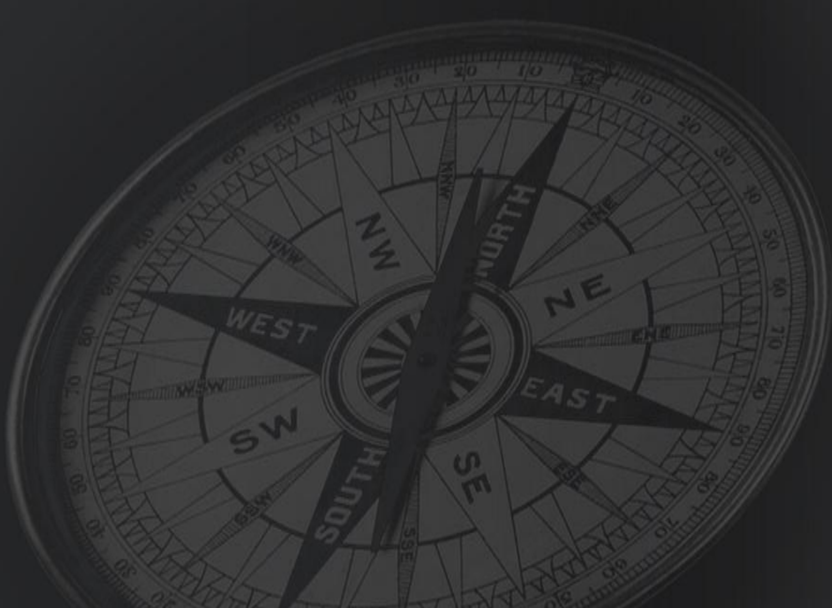
QMX GOLD CORPORATION

2012 Management’s Discussion and Analysis



(Formerly Alexis Minerals Corporation)

Table of Contents

QMX GOLD CORPORATION

President's Message

During the fourth quarter, our turnaround plan at Lac Herbin was challenged principally by lower than expected grade. While production for the year met the guidance provided at the outset, higher costs in the fourth quarter brought the average for the year to slightly higher than initial guidance. The consequence of this is that the Lac Herbin operation did not return to profitability in 2012. Our review of expectations in 2013 will ensure that our decision to keep the operation will be based on more robust profitability. Management is now in the process of identifying and implementing measures that will insure that the operation is put on solid footing. We are introducing guidance of 20,500 to 23,500 ounces at a cash cost of $1,200 to $1,400 for 2013. As some of the measures are in the process of being implemented, these will impact results in the latter part of the year.

Equity market conditions have slowed our progress in advancing our Snow Lake project. While many companies will seek financing in the current context, few will be in a position to present a project that has been advanced to where Snow Lake is. Our approach has shifted to seeking out private equity as our project has the 'near production in a tier one jurisdiction' that private equity investors seek. The structure of this partnership has yet to be determined but we expect to advance on this in the coming months.

Internal challenges are being met by a dynamic team of dedicated employees. External challenges have made us modify our financing plans but we continue to advance on all fronts.

Sincerely,

François Perron,

President & CEO

QMX GOLD CORPORATION

Management's Discussion and Analysis

For the three and twelve months ended December 31, 2012

The following Management's Discussion and Analysis ("MD&A") relates to the financial condition and results of operations of QMX Gold Corporation ("we", "our", "us", "QMX", or the "Company") for the three and twelve months ended December 31, 2012 and should be read in conjunction with the Company's Audited Annual Consolidated Financial Statements for the twelve months ended December 31, 2012. The financial statements and related notes of QMX have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Certain non-GAAP measures are discussed in this MD&A which are clearly disclosed as such. Additional information, including our press releases, has been filed electronically through the System for Electronic Document Analysis and Retrieval ("SEDAR") and is available online under our profile at www.sedar.com.

This MD&A reports our activities through March 28, 2013 unless otherwise indicated. References to the 1st, 2nd, 3rd and 4th quarters of 2012 or Q1-2012, Q2-2012, Q3-2012 and Q4-2012, and the 1st, 2nd, 3rd and 4th quarters of 2011 or Q1-2011, Q2-2011, Q3-2011 and Q4-2011 mean the three months ended March 31, June 30, September 30, and December 31, 2012 and 2011 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 the implementation of the Company's turnaround plans and its effect on the Company's operations; 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, Lac Pelletier and Snow Lake Projects 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 Gold Corporation changed its name from Alexis Minerals Corporation on June 13, 2012 after receiving shareholder approval at its Annual General Meeting. QMX is a Canadian publicly traded mining company concentrating on exploration and mine development. The Company is listed on the Toronto Stock Exchange ("TSX") under the symbol "QMX". The Company's focus is to grow through exploration, development and acquisition of mineral properties, directly and indirectly, through joint venture opportunities. QMX is now in its fourth year as a junior gold-producing company. The Company holds a significant property position with 200 km^2 in Canada's richest mining camps: the Abitibi District of Québec, Canada –historically the 3rd richest gold producing region in the world–and Snow Lake, Manitoba, Canada. QMX undertakes exploration across these properties searching for new world class discoveries, while maintaining a focus on growing QMX to become a mid-tier gold producer. For more information, please visit the company's website www.qmxgold.ca.

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

Strategic Goals

QMX Gold Corporation is committed to increasing shareholder value. The Company has faced challenges, however senior management remains steadfast in its efforts to make progress on its goals, as summarized below.

- **Growing to become a mid-tier status mining company - produce more gold:**
    - Stabilize operations at Lac Herbin to obtain sustainable profitability.
    - The Snow Lake Feasibility Study projects over 80,000 ounces of annual gold production, and a total of 415,000 ounces of gold production over a five year operating mine life. Work is now focused on securing project financing, feasibility optimization and getting the Snow Lake mine into production.
- **Increasing gold reserves**:
    - Continuation of an aggressive exploration program in the Abitibi region of Quebec and Snow Lake, Manitoba where we are presently compiling geological information in both locations that will lead to new avenues of exploration.
- **Maintaining sustainable, safe environments**:
    - QMX continues to implement new practices with the goal of achieving industry leading work safety record in the coming years.
    - Our operations are managed to ensure that sustainable environmental standards are maintained.

