NQ EXPLORATION INC.

(An exploration company)

MANAGEMENT DISCUSSION AND ANALYSIS

For the nine-month period ended August 31, 2009

(Third Quarter)

This management discussion and analysis ("MD&A") for NQ Exploration Inc. ("NQ" or "the Company") complies with the Canadian Security Administrators' National Instrument 51-102A on continuous disclosure obligations.

This MD&A constitutes a narrative, through the eyes of NQ's management, on the Company's results for the nine-month period ended August 31, 2009, as well as its financial condition and future prospects. It complements the unaudited interim financial statements for the nine-month period ended August 31, 2009, but does not form part of them. It should therefore be read in conjunction with the unaudited interim financial statements at August 31, 2009 and the notes thereto, as well as the audited financial statements and notes and the MD&A for the financial year ended November 30, 2008. The unaudited interim financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) for interim financial statements. The MD&A also provides a review of the Company's performance for the quarter ended August 31, 2009. This review was performed by management with information available as of the date hereof.

All figures are in Canadian dollars unless otherwise stated. Additional information on the Company can be found on SEDAR at www.sedar.com. The shares of NQ are listed on the TSX Venture Exchange under the symbol "NQE".

DATE

This MD&A has been prepared on the basis of information available as of September 30, 2009.

FORWARD-LOOKING STATEMENTS

This MD&A includes forward-looking statements that reflect the Company's current expectations regarding future events. To the extent that such statements contain information that is not historical in nature, such statements are essentially forward-looking, and often contain words like "anticipate", "expect", "estimate", "intend", "project", "plan" and "believe". Forward-looking statements involve risks, uncertainties and other factors that could cause actual results to differ materially from those expressed or implied by such forward-looking statements. There are many factors that could cause such differences, including volatility of metal market prices, the impact of changes in foreign exchange or interest rates, imprecision in reserve estimation, environmental risks including increased regulatory burdens, unexpected geological conditions, adverse mining conditions, changes in government regulations and policies, including laws and policies, the failure to obtain the necessary permits and approvals from government authorities, and other development and operating risks.

While the Company believes that the assumptions inherent in the forward-looking statements are reasonable, readers should not place undue reliance on such statements, which only apply as at the date of this MD&A. The Company disclaims any intention or obligation to update or revise forward-looking statements as a result of new information, future events or otherwise, unless required to do so by applicable securities laws.

NATURE OF OPERATIONS

NQ was incorporated under the Canadian Business Corporations Act. The Company is engaged in the acquisition, exploration and development of mining properties. NQ conducts its activities in Canada.

OVERALL PERFORMANCE

EXPLORATION ACTIVITIES

During the period covered by this MD&A, the Company carried out compilation and exploration work on its mining properties. Exploration expenses totalled $19,813 for the nine-month period ending August 31, 2009.

PROPERTIES

The properties fall into two geographic groups: 1 - James Bay South, acquired from the Société de développement de la Baie-James ("SDBJ") and 2 - James Bay North, acquired from Everton Resources Inc. ("Everton").

James Bay South Properties

Table 1 below provides a summary of the status of the James Bay South properties as at August 31, 2009.

Property	NQ Interest	Partner Interest
Gand I	100%	None
Carheil	100%	None
Opawica(1)	100%	None
Rapides-des-Cèdres	12.5% (non-contributing)	Exploration minière H. Blondeau Ltd.: 87.5%
Themines N(2)	5% (non-contributing)	Maudore Minerals Ltd.: 95%

(1) Kinross Gold Corporation and Inmet Mining Corporation: 1% NSR royalty.
(2) Newmont Mining Corporation holds a 1.5% NSR royalty and a 51% right of reversion.

Table 1: Status of the James Bay South properties as at August 31, 2009

Carheil Property: Cu-Zn-Au-Ag

The Carheil property lies in Brouillan Township in the James Bay region of Quebec, about 120 km north of La Sarre and 8 km southwest of BHP-Billiton's Selbaie Mines, which produced 44 million tonnes of ore averaging 1.05% Cu, 1.98% Zn, 32.1 g/t Ag and 0.47 g/t Au (ref.: "Geology of Canadian Mineral Deposit Types", Geological Survey of Canada, 1996, p.181).

The Company owns a 100% interest in the Carheil property. The property consist of 32 contiguous claims covering approximately 5.12 km^2. The property is not subject to any royalties.

In February 2009, a 1,251-metre, four-hole drilling program was carried out, including three holes drilled to test the showing in the northeast corner of the property, and another to test the C-02 conductor. A Pulse-EM survey was carried out in three of the four holes.

