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Management Discussion and Analysis of Financial Results

This section provides an analysis of the operating and financial results of QGX Ltd. ("QGX" or the "Company") for the three month period ended June 30, 2007 and the three month period ended June 30, 2006, and should be read in conjunction with our interim financial statements and notes thereto for the period ended June 30, 2007 (the "Interim Statements") as well as our audited financial statements and the notes thereto for the years ended December 31, 2006 and 2005 (the "Annual Statements").

This MD&A has been prepared in conformity with National Instrument 51-102 F1 and has been approved by the Board of Directors. The Interim Statements have been prepared in conformance with Canadian Generally Accepted Accounting Principles and the reporting currency is the Canadian Dollar.

The information contained within this report is current as of August 9, 2007 unless otherwise noted.

Overview

QGX has been engaged in mineral exploration in Mongolia since its inception in 1994. The common shares of the Company are listed for trading on the Toronto Stock Exchange under the symbol "QGX".

At June 30, 2007, the Company held 69 mineral exploration licenses in Mongolia covering approximately 7,116 sq. km. The Company's most advanced properties are the Baruun Naran coal project in southern Mongolia and the Golden Hills copper-gold-silver project in western Mongolia, as discussed below.

Principal Properties

Baruun Naran: The Baruun Naran project is located in southern Mongolia, approximately 500 km south of Ulaanbaatar, the capital of Mongolia, and 270 km north of the Chinese border. It is also approximately 22 km southwest of the large Tavan Tolgoi coking and thermal coal deposit. The project occurs within a single exploration license totaling 953 sq km.

QGX acquired 100 percent of this license in 2002. QGX began exploration in the early spring of 2005, and collared 348 drill holes on the property by the end of December 2006. Extensive geophysical programs have been conducted on the property to guide the exploration drilling program. Work to date has been focused on an area approximately 2 km x 10 km in size with the majority of the drill holes concentrated within a 1 km x 6.5 km portion of this block.

Three drilling programs have been conducted and completed on the property, with objectives and outcomes as follows:

- The first drilling program, completed in May 2006, formed the basis for the first NI 43-101 resource report filed on SEDAR in July 2006.
- The second drilling program, completed in September 2006, was designed to increase our understanding of coal quality and to add tonnages to our initial resource estimate. This formed the basis of two announcements in 2007 regarding coal quality, discussed in more detail in the Principal Property Updates section of this report.
- The third 2006 drilling program, completed in early December 2006, was intended to convert the known coal within the current area of interest into "measured" and "indicated" resource categories. Completion of this drilling program formed the basis of a new NI 43-101 resource report, announced on June 13, 2007, which more than doubled the 'measured and indicated' coal resource to 252.9 Mt. This latest resource estimate is discussed in greater detail in the Principal Property Updates section of this report.

Other key areas of progress on the Baruun Naran project include:

- Completion of a social and environmental baseline study ("SEBS") by AATA International, Inc. (Fort Collins, Colorado), in association with Ecotrade (Ulaanbaatar, Mongolia), which will form the basis of a subsequent social and environmental impact assessment ("SEIA"), to be initiated later in 2007.
- Completion of a screening study by Nexant Inc, (San Francisco, California), related to the production of petrochemical products (e.g., methanol, DME,and olefins) using standard coal-to-liquid ("CTL") technologies, deployed in commercially operating plants today. The CTL plant concept is being evaluated as part of a review to maximize the value of the thermal coal resource at Baruun Naran. The screening study found the Baruun Naran coal resource to be a suitable feedstock for a CTL plant.
- Completion of a preliminary economic assessment by Minarco-MineConsult (Sydney, Australia), announced on July 19th, which included an NPV estimate for the project (10% discount) of US$481 M and a DCF-IRR of 39%. This latest economic study is discussed in greater detail in the Principal Property Updates section of this report.

Golden Hills: The Golden Hills property is located in northwestern Mongolia, 900 km west of Ulaanbaatar. QGX has completed its earn-in requirements for an 80% interest in the initial license area comprising approximately 70 sq. km and has acquired a 100% interest in several surrounding licenses comprising approximately 6,000 sq. km.
QGX discovered a copper-gold-silver volcanogenic massive sulphide ("VMS") deposit at Golden Hills in 2002 in a location referred to as the Central Valley Zone ("CVZ"). The CVZ deposit contains three distinct types of mineralization: 1) massive sulphide lenses containing copper (with byproduct gold and silver) occur at depths below the base of oxidation (approximately 70 m below the surface); 2) near-surface zones of gold and silver-bearing gossan that represent the oxidized up-dip portions of these sulphide

zones, and 3) high-grade quartz-telluride veins containing gold and silver that occur along the margins of the massive sulphide and oxide bodies.

