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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 March 31, 2008 and the three-month period ended March 31, 2007, and should be read in conjunction with our interim financial statements and notes thereto for the period ended March 31, 2008 (the "Interim Statements") as well as our audited financial statements and the notes thereto for the years ended December 31, 2007 and 2006 (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 for Q1 2008, Q1 2007 and the Annual Statements for 2007 and 2006 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 May 9, 2008 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 March 31, 2008, the Company held 30 mineral exploration licenses in Mongolia covering approximately 2,403 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.

On February 12, 2008, QGX announced that it has initiated a review of strategic alternatives to identify the most effective means for optimizing value from existing assets for shareholders. This review will be all encompassing in its evaluation of available options. On March 17, 2008 QGX announced that it had appointed Merrill Lynch exclusive financial advisor to assist the Company with this strategic review. The Company cautions shareholders that there is no assurance that the strategic review will result in any specific strategic or financial transaction and no timetable has been set for its completion. The Company anticipates it will make no further announcements regarding the strategic review unless there are material developments.

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 completed 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.

Completion of three drilling programs during 2005-2006 formed the basis for a new NI 43-101 resource report, independently prepared by McElroy Bryan Geological Services Pty. Ltd. of Sydney, Australia, and announced on June 13, 2007. The updated June 2007 resource estimate is more than double the size of the previous ‘measured and indicated’ coal estimate of June 2006, summing to 252.9 Mt Later on August 7th QGX reported an additional 11 Mt of inferred resources, together with the previously reported 252.9 Mt measured and indicated resources.

Baruun Naran Project
NI 43-101 Compliant Resource Estimates
(tonnes x millions)

	7-Jun-06 First Resource Estimate	**13-Jun-07 Second 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

Mr. Bob Leach of A&B Mylec Pty Ltd (”Mylec”), located in Brisbane, Australia, has defined the coal quality for the coal seams across a number of parameters. Those announced results indicate coking coal fractions are present in each tested seam, and that with washing and blending, our recently announced pre-feasibility study indicates that two distinct coal products would most likely be produced from Baruun Naran:

1. Coking coal product (11% ash), and
2. Thermal coal product (20% ash).

Float-sink (sizing and washing) laboratory tests have been performed and indicate theoretical overall washing yields of 64.7%. These tests confirm that three washed products can be generated from a conventional wash process; however recent economic findings suggest favorable results from producing two products, one metallurgical grade and one thermal grade.

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 in 2008.
- 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 19, 2007 which included an after-tax net present value (NPV) estimate for the project (discounted at 10%) of US$481million.
- Completion of a pre-feasibility study by Minarco-MineConsult (Sydney, Australia), announced on January 12, 2008, which included an after-tax net present value (NPV) estimate for the project (discounted at 10%) of US$499 million and a discounted cash flow - internal rate of return (DCF-IRR) of 33%. 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 the 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 typically 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 updated 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, and
- A 27% DCF - 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.

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
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		
*Revenues shown net of government royalties		

AMEC Americas Ltd. (Vancouver) has provided positive metallurgical test results 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.

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 in 2006 covering approximately 2300 sq. km of the Golden Hills license block in western Mongolia.
Ground follow-up of the identified airborne electromagnetic anomalies, was initiated in Q3 2007, in the form of a three-hole exploration drilling program at the Copper Ridge massive sulphide prospect, and other airborne anomalies, located in the vicinity of the Central Valley Zone. Results were disclosed in a March press release, the details of which are discussed in greater detail in the Principal Property Updates section of this report.

In December 2007, QGX submitted the required documentation to request the Golden Hills resource be registered by the Minerals Resource Council of the Mongolian government. The resource was successfully registered and in early 2008 the Company submitted an application for a mining license on the 3000X license. QGX subsequently received a mining license on the 3000X license, as discussed in greater detail in the Principal Property Updates section of this report.

Other Properties- Khotgor: In August, 2007, QGX announced the discovery at Khotgor, southern Mongolia, of a multiple-phase rhyolite-syenite-latite porphyry intrusive centre with zoned alteration typically associated with molybdenum deposits. QGX drilled 3 holes totaling 1307 meters in Q4 at the target site and sent the core to a geophysical lab in Canada for analysis. Results are expected in Q2 2008

Other Properties-Undur Tsagaan: In December 2007, QGX announced that independent metallurgical testing of tungsten-molybdenum sulfide rock commenced for the Undur Tsagaan project in eastern Mongolia. The study will utilize a 200 kg composite sample derived from core with an average head grade of 0.129% WO_3 and 0.0179% Mo that QGX believes is representative of the deposit. Results were received on this work in Q2 2008, as discussed in greater detail in the Principal Property Updates section of this report.

Also in December 2007**,** QGX submitted reserve estimates and supporting documents for the Undur Tsagaan (W-Mo) project to the Minerals Resource Council of the Mongolian government for registration. The resource was successfully registered and QGX subsequently applied for and received a mining license on the property, as discussed in greater detail in the Principal Property Updates section of this report.