The NQ drilling program conducted in the winter of 2009 revealed a very significant increase in the thickness of the rhyolite units, massive to semi-massive sulphide bands and copper-zinc zones at depth under the northeast corner showing. A strong increase in the intensity of geochemical alteration was also seen in the deepest holes.

During the period covered by this report, the Company reviewed the drill core still available for some of the holes drilled by previous operators, re-examined the 2009 drill results and reinterpreted all the geological, geochemical and geophysical data.

In general, all the data from earlier work shows that, from surface to a depth of -250 metres:

- The rhyolite unit increases in thickness from 20 m to more than 100 m;
- The massive to semi-massive sulphide zone that hosts the veinlets increases in thickness from 1-5 m to over 20 m;
- The zones of Cu-Zn-rich veinlets increase in thickness from 1-10 m to over 100 m;
- The intensity of the geochmical alteration increases considerably, with an Ishikawa index of over 95, an MgO/CaO ratio of up to 51.9 and a K_2O/Na_2O ratio of over 70;
- An exhalite silica (chert) lens appears;
- Black chlorite, a high temperature alteration mineral, appears, indicating a proximal exhalite source;
- Gold geochemical values increase.

These results show a very clear improvement in the potential for copper-zinc discovery at depth and towards the centre of the property, either in a general, increasingly proximal volcanogenic massive sulphide setting, or more specifically in a Selbaie Mine geological setting, i.e., with wide stringer zones rich in copper, zinc, silver and gold. Most of the funds raised during the summer will be allocated to an aggressive drilling program to be undertaken in the fall.

Opawica Property: Au

The property lies 20 kilometre east of Desmaraisville in the Chibougamau mining camp. The property lies within a major regional NE-SW deformation corridor that hosts a number of gold showings and two former producers, the Lac Shortt mine, three kilometre to the north, and the Bachelor Lake mine, 20 kilometres to the west. Metanor Resources Inc. is presently reactivating the Bachelor Lake mine, whose mill is already in operation. No mineral resource has been estimated for the Opawica property; no drilling has been done on the property since 1983. Previous work on the property, including 41 drillholes, identified a gold-bearing zone about 350 metres long, extending to a depth of 100 to 200 metres. In addition to high grade gold potential at depth, the property has untested low-grade-high-tonnage potential on surface, the mineralized zone being spatially associated with porphyry-type dikes within a gold-anomalous envelope over 40 metres wide.

The following table shows some of the best assay results of previous drilling:

Hole	Grade/Thickness
23-11	87.5 g/t gold over 1.5 metres
23-05	23.7 g/t gold over 0.75 metres
Q0-2	2.5 g/t gold over 6.1 metres
23-04	5.1 g/t gold over 2.0 metres
Q0-5	6.9 g/t gold over 3.8 metres
Q0-9	3.6 g/t gold over 4.7 metres

The Company is in the process of reviewing all the pertinent data in order to determine the property's potential in light of a new geological model for the area. A short site visit in June confirmed the geological setting but also showed that it would be difficult to do any stripping on the mineralized zone.

Gand I Property: Au

The Gand I property lies in the James Bay region, about 25 km northeast of Desmaraisville in the Chibougamau mining district. It consists of 76 contiguous claims in Gand and Lespérance townships covering a total area of 12.55 km^2. The property is wholly-owned by NQ.

The property is adjacent to the Lac Shortt mine property, in a similar geological setting. The Lac Shortt mine, which produced 2.7 million tonnes grading 4.65 g/t of gold, lies about 5 km to the west. Two favourable structures cross the Company's property: the Lac Shortt Fault, which hosts the mine of the same name, and the Opawica Fault, which hosts various deposits, including the Mariposite deposit immediately east of Gand I. Mariposite has historical inferred reserves (Camchib, 1986) of 470,300 tonnes at 2.75 g/t Au and 211,240 tonnes at 4.11 g/t gold in two zones.

The Company is reviewing all the relevant data in order to determine the property's potential in light of the new geological model for the area. A short property visit in June confirmed the geological setting, but also showed that it would be difficult to do any stripping on the mineralized zone. The Company is therefore obliged to proceed directly to the drilling stage without carrying out stripping as planned.

James Bay North Properties

No work was done on the James Bay North properties during the period covered by this MD&A.

Aylmer Property: Au, Ag, Cu, Zn, Mo

The Aylmer property lies in the James Bay region of northern Quebec. As part of the rationalization program, four of the five cell blocks forming the property were dropped. The property now consists of 12 claims covering a total area of 6.31 km^2. It is wholly owned by NQ, although subject to a 2% NSR royalty.

No exploration work was carried out on the property during the period covered by this MD&A.

Candlestick Property: Au

The Candlestick property lies 35 km south of the La Grande River in the James Bay region of northern Quebec. During the period covered by this MD&A, the property was reduced by 20 claims, to now comprise 90 claims covering a total area of 46.6 km^2. NQ has a 100% interest in the property, which is subject to a 2% NSR royalty.