QMX GOLD CORPORATION

Selected Financial and Other Highlights

QMX Gold Corporation	Three months ended 31-Dec-12	Three months ended 31-Dec-11	Twelve months ended 31-Dec-12	Twelve months ended 31-Dec-11
Tonnes of ore mined	34,504	31,006	149,247	83,316
Grade per tonne mined	3.86	4.41	4.57	4.60
Total gold ounces mined	4,277	4,397	21,913	12,322
Tonnes of ore milled	36,756	31,551	154,675	80,418
Grade per tonne milled	3.85	4.47	4.51	4.66
Total gold ounces milled	4,552	4,532	22,429	12,047
Average recovery rate	87.8%	81.0%	89.7%	85.2%
Gold ounces recovered	3,995	3,672	20,112	10,268
Gold ounces sold	3,982	4,639	19,564	10,362
Average realized gold price (per oz CAD)	$1,698	$1,696	$1,661	$1,575
Revenue from mining operations (net of royalties and refining charges CAD 000's)	$6,337	$7,637	$30,886	$15,544
Mine operating expenses (excludes depletion and amortization - CAD 000's)	$7,988	$9,600	$30,428	$22,638
Amortization and depletion (CAD 000's)	$1,073	$1,877	$5,412	$3,394
Gross (loss) (CAD 000's)	($2,724)	($3,840)	($4,954)	($10,488)
Net (loss) (CAD 000's)	($4,192)	($5,069)	($16,164)	($13,644)
Basic and diluted (loss) per share (CAD)	($0.14)	($0.20)	($0.54)	($0.53)
Cash flow from operating activities (CAD 000's)	($1,657)	$2,044	($2,890)	($9,292)
*Cost of sales per ounces sold (CAD)	$2,006	$2,069	$1,555	$2,185

*see Non GAAP Measures and comments under " Executive Summary – Fourth Quarter" section, regarding Cost of Sales at Lac Herbin

Executive Summary - Fourth Quarter December 31, 2012

During the three months ended December 31, 2012 the following occurred at QMX:

- Total revenue of $6.34 million was generated, 17% lower than in Q4-2011. While the Company recovered more gold in Q4-2012 compared to Q4-2011, sales were lower in Q4-2012 because Q4-2011 sales included inventory from Q3-2011 production.

- The Company sold 3,982 ounces of gold at an average realized price of $1,698/oz (USD $1,714/oz.), compared to 4,639 ounces sold during Q4-2011 at an average realized price of $1,696/oz (USD $1,673/oz).

- The Company's Lac Herbin Mine, in Val-d'Or, recovered 3,995 ounces of gold, a 9% increase compared to 3,672 ounces in Q4-2011. Recoveries in the fourth quarter were impacted by lower head grades and operational improvements. As these improvements take effect, we expect recoveries to improve in 2013.

- Cash cost of sales per ounce (see Non-GAAP Measures) of the Lac Herbin gold sold was $2,006/oz Au for Q4-2012 compared to $2,069/oz for Q4-2011. The Company achieved lower grades during Q4-2012 compared to previous periods this year resulting in a higher cost per oz.

- Guidance for the 2012 year called for approximately 18,500 to 20,500 ounces at a cash cost from $1,300 to $1,500. Current guidance is based on achieving 88% recovery at the Aurbel mill. The Company recovered 20,112 ounces during 2012 at an annual cash cost per ounce of $1,555. Mill recovery for 2012 was 89.7%.

- Guidance for the year 2013 is for approximately 20,500 to 23,000 ounces at a cash cost from $1,200 to $1,400. Current guidance is based on achieving 92% recovery at the Aurbel mill

- Exploration efforts are presently focused on the generation of new exploration targets by reviewing and compiling existing information.

Overview & Outlook

QMX has followed two principal strategies: a short to medium term strategy of developing gold-production to provide cash flow; and a longer term strategy focused on exploration and new mine discovery.

First, the Lac Herbin operations have undergone significant underground development and intensive drilling in order to reestablish the production profile in an appropriate manner. The operation will now benefit from more flexibility and we estimate an annual production guidance of 20,500 to 23,500 ounces with cash cost in the range from $1,200 to $1,400 per ounce.

Second, the recently completed Feasibility Study for Snow Lake estimated Proven and Probable Reserves of 451,900 ounces of gold and estimated the potential for 80,000 ounces of gold production annually for at least five years. The project is now entering a phase where the current team will optimize certain aspects of the project while we seek to establish the project financing and develop the project team leading to a production decision.

Management remains encouraged as exploration continues with many prospective targets around our existing operations.

Summarized Financial Results

Liquidity and Capital Resources

As at December 31, 2012, the Company had a working capital deficit of $16.92 million compared to a working capital deficit of $7.65 million at December 31, 2011.

In January 2012, the Company entered into a bridge financing agreement with Resource Income Fund, L.P. (“RIF”) raising gross proceeds of US$10.00 million (CDN$10.15 million) to fund its operations until such time as long term financing could be finalized. As well as funding working capital, the bridge loan was used to repay an outstanding $2.15 million convertible debenture. The bridge loan was to be repaid at the earlier of, the Company securing financing through a long term debt facility or a non-flow-through equity financing, or August 31, 2012. The bridge loan bore interest at an annual rate of 15%. An upfront fee of 3% was paid to RIF upon closing of the facility. In conjunction with the financing, RIF was granted 200,000 warrants priced at $0.94 and was granted a call option on 7,000 oz of gold struck at US$1,900/oz, which expired December 28, 2012. As well, the Company purchased put options at a price US$744,600 for 30,000 oz of gold at a strike price of $1,300/oz as part of a price protection program. In August 2012, the Company negotiated an extension to the loan maturity to October 31, 2012 for an extension fee of US$500,000. As well, the 200,000 warrants originally granted at $0.94 were re-priced to $0.38. All other terms of the loan agreement remained in place. This loan was paid in full on November 9, 2012 on the closing of a secured bridge financing as discussed below.

