided \$5.77 million during 2015 (2014: \$nil). The Company received \$1.53 million from the sale of assets during 2015 compared to \$0.43 million during 2014. The Company incurred costs of \$0.54 million in 2015 on their exploration properties in Quebec (2014: \$0.12 million). The Company began exploration on certain targets during the period. The Company spent \$0.13 million in property, plant and equipment expenditures, specifically on work to raise the tailings pond which commenced in 2014 (2014: \$0.32 million). The Company also incurred \$0.68 million in 2015 in care and maintenance costs related to the Snow Lake property that were treated as assets held for sale (2014: \$1.35 million). Working capital adjustments used \$0.53 million in 2015 compared to providing \$0.23 million in 2014. The Company did not sell shares during 2015 but during 2014, the Company sold some shares in its investment in Falco for proceeds of \$2.83 million.

New Accounting Policies

The Company has adopted the following new standards, along with any consequential amendments, effective January 1, 2015.

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 Company has adopted this standard at January 1, 2015 and has made the required disclosure.

Future accounting changes

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

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

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

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

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.

Transactions with Related Parties

During the year ended December 31, 2015 and 2014, the Company entered into the following transactions in the ordinary course of business with related parties that are not subsidiaries of the Company.

	Purchases of goods and services	
	Years ended December 31,	
	2015	2014
2227929 Ontario Inc.	\$ 153,000	\$ 178,429
Forbes & Manhattan, Inc.	385,243	873,055

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 F&M. Mr. Bharti was a director of the Company until his resignation on March 6, 2012; however as the Company is part of the F&M Group of Companies, it continues to receive the benefits of such membership, including access to mining professionals, advice from Mr. Bharti, and strategic advice from the F&M Board of Advisors. An administration fee of \$10,000 per month is charged by F&M pursuant to a consulting agreement. This contract was amended during the second quarter of 2015. The previous fee charged was \$25,000 per month. As well, a 2% royalty is payable on gold sales from the Aurbel properties (including Lac Herbin) to F&M. The Company converted US\$1,552,454 of royalties owed to F&M to a debenture that matured on December 15, 2015. This debenture is currently in default and the Company is in negotiations with Mr. Bharti to resolve the issue.

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

	Amounts owed by related parties		Amounts owed to related parties	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
2227929 Ontario Inc.	\$ 18,000	\$ 18,000	\$ 437,027	\$ 272,612
Forbes & Manhattan, Inc.	\$ -	\$ -	\$ 1,301,629	\$ 895,182
Forbes & Manhattan, Inc.*	\$ -	\$ -	\$ 2,148,596	\$ 1,801,002
Directors and officers	\$ -	\$ -	\$ 144,649	\$ 114,000

* The Forbes & Manhattan, Inc. debenture is non-interest bearing and is secured by all the assets and property of the Company. The amount presented here is non-discounted. This debenture is in default at December 31, 2015.

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:

	Years ended December 31,	
	2015	2014
Short-term benefits	\$ 1,049,885	\$ 1,111,476
Share-based payments	15,180	-

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

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

Outstanding Share Data

As at the date of this report, 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, 3,121,250 remain outstanding with exercise prices ranging from \$0.05 to \$2.00 and with expiry dates ranging between November 29, 2016 and June 1, 2020. If exercised, 3,121,250 common shares would be issued generating \$0.79 million in proceeds.

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

Non-IFRS Measures

The Company has included certain Non-IFRS performance measures, namely cash costs per gold ounce sold, working capital and average realized gold price, throughout this document. In the gold mining industry, these are common Non-IFRS performance measures but do not have any standardized meaning. The Company believes that, in addition to conventional measures prepared in accordance with GAAP, we and certain investors use this information to evaluate the Company’s performance and ability to generate cash, profits and meet financial commitments. These Non-IFRS measures are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP. The following tables provide 1) a reconciliation of working capital to the financial statements as at December 31, 2015 and 2014, 2) a reconciliation of cash cost per gold ounce sold for the years ended December 31, 2015 and 2014, 3) a reconciliation of the average realized gold price for the years ended December 31, 2015 and 2014 and 4) a reconciliation of cash flows provided by or used in operating activities for the years ending December 31, 2015 and 2014.