No exploration work was carried out on the property during the period covered by this MD&A.

Conviac Property: Au, Cu, Zn

The Conviac property lies in the James Bay region of Quebec, 22 km north of the Eastmain River and about 275 km north of Chibougamau. During the period covered by this MD&A, 243 claims were dropped. The property now consists of 198 contiguous claims that cover a total area of 104.1 km^2. It is wholly-owned by NQ.

The property lies 85 km southeast of Goldcorp Inc.'s Éléonore deposit (NI 43-101 indicated resource of 1.83 million ounces of gold) and 65 km east of Eastmain Resources Inc.'s Eau Claire deposit (NI 43-101 indicated and inferred resource of 1 million ounces of gold).

No exploration work was carried out on the property during the period covered by this MD&A.

Duncan Property: Au, Ag, Cu, Zn

The Duncan project lies in the James Bay region of Quebec, approximately 35 km south of Radisson. Some 141 claims were dropped during the period covered by this MD&A. The Duncan property now comprises 229 claims in two blocks covering a total area of 116.8 km^2. The claims are wholly-owned by NQ, with some of them subject to a 2% NSR royalty.

No exploration work was carried out on the property during the period covered by this MD&A.

Eastmain North Property: Au, Cu, Zn

The Eastmain North property lies in the James Bay region of Quebec, approximately 250 km north of Chibougamau. NQ dropped 387 claims during the period covered by this MD&A, and the property now consists of 131 contiguous claims covering a total area of 69.1 km^2. NQ owns a 100% interest in the property, with a portion subject to a 1% NSR royalty.

The property lies 75 km southeast of Goldcorp Inc.'s Éléonore project (43-101 indicated resource of 1.83 million ounces of gold) and 30 km east of Eastmain Resources Inc.'s Eau Claire deposit (43-101 indicated and inferred resource of 1 million ounces of gold).

No exploration work was carried out on the property during the period covered by this MD&A.

Le Moyne Property: Au

The Le Moyne property lies 35 km south of the La Grande River in the James Bay region of Quebec. The Company dropped 58 claims during the period covered by this MD&A and acquired 20 others further to the east. The property now consists of 40 contiguous claims covering a total area of 20.6 km^2. It is wholly-owned by NQ and is subject to a 2% NSR royalty.

No exploration work was carried out on the property during the period covered by this MD&A.

Morand Property: U-Th, Au

The Morand property lies in the James Bay region of Quebec, about 72 km west of Radisson and immediately north of the La Grande River. The property consists of 177 contiguous map-designated claims covering a total area of 89.85 km^2. It is wholly-owned by NQ and is subject to a 2% NSR royalty.

No exploration work was carried out on the property during the period covered by this MD&A.

Pine Hill Property: Au

The Pine Hill property lies north of the LG-3 reservoir in the James Bay region of Quebec, about 135 km east of Radisson. NQ Exploration dropped 151 claims during the period covered by this MD&A. The Pine Hill property now consists of 68 contiguous claims covering an area of 34.5 km^2. It is wholly-owned by NQ and is not subject to any royalties.

No exploration work was carried out on the property during the period covered by this MD&A.

Pine Hill North Property: U, Au, Mo

The Pine Hill North property lies in the James Bay region of Quebec, about 150 km east of Radisson and north of the LG-3 reservoir. The property consists of 85 continuous map-designated claims covering a total area of 42.9 km^2. It is wholly-owned by NQ, with 64 claims subject to a 2% NSR royalty.

No exploration work was carried out on the property during the period covered by this MD&A.

Star Lake Property: U, Cu, Au

The Star Lake property lies in the James Bay region of Quebec, 120 km southeast of Radisson. NQ dropped 30 claims during the period covered by this MD&A, and the property now consists of 217 contiguous claims covering a total area of 112.2 km^2.

No exploration work was carried out on the property during the period covered by this MD&A.

Additional information on all the properties can be found on NQ's website at www.nqexploration.com.

RESULTS OF OPERATION

NQ anticipates that, for the foreseeable future, quarterly results of operations will be impacted by various factors, including the timing of exploration and the efforts and level of expenditures devoted to the Company's development. Due to fluctuations in these factors, NQ believes that period-to-period comparisons of its operating results cannot provide a clear, accurate picture of its future performance.

The following discussion constitutes an analysis of the operating results for the nine-month period ended August 31, 2009. The selected financial information shown below is derived from the unaudited interim financial statements for the periods indicated.