In August 2012, the Company entered into two short-term loan arrangements for $0.73 million. These loans carried interest rates of 8% and 15% and were due on closing of the Rouyn mineral properties sale. The loans and accrued interest were re-paid in September 2012.

In November 2012, the Company entered into a fully secured bridge financing consisting of a senior, secured note with a face value of US$17,500,000 and net proceeds of US$15,500,000. The financing is for a one year term and the Company will be required to pay cash interest payments starting seven months from the closing of the facility at a rate of US$250,000 per month. In addition to the interest payments, the Company granted the lender 2,900,000 warrants to acquire common shares of the Company at an exercise price of $0.2525. The financing closed in two parts with the first tranche of approximately US$10,300,000 used to pay out the bridge financing held by RIF. The second tranche closed on November 28, 2012.

The Company applies for refundable tax credits to certain Quebec government bodies at each taxation year end and records the expected amounts as amounts receivable. The Company is no longer eligible for tax credits from one of the government bodies in Quebec as new legislation has come into force. The Company received $0.63 million during the twelve months ended December 31, 2012 in relation to these refundable tax credits. At December 31, 2012, $1.55 million in Quebec tax credits are recorded on the Consolidated Statements of Financial Position.

In September 2012, the Company sold its interest in the Rouyn-Noranda Base Metal and Gold Camp properties to Druk Capital Partners ("Druk") for cash proceeds of $5,000,000 and 7,000,000 common shares of Druk. Druk has since changed its name to Falco Pacific Resource Group Inc. ("Falco").

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, its Snow Lake exploration, feasibility and development, and to fund its corporate and operating overheads.

The Company has a need for equity for working capital for the development and exploration of its properties. Because of continuing operating losses and a working capital deficiency, the Company's continuance as a going concern is dependent upon its ability to obtain adequate short term financing and to reach profitable levels of operation. It is not possible to predict whether financing efforts will be successful or if the Company will attain profitable levels of operations.

Significant Future Obligations

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

Val-d'Or

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

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

Rouyn-Noranda

- **Lac Pelletier Property Acquisition**

The Company has exceeded the required $1,000,000 option work commitment required to earn its 100% interest. QMX had the option to earn its 100% interest by making a commitment prior to September 1, 2010 to bring the deposit into production. Production from the current Lac Pelletier property is subject to a 3.5% NSR. The Lac Pelletier property hosts the past-producing Stadacona mine. Production from potential ore bodies lying outside the current property but mined through the historical Stadacona mine workings are subject to a $1 per tonne toll charge.

During the third quarter of 2010, the Company issued a production commitment notice to Thundermin, thereby exercising its option to acquire the Lac Pelletier Property. The Company is in discussion with Thundermin regarding the transfer of full title and ownership of the Property to the Company. Thundermin has initiated an arbitration proceeding pursuant to which it has claimed that the purported exercise by the Company of its option to acquire a 100% interest in the property is invalid, and accordingly, the option agreement and the Company's rights under the agreement have terminated. The Company believes that this claim does not have any merit.

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

- **Rouyn-Noranda Properties, Québec**

In September 2012, the Company sold its interest in the Rouyn-Noranda Base Metal and Gold Camp properties to Druk Capital Partners ("Druk") for cash proceeds of $5,000,000 and 7,000,000 common shares of Druk. Druk has since changed its name to Falco Pacific Resource Group Inc. ("Falco").

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. To acquire this 100% interest over a period of 5 years, the Company is required to make total cash payments of $300,000 and incur total exploration expenditures of $3,000,000 according the following schedule:

	Commitment		
	Cash Payment ($)	Expenditures ($)	
November 19, 2010	50,000	-	**Paid December 2010
November 19, 2011	50,000	200,000	**Paid October 2011, expenditures met
November 19, 2012	50,000	300,000	**Paid November 2012, expenditures met
November 19, 2013	50,000	500,000	
November 19, 2014	50,000	1,000,000	
November 19, 2015	50,000	1,000,000	
	300,000	3,000,000	

The exercise of the option is subject to an NSR of 3% payable from the date of commencement of commercial production. Upon exercise of the option, the Company will be required to make advanced royalty payments of $50,000 annually up to $250,000 to be credited against future NSR payments. The Company has the right to purchase up to 50% of the NSR for a total of $1,500,000, each 0.5% of the 3% NSR requiring a $500,000 payment. As of December 31, 2012, the Company is in good standing with respect to its obligations under this agreement.

Results of Operations

For the quarter ended December 31, 2012

The Company sold 3,982 ounces of gold and generated $6.34 million in revenue from mining operations during the 4th quarter of 2012. QMX averaged a gold sale price of $1,698 per ounce during Q4-2012. During Q4-2011, 4,639 ounces of gold were sold generating $7.64 million in revenue. The average sale price realized during Q4-2011 was $1,696 per ounce. Mine operating expenses were $7.99 million (Q4-2011: $9.60 million) and depreciation and depletion amounted to $1.07 million (Q4-2011: $1.88 million). The gross loss was $2.72 million during Q4-2012 compared to a gross loss of $3.84 million during Q4-2011. Revenue from mining operations includes $6.76 million from gold sales (Q4-2011: $7.87 million) reduced by $0. 41 million in refining and royalty charges (Q4-2011: $0.23 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 $2,006 per ounce compared to $2,069 per ounce during the comparative quarter (see Non GAAP Measures). Cash cost per tonne mined for Q4-2012 was $219/tonne, compared to $253/tonne during the same period last year.

QMX recorded a net loss for the quarter ended December 31, 2012 of $4.19 million compared to a loss of $5.07 million for the quarter ended December 31, 2011. Expenses were $1.47 million during Q4-2012 (Q4-2011: $1.23 million) as described below.