Working Capital

(CAD 000's)	<u>December 31, 2015</u>	December 31, 2014
Current assets:		
Cash and cash equivalents	\$ 276	\$ 1,466
Restricted cash equivalents	-	3,900
Amounts receivable	420	216
Inventory	1,307	2,302
Prepaid expenses	193	618
Investments	3	5
	2,199	8,507
Current liabilities		
Accounts payable and accrued liabilities	\$ 11,000	\$ 9,686
Liabilities of assets held for sale	-	4,965
Short-term loan	-	19,191
Debentures	5,119	4,698
Debenture	2,148	1,462
Provision for closure and reclamation	-	557
	18,267	40,559
Working capital/(deficit) (current assets less current liabilities)	(\$16,068)	(\$32,052)

Cash cost per ounces sold

	<u>Three months ended</u>		<u>Years ended</u>	
	<u>December 31, 2015</u>	December 31, 2014	<u>December 31, 2015</u>	December 31, 2014
Ounces sold	1,838	4,531	9,485	20,753
Mine operating expenses (CAD 000's)	\$2,574	\$4,458	\$11,825	\$22,116
Cash cost per ounce sold (CAD) (mine operating expenses divided by ounces sold)	\$1,400	\$984	\$1,247	\$1,066

Average realized gold price (CDN\$)

	<u>Three months ended</u>		<u>Years ended</u>	
	<u>December 31, 2015</u>	December 31, 2014	<u>December 31, 2015</u>	December 31, 2014
Gross Revenue				
From commercial production ounces (CAD 000's) before refining and royalty charges	\$2,729	\$6,179	\$13,876	\$29,002
Ounces sold	1,838	4,531	9,485	20,753
Average realized gold price (CDN\$) (Gross revenue divided by ounces sold)	\$1,485	\$1,364	\$1,463	\$1,397

Net cash flow from operating activities

	Years ended	
	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Cash flow provided by (used in) operating activities before working capital adjustments (CAD 000's)	\$1,260	\$3,773
Cash flow provided by (used in) working capital adjustments (CAD 000's)	\$7	\$862
Net cash flow from operating activities (CAD 000's)	\$1,267	\$4,635

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	570,000	570,000	-	-	-
	<u>570,000</u>	<u>570,000</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 \$1.39 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 \$0.57 million, all due within one year.

The Company's mining and exploration activities are subject to various law and regulations governing the protection of the environment. These law and regulations are continually changing and generally becoming more restrictive. The Company believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

The Company is, from time to time, involved in various claims and legal proceedings. The Company cannot reasonably predict the likelihood or outcome of these activities. The Company does not believe that adverse decisions in any pending or threatened proceedings related to any matter, or any amount which may be required to be paid by reasons thereof, will have a material effect on the financial condition or future results of operations. As at December 31, 2015 and 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 geological data obtained from drill holes and other sampling techniques, and feasibility studies, which derive estimates of cash operating costs based upon anticipated tonnage and grades of ore to be mined and processed, ground conditions, the configuration of the ore body, expected recovery rates of minerals from the ore, estimated operating costs, anticipated climatic conditions and other factors. As a result, actual production, cash operating costs and economic returns could differ significantly from those estimated. Indeed, current market conditions are forcing many mining operations to increase capital and operating cost estimates. It is not unusual for new mining operations to experience problems during the start-up phase, and delays in the commencement of production often can occur.

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

Revenues

The Company has completed commercial production on its Lac Herbin property during 2015. 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.

There can be no assurance that the Company will be successful in repaying all of its indebtedness or that its secured creditor will not take action to enforce its security. The Company is carrying a debenture secured by the Company's assets that matured on December 31, 2015. The Company's level of indebtedness could have important consequences for its operations, including:

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

The Company's ability to meet its payment obligations will depend on its future financial performance, which will be affected by financial, business, economic and other factors. The Company will not be able to control many of these factors, such as economic conditions in the markets in which it operates. The Company 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 ("US dollar) and consequently, the Company is subject to foreign exchange risks relating to the relative value of the Canadian dollar as compared to the US dollar. To the extent QMX generates revenue, it will be subject to foreign exchange risks as revenues will be received in US dollars while operating and capital costs will be incurred primarily in Canadian dollars. A decline in the US dollar would result in a decrease in the real value of QMX's revenues and adversely affect its financial performance. As well, the Company carries a debenture debt denominated in US dollars.

Mineral Resource 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.

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

Failure to Meet Production Targets and Cost Estimates

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

Licences and Permits, Laws and Regulations

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

Gold and Base Metal Prices

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

Environmental

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

Title to Properties

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

Uninsured Risks

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

Competition

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

Dependence on Outside Parties

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

Qualified Personnel

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

Availability of Reasonably Priced Raw Materials and Mining Equipment

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

Share Price Fluctuations

The market price of securities of many companies, particularly 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 or be threatened from time to time in the course of the Company's business. In particular, the Company is in default on the repayment of certain of its debentures, and also has debenture maturing on December 31, 2015. 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.

April 27, 2016