



**NQ EXPLORATION INC.**

(An exploration company)

**MANAGEMENT DISCUSSION AND ANALYSIS**

For the year ended November 30, 2009

# MANAGEMENT DISCUSSION AND ANALYSIS

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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.

The MD&A is a narrative explanation, through the eyes of management of NQ, of how the Company performed during the year ended November 30, 2009 and of the Company's financial condition and future prospects. This discussion and analysis complements the audited financial statements for the year ended November 30, 2009, but does not form part of them. Therefore, this discussion and analysis should be read in conjunction with the audited financial statements as at November 30, 2009, and notes thereto. The audited financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). This discussion and analysis provides a review of the Company's performance for the year ended November 30, 2009. This review was performed by management with information available as at the date of this MD&A.

All figures are in Canadian dollars unless otherwise stated. Additional information on the Company can be found on SEDAR at [www.sedar.com](http://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 March 18, 2010.

## 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

## OVERALL PERFORMANCE

### EXPLORATION ACTIVITIES

During the period covered by this analysis, the Company carried out compilation and exploration work on its mining properties. Exploration expenses of \$413,860 were incurred during the year ended November 30, 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 November 30, 2009.

Property	NQ Interest	Partner Interest
Gand I	100%	None
Carheil	100%	None
Opawica <sup>(1)</sup>	100%	None
Rapides-des-Cèdres	12.5% (non-contributing)	Exploration minière H. Blondeau Ltd.: 87.5%
Themines N <sup>(2)</sup>	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 November 30, 2009

#### Carheil Property: Cu-Zn-Au-Ag

The Carheil property lies in Brouillan Township in the northern Abitibi region, 5 km southwest of the old Selbaie mine (Rio Algom Limited, historical production of 53 million tonnes grading 0.96% copper, 1.90% zinc, 40.7 g/t silver and 0.58 g/t gold), in very similar geological units, on the southern flank of an anticline that lies between the Carheil property and the Selbaie mine.

The Company owns a 100% interest in the Carheil property. The property consists of 32 contiguous claims covering approximately 5.12 km<sup>2</sup>. 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 2008-2009 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.

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These results show a significant improvement in the copper-zinc discovery potential at depth and toward the center of the property.

A drilling program was carried out in the fall of 2009 to define this potential. In late November, two holes were drilled for a total of 1,275 metres. Hole CA-2009-05 was drilled behind Hole CA-2009-04 (the best result from the winter 2008-2009 program) to test the mineralized horizons at a depth of 400 to 500 metres. Both holes intercepted the two zones of volcanogenic veinlets. They are less wide, but more concentrated, and should return a higher grade than in the past. Results included 2-3% sphalerite over 9 metres from 415 to 424 metres, 2-3% chalcopyrite over one metre at 518.5 metres, and 10-15% sphalerite and 1-2% chalcopyrite over one metres at 534.3 metres in Hole CA-2009-05. Hole CA-2009-06 returned 2-3% sphalerite over 5 metres at 533 metres and 2-3% chalcopyrite and 2-3% sphalerite over one metre at 560 metres. However, the most striking feature is the strong intensification of black chlorite and silica alteration in Hole CA-2009-05, and to a lesser extent in Hole CA-2009-06. Combined with the thickening of the rhyolite units and the appearance of a polymictic agglomerate, this confirms an increasingly proximal volcanogenic massive sulphide environment.

Drilling continued through December and January toward the west and at a greater depth under Hole CA-2009-05. Data compilation for the entire area was also undertaken to identify other high-quality targets.

### **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.

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## **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<sup>2</sup>. 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.

A site visit in June confirmed that the property setting was favourable to gold mineralization, with important metallogenetic features identified, including a strongly-altered horizon of Temiscamingue-type sediments in a pull-apart structural setting. All the property data is currently being reviewed to assess its potential in light of the new geological model.

## **James Bay North Properties**

No work was done on the James Bay North properties during the period covered by this MD&A. No work was done on the James Bay North properties during the year. In the coming year, the Company will assess the future exploration requirements on the property.

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

The Aylmer property lies in the James Bay region of northern Quebec. The property now consists of 12 claims covering a total area of 6.31 km<sup>2</sup>. 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<sup>2</sup>. 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<sup>2</sup>. 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.

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## **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<sup>2</sup>. 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<sup>2</sup>. 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<sup>2</sup>. 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<sup>2</sup>. 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<sup>2</sup>. 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.

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## 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<sup>2</sup>. 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<sup>2</sup>.

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

## **Person responsible of the technical information**

Jacquelin Gauthier, a geological engineer, Vice President, Exploration and a qualified person under Regulation 43-101 respecting standards of disclosure for mineral projects, wrote and approved the technical content of the Management Discussion and Analysis. Mr. Gauthier also planned and supervised the work done on the property.

Additional information on all the properties can be found on NQ's website at [www.nqexploration.com](http://www.nqexploration.com).

## **SELECTED ANNUAL INFORMATION**

The following selected financial information is taken from the audited financial statements for years ended November 30:

	Year ended November 30 2009	Year ended November 30 2008	Year ended November 30 2007
In \$ 000's except for share data			
Total assets	3,489	2,758	1,631
Total liabilities	1,302	175	4
Revenue	2	21	-
Net loss	(1,305)	(1,046)	(3)
Basic and diluted net loss per share	(0.04)	(0.04)	-

The following annual financial information should be read in conjunction with the audited financial statements for the year ended November 30, 2009, which can be found on the internet at [www.sedar.com](http://www.sedar.com).

## **RESULTS OF OPERATION**

NQ anticipates that, for the foreseeable future, quarterly and annual results of operations will be impacted by various factors, including the timing of exploration and the effort 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

The following discussion constitutes an analysis of operating results for the year ended November 30, 2009. The selected financial information shown below is derived from the audited financial statements for the periods indicated.

### FINANCIAL HIGHLIGHTS

	November 30	
	2009	2008
Revenues	\$ 2,417	\$ 21,275
General administrative expenses and salaries	294,728	161,005
Registration, listing fees and shareholders' information	49,358	34,174
Professional and consultant fees	116,962	116,720
Stock-based compensation	192,832	270,745
Amortization of equipment	3,204	2,454
Part XII.6 taxes	197	19,043
Loss on disposal of mining properties	-	9,606
Interest of debentures	36,243	-
Write-off of deferred exploration expenses and of mining properties	25,214	668,300
Loss before income taxes	\$ (716,321)	\$ (1,260,772)
Future income and mining taxes	(588,900)	214,457
Net loss	\$ (1,305,221)	\$ (1,046,315)
Cash & cash equivalents	\$ 559,154	\$ 373,811

#### Revenues

Revenues for the year ended November 30, 2009, amounted to \$2,417 (\$21,275 in 2008) and consisted of interest income. Being a mining exploration company, NQ does not generate any regular earnings so in order to survive; the Company has to issue capital stock.

#### General Administrative Expenses and Salaries

General administrative expenses and salaries for the year ended November 30, 2009, consisted mainly of general office expenditures, travel expenses, entertainment expenses, salaries, claims renewal costs and expenses incurred to rent office space in Rouyn-Noranda and Quebec.

The change from the previous year is mainly due to \$114,624 in claim renewal fees for the year ended November 30, 2009 (nil in 2008). The Company capitalizes claims renewal costs in the year that a property is acquired, and then expenses them from the second year on.

#### Listing and Registrar Fees and Shareholder Communications

Listing and registrar fees and shareholder communications expenses for the year ended November 30, 2009 consisted mainly of legal and regulatory expenses required to comply with the requirements of the securities commission. The increase in expenses was caused by the dissemination of a larger number of press releases, the hiring of an investor relations firm and the holding of the annual meeting. Transfer agent and registrar fees decreased as the initial fees paid on signature were billed during the previous year.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Professional and Consultant Fees

Professional fees for the year ended November 30, 2009, consisted mainly of legal, accounting, auditing and management expenses.

## Stock-Based Compensation

Stock-based compensation for the year ended November 30, 2009, represents options granted to directors, officers and consultants. A compensation expense of \$192,832 (\$270,745 in 2008) was recognized under earnings for stock options granted during the year using the Black-Scholes option-pricing model.

## Part XII.6 Taxes

Part XII.6 taxes represent taxes payable on exploration expenses incurred after February 28, 2009. Cash reserved for exploration was expended more quickly during the year ended November 30, 2009, thus reducing the Part XII.6 taxes payable.

## Write-Off and Sale of Deferred Exploration Expenditures and Mining Properties

During the year ended November 30, 2009, the Company wrote off only one property, compared to eight for the fiscal year ended November 30, 2008. An amount of \$25,214 (\$668,300 in 2008) was charged against earnings.

## RESULTS OF OPERATIONS FOR THE FOURTH QUARTER

The following is a discussion and analysis of NQ's operations for the fourth quarter ended November 30, 2009. The following selected financial information is taken from the unaudited financial statements for the periods indicated.

### FINANCIAL HIGHLIGHTS

	November 30 (3 months)	
	2009	2008
Revenues	\$ 596	\$ 3,433
General administrative expenses and salaries	54,728	51,421
Registration, listing fees and shareholders' information	11,475	5,704
Professional and consultant fees	39,055	29,812
Stock-based compensation	(16,600)	8,975
Amortization of equipment	801	1,028
Part XII.6 taxes	-	19,043
Interest of debentures	20,862	-
Write-off of deferred exploration expenses and of mining properties	29	649,801
Loss before income taxes	\$ (109,754)	\$ (762,351)
Future income and mining taxes	(588,900)	214,457
Net loss	\$ (698,654)	\$ (547,894)
Cash & cash equivalents	\$ 559,154	\$ 373,811

# MANAGEMENT DISCUSSION AND ANALYSIS

## Revenues

Revenues for the three-month period ended November 30, 2009, amounted to \$596 (\$3,433 in 2008) and consisted of interest income.

## General Administrative Expenses and Salaries

The change in general administrative expenses and salaries for the three-month period ended November 30 was attributable to the new Quebec City office and claim renewal fees.

## Listing and Registrar Fees and Shareholder Communications

The change from the prior period was mainly due to the hiring of an investor relations firm.

## Professional and Consultant Fees

The increase in fees for the three-month period ended November 30, 2009, was partly due to the issuance of a convertible debenture.

## Stock-Based Compensation

Stock-based compensation for the three-month period ended November 30, 2009, represented an adjustment to the option granted to the investor relations firm, which should have vested at 25% per quarter to comply with the requirements of the regulatory authorities.

## Write-Off of Deferred Exploration Expenditures and Mining Properties

No properties were written off during the quarter, compared to eight properties in the three-month period ended November 30, 2008.

## SUMMARY OF QUARTERLY RESULTS

The following is a discussion and analysis of NQ's operations for the fourth quarter ended November 30, 2009. The following selected financial information is taken from NQ's unaudited quarterly financial statements for the periods indicated.

\$000s of \$ except for share data	Nov. 30 2009	Aug. 31 2009	May 31 2009	Feb 28 2009	Nov. 30 2008	Aug. 31 2008	May 31 2008	Feb. 28 2008
Revenues	-	-	-	2	4	6	6	5
Net loss	699	219	271	116	548	41	411	46
Basic and diluted net loss per share	\$ 0.02	\$ 0.01	\$ 0.01	\$ 0.00	\$ 0.02	\$ 0.00	\$ 0.02	\$ 0.00

## LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents as at November 30, 2009, amounted to \$559,154 compared to \$373,811 as at November 30, 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. During the year ended November 30, 2009, the Company was able to rely on its ability to raise financing through public or privately negotiated equity offerings. There is no assurance that such financing will be available when required, or under terms that are favourable to NQ. The Company may also select to advance the exploration and development of mineral properties through joint-venture participation.

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## CASH FLOWS

	November 30	
	2009	2008
Operating activities	\$ (330,298)	\$ (363,644)
Investing activities	(612,481)	(1,242,323)
Financing activities	<u>1,128,122</u>	<u>1,949,778</u>
	\$ 185,343	\$ 343,811
Cash & cash equivalents	\$ 559,154	\$ 373,811

During the year ended November 30, 2009, funds used for operating activities were spent primarily on improving operations and promoting the Company.

During the year ended November 30, 2009, investing activities consisted mainly of raising funds for exploration and development of mineral properties. These funds are specifically reserved for exploration on the Carheil, Opawica, Carheil and Gand 1 properties.

Financing activities for the year ended November 30, 2009, consisted mainly of the following:

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.

In March 2009, the Company signed an employment contract with its vice president of exploration. The contract is for a one-year term, renewable for one year thereafter. The Company has undertaken to pay the vice president of exploration an annual salary of \$50,000.

In April 2009, the Company issued a \$200,000 unsecured convertible debenture to Société de développement de la Baie-James bearing interest at an annual rate of 15%. The debenture capital is convertible at the option of the holder into common shares of the Company at a price of \$0.18 each, up until April 30, 2010. Conversion of the debenture capital may be extended to April 30, 2011, in which case it will be convertible into common shares of the Company at a price of \$0.20 per share.

In July 2009, the Company signed a lease that expires in May 2010 and provides for a total of \$3,600 in rent payment in the coming year.

In September 2009, the Company issued two unsecured convertible debentures totalling \$250,000 to the Fonds de solidarité FTQ and Sidex Limited Partnership (Sidex), bearing interest at an annual rate

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of 12% and maturing in 36 months. The debenture capital is convertible at the option of the holder into common shares of the Company at a price of \$0.18 each.

In March 2010, the Company issued a press release announcing that, subject to the approval of the TSX Venture Exchange, it would issue 39,558 common shares to each of the Fonds de solidarité FTQ and Sidex Limited Partnership ("Sidex") (79,116 common shares total) at a price of \$0.187 per share in payment of debenture interest of \$7,397 (Sidex) and \$7,397 (Fonds de solidarité FTQ) for a total of \$14,794 due on March 2, 2010. Interest is payable on debentures issued under the terms of subscription agreements dated September 3, 2009, pursuant to which NQ issued to each of the Fonds de solidarité FTQ and Sidex a convertible \$125,000 debenture on which interest is payable semi-annually, either in cash or in common shares of the Company's capital stock.

### ROYALTIES ON THE MINING PROPERTIES

<b>James Bay North Properties</b>	<b>Royalties</b>
Aylmer	2%
Candlestick	2%
Duncan	2%
Eastmain Nord	1%
Gand1	2%
Le Moyne	2%
Morand	2%
Pine Hill Nord	2%
<b>James Bay South Properties</b>	
Gand I	2%
Opawica	1%

### RELATED-PARTY TRANSACTIONS AND COMMERCIAL OBJECTIVES

During the year, the Company paid professional fees of \$12,000 (nil in 2008) to a company controlled by the Company's chief financial officer, for services rendered in this capacity.

During the previous year, the Company acquired computing equipment in the amount of \$5,527 from a company belonging to the president of the Company.

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

There were no material events subsequent to the end of the financial year.

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## ACCOUNTING POLICIES

### Financial Statements

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

### Financial Instruments

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. Transaction date accounting is used.

#### Held for trading

Held for trading financial assets are financial assets typically acquired for resale prior to maturity or that are designated as held for trading. They are measured at fair value at the balance sheet date. Fair value fluctuations including interest earned, interest accrued, gains and losses realized on disposal and unrealized gains and losses are included in earnings. Cash and cash reserved for exploration are classified as held for trading assets.

#### Available-for-sale

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale, or that are not classified as loans and receivables, held-to-maturity or held-for-trading assets. Except as mentioned below, available-for-sale financial assets are carried at fair value with unrealized gains and losses included in accumulated other comprehensive income until realized, when the cumulative gain or loss is transferred to earnings.

#### Loans and receivables

Loans and receivables are accounted for at amortized cost using the effective interest method.

#### Other liabilities

Other liabilities are recorded at amortized cost using the effective interest method and include all financial liabilities, other than derivative instruments. Accounts payable and accrued liabilities and convertible debentures are classified as other liabilities.

#### Transaction costs

Transaction costs related to held for trading financial assets are treated as expenses at the time they are incurred. Transaction costs related to available-for-sale financial assets and loans and receivables are added to the carrying value of the asset and transaction costs related to other liabilities are netted against the carrying value of liability. They are then recognized over the expected life of the instrument using the effective interest method.

#### Effective interest method

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

### Fixed Assets

Fixed assets are accounted for at cost. Amortization of fixed assets is based on their useful life using the declining method to following rate of 30% for office furniture and rate of 40% for computer equipment.

### Mining Properties and Deferred Exploration Expenses

Costs related to the acquisition and exploration of mining properties are capitalized by property until the commencement of commercial production. If commercially profitable, ore reserves are developed, capitalized costs of the related property are reclassified as mining assets and amortized according to

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the unit of production method. If it is determined that capitalized acquisition, 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. The Company's management reviews the carrying values of assets on a regular basis to determine whether any write-downs are necessary. The recoverability of amounts recorded for mining properties and deferred exploration expenses depends on the discovery of economically recoverable reserves, confirmation of the Company's interest in the mining claims, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof. The amounts shown for mining properties and deferred exploration expenses do not necessarily represent present-time or future values.

## **Revenue Recognition**

Interest revenue are recognized using the accrual basis. It is accrued based on the number of days the investment is held during the year.

## **Flow-through Shares**

The Company has financed a portion of its exploration activities through the issuance of flow-through shares. Shares issued through flow-through financing are recorded at their selling price. Under the term of the flow-through share agreements, the tax benefits of the exploration expenses are 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.

## **Fair Value of the Warrants**

Proceeds from placements are allocated between shares and warrants issued according to their relative fair value on a pro-rata basis using the Black-Scholes method to determine the fair value of warrants issued.

## **Share Issuance Expenses**

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

## **Cash Reserved for Exploration**

Cash reserved for exploration represent proceed of public financing not yet incurred in exploration. The Company must use these cash for mining exploration activities in accordance with restrictions imposed by those financing. As at November 30, 2009, the Company had funds reserved for exploration amounting to \$476,732 (\$278,458 in 2008).

## **Cash and Cash Equivalents**

The Company's policy is to present cash and temporary investments having a term of three months or less from the acquisition date in cash and cash equivalents.

## **Accounting Estimates**

The preparation of financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the amounts recorded in the financial statements and notes to financial statements. The estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future. Significant estimates include the carrying value of mining properties and deferred exploration expenses, calculation of amortization of fixed assets and calculation of stock-based compensation expenses. Actual results may differ from those estimates.

# MANAGEMENT DISCUSSION AND ANALYSIS

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## **Basic and Diluted Loss per Share**

The basic loss per share is calculated using the weighted average of shares outstanding during the year, representing 28,874,957 shares (23,722,602 in 2008).

The diluted loss per share, which is calculated with the treasury method, is equal to the basic loss per share due to the anti-dilutive effect of share purchase options and warrants.

## **Stock-based Compensation and Other Stock-based Payments**

The Company accounted for in earnings stock-based compensation provided to employees and directors, and stock-based payments to non-employees. Operations with employees and directors are recorded 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. Transactions in which the Company acquires goods and services by granting equity instruments or by incurring liabilities to non-employee in amounts based on the price of the Company's capital stock shall be accounted for based on the fair value of the consideration received, or the fair value of the equity instruments, or liabilities incurred, whichever is more reliably measurable.

## **Future Income and Mining Taxes**

The Company uses the asset and liability method of accounting for income taxes. Under this method, future tax assets and liabilities are recognized for 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 that are expected to apply to taxable income in the years during which those temporary differences are likely to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates 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.

## **CHANGES IN ACCOUNTING POLICIES**

### **General Standards of Financial Statements Presentation**

In accordance with the applicable transitional provisions, the Company applied the recommendations of Section 1400, "General standards of financial statements presentation", to require of the management the assessment of the capacity of the Company to continue its operations over at least, but not limited to, a period of 12 months, from the balance sheet date. The new requirements only address disclosures and have no impact on the Company's financial results.

### **EIC-173 "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities"**

In January 2009, the Emerging Issue Committee of Canadian Institute of Chartered Accountants (CICA) issued EIC-173, "Credit risk and the fair value of financial assets and financial liabilities". EIC-173 provides guidance on how to take into account an entity's own credit risk and the credit risk of the counterparty in determining the fair value of financial assets and financial liabilities, including derivative instruments, for presentation and disclosure purposes.

### **EIC-174, "Mining Exploration Costs"**

On March 27, 2009, the CICA issued abstract EIC-174, "Mining Exploration Costs", to provide additional guidance for mining exploration enterprises on when an impairment test is required. This abstract was applied during the current year.

# MANAGEMENT DISCUSSION AND ANALYSIS

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## **Goodwill and Intangible Assets**

During the year, the Company adopted Section 3064 "Goodwill and Intangible Assets". The new section states that upon their initial identification, intangible assets are to be recognized as assets only if they meet the definition of an intangible asset and the recognition criteria. As for subsequent measurement of intangible assets, goodwill and disclosure, Section 3064 carries forward the requirements of the old Section 3062 "Goodwill and Other Intangible Assets". The adoption of these recommendations did not have effect on the Company's financial statements.

## **FUTURE ACCOUNTING CHANGES**

### **Business Combinations, Consolidated Financial Statements and Non**

In January 2009, the CICA issued three new accounting standards: Section 1582, "Business Combinations", Section 1601, "Consolidated Financial Statements", and Section 1602, "No-controlling interests". These new standards will be effective for years beginning on or after January 1<sup>st</sup>, 2011. The Company is in the process of evaluating the requirements of these new standards.

Section 1582 replaces Section 1581, and establishes standards for the accounting for a business combination. It provides the Canadian equivalent to International Financial Reporting Standard IFRS 3, "Business Combinations". The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1<sup>st</sup>, 2011. Sections 1601 and 1602 together replace Section 1600, "Consolidated Financial Statements". Section 1601, establishes standards for the preparation of consolidated financial statements. Section 1601 applies to interim and annual consolidated financial statements relating to years beginning on or after January 1<sup>st</sup>, 2011.

1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of International Financial Reporting Standard IAS 27, "Consolidated and Separate Financial Statements" and applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1<sup>st</sup>, 2011.

### **International Financial Reporting Standards (IFRS)**

The CICA plans the convergence of Canadian generally accepted accounting principles (GAAP) to IFRS on a transition period ending in 2011. The Company expects this transition to have an effect on its accounting methods, presentation of financial information and information systems. During the next quarters, the Company will develop its internal implementation plan to meet the guidelines of the future reporting requirements.

### **Other New Standards**

Other new standards have been published but they should not have a significant impact on the Company's financial statements.

## **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 financial statements for the periods indicated.

# MANAGEMENT DISCUSSION AND ANALYSIS

## MINING PROPERTIES AND DEFERRED EXPLORATION EXPENSES

	November 30	
	<b>2009</b>	2008
Balance, beginning of period	<u>\$1 970 331</u>	<u>\$1 600 000</u>
Add:		
Mining Properties	45 000	10 000
Analysis	12 859	29 752
Consulting	40 309	21 574
Drilling	232 838	-
Line cutting	-	16 108
Claims	-	75 888
Staking	-	4 255
Geophysics and Geology	113 988	909 167
General exploration expenses	<u>13 866</u>	<u>-</u>
	<u>458 860</u>	<u>1 066 744</u>
Balance, before deduction	<u>2 429 191</u>	<u>2 666 744</u>
Write-off	25 214	668 300
Right of first refusal	-	28 113
	<u>25 214</u>	<u>696 413</u>
Balance, end of period	<u><u>\$2 403 977</u></u>	<u><u>\$1 970 331</u></u>

## MATERIAL COMPONENTS

	November 30 (3 months)	
	<b>2009</b>	2008
<b>Earnings</b>		
Professional and consultant fees	\$ 39,055	\$ 29,812
Write-off of mining properties and deferred exploration expenses	29	649,801
Stock-based compensation	(16,600)	8,975
	<i>November 30</i>	<i>November 30</i>
	<b>2009</b>	2008
<b>Balance sheet</b>		
Cash reserved for exploration expenses	\$ 476,732	\$ 278,458
Mining properties and deferred exploration expenses	2,403,977	1,970,331
Convertible debentures (debt component and debt component of convertible debentures)	450,000	-

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

# MANAGEMENT DISCUSSION AND ANALYSIS

## DISCLOSURE OF OUTSTANDING SHARE DATA (as at March 12, 2010)

**Common shares outstanding:** 31,856,225

**Options outstanding:** 3,445,000

Average exercise price of: \$ 0.19

Expiry date	Number of shares	Exercise price
		\$
July 2011	300,000	0.15
May 2013	1,125,000	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
	3,445,000	

**Warrants outstanding :** 3,172,223

Average exercise price of: \$ 0.26

Expiry date	Number of shares	Exercise price
		\$
August 2010	200,000 <sup>1</sup>	0.20
August 2010	1,000,000	0.35
June 2011	250,000	0.20
August 2011	333,333	0.20
September 2011	1,388,890	0.24
	3,172,223	

<sup>1</sup> Issued to brokers

# MANAGEMENT DISCUSSION AND ANALYSIS

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## 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

## MANAGEMENT DISCUSSION AND ANALYSIS

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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.