General and Administrative expenses

(CAD 000's)	Q4-2012 $	Q4-2011 $	Increase (decrease) $	Change %
Professional, consulting and management fees	763	599	164	27%
Stock based compensation	0	202	(202)	(100%)
Other general and administrative expenses	147	261	(114)	(44%)
Finance costs	1,054	225	829	368%
Finance income	(15)	(24)	9	38%
Other (gains) and losses: Foreign exchange	180	(49)	229	467%
Other (gains) and losses: General exploration	34	(3)	37	1,233%
Other (gains) and losses: Investments (FVTPL)	(694)	17	(711)	(4,182%)

Professional, consulting and management costs increased by $0.16 million or 27% during the quarter ended December 31, 2012 compared to the quarter ended December 31, 2011. This is in large part due to legal and financing costs charged during Q4-2012 as the Company attempted an equity financing.

Stock based compensation is a non-cash expense included in Professional, consulting and management costs on the Consolidated Statement of Operations and Comprehensive (Loss). The Company applies the fair value method of accounting for stock-based compensation. During the three months ended December 31, 2012, the Company did not grant stock options and consequently $nil was charged to the statement of operations and $nil charged to mineral properties. During Q4-2011, 291,250 (5,825,000 pre-consolidation) stock options were granted resulting in a charge of $0.20 million to the statement of operations and $0.01 million was charged to mineral properties.

Other general and administrative expenses decreased by 44% during Q4-2012 compared to Q4-2011 as a result of lower shareholder communication costs. The Company has undertaken measures to reduce costs it can affect.

Finance costs increased by $0.83 million or 368% compared to Q4-2011. This is a result of costs associated with the two bridge loan agreements entered into in January and November 2012. The Company extended the loan agreement with RIF incurring a charge for the extension and additional interest expense charged during Q4-2012 (Q4-2011: $nil). With respect to the November 2012 bridge financing, the discount on face value, financing costs and the value of warrants granted are being accreted at an effective interest rate of 23% starting December 2012.

Finance income for Q4-2012 and Q4-2011 was earned on term deposits. The Company did not carry significant cash balances throughout either period to generate significant interest income.

The Company recorded unrealized gains on investments of $0.69 million during Q4-2012 compared to losses of $0.02 million during Q4-2011. The Company acquired 7,000,000 common shares of Falco in September 2012 as a result of the sale of the Rouyn properties, and the value of these shares increased by $0.69 million during Q4-2012. The Company continues to carry other minor investments through its Garson subsidiary. The Company recorded foreign exchange losses of $0.18 million during Q4-2012 compared to gains of $0.05 million during Q4-2011. The bridge loan as well as royalties payable are denominated in US dollars resulting in fluctuations in foreign exchange gains or losses.

For the twelve months ended December 31, 2012

The Company sold 19,564 ounces of gold and generated $30.89 million in revenue from mining operations during the twelve months ended December 31, 2012. QMX averaged a gold sale price of $1,661 per ounce. During the twelve months ended December 31, 2011, 10,362 ounces of gold were sold generating $15.54 million in revenue. The average sale price realized during the twelve months ended December 31, 2011 was $1,575 per ounce. Mine operating expenses were $30.43 million (2011: $22.64 million) and depreciation and depletion amounted to $5.41 million (2011: $3.39 million). Depreciation and depletion is higher in 2012 compared to 2011 as a result of significant asset write-downs in 2010 reducing the base on which these amounts were calculated during 2011. The asset base has increased since that time resulting in higher depreciation charges for 2012. As well, increased production has generated increased depletion expense. The gross loss was $4.95 million during the twelve months ended December 31, 2012 compared to gross loss of $10.49 million during the comparative period in 2011. Revenue from mining operations includes $32.49 million from gold sales (2011: $16.32 million) reduced by $1.60 million in refining and royalty charges (2011: $0.78 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 twelve months ended December 31, 2012, excluding depreciation and depletion, was $1,555 per ounce compared to $2,185 per ounce during the comparative period (see Non GAAP Measures). Cash cost per tonne mined for twelve month period 2012 was $202/tonne, compared to $277/tonne during the same period last year.

QMX recorded a net loss for the twelve months ended December 31, 2012 of $16.16 million compared to $13.64 million for the twelve months ended December 31, 2011. During the twelve months ended December 31, 2012, the Company assessed an impairment charge of $10.26 million related to its Rouyn group of properties and incurred a loss on the sale of the assets of $0.76 million. The Company reversed an impairment charge on its Lac Herbin mine by $4.60 million during the twelve months ended December 31, 2012 compared to recognizing an impairment of $0.49 million during the comparative period in 2011. Expenses were $4.79 million during 2012 (2011: $4.73 million) as described below. The Company recognized a future income tax recovery of $nil during the twelve month period 2012 compared to $2.07 million during the comparative period in 2011.

General and Administrative expenses

(CAD 000's)	2012 $	2011 $	Increase (decrease) $	Change %
Professional, consulting and management fees	2,353	1,979	374	19%
Stock based compensation	19	562	(542)	(97%)
Other general and administrative expenses	726	942	(216)	(23%)
Finance costs	4,290	1,071	3,219	301%
Finance income	(60)	(119)	59	50%
Other (gains) and losses: Foreign exchange	(165)	25	(190)	(760%)
Other (gains) and losses: General exploration	40	3	37	1,233%
Other (gains) and losses: Investments (FVTPL)	(2,414)	577	(2,991)	(518%)
Other (gains) and losses: Investments, realized gain	0	(306)	(306)	(100%)
Future income tax (recovery)	0	(2,065)	2,065	100%

Professional, consulting and management expenses increased by $0.37 million or 19% during the twelve months ended December 31, 2012 when compared to the twelve months ended December 31, 2011. This is in large part due to financing costs charged during 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 the twelve months ended December 31, 2012, the Company granted 88,250 stock options. This resulted in a charge of $0.02 million to the statement of operations and $0.01 million charged to mineral properties. During the comparative period in 2011, 597,000 stock options (11,940,000 pre-consolidation shares) were granted resulting in a charge of $0.56 million to stock-based compensation on the statement of operations and $0.11 million to mineral properties.

Other general and administrative expenses decreased by 23% during the twelve months ended December 31, 2012 compared to the twelve months ended December 31, 2011 as a result of lower office costs and lower shareholder communication costs. The Company has undertaken measures to reduce costs it can affect.