On February 28, 2005 QGX announced the completion of an independent, NI 43-101 compliant, mineral resource estimate for the CVZ. Chlumsky Armbrust & Meyer L.L.C. ("CAM") of Denver, Colorado, prepared the estimate in a report dated March 28, 2005. CAM later updated the resource estimate in a new NI 43-101 report dated October 17, 2005. The following table outlines the resource estimate.

	Cutoff Grade			Grade			Contained Metal		
Resource Classification	Au	Cu	Tonnes	Au	Ag	Cu	Gold	Silver	Copper
	(g/t)	*(%)*	*(000's)*	*(g/t)*	*(g/t)*	*(%)*	*(000's ounces)*	*(000's ounces)*	*(mm lbs)*
Massive Sulphide									
Measured	–	0.8	1,024	0.39	5.5	1.86	13	183	42
Indicated	–	0.8	9,140	0.39	5.3	1.70	114	1,567	343
Total M+I	–	**0.8**	**10,164**	**0.39**	**5.4**	**1.72**	**127**	**1,750**	**385**
Inferred	–	0.8	9,499	0.33	4.5	1.29	101	1,389	270
Oxide (gossan)									
Measured	1.0	–	474	3.10	19.0	–	47	290	–
Indicated	1.0	–	2,624	2.78	18.9	–	234	1,594	–
Total M+I	**1.0**	–	**3,098**	**2.83**	**18.9**	–	**281**	**1,884**	–
Inferred	1.0	–	1,752	2.72	19.5	–	153	1,098	–
HGQT Veins									
Inferred	3.0	–	696	19.63	35.0	–	439	783	–
Contained Metal in Measured + Indicated Resources							**409**	**3,634**	**385**
Contained Metal in Inferred Resources							**693**	**3,270**	**270**

On March 8, 2007 QGX announced the results of a NI 43-101 compliant preliminary economic assessment ('PEA') for its 80% owned Golden Hills project, completed by Chlumsky, Armbrust & Meyer LLC ("CAM") of Denver, Colorado. Highlights of that independent report included:

- A positive PEA on a two-stage mine development plan with 15 year mine life.
- A 27% IRR, based on long-term copper price of US$1.50/lb, gold price of US$529/oz, and silver price of US$9.08/oz.

Project Highlights for CVZ, Golden Hills, Mongolia

Highlights for Golden Hills Project		
Preliminary Economic Assessment Project Highlights	Oxide Phase Open Pit Years 1-4	Sulphide/Telluride Underground Years 5-15
Average Annual Production		
Copper		56.6 million Lbs.
Gold	79,900 oz	53,900 oz
Silver	521,000 oz	235,300 oz

Highlights for Golden Hills Project		
Preliminary Economic Assessment Project Highlights	Oxide Phase Open Pit Years 1-4	Sulphide/Telluride Underground Years 5-15
Average Annual Revenues*	$47 million	$106 million
Average Annual Net Earnings	$13.8 million	$19.8 million
Capital Cost	Total Project	
Development Capital	US$146 million	
Sustaining Capital	US$18 million	
NPV @ 10%	US$83 million	
IRR	27%	
*Revenues shown net of government royalties		

Other key areas of progress on the Golden Hills project include:

- Announcement of positive metallurgical test results from AMEC Americas Ltd (Vancouver), regarding the third phase of metallurgical studies related to the oxide at Golden Hills. These results include confirmation that agitated vat leaching, conventional crushing/grinding, and carbon-in-pulp treatment are all technically feasible processing methods for the oxide resource.