FINANCIAL HIGHLIGHTS

	August 31 (3 months)		August 31 (9 months)	
	2009	2008	**2009**	2008
Revenues	$ **44**	$ 6,050	$ **1,821**	$ 17,733
General administrative expenses and salaries	**47,099**	18,380	**126,486**	105,264
Claims renewal	**1,890**	-	**113,514**	-
Registration, listing fees and shareholders' information	**16,542**	31	**37,883**	32,587
Professionnal and consultant fees	**37,156**	32,405	**77,907**	86,908
Stock-based compensation	**104,356**	-	**209,432**	261,770
Amortization of equipment	**836**	(432)	**2,403**	1,427
Part XII.6 taxes	-	-	**197**	-
Interest of debentures	**11,500**	-	**15,381**	-
Write-off of deferred exploration expenses and of a mining property	-	(2,552)	**25,185**	28,104
Net loss	$ **(219,335)**	$ (41,782)	$ **(606,567)**	$ (498,327)
Cash & cash equivalents	$ **294,246**	$ 522,156	$ **294,246**	$ 522,156

Revenues

Revenues for the nine-month period ended August 31, 2009, amounted to $1,821 ($17,733 in 2008) and consisted of interest income.

General Administrative Expenses and Salaries

General administrative expenses and salaries for the nine-month period ended August 31, 2009, consisted mainly of general office expenditures, insurance, travel expenses, entertainment expenses, salaries and expenses incurred to rent office space in Rouyn-Noranda. The salary expense for last year was lower due to restatement under exploration expenses.

Claims Renewal

In the year that a property is acquired, the Company capitalizes the claims renewal costs. From the second year on, these costs are expensed.

Listing and Registrar Fees and Shareholder Communications

Listing and registrar fees and shareholder communications expenses for the nine-month period ended August 31, 2009, consisted mainly of legal and regulatory expenses required to comply with the requirements of the securities commission. These expenses increased due to a higher number of press releases.

Professional Fees

Professional fees for the nine-month period ended August 31, 2009, consisted mainly of legal, accounting, auditing and management expenses. The variation for the quarter was attributable to the under-estimation of audit fees and the restatement of share issue expenses.

Part XII.6 Taxes

Part XII.6 taxes represent taxes payable on exploration expenses incurred after February 28, 2010.

Write-Off of Deferred Exploration Expenditures and Mining Properties

During the nine-month period ended August 31, 2009, the Corporation wrote down 16 of its 28 Aylmer property claims. This decision was taken by management as part of a property optimization and cost reduction process, and a related charge of $25,185 was recognized in earnings.

SUMMARY OF QUARTERLY RESULTS

The selected quarterly results shown below are derived from NQ's unaudited interim financial statements for the quarters indicated:

$000s of $ except for share data	**Aug. 31 2009**	May 31 2009	Feb 28 2009	Nov. 30 2008	Aug. 31 2008	May 31 2008	Feb. 28 2008	Nov. 30 2007
Revenues	-	-	2	4	6	6	5	-
Net loss	**219**	271	116	548	41	411	45	4
Basic and diluted net loss per share	$ **0.01**	$ 0.01	$ 0.00	$ 0.02	$ 0.00	$ 0.02	$ 0.00	$ 0.00

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents as at August 31, 2009, amounted to $294,246 compared to $522,156 as at August 31, 2008. Management intends to seek additional capital in the form of equity financing to support current and future mining property development.

Management is of the opinion that, even if it is unable to raise equity financing in the future, the Company will be able to meet its current exploration obligations and keep its properties in good standing for the next 12 months. Advanced exploration of some of the mineral properties would require substantially more financial resources. The Company may also select to advance the exploration and development of mineral properties through joint-venture participation.

CASH FLOWS

	August 31 (3 months)		August 31 (9 months)	
	2009	2008	**2009**	2008
Operating activities	$ **(68,956)**	$ 184,615	$ **(357,896)**	$ 10,696
Investing activities	**(641,426)**	(287,302)	**(593,403)**	(1,101,068)
Financing activities	**694,409**	235,696	**871,734**	1,582,528
	$ **(15,973)**	$ 133,009	$ **(79,565)**	$ 492,156
Cash & cash equivalents	$ **294,246**	$ 522,156	$ **294,246**	$ 522,156

During the nine-month period ended August 31, 2009, funds used in operating activities were spent primarily on improving operations and promoting the Company.

During the nine-month period ended August 31, 2009, investing activities consisted mainly of exploration. Exploration funds are specifically reserved for the development of Carheil, Opawica, Conviac, Eastmain Nord and Aylmer.

In the nine-month period ended August 31, 2009, the Company' main financing activities were as follows:

In June 2009, the Company received $75,000 from the issuance of 500,000 common shares and 250,000 warrants pursuant to a private placement;

In July 2009, the Company received $200,000 from the issuance of 1,000,000 flow-through shares pursuant to a private placement;

In July 2009, the Company received $50,000 from the issuance of 200,000 flow-through shares and 66,650 common shares pursuant to a private placement;

In August 2009, the Company received $400,000 from the issuance of 2,000,000 common shares and 1,000,000 warrants pursuant to a private placement;

In August 2009, the Company received $50,000 from the issuance of 333,333 common shares and 333,333 warrants pursuant to a private placement.

CONTRACTUAL OBLIGATIONS AND OFF-BALANCE-SHEET ARRANGEMENTS

The Company has an employment contract with its president. This contract is for an undetermined term beginning on January 1, 2009. The Company has undertaken to pay the president an annual salary of $75,000.

The Company is a tenant under a lease that expires in May 2010. Rent is $600 per month.

RELATED-PARTY TRANSACTIONS

During the three-month period ended August 31, 2009, the Company paid professional fees of $3,000 to the Company's Chief Financial Officer (CFO).

This transaction was entered into in the normal course of business and was measured at the fair market value, which is the amount established and accepted by the parties.

In addition, one of the directors of NQ is also a director of Everton Resources Inc.

SUBSEQUENT EVENTS

On September 3, 2009 the Company negociated two convertible debenture financings for $125,000 each. Each debenture bears interest at 12% per year and matures in three years. The principal and interest are convertible into common shares of the Company at a price of $0.18 per share for a 24-month period following the closing of the financing. Each debenture is accompanied by 694,445 warrants, with each warrant entitling its holder to purchase one common share of the Company for $0.24 over a period of 24 months. The principle and interest are payable in cash or, at the option of the Company, in common shares of the Company.

ACCOUNTING POLICIES

Financial Statements

The financial statements were prepared in accordance with Canadian generally accepted accounting principles.

Financial Assets and Liabilities

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the Company's designation of such instruments. The settlement date accounting method is used.

Cash and exploration funds are classified as held-for-trading and are measured at fair value.

Portfolio investment is classified as available-for-sale financial assets and is measured at fair value, with changes in fair value recorded in other comprehensive income until the financial asset is derecognized or impaired.

Accounts payable and accrued liabilities are classified as other financial liabilities. They are measured at amortized cost using the effective interest rate method.

Transaction costs related to held-for-trading financial assets are expensed as incurred. Transaction costs related to available-for-sale financial assets, other liabilities and loans and receivables are netted against the carrying value of the asset or liability and then recognized over the expected life of the instrument using the effective interest method.

The Company uses the effective interest method to recognize the interest income or expense, which includes transaction costs or fees, premiums or discounts earned or incurred for financial instruments.

Revenue Recognition

Investment transactions are accounted for on the transaction date, and the resulting revenues are recognized using the accrual basis. Interest income is accrued based on the number of days the investment is held during the period.

Property, Plant and Equipment

Property, plant and equipment are tested for recoverability when events or changes in circumstances indicate that their carrying amount may not be recoverable. The carrying amount of a long-lived asset is not recoverable when it exceeds the sum of the undiscounted cash flows expected from its use and eventual disposal. In such a case, an impairment loss must be recognized and is equivalent to the excess of the carrying amount of a long-lived asset over its fair value.

The Company provides for amortization on property, plant and equipment using the following rates and methods:

- Office furniture – 30% declining balance
- Computer equipment – 40% declining balance
- Software – 40% declining balance

Mining Properties and Deferred Exploration Expenditures

Costs related to the acquisition, exploration and development of mining properties are capitalized by property until the commencement of commercial production. If commercially profitable ore reserves are developed, capitalized costs for the related property are reclassified as mining properties and amortized according to the unit of production method. If it is determined that capitalized acquisition and exploration costs are not recoverable over the estimated economic life of the property, or if the project is abandoned, the project is written down to its net realizable value. Company management reviews the carrying values of assets on a regular basis to determine whether any write-downs are necessary.

The recovery of amounts recorded for mining properties and deferred exploration expenditures depends on the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain the necessary financing to complete development, and future profitable production or proceeds from the disposition thereof. The amounts shown for mining properties and deferred exploration expenditures do not necessarily represent present or future values.

Environmental and Reclamation Costs

The operations of the Company have been, and may in the future be, affected from time to time in varying degree by changes in environmental regulations, including those for future removal and site restoration costs. Both the likelihood of new regulations and their overall effect are not predictable. The Company's policy is to meet or, if possible, surpass standards set by relevant legislation by the application of technically proven and economically feasible measures.

An estimate of future costs for site rehabilitation is made based upon estimates that consider the anticipated method and scope of site reclamation required to meet legal standards. If required, a provision for the estimated costs is recognized by increasing the carrying amount of the related long-lived asset by the same amount as the liability. Since the Company is not yet at the production stage, no such provision is to be estimated.

Reclamation costs incurred are charged against this provision. The effects of changes in regulations and cost assumptions are recognized when determined.

Share Capital

The amount credited to share capital upon the exercise of stock options or warrants is equal to the exercise price and the fair value of the stock option or warrant initially recorded.

Share capital issued for non-monetary consideration is recorded at an amount based on fair market value based upon the trading price of those shares on the TSX Venture Exchange the day before the transaction date.

Proceeds from unit placements are allocated between shares and warrants issued according to their fair value using the residual method. Under this method, the warrant component is valued first and the difference between the proceeds from the unit placements and the fair value of that amount is assigned to the share capital component.

Flow-Through Shares

The Company has financed a portion of its exploration activities through the issuance of flow-through shares. Shares issued pursuant to flow-through financings are recorded at their selling price. Under the term of the flow-through share agreements, the tax benefit of the exploration expenses is renounced in favour of the investors. The Company records the tax effect related to renounced deductions on the date that the Company renounces the deductions to investors, provided there is reasonable assurance that the expenses will be incurred.

Share Issuance Expenses

Share issuance expenses are recorded as an increase in the deficit in the year in which they are incurred.

Cash Reserved for Exploration

Cash reserved for exploration represents proceeds of financings not yet spent on exploration. The Company must use these amounts for mining exploration activities in accordance with the restrictions imposed by the financings. As at August 31, 2009, the Company had cash reserved for exploration amounting to $621,266 ($303,490 in 2008).

Basic and Diluted Loss per Share

The basic loss per share is calculated using the weighted average number of shares outstanding during the year. The computation of diluted loss per share assumes the conversion or exercise of securities only when such conversion or exercise would have a dilutive effect on earnings per share. The dilutive effect of outstanding stock options and warrants described in Note 11 is reflected in the diluted loss per share by application of the treasury stock method.

Income Taxes

The Company uses the asset and liability method of accounting for income taxes. Under the asset and liability method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statements carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years during which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rate is recognized in income in the year that includes the enactment date. The Company establishes a valuation allowance against future income tax assets if, based on available information, it is more likely than not that some or all of the future tax assets will not be realized.

Stock-Based Compensation and Other Stock-Based Payments

The Company accounts for stock-based compensation provided to employees and directors, and stock-based payments to non-employees, using the fair value-based method. The fair value of stock options at the grant date is determined according to the Black-Scholes option pricing model. Compensation expenses are recognized over the vesting period of the stock options.

Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates that affect the amount recorded in the financial statements and the notes to the financial statements. Significant estimates include the carrying value of mining properties and deferred exploration expenses, the fair value of options and warrants and the recoverability of future income tax assets. Actual results could differ from those estimates.

Mining Property Option Agreements

From time to time, the Company may acquire or dispose of mining properties pursuant to the terms of option agreements. Due to the fact that options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as mining property costs or recoveries when the payments are made or received.

CHANGES IN ACCOUNTING POLICY

On December 1, 2007, in accordance with the applicable transitional provisions, the Company adopted the new recommendations of CICA Handbook Section 3862, “Financial Instruments – Disclosures”, Section 3863, “Financial Instruments – Presentation” and Section 1535, “Capital Disclosures”. These new standards relate only to disclosure and presentation and have no impact on the Company’s results.

Section 3862 describes the required disclosure for the assessment of the significance of financial instruments for an entity’s financial position and performance and the evaluation of the nature and extent of risks arising from financial instruments to which the entity is exposed and how the entity manages those risks.

The purpose of Section 3863 is to enhance the financial statements users’ understanding of the significance of financial instruments to the Company’s financial position, performance and cash flows. It carries forward the presentation-related requirements of Section 3861, ‘’Financial Instruments – Disclosure and Presentation’’.

Section 1535 establishes standards for disclosing information about an entity’s capital and how it is managed. It describes the disclosure of the entity’s objectives, policies and processes for managing capital, quantitative data about what the entity regards as capital, whether the entity has complied with any capital requirements, and if it has not complied, the consequences of such non-compliance.

FUTURE ACCOUNTING CHANGES

In June 2007, the CICA modified Section 1400, “General Standards of Financial Statement Presentation”, in order to require that management make an assessment of the Company’s ability to continue as a going concern over a period which is at least, but not limited to, twelve months from the balance sheet date. These new requirements are effective for fiscal years beginning on or after January 1, 2008, and the Company implemented them as of December 1, 2008. The new requirements only address disclosure, and will have no impact on the Company’s financial results.

In February 2008, the CICA published new Section 3064, "Goodwill and Intangible Assets", to replace Section 3062, "Goodwill and Other Intangible Assets". Publication of this new section resulted in the withdrawal of Section 3450, "Research and Development Costs", and consequential amendments to certain recommendations in the CICA Handbook. The new section establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets by profit-oriented enterprises. This new section is effective for fiscal years beginning on or after October 1, 2008, and the Company implemented it as of December 1, 2008. Company management is unable to assess the impact that the application of this new section will have on the financial statements.

In October 2008, the CICA issued Handbook Section 1582, “Business Combinations”, Section 1601, “Consolidated Financial Statements”, and Section 1602 “Non-Controlling Interests”. Section 1582 establishes standards for the measurement of a business combination and the recognition and measurement of assets acquired and liabilities assumed. Section 1601 carries forward the existing Canadian guidance on aspects of the preparation of consolidated financial statements subsequent to the acquisition of other than non-controlling interests. Section 1602 establishes guidance for the treatment of non-controlling interests subsequent to acquisition through a business combination. These new standards apply to the Company as of December 1, 2011. The Company is currently evaluating the impact of the adoption of these new standards.

The Accounting Standards Board (”AcSB”) requires all public companies to adopt International Financial Reporting Standards (“IFRS”) for interim and annual financial statements for fiscal years beginning on or after January 1, 2011. Companies will be required to provide IFRS comparative information for the previous fiscal period. The changeover from Canadian GAAP to IFRS will be applicable for the Company’s first quarter of fiscal 2012. The adoption of IFRS will have a significant effect on the Company’s financial statements. The Company is assessing the impact of implementing IFRS and is developing plans to facilitate a timely changeover.

EFFECTIVENESS OF INTERNAL DISCLOSURE CONTROLS

The President and Chief Financial Officer have assessed the effectiveness of the Company’s internal disclosure controls and procedures as at August 31, 2009, and have concluded that they provide reasonable assurance that material information relating to the Company would be made known to them by personnel, particularly during the period in which this MD&A was being prepared.

CERTIFICATION OF INTERIM FILINGS

The President and Chief Financial Officer have signed the Certifications of Interim Filings as required by Multilateral Instrument 52-109, thus confirming that they have assessed the effectiveness of the disclosure controls and procedures as at the end of the period covered by the interim filings.

OTHER REQUIREMENTS OF THE MD&A

The financial data in the following table is derived from the unaudited interim financial statements for the periods indicated.

MINING PROPERTIES AND DEFERRED EXPLORATION EXPENSES

	August 31 (3 months)		August 31 (9 months)	
	2009	2008	**2009**	2008
Balance, beginning of period	**$2,205,581**	$1,635,091	**$1,970,331**	$1,600,000
Add:				
Mining Properties	-	10,000	**30,000**	10,000
Report Preparation	-	-	**12,812**	-
Analysis	**36**	22,108	**11,873**	22,108
Consultant	**7,693**	4,900	**34,336**	21,574
Drilling	**275**	-	**98,598**	-
Claims	-	32,642	**(100)**	55,315
Geophysics, Geology and Prospecting	**11,653**	643,885	**85,932**	675,535
General exploration expenses	**156**	16,230	**6,797**	16,230
	19,813	729,765	**280,248**	800,762
Balance, before deduction	**2,225,394**	2,364,856	**2,250,579**	2,400,762
Write-off	-	-	**25,185**	18,498
Right of first refusal	-	10,705	-	28,113
	-	10,705	**25,185**	46,611
Balance, end of period	**$2,225,394**	$2,354,151	**$2,225,394**	$2,354,151

MATERIAL COMPONENTS

	August 31 (3 months)	
	2009	2008
Earnings		
Professional and consultant fees	$ **37,156**	$ 32,405
Write-off of mining properties and deferred exploration expenses	-	-
Stock-based compensation	**104,356**	-

	August 31	*August 31*
	2009	2008
Balance sheet		
Mining properties and deferred exploration expenses	**2,225,394**	2,354,151
Convertible debenture	**200,000**	-

The following selected financial information is derived from the unaudited financial statements.

DISCLOSURE OF OUTSTANDING SHARE DATA (as at August 31, 2009)

Common shares outstanding:	31,755,403	
Options outstanding:	3,595,000	
Average exercise price of:	$ 0.18	
Expiry date	**Number of shares**	**Exercise price**
		$
July 2011	300,000	0.15
May 2013	1,275,000	0.25
October 2013	150,000	0.20
March 2014	600,000	0.20
May 2014	770,000	0.15
July 2014	500,000	0.15
	3,595,000	

Warrants outstanding :	3,226,358	
Average exercise price of:	$ 0.30	
Expiry date	**Number of shares**	**Exercise price**
		$
October 2009	1,200,000	0.35
December 2009	243,025	0.20
August 2010	200,000	0.20
August 2010	1,000,000	0.35
June 2011	250,000	0.20
August 2011	333,333	0.20
	3,226,358	

RISKS AND UNCERTAINTIES

NQ is subject to a variety of risks, some of which are described below. If any of the following risks occur, the Company's business, results of operations or financial condition could be adversely affected in a material manner.

Mining Exploration. Mining exploration involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. At present, there are no underground or surface infrastructure nor any known commercial orebodies on the mineral properties in which the Company owns an interest, and any proposed exploration program is an exploratory search for ore. Unusual or unexpected formations, fires, power outages, labour disputes, floods, subsidence and the inability to locate the appropriate or adequate manpower, machinery or equipment are all risks associated with the execution of exploration programs. The Company supplements its internal exploration and mining expertise with advice from consultants or others from time to time, as required. The economics of developing gold and other mineral properties is affected by many factors, including the cost of operations, variation in the grade of ore mined and fluctuations in the price of any minerals produced.

Property Titles. While the Company has diligently investigated title to the various properties in which it owns interests, and to the best of its knowledge, titles to those properties are in good standing, this should not be construed as a guarantee of title. The properties may be subject to prior unregistered agreements or transfers, native or government land claims or regulatory non-compliance.

Permits and Licenses. The Company's operations may require licenses and permits from various governmental authorities. There can be no assurance that the Company will be able to obtain all the licenses and permits required for the purposes of exploration, development and mining on its properties.

Metals Prices. Even if the Company's exploration programs are successful, factors beyond the Company's control may affect marketability of any minerals discovered. Metal prices have historically fluctuated widely and are affected by numerous factors beyond the Company's control, including international economic and political trends, expectations for inflation, currency exchange fluctuations, interest rates, global or regional consumption patterns, speculative activities and global production. The effect of these factors cannot be accurately predicted.

Competition. The mining industry is intensely competitive in all its phases. The Company competes with many companies possessing greater financial resources and technical facilities than itself for the acquisition of mineral interests, as well as for recruitment and retention of qualified employees.

Environmental Regulations. The Company's operations are subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation provides for restrictions and prohibitions of spills, release or emission of various substances produced in association with certain mining industry operations, such as seepage from tailing disposal areas, which could result in environmental pollution. A breach of such legislation may result in imposition of fines and penalties. In addition, certain types of operations require submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner which means stricter standards and greater penalties for non-compliance. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and their directors, officers and employees. The cost of complying with changes in governmental regulations has the potential to reduce the profitability of operations. The Company intends to fully comply with all environmental regulations.

Conflicts of Interest. Certain directors or proposed directors of the Company are also directors, officers or shareholders of other companies that are similarly engaged in the business of acquiring, developing and exploiting natural resource properties. Such associations may give rise to conflicts of interest from time to time. The directors of the Company are required by law to act honestly and in good faith with a view to the best interests of the Company and to disclose any interest that they may have in any project or opportunity of the Company. If a conflict of interest arises at a meeting of the board of directors, any director in a conflict will disclose his interest and abstain from voting on such matter. In determining whether or not the Company will participate in any project or opportunity, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time.

Development Stage. The Company's properties are in the exploration stage and to date none of them have a proven orebody. The Company does not have a history of earnings or providing a return on investment, and there can be no assurance that it will produce revenue, operate profitably or provide a return on investment in the future.

Industry Conditions. Mining and milling operations are subject to government regulations. Operations may be affected in varying degrees by government regulations, such as restrictions on production, price controls, tax increases, expropriation of property, pollution controls or changes in conditions under which minerals may be mined, milled or marketed. The marketability of minerals may be affected by numerous factors beyond the control of the Company, such as government regulations. The effect of these factors cannot be accurately determined.

Uninsured Hazards. Exploration and development of mineral deposits involves hazards such as unusual geological conditions. The Company may become subject to liability for pollution or other hazards which cannot be insured against or against which the Company may elect not to insure because of high premium costs or other reasons. The payment of any such liability could result in the loss of Company's assets or its insolvency.

Future Financing. Completion of future programs may require additional financing, which may dilute the interests of existing shareholders.

Key Employees. Management of the Company rests on a few key officers and members of the Board of Directors, the loss of any of whom could have a detrimental effect on its operations.

Canada Revenue Agency. There can be no assurance that the Canada Revenue Agency will agree with the Company's characterization of expenditures as Canadian exploration expenses or Canadian development expenses or the eligibility of such expenses as Canadian exploration expenses under the *Income Tax Act* (Canada).

STRATEGY AND OUTLOOK

The gold market is showing a rising trend and the outlook for gold is generally positive. The financing prospects for all the Company's projects are good, which should enable it to significantly advance its exploration program in Quebec, where the potential for discoveries is high.