Finance costs increased by $3.22 million or 301% compared to the twelve months ended December 31, 2011. This is primarily a result of costs associated with the two bridge loan agreements entered into in January and November 2012. Prepaid interest, financing costs, and the value of both the warrants granted and put options purchased in respect of the loan with RIF were being accreted at an effective interest rate of 38%. As well, the Company extended the loan agreement incurring a charge for the extension and additional interest expense. The discount on face value, financing costs and the value of warrants granted in respect of the November 2012 bridge financing are being accreted at an effective interest rate of 23%.

The Company recorded unrealized gains on investments of $2.41 million during the twelve months ended December 31, 2012 compared to losses of $0.58 million during the comparative period in 2011. The Company acquired 7,000,000 common shares of Falco as a result of the sale of the Rouyn properties, and the value of these shares increased by $2.41 million since acquisition. The Company continues to carry other minor investments through its Garson subsidiary. During the twelve months ended December 31, 2011, the Company sold some of their investments for a realized gain of $0.31 million during that period. The Company recorded a foreign exchange loss of $0.17 million during the twelve months ended December 31, 2012 compared to a gain of $0.03 million during the comparative period in 2011. The bridge loan as well as royalties payable are denominated in US dollars resulting in fluctuations in foreign exchange gains or losses.

Quarterly information

Summary Financial Information for the Eight Quarters Ended December 31, 2012

	Q4-2012	Q3-2012	Q2-2012	Q1-2012	Q4-2011	Q3-2011	Q2-2011	Q1-2011
Revenue from mining operations (CAD 000's)	$ 6,337	$ 8,297	$ 8,114	$ 8,138	$ 7,636	$ 2,221	$ 3,343	$ 2,344
Mine operating expenses (CAD 000's)	$ 7,988	$ 7,221	$ 7,463	$ 7,756	$ 9,599	$ 4,151	$ 4,223	$ 4,665
Net income (loss) (CAD 000's)	$ (4,192)	$ 4,477	$ (5,171)	$ (11,278)	$ (5,069)	$ (3,867)	$ (2,504)	$ (2,204)
Net income (loss) per share, basic and diluted (CAD)	$ (0.14)	$ 0.15	$ (0.17)	$ (0.38)	$ (0.17)	$ (0.16)	($0.10)	$ (0.11)
Cash provided by (used in) operations (CAD 000's)	$ (1,657)	$ (2,133)	$ 1,366	$ (466)	$ 2,044	$ (3,835)	$ (3,912)	$ (3,589)
Gold ounces sold	3,982	5,287	5,251	5,043	4,639	1,477	2,420	1,826
Average realized gold price (per ounce) (CAD)	$ 1,698	$ 1,651	$ 1,625	$ 1,689	$ 1,696	$ 1,634	$ 1,465	$ 1,364
*Mining operating expenses (per ounce) (CAD)	$ 2,006	$ 1,366	$ 1,421	$ 1,538	$ 2,069	$ 2,810	$ 1,745	$ 2,555
Total assets (CAD 000's)	$ 105,855	$ 103,852	$ 102,757	$ 115,250	$ 124,256	$ 122,660	$ 119,542	$ 105,073
Long-term financial liabilities (CAD 000's)	$ 10,508	$ 10,555	$ 10,948	$ 21,850	$ 22,943	$ 21,435	$ 19,265	$ 18,111

* *see Non GAAP Measures*

The Company struggled with production during 2011 with low grades and low recoveries. A turnaround plan was initiated in Q3-2011. Q4-2011 saw increased production and gold ounces sold. The turnaround plan has been effective showing increased production quarter over quarter translating steadily into increasing revenues during 2012. Q4-2012 saw a dip in production from lower grades mined. Mine operating costs were high as a percent of revenue during 2011 due to the fixed nature of certain costs. As well, mill recoveries were low resulting in higher unit costs. During 2012, mining costs steadily decreased quarter over quarter with both improved grades and recoveries, and increased efficiencies. Mining costs increased during Q4-2012 as a result of an inventory impairment charge. During Q1-2012, the Company assessed an impairment charge of $8.50 million to its mineral properties in Rouyn. A further write-down of $1.76 million was recorded in Q2-2012. During Q3-2012, the Company sold its Rouyn properties resulting in a loss on sale of $0.76 million. In Q3-2012, the Company reversed an impairment charge on its Lac Herbin property taken in 2010 of $4.60 million. As well, the Company re-evaluated its reclamation provision for the Snow Lake property in Q2-2012 resulting in a large decrease in assets and long term liabilities.

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 general trend in increasing total assets during 2011 has resulted from the Company raising funds through financing and investing in its exploration properties in Quebec and Manitoba. Decreases during 2012 are a result of an impairment charge and the sale of some of its mineral properties in Rouyn. This was offset by a reversal of an impairment charge to its Lac Herbin mineral property in Q3-2012.

The value of the Company's provision for reclamation costs is being revalued each period at prevailing discount rates. Consequently, there is significant variation in this value quarter to quarter.

Annual information

	2012	2011	2010
Revenue from mining operations (CAD 000's)	$ 30,886	$ 15,544	$ 25,730
Mine operating expenses (CAD 000's)	$ 30,428	$ 22,638	$ 27,781
Net (loss) (CAD 000's)	$ (16,164)	$ (13,644)	$ (48,308)
Net (loss) per share, basic and diluted (CAD)	$ (0.54)	$ (0.53)	$ (3.70)
Cash provided by (used in) operations (CAD 000's)	$ (2,890)	$ (9,292)	$ 1,185
Gold ounces sold	19,564	10,362	22,026
Average realized gold price (per ounce) (CAD)	$ 1,661	$ 1,575	$ 1,215
*Mining operating expenses (per ounce) (CAD)	$ 1,555	$ 2,185	$ 1,261
Total assets (CAD 000's)	$ 105,855	$ 124,256	$ 108,167
Long-term financial liabilities (CAD 000's)	$ 10,508	$ 22,943	$ 16,969

Cash Flows for the quarter ended December 31, 2012

Cash used by operating activities for the three months ended December 31, 2012 was $1.66 million compared to a source of $2.04 million for the three months ended December 31, 2011. During Q4-2012, mining operations used $1.65 million, administrative expenses and interest income used $0.89 million and non-cash working capital provided $0.88 million. During Q4-2011, mining operations used $1.96 million, administrative expenses and interest income used $0.82 million and non-cash working capital provided $4.82 million. The net change in non-cash working capital reported on the cash flow statement identifies the changes in current assets and current liabilities that occurred during the period. An increase in a liability (or a decrease in an asset) is a source of funds; while a decrease in a liability (or an increase in an asset) account is a use of funds.

Cash provided by financing activities was $3.85 million during the three months ended December 31, 2012 compared to a use of $0.03 million during the three months ended December 31, 2011. In Q4-2012, the Company entered into a short-term loan for $17.45 million, incurring $3.37 million in financing costs and interest during Q4-2012 from this short-term loan as well as the extension of and interest on the Company's earlier short-term loan. The Company retired its earlier short-term loan using $10.23 million during Q4-2012.

Cash from investing activities used $1.80 million during the three months ended December 31, 2012 compared to the use of $3.45 million during the three months ended December 31, 2011. Expenditures on exploration interests used $1.66 million during the current quarter compared to $5.04 million during the comparative quarter as summarized below. The Company used $0.44 million to purchase property and equipment, and refurbish the Aurbel mill, compared to $1.27 million during Q4-2011. Working capital adjustments provided $0.31 million during Q4-2012 compared to providing $1.66 million during Q4-2011. During Q4-2012, the Company received $nil in exploration tax credits compared to $1.19 million during Q4-2011.

Cash expenditures on exploration interests for the three months ended December 31, 2012:								
(CAD 000's)	PRODUCING PROPERTIES	NON-PRODUCING PROPERTIES						
Description	Lac Herbin ($)	Rouyn ($)	Lac Pelletier ($)	VMS ($)	Aurbel ($)	Snow Lake ($)	Other Manitoba ($)	TOTAL ($)
Acquisition and property maintenance	-	-	1	13	5	226	50	295
Development costs	326	-	-	-	-	-	-	326
Exploration costs	286	-	7	(19)	-	502	265	1,041
Capitalized financing costs	-	-	-	-	-	-	-	-
Government assistance	-	-	-	-	-	-	-	-
Total	612	-	8	(5)	5	728	315	1,662

Cash Flows for the twelve months ended December 31, 2012

Cash used by operating activities for the twelve months ended December 31, 2012 was $2.89 million compared to a use of $9.29 million for the twelve months ended December 31, 2011. During 2012, mining operations provided $0.46 million, administrative expenses and interest income used $3.19 million and non-cash working capital used $0.15 million. During 2011, mining operations used $7.09 million, administrative expenses and interest income used $3.04 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 provided by financing activities was $9.02 million during the twelve months ended December 31, 2012 compared to $18.28 million during the twelve months ended December 31, 2011. In 2012, the Company raised $28.32 million through short term bridge loans, including US$10.00 million ($10.15 million) from RIF and US$17.50 million ($17.37 million) from another lender. Costs relating to this loan, including prepaid interest, financing costs, the value of put options, a loan extension fee and a discount on face value, amounted to $6.03 million. The Company retired short-term loans with repayments of $10.95 million during 2012. The Company retired one of its convertible debentures with a payment of $2.23 million during 2012. The Company also made payments against finance leases and financing arrangements of $0.09 million (2011: $0.17 million). During 2011, the Company raised $18.50 million net of issue costs from a public offering.

Cash from investing activities used $6.71 million during the twelve months ended December 31, 2012 compared to $16.78 million during the twelve months ended December 31, 2011. Expenditures on exploration interests used $6.57 million during the current period compared to $19.67 million during the comparative period as summarized below. The Company used $2.57 million to purchase property and equipment, and refurbish the Aurbel mill, compared to $2.05 million during 2011. Working capital adjustments used $3.19 million during 2012 compared to providing $1.53 million during 2011. During 2012, the Company received cash gross proceeds of $5.00 million from the sale of mineral properties (2011: $nil). The Company received $0.63 million in government tax assistance during 2012 compared to $3.09 million received during 2011. In 2011, the Company sold some of its investments held through Garson providing $0.33 million in cash.

Cash expenditures on exploration interests for the twelve months ended December 31, 2012:								
(CAD 000's)	PRODUCING PROPERTIES	NON-PRODUCING PROPERTIES						
Description	Lac Herbin ($)	Rouyn ($)	Lac Pelletier ($)	VMS ($)	Aurbel ($)	Snow Lake ($)	Other Manitoba ($)	TOTAL ($)
Acquisition and property maintenance	6	79	19	28	39	244	50	465
Development costs	634	-	-	-	-	-	-	634
Exploration costs	655	1,199	176	254	30	2,958	275	5,547
Capitalized financing costs	-	-	-	-	-	4	-	4
Government assistance	-	-	-	-	-	(76)	-	(76)
Total	1,295	1,278	195	282	69	3,130	325	6,574

Future accounting changes

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for accounting periods beginning after January 1, 2013 or later periods. Updates are not applicable or are not consequential to the Company have been excluded thereof.

IFRS 9, Financial Instruments ("IFRS 9") was issued November 2009 and contained requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39") for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments, and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. This standard is required to be applied for accounting periods beginning on or after January 1, 2015, with early adoption permitted, introduces new requirements for the classification and measurement of financial instruments. Management anticipates that this standard will be adopted in the Company's consolidated financial statements for the period beginning January 1, 2015, with early adoption permitted. The Company has not yet determined the potential impact of the amendments to IFRS 9 on its consolidated financial statements.

IFRS 10, Consolidated Financial Statements ("IFRS 10") provides a single model to be applied in the control analysis for all investees, including entities that currently are special purpose entities in the scope of SIC 12. In addition, the consolidation procedures are carried forward substantially unmodified from IAS 27, Consolidated and Separate Financial Statements. The Company intends to adopt IFRS 10 in its financial statements for the annual period beginning January 1, 2013. The Company has not yet determined the impact of IFRS 10 on its consolidated financial statements.

IFRS 11, Joint Arrangements ("IFRS 11") replaces the guidance in IAS 31 Interests in Joint Ventures. Under IFRS 11, joint arrangements are classified as either joint operations or joint ventures. IFRS 11 essentially carves out of previously jointly controlled entities, those arrangements which although structured through a separate vehicle, such separation is ineffective and the parties to the arrangement have rights to the assets and obligations for liabilities and are accounted for as joint operations in a fashion consistent with jointly controlled assets/operations under IAS 31. In addition, under IFRS 11, joint ventures are stripped of the free choice of equity accounting or proportionate consolidation; these entities must now use the equity method.

Upon application of IFRS 11, entities which had previously accounted for joint ventures using proportionate consolidation shall collapse the proportionately consolidated net asset value (including any allocation of goodwill) into a single investment balance at the beginning of the earliest period presented. The investment's opening balance is tested for impairment in accordance with IAS 28 Investments in Associates and IAS 36 Impairment of Assets. Any impairment losses are recognized as an adjustment to opening retained earnings at the beginning of the earliest period presented. The Company intends to adopt IFRS 11 in its consolidated financial statements for the annual period beginning January 1, 2013. The Company has not yet determined the impact of IFRS 11 on its consolidated financial statements.

On May 12, 2011, the IASB issued IFRS 12, Disclosure of Interests in Other Entities ("IFRS 12"). This IFRS requires extensive disclosures relating to a company's interests in subsidiaries, joint arrangements, associates, and unconsolidated structured entities. This IFRS enables users of the financial statements to evaluate the nature and risks associated with its interests in other entities and the effects of those interests on its financial position and performance. IFRS 12 is effective for annual periods beginning on or after January 1, 2013. However, entities are permitted to incorporate any of the disclosure requirements in IFRS 12 into their financial statements without early adopting IFRS 12. The Company is currently assessing the impact of these new standards and amendments on its consolidated financial statements.

IFRS 13, Fair Value Measurement ("IFRS 13") converges IFRS and US GAAP on how to measure fair value and the related fair value disclosures. The new standard creates a single source of guidance for fair value measurements, where fair value is required or permitted under IFRS, by not changing how fair value is used but how it is measured. The focus will be on an exit price. IFRS 13 is effective for annual periods beginning on or after January 1, 2013. The Company has not yet determined the impact of IFRS 13 on its consolidated financial statements.

IAS 1, Presentation of Financial Statements ("IAS 1"), has been amended to require entities to separate items presented in other comprehensive income ("OCI") into two groups, based on whether or not items may be recycled in the future. Entities that choose to present OCI items before tax will be required to show the amount of tax related to the two groups separately. The amendment is effective for annual periods beginning on or after July 1, 2012. The Company has not yet determined the impact of the amendments to IAS 1 on its financial statements.

Transactions with Related Parties

During the three and twelve months ended December 31, 2012, the Company entered into the following transactions in the ordinary course of business with related parties that are not subsidiaries of the Company.

	Purchases of goods and services			
	Three months ended December 31,		Twelve months ended December 31,	
	2012	2011	2012	2011
2227929 Ontario Inc.	65,842	$ 154,122	$ 231,885	$ 381,660
Forbes & Manhattan, Inc.	214,657	$ 236,894	952,671	434,196

The Company shares office space with other companies who may have officers or directors in common with the Company. The costs associated with this space and certain other services are administered by 2227929 Ontario Inc. Mr. Stan Bharti is the Executive Chairman of Forbes & Manhattan, Inc. Mr. Bharti was a director of the Company until his resignation on March 6, 2012; however as the Company is part of the Forbes & Manhattan Group of Companies, it continues to receive the benefits of such membership, including access to mining professionals, advice from Mr. Bharti, and strategic advice from the Forbes & Manhattan Board of Advisors. An administration fee of $25,000 per month is charged by Forbes & Manhattan, Inc. pursuant to a consulting agreement. As well, a 2% royalty is payable on gold sales from the Aurbel properties (including Lac Herbin) to Forbes & Manhattan, Inc.

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

	Amounts owed by related parties		Amounts owed to related parties	
	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
2227929 Ontario Inc.	$ 18,000	$ 18,000	$ 44,914	$ 64,307
Forbes & Manhattan, Inc.	$ -	$ -	$ 1,251,476	$ 243,302

The amounts outstanding are unsecured and non-interest-bearing. 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.

The Company entered into a loan with Aberdeen International Inc. (Note 16(c) of the Company's Annual Consolidated Financial Statements for the twelve months ended December 31, 2012). Mr. Bharti, a former director of the Company, is the Chairman of the Board of Aberdeen International Inc.

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 December 31,		Twelve months ended December 31,	
	2012	2011	2012	2011
Short-term benefits	$ 777,975	$ 443,694	$ 1,500,741	$ 1,373,253
Share-based payments	-	171,080	5,400	591,780

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

Subsequent to December 31, 2012, 1,872,500 stock options were granted to directors, officers, employees and consultants of the Company with an exercise price of $0.24 expiring five years from the date of grant.

Outstanding Share Data

As at the date of this report, 30,900,059 common shares of the Company are outstanding. Of the options to purchase common shares issued under the share option plan of the Company, 2,665,388 remain outstanding with exercise prices ranging from $0.24 to $9.80 and with expiry dates ranging between August 5, 2013 and January 10, 2018. If exercised, 2,665,388 common shares would be issued generating $3.77 million in proceeds.

As at the date of this report, there were 6,575,274 share purchase warrants and broker warrants outstanding with exercise prices ranging from $0.253 to $8.00 expiring between May 12, 2013 and November 28, 2015. If exercised, 6,575,274 common shares would be issued generating $24.90 million in proceeds.

Non-GAAP Measures

The Company has included certain Non-GAAP performance measures, namely cash costs per gold ounce sold and working capital, throughout this document. In the gold mining industry, these are common Non-GAAP performance measures but do not have any standardized meaning. The Company believes that, in addition to conventional measures prepared in accordance with GAAP, we and certain investors use this information to evaluate the Company's performance and ability to generate cash, profits and meet financial commitments. These Non-GAAP measures are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP. The following tables provide a reconciliation of cash costs per gold ounce sold for the three and twelve months ended December 31, 2012 and 2011, and a reconciliation of working capital to the financial statements for the periods ended December 31, 2012 and December 31, 2011.

Working Capital

(CAD 000's)		
Current assets:	**December 31, 2012**	December 31, 2011
Cash and cash equivalents	**$1,036**	$1,615
Amounts receivable	**915**	817
Tax credits receivable	**1,552**	2,000
Inventory	**2,938**	2,645
Prepaid expenses	**1,873**	1,140
Investments	**8**	45
	8,322	8,262
Current liabilities		
Accounts payable and accrued liabilities	**$11,114**	$13,819
Current portion of finance lease obligations	**6**	90
Short-term debt	**14,126**	-
Current portion of convertible debenture liability	**-**	2,000
	25,246	15,909
Working capital/(deficit) (current assets less current liabilities)	**($16,924)**	($7,647)

Cash cost per ounces sold

	Three months ended		Twelve months ended	
	December 31, 2012	December 31, 2011	**December 31, 2012**	December 31, 2011
Revenue				
From commercial production ounces (CAD 000's)	**$6,337**	$7,637	**$30,886**	$15,544
Ounces sold	**3,982**	4,639	**19,564**	10,362
Mine operating expenses (CAD 000's)	**$7,988**	$9,600	**$30,428**	$22,638
Cash cost per ounce sold (CAD) (mining operating expenses divided by ounces sold)	**$2,006**	$2,069	**$1,555**	$2,185

Contractual Obligations and Contingencies

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

Contractual Obligation	Total	Payments due by period: < 1 year	1 - 3 years	4 - 5 years	> 5 years
Finance lease obligations	6,507	6,507	-	-	-
Contractual commitments	1,540,540	1,540,540	-	-	-
	1,547,047	1,547,047	-	-	-

The Company is party to certain management contracts. These contracts contain clauses requiring additional payments of up to $4.60 million be made upon the occurrence of certain events such as a change of control. As the likelihood of these events taking place is not determinable, the contingent payments have not been reflected in these consolidated financial statements. Additional minimum management contractual commitments remaining under the agreements are approximately $1.54 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.

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

Liquidity Concerns, Future Financings and Indebtedness

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

The Company is subject to certain debt covenants. There can be no assurance that the Company will be successful in repaying all of its indebtedness. The Company's level of indebtedness could have important consequences for its operations, including:

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

The Company expects to obtain the funds to pay its operational and capital expenditures in 2013 through its future cash flows from the Lac Herbin Mine operations as well as private equity ventures. The Company's ability to meet its payment obligations will depend on its future financial performance, which will be affected by financial, business, economic and other factors. The Company will not be able to control many of these factors, such as economic conditions in the markets in which it operates. The Company cannot be certain that its existing capital resources and future cash flows from operations will be sufficient to allow it to pay principal and interest on the Company's debt and meet its other obligations. If these amounts are insufficient or if there is a contravention of its debt covenants, the Company may be required to refinance all or part of its existing debt, sell assets, borrow more money or issue additional equity. The ability of the Company to access the bank public debt or equity capital markets on an efficient basis may be constrained by the dislocation in the credit markets, capital and/or liquidity constraints in the banking markets and equity conditions at the time of issuance.

Foreign Exchange

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

Mineral Resource and Mineral Reserve Estimates May be Inaccurate

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

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

Licences and Permits, Laws and Regulations

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

Gold and Base Metal Prices

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

Environmental

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

Title to Properties

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

Uninsured Risks

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

Competition

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

Dependence on Outside Parties

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

Qualified Personnel

Recruiting and retaining qualified personnel in the future is critical to the Company's success. As the Company develops the Lac Herbin and Lac Pelletier properties, the need for skilled labour will increase. The number of persons skilled in the exploration and development of mining properties is limited and competition for this workforce is intense. The development of the Company's properties may be significantly delayed or otherwise adversely affected if the Company cannot recruit and retain qualified personnel as and when required.

Availability of Reasonably Priced Raw Materials and Mining Equipment

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

Failure to Meet Production Targets and Cost Estimates

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

Share Price Fluctuations

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

Internal Controls

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

Insurance

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

Litigation

Legal proceedings may arise from time to time in the course of the Company's business. Defense and settlement costs of legal claims can be substantial, even with respect to claims that have no merit. The Company has received a notice of arbitration from Thundermin in respect of the exercise of the option to acquire the Lac Pelletier property. The process of defending such claims could take away from management time and effort and the resolution of any particular legal proceeding to which the Company or one or more of its subsidiaries may become subject could have a material effect on the Company's financial position and results of operations.

Reliance on Limited Number of Properties

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

Conflicts of Interest

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

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

Critical Accounting Estimates

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

Off Balance Sheet items

The Company does not have any off balance sheet items.

Disclosure Controls and Procedures and Internal Controls Over Financial Reporting

Subject to the limitations, if any, described below, the Company's CEO and CFO, have as at the end of the period ended December 31, 2012 designed Disclosure and Control Procedures, ("DC&P") or caused it to be designed under their supervision, to provide reasonable assurance that:

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

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

Changes to accounting policies or business processes as a result of the IFRS conversion did not materially affect the Company's internal controls over financial reporting. There have been no significant changes to the Company's disclosure controls and procedures and internal controls over financial reporting that occurred during the period ended December 31, 2012 that have materially affected, or are reasonably likely to materially affect, the Company's disclosure controls and procedures and internal control over financial reporting.

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

The Audit and Governance Committee's of the Company have reviewed this MD&A, and the consolidated financial statements for the twelve months ended December 31, 2012, and QMX's board of directors approved these documents prior to their release.

March 28, 2013