Principal Property Updates for the Period April 1, 2007 to August 9, 2007

Baruun Naran: Mr. Bob Leach of A&B Mylec Pty Ltd (”Mylec”), located in Brisbane, Australia, has been working with the results of the 2006 drilling programs to define coal quality across a number of parameters. We have announced two coal-quality updates so far this year, summarised as follows:

- On February 21, 2007, we reported that coking coal fractions are present in each tested seam, and that with washing and blending, three distinct coal products can be produced from Baruun Naran:
    1. a semi-soft to semi-hard coking coal (7-10% ash),
    2. a secondary thermal coal (12-16% ash), and
    3. a tertiary thermal coal (20-25% ash).
- On May 8, 2007 we reported in a second interim coal-quality update which provided for the first time the theoretical yields and mix of coking and thermal coal based on float-sink (sizing and washing) laboratory tests. Highlights included:
    1. overall washing yield of 64.7%,
    2. washed coking to thermal product ratio of 53-47%, and
    3. confirmation of three washed products likely from conventional wash process, as reported in February 2007.

The table below shows the preliminary indicative market specifications for primary coking coal and secondary thermal coal for Baruun Naran at that time.

Preliminary Indicative Market Specifications for Two of Three Coal Products, Baruun Naran

Parameter	Unit	Basis	Premium Coking Coal	Premium Thermal Coal
Coal Top Size	mm		16	32
Moisture	%	ad	2.0	1.5-2.0
Ash	%	ad	7.0-9.5 (avg. 8.0)	12.0-16.0
Sulphur	%	ad	0.5-0.7	0.5-1.2
Calorific Value	MJ/kg	daf	34.7	34.5
Calorific Value	Kcal/kg	daf	8,288	8,240
Calorific Value	BTU/lb	daf	14,918	14,830
Volatile Matter	%	ad	32.5	24-29
CSN	---	d	6.0-8.0	
Gieseler fluidity[1]	Mddm	d	1,200-2,500	
Maximum dilatation	%	d	+12 to +42	
Vitrinite Reflectance	%	d	0.85-1.10	
Vitrinite Content	%	d	60-65	
Inertinite Content	%	d	25 (avg.)	
Phosphorus	%	ad	0.01-0.03	
Nitrogen	%	daf		1.95-2.00
Initial Ash Deformation	^{o}C	d		1260-1470
Flow Temperature	^{o}C	d		1360-1590

CSN = crucible swelling number; d=dry; ad = air dried; daf = dry, ash free. Footnotes: (1) Gieseler fluidity typically 1,200 to 2,500 Mddm, though results have been reported from 10 Mddm to 20,000 Mddm (e.g., Seam K)

On June 13, 2007, QGX announced the results of an updated NI 43-101 compliant resource assessment for the Baruun Naran project. McElroy Bryan Geological Services Pty. Ltd. of Sydney, Australia independently prepared the revised resource assessment which increased the project resource tonnages as follows:

Baruun Naran Project **NI 43-101 Compliant Resource Estimates** (tonnes x millions)	**7-Jun-06 First Resource Estimate**	**13-Jun-07 Revised Resource Estimate**	**7-Aug-07 Updated Resource Estimate**
Measured Resources	47.5	93.3	93.3
Indicated Resources	60.0	159.6	159.6
Measured and Indicated Total	107.5	252.9	252.9
Inferred Resources	48.0	0.0	11.0

This revised tonnage estimate represents more than a doubling of the measured and indicated resource for the property, and is the result of three drilling programs and over 200 drill holes during 2006 to delineate the resource and move inferred tonnages to measured and indicated categories. Later on August 7th QGX reported an additional 11 Mt of inferred resources together with the previously reported 252.9 measured and indicated resources.

On July 19, 2007, QGX announced the results of a NI 43-101 compliant preliminary economic assessment (“PEA”) for the Baruun Naran project. Minarco-MineConsult of Sydney, Australia (“MMC”), independently prepared the PEA on QGX’s behalf. The PEA defines a conventional, truck-and-shovel, open-cut mining operation with coal processed on site using a wash plant to produce both coking and thermal coal products. The coal products are delivered to markets by rail starting in 2011.

Project economics are most influenced by coking coal prices and volumes—81% of revenue is derived from coking coal product sales. Coking coal tonnages in the PEA are maximized by blending to a 10% ash product, still considered a premium product in the Chinese market.

The PEA concludes that the Project is financially robust with an estimated after-tax NPV @10% of US$481 million and a discounted cash flow-internal rate of return (DCF-IRR) of 39%. Project highlights are summarized below.

Project Production and Financial Highlights

Production	
Total Mineable Coal (ROM Mt)	201
Mine Life (production years)	23
ROM Production Rate (Mtpa)	9.0
Average Stripping Ratio (bcm/ROM mt)	4.1
Typical Annual Saleable Coal Production	
Coking Coal (10% ash) (Mtpa)	3.2
Premium Thermal Coal (14% ash) (Mtpa)	0.4
Standard Thermal Coal (25% ash) (Mtpa)	1.7
Typical Total Annual Saleable Coal Production (Mtpa)	5.2
Typical Annual Revenues, and Profits	
Average Annual Revenue (US$ millions)*	$320
Average Annual After-Tax Net Profit (US$ millions)*	$90
Financial Summary	
NPV @ 10% discount rate (US$ millions)	$481
DCF-IRR (%)	39%
Payback (years)**	4.3

* for periods with sales revenue; ** from start of mine construction; Mtpa = million metric tonnes per year; mt = metric tonne

On August 7th, 2007, QGX Ltd. announced that it has retained MMC to begin the pre-feasibility study for Baruun Naran, expected to be completed by year end 2007.

Golden Hills: QGX believes that the Central Valley Zone (“CVZ”) is part of a larger VMS belt or district that has the potential to host several other Cu-Au-Ag deposits. To evaluate this mineral potential, QGX conducted an airborne geophysical survey covering approximately 2300 sq. km of the Golden Hills license block in western Mongolia. The results of the survey were announced on May 3, 2006. Ground follow-up of the identified airborne electromagnetic anomalies is planned for the 2007 field season including a small drilling program in prospective areas.

Other Properties

No significant results were forthcoming from exploration programs on other properties in the period. Work and spending on other properties has been reduced as the Company focuses on its advanced projects.

Qualified Persons

David Anderson, Executive Chairman and John Thompson, Vice President-Project Development are the qualified persons under National Instrument 43-101 who have reviewed the technical information contained in this report.

Shareholder Rights Plan Approved by Vote at AGM

On June 22, 2007 QGX announced that that at its annual and special meeting held on June 20, 2007, shareholders approved the adoption by QGX of a shareholder rights plan. Details regarding the shareholder rights plan are set forth in the management proxy circular of QGX dated May 14, 2007, a copy of which has been filed and is available from the SEDAR website at www.sedar.com. The objectives of the shareholder rights plan are to ensure, to the extent possible, that all shareholders are treated equally and fairly in connection with any take-over bid or similar proposal to acquire common shares of the Company. The plan was not adopted in response to, or in anticipation of, any known proposal to acquire control of QGX. The plan has been implemented and is effective immediately pursuant to the terms and conditions of a Shareholder Rights Plan Agreement between QGX and Computershare Trust Company of Canada, as rights agent. The complete text of this agreement has been filed and is available from the SEDAR website at www.sedar.com

Recent Developments in Mongolia

Mining interests in Mongolia are currently watching the progress of the Oyu Tolgoi Investment Agreement, as it proceeds through the government approval process. On April 10th 2007, Rio Tinto and Ivanhoe Mines announced that an agreement in principle on a draft investment agreement had been reached regarding the Oyu Tolgoi copper-gold project in southern Mongolia. The investment agreement was approved by the Cabinet in July, and is currently awaiting Parliamentary approval. The specifics of the agreement are not public, but the precedents are critically important for future foreign mineral investment in the country.

Quarterly Disclosure – Eight Most Recently Completed Quarters

The following table sets forth certain unaudited financial information prepared by management of the Company.

Three Months Ended

	June 30/07	Mar. 31/07	Dec. 31/06	Sept. 30/06
Revenues	$127,070	$143,246	$220,390	$197,713
Net Income (loss)	(1,420,689)	(2,141,564)	(1,062,716)	(2,145,347)
Per share – basic	(0.03)	(0.05)	(0.03)	(0.04)
Per share –fully diluted	(0.03)	(0.05)	(0.03)	(0.04)

	June 30/06	Mar. 31/06	Dec. 31/05	Sept. 30/05
Revenues	$571,735	$46,248	$76,080	$40,680
Net Income (loss)	(1,244,737)	(865,107)	(1,499,904)	(1,769,054)
Per share – basic	(0.03)	(0.02)	(0.04)	(0.05)
Per share – fully diluted	(0.03)	(0.02)	(0.04)	(0.05)

Results of Operations

Revenues and Expenses

The Company is still in the pre-mining stage without any producing properties. Revenues were derived solely from interest income earned on cash balances.

For the second quarter ended June 30, 2007 interest income totaled $127,070 versus $571,735 in the comparable second quarter period in 2006. Interest income for the half year 2007 totaled $270,316, versus $617,983 in the comparable first half period in 2006. This decrease in interest income reflects lower cash balances during 2007 relative to substantially higher cash balances on hand at the start of 2006.

Expenses (cash and non-cash) for the second quarter of 2007 totaled $1,547,759, a reduction when compared to expenses of $1,816,472 in the comparative second quarter period of 2006. Expenses for the half year 2007 were $3,832,569, significantly higher than expenses of $2,727,827 for the comparable half year 2006.

The $268,713 second quarter 2007 expenditure decrease reflects changes as follows:

- Lower amortization costs of $74,185 (Q2 2006 contained an overcharge),
- Lower (non-cash) stock based compensation charge of $182,613 (program more fully expensed), and
- Higher salary costs, due in large part to the timing of 2006 bonus payment, offset by lower foreign exchange impacts

The $1,104,742 half year 2007 spending increase reflects several items as follows:

- Q1 2007 write-off of resource property assets of $1,204,192 (non-cash), and
- Higher salary costs of $521,324, due to timing of 2006 bonus payment, offset by,
- Lower (non-cash) stock based compensation of $271,603 (program more fully expensed), and
- Lower foreign exchange impact of $355,931 (due to lower cash balances), and

- Lower amortization expense of $64,598 (Q2 2006 overcharge),

The net result of the foregoing is that Company recorded a loss of $1,420,689 ($0.03 per common share) for the quarter. This compares to a loss of $1,244,737 ($0.03 per common share) in the corresponding 3 month period of 2006, reflecting the combined impacts of lower comparable interest income and lower expenses. These negative earnings reflect the fact that the Company is incurring significant expenditures without generating revenues from operations. This is a common result for mineral exploration companies and we expect this trend to continue until we are able to generate meaningful operating revenues.

Resource Expenditures

QGX is engaged in the acquisition, exploration, and development of resource properties. All acquisition, exploration, and related overhead expenditures are recorded as an asset on the balance sheet under the heading “Resource properties”. These expenditures will be depleted over the estimated life of the properties if and when they reach production. Management continuously reviews the status of properties in the company’s mineral license portfolio, and if management believes that a license no longer holds sufficient mineral potential to retain in the portfolio, or if a license is dropped from the portfolio, the deferred cost associated with that license is fully written off the balance sheet, and a write-off charge is taken to current period income.

Certain restrictions are likely to prevent full tax deductions for some of the costs incurred on our resource properties. This probable loss of deductibility has been reflected as a future income tax liability on the balance sheet. The tax liability has been offset on the balance sheet by recording an increase to “Resource properties”, in accordance with Canadian Generally Accepted Accounting Principles.

All of the Company’s properties are in the exploration stage and there can be no assurance that any will commence production in the future.

The Company recognized a net increase to resource properties recorded on the balance sheet in the quarter ending June 30, 2007 of $1,340,950, related to camp and staffing cost, consultants, license costs and lab fees. This capitalized amount is the result of the following:

- $718,752 attributable to the Baruun Naran project,
- $277,938 capitalized against the Golden Hills Project, and
- Remainder capitalized against other exploration projects.

Liquidity and Capital Resources

Working Capital

QGX had working capital of $10,682,977 at June 30, 2007, (December 31, 2006 – $15,313,698) consisting primarily of cash and short-term investments. The decrease is due to resource expenditures incurred in the period, as discussed above. Management believes that the Company has sufficient cash to cover planned exploration expenditures and operating expenses, although the Company may seek to raise additional capital from time to time as market conditions warrant. There can be no assurance that additional funds will be available at any given time. Management will adjust its budgets accordingly to ensure that adequate working capital is maintained.

Recent Private Placement Equity Financing

On July 24, 2007, QGX announced it has entered into a subscription agreement with JUST Group Industries, a private Mongolian company, which provides for the purchase of five million common shares of QGX at an issue price of $4.15 per share for total proceeds of $20.75-million, subject to regulatory approval. Closing of the private placement is expected to take place within 60 days. JUST Group has deposited $1.0-million (U.S.) in an escrow account which will be forfeited to QGX if closing does not occur within 60 days. All shares acquired by JUST Group will be subject to a statutory four-month hold period and JUST Group has agreed not to sell any shares for 12 months from closing.

JUST Group is a private Mongolian company incorporated in 1999. It is active through subsidiary companies in the trading, distribution and bulk transportation of energy products, logistics, mining and meat processing in Mongolia. Proceeds from the private placement will be used by QGX for the continuing development of its Baruun Naran coal project and the Central Valley zone in its Golden Hills copper-gold-silver project.

Long-Term Liability

The only long-term liability the Company had as at June 30, 2007 was for future income taxes. This liability recognizes that higher tax may be paid at some future point, from potential income-generating operations, as a result of differences between tax and book asset valuations on certain assets held on the Company's balance sheet. This balance sheet liability will only be realized in the event that the project assets associated with it generate taxable income, either through operations or sale of the assets.

The Company does not have any material contracts or commitments for expenses extending beyond twelve months. Ongoing lease costs and associated minimum work requirements in Mongolia, plus staffing costs can be considered long term in nature, but these expenses can be and are managed, based on current and anticipated funding levels.

Capitalization

There were 45,993,956 common shares outstanding at June 30, 2007.

The Company's fully diluted share count at June 30, 2007 was 50,408,956 shares. The potential dilution is related to 4,415,000 stock options held by officers, directors, employees and consultants, at exercise prices ranging from $0.50 to $3.25.

The effect of the July private placement to Just Group will add 5,000,000 shares to both the outstanding and fully diluted share counts in the third quarter, adjusting the share count figures to 50,993,956 and 55,408,956

Change in Accounting Policies

On January 1, 2007, the Company adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Sections 1530 "Comprehensive Income", 3251 "Equity" and 3855 "Financial instruments". The Company adopted these standards prospectively; accordingly comparative amounts for prior periods have not been restated. Recognition of these new guidelines had no effective impact on QGX's financials, based on the fact that the Company had no Comprehensive Income, Equity restatements or Financial Instruments that required restatement to fair value as opposed to market valuation. There were no other changes to accounting policies since the Company's 2006 year end.

Future Accounting Standards

The Canadian Institute of Chartered Accountants ("CICA") issued the following accounting standards effective for the fiscal years beginning on or after October 1, 2007 and January 1, 2008. Sections 3862 "Financial Instruments-Disclosures, 1535 "Capital Disclosures", and 3863 "Financial Instruments-Presentation and Section 3031 " Inventories ". The Company is currently evaluating the impact of these new handbook sections on the Company's financial statements and will adopt the sections commencing fiscal 2008.

Critical Accounting Estimates

Critical accounting estimates used in the preparation of the Financial Statements include the Company's estimate of the recoverable value of its resource properties as well as the value of stock-based compensation. Both of these estimates could be significantly affected by factors that are out of the Company's control.

Resource properties, provided they are deductible for tax purposes at some future date, are recorded at cost. All acquisition, exploration, and related overhead expenditures are recorded as an asset on the balance sheet under the heading "Resource Properties". If certain of these capitalized assets are not reasonably assured of their future tax deductibility, the additional tax obligation will be recognized immediately as a future tax liability. These expenditures will be depleted over the estimated life of the properties if and when they reach production, or will be written down by management when it is determined that the net carrying amount will not be recovered.

The amount expensed for stock-based compensation was based on the application of a recognized option valuation formula, which is highly dependent on the expected volatility of the Company's shares. The Company used an expected volatility rate for its shares of 66% in 2007 (79% - 83% in 2006). This is an estimate based on past stock trading data and actual volatility may be significantly different in the future. While the estimate of stock-based compensation can have a material impact on the operating results reported by the Company, it is a non-cash charge and as such has no impact on the Company's financial condition.

Financial Instruments

The Company has not entered into any specialized financial agreements to minimize its investment, currency, or commodity risks. There are no off-balance sheet arrangements. The principal financial instruments used by the Company are short-term, high-grade interest-bearing cash investments, acquired to enhance the returns on the Company's cash position. The Company considers these instruments to be low risk in nature. The fair value of these instruments approximates their carrying costs, unless otherwise noted on the financial statements.

Risks and Uncertainties

All of QGX's operations involve mineral exploration and development and there is no guarantee that any such activity will result in commercial production of deposits. Mineral exploration and development involves substantial expenses and a high degree of risk, which even a combination of experience, knowledge and careful evaluation may not be able to adequately mitigate. Examples of these risks include, but are not limited to:

- **No Proven Commercial Resources**. There is no assurance that commercial quantities of ore will be discovered on any of QGX's exploration properties, or even if commercial quantities of ore are discovered, that a mineral property will be brought into commercial production. The Company has not completed a final feasibility study on it's two advanced stage projects (Baruun Naran and Golden Hills), so cannot say that the possible project economics discussed in this MD&A have any commercial certainty.
- **Legal/Political Risk**. QGX's business in Mongolia may be harmed if the country fails to complete its transition from state socialism and a centrally planned economy to political democracy and a free market economy. Laws may be applied in an inconsistent, arbitrary and unfair manner. Legal remedies may be uncertain, delayed or unavailable, due to an undeveloped court system.. Future amendments to Mongolian laws could weaken, shorten or curtail QGX's mineral exploration rights or adversely impact development economics.
- **Changing Government Regulations**. QGX's operations may be affected by government regulations, including those with respect to restrictions on production, price controls, export controls, income taxes, expropriation of property, employment, land use, water use, environmental legislation and mine safety.
- **Lack of Infrastructure**. Mongolia is infrastructure-poor, and this affects mining businesses generally, and QGX's advanced stage projects in particular.
- **Lack of Qualified Staff**. Although the Company believes that it will be successful in attracting and retaining qualified personnel as it's business activity grows, there can be no assurance of such success.
- **Availability of Financing.** There can be no assurance that QGX will be capable of raising the additional financing that it needs to carry out its exploration and development objectives.
- **Limited History**. QGX has a limited operating history and there can be no assurance of its ability to operate its projects profitably.

For a more complete list and discussion of the risks facing mining exploration and development in Mongolia, and QGX in particular, please refer to the Risk Factors section of the Company's Annual Information Form (AIF), posed on SEDAR.

Disclosure Controls and Procedures (DC&P)

Management is responsible for the information disclosed in this MD&A and has in place the appropriate information systems, procedures and controls to ensure that information used internally by management and disclosed externally is, in all material respects, complete and reliable.

As of the financial year ended December 31, 2006, an evaluation was carried out under the supervision of, and with the participation of, the Company's management, including the Chief Executive Officer and Chief Financial Officer, on both the design and effectiveness of the Company's disclosure controls and procedures. No changes were made during the quarter ended June 30, 2007 that have materially affected, or are reasonably likely to materially affect, the Company's design or effectiveness of disclosure controls and procedures., as accepted and certified at year end 2006. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer conclude that current disclosure controls and procedures were effective as of June 30, 2007 to provide accurate and complete disclosure in public filings.

The Board of Directors assesses the integrity of the public financial disclosures through the oversight of the Audit Committee.

Internal Controls Over Financial Reporting Review – (ICFR)

During 2006 the Company completed a detailed evaluation of the design effectiveness regarding controls over financial reporting, based on the framework established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The evaluation was conducted under the supervision of the Chief Executive Officer and the Chief Financial Officer, and identified a lack of segregation of duties and in-house expertise to deal with complex taxation, accounting and reporting duties, due to a limited number of employees dealing with financial matters. However, management has concluded that, considering the relatively small size of the company, employees involved, and the control procedures in place, including management and audit committee oversight:

- The risks associated with such lack of segregation are not significant enough to justify further measures, and
- Internal control over financial reporting has been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with issuer's GAAP.

No changes were made during the quarter ended June 30, 2007 that have materially affected, or are reasonably likely to materially affect, the Company's design of internal controls over financial reporting., as accepted and certified at year end 2006. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer conclude that ICFR design was effective as of June 30, 2007.

Forward Looking Statements

The above contains forward looking statements that are subject to a number of known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in our forward looking statements. Shareholders and prospective investors should not place undue reliance on forward-looking information and should bear in mind the risks and uncertainties outlined above under “Risks and Uncertainties”.

Additional Information

Additional information relating to QGX can be found in the Financial Statements, as well as in the Company’s Annual Information Form, which are filed on SEDAR at www.sedar.com.