Principal Property Updates for the Period January 1, 2008 to May 9, 2008

Baruun Naran: On January 23, 2008, QGX announced the results of a NI 43-101 compliant pre-feasibility study (“PFS”) for the Baruun Naran project. Minarco-MineConsult of Sydney, Australia (“MMC”), independently prepared the PFS on QGX’s behalf, and filed their formal NI 43-101 report on SEDAR in late March. The PFS 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 assumed to be delivered to markets by rail starting in 2011.

Project economics are strongly influenced by coking coal prices and volumes—72% of revenue is derived from coking coal product sales. Coking coal tonnages in the PFS are maximized by blending to an 11% ash product, which also yields a thermal coal product with a 20% ash specification.

The PFS concludes that the Project is financially robust with an estimated after-tax NPV (discounted at 10%) of US$499 million and a DCF-IRR of 33%. Project highlights are summarized below.

Project Production and Financial Highlights

Production	
Total Mineable Coal (ROM mt)	193
Mine Life (production years)	20
ROM Production Rate (Mtpa)	10.0
Average Stripping Ratio (bcm/ROM mt)	5.2:1
Average Annual Saleable Coal Production	
Coking Coal (11% ash) (Mtpa)	3.5
Thermal Coal (20% ash) (Mtpa)	2.4
Total Average Annual Saleable Coal Production (Mtpa)	5.9
Average Annual Revenues, and Profits	
Average Annual Revenue (US$ millions)*	$457
Average Annual After-Tax Net Profit (US$ millions)*	$98
Financial Summary	
NPV @ 10% discount rate (US$ millions)	$499
DCF-IRR (%)	33%
Payback (years)**	4.1

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

Golden Hills: On March 28, 2008 QGX announced the results of its 2007 reconnaissance three-hole drill program in which significant grades of gold, silver, copper, and zinc contained in massive sulphides were encountered in two airborne electromagnetic anomalies. These results provide evidence supporting Dr. Jim Franklin's prediction that the Golden Hills area may represent a new district spanning several tens of km and containing multiple massive sulphide deposits

Drill hole results were as follows:

Drill-Hole Number	Prospect	Interval (m)			Cu (%)	Pb (%)	Zn (%)	Au (g/t)	Ag (g/t)
		From	To	Length					
67DH001	Anomaly 67	184.20	184.65	0.45	0.89	0.49	0.19	1.03	44.6
CRDH003	Copper Ridge	207.73	208.00	0.27	0.83	Tr	7.21	0.12	4.6
CRDH003	Copper Ridge	256.20	257.77	1.57	0.37	Tr	3.56	0.07	2.9
CRDH003	Copper Ridge	288.20	290.70	2.50	0.46	Tr	Tr	0.15	2.1
CRDH003	Copper Ridge	389.85	397.00	7.15	0.74	Tr	0.07	0.06	2.5
87DH001	Anomaly 87	No significant mineralization							

Tr = trace

On April 9, 2008, QGX announced it had received an official mining license certificate on the 3000X license from the Mongolian government for development of an open pit copper-gold-silver mine at Golden Hills, western Mongolia.

On May 1, 2008, QGX announced that the Company has entered into a pre-mining agreement for the Golden Hills project with the Mineral Resource and Petroleum Authority ("MRPAM"). The pre-mining agreement specifies work to be conducted by QGX, including a final feasibility study, an environmental impact study, and government approval for final plant design, by April, 2011.

Undur Tsagaan: On February 29, 2008 QGX announced that the Mongolian government delivered the official mining license certificate to QGX for the development of an open-pit mining operation at its tungsten-molybdenum project at Undur Tsagaan, eastern Mongolia.

On April 15, 2008 QGX announced the results of the initial metallurgical test work carried out on drill-core samples from its 100%-owned Undur Tsagaan project by Process Research Associates Ltd (PRA) at its Richmond facility in B.C., Canada. QGX commissioned PRA to conduct preliminary metallurgical testing to assess the amenability of tungsten- and molybdenum-bearing material from Undur Tsagaan, Mongolia, to various process options.

The key results from this program include:

- A relatively coarse primary grind (120 microns) is favored for the recovery of the tungsten (WO_3) and molybdenum (Mo)
- Gravity separation produces excellent WO_3 grades, after cleaning
- Sulphide flotation on gravity tails recovers most of the residual Mo
- Larger-scale testing is recommended to optimize the process that combines stage-grinding with gravity upgrading and flotation to maximize recovery

On May 1, 2008, QGX announced that the Company has entered into a pre-mining agreement for the Undur Tsagaan project with the Mineral Resource and Petroleum Authority ("MRPAM"). The pre-mining agreement specifies work to be conducted by QGX, including a final feasibility study, an environmental impact study, and government approval for final plant design, by April, 2011.

Other Developments:

No other significant results were forthcoming from exploration programs on other properties in the period. Work and expenditure on other properties have 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.

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			
	Mar. 31/08	**Dec. 31/07**	**Sept. 30/07**	**June 30/07**
Revenues	$49,149	$158,810	$97,818	$127,070
Net Income (loss)	(3,381,748)	(7,094,008)	(1,580,196)	(1,420,689)
Loss per share – basic	(0.07)	(0.15)	(0.03)	(0.03)
Loss per share –fully diluted	(0.07)	(0.15)	(0.03)	(0.03)
Total Assets	57,965,521	62,066,405	64,548,017	64,602,639

	Mar. 31/07	**Dec. 31/06**	**Sept. 30/06**	**June 30/06**
Revenues	$143,246	$220,390	$197,713	$571,735
Net Income (loss)	(2,141,564)	(1,062,716)	(2,145,347)	(1,244,737)
Loss per share – basic	(0.05)	(0.03)	(0.04)	(0.03)
Loss per share – fully diluted	(0.05)	(0.03)	(0.04)	(0.03)
Total Assets	65,637,544	67,783,141	69,929,188	70,216,818

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. The Company's cash balance as at March 31, 2008 was $1,832,983, and the interest income on those balances for the quarter was $49,149.

Expenses for the quarter ended March 31, 2008 were $3,430,897, $1,146,087 higher than expenses for the corresponding quarter in 2007. The principal change was from higher stock-based compensation expenses in the current quarter, offset partially by a lower property write-down expense. Variance analysis on the quarterly results is as follows:

Q1 2008 vs. Q1 2007		
Item	**Variance Decrease/(Increase)**	**Explanation**
Interest Income	$ (94,097)	Average cash balances were approximately $10.0 million lower in ‘08 than in 07, generating lower interest income for the current quarter.
Write-down of Resource Properties	$ 446,968	Property write-downs in Q1 ‘08 were lower than for Q1 ‘07, reflecting less acreage and fewer leases relinquished in the current period.
Salaries and Benefits	$ (24,096)	Higher Q1 ’08 salary expense reflects 5.5% increase in salaries. Increase for ’07 was made in Q2. No appreciable change in staffing levels between the periods.
Stock-Based Compensation	$ (1,471,173)	Considerably more stock options were granted in Q1 ’08, as compared to Q1 ’07 (960,000 vs. 25,000). The Q1 ’08 distribution included 300,000 shares to non-management directors that vest immediately. These two impacts generated the significant change in the Q1 options program cost charged to income.
Professional Fees	$ (176,670)	Higher costs related to tax planning work, audit expenses and consulting fees to support the Company’s review of strategic alternatives.
Foreign Exchange	$ 24,833	Lower exchange rate losses for the current quarter resulted from lower US$ cash holdings. Certain FX losses were incurred in Mongolia due to weaker C$ impacts on timing of US$ accrual/payables.
Travel	3,999	Travel activity in ’08 is much the same as ’07.
Amortization Costs	$ 22,537	Lower expense reflects the declining balance method utilized to depreciate assets, and little new asset investments in last 12 months.
Investor Relations (IR) and Communications	$ 14,976	Lower costs in Q1 2008 reflect limited IR activity for the current period, and elimination of retained public relations firm.
Office Admin. & Other Costs	12,501	Slightly lower costs due to lower field activity and lower printing/publication expense.
	$ (1,247,395)	

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 meaningful operating revenues occur.

Resource Expenditures

QGX is engaged in the acquisition, exploration, and development of resource properties. All acquisition, exploration, and related overhead expenditures are capitalized and recorded as an asset on the balance sheet under the heading “Resource Properties”. These expenditures will be amortized 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 capitalized cost associated with that license is fully written off the balance sheet, and a write-off charge is taken to current period income. As a result, the resource properties asset line item on the Company's balance sheet reflects deferred costs entirely related to properties currently in the Company portfolio of exploration and mining licenses.

Certain restrictions will prevent 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 March 31, 2008 of $1,668,567. Project detail for this capitalized amount is as follows:

- Baruun Naran project expenditure for the quarter was $2,044,083. Project expenses include camp costs, staffing costs attributable to the project, as well as a water drilling program which was suspended in Q1, 2008.
- Golden Hills project expenditure for the quarter was $176,483. Project expenses include camp costs staffing, and consulting costs attributable to work supporting an application to convert the project's exploration license to a mining license.
- $190,858 was spent on remaining projects with the bulk of that cost consisting of license renewal fees.
- Total property write-downs for the quarter were $757,224 as the Company dropped an additional seven licenses

These write-downs of capitalized resource property assets is consistent with the Company's policy of concentrating expenditure on it's most prospective mineral leases, and on reducing from the portfolio those leases that management believes are less prospective for mineralization.

Liquidity and Capital Resources

Working Capital

QGX had working capital of $2,077,457 at March 31, 2008, (December 31, 2007 – $5,465,985) consisting primarily of cash and short-term investments. The decrease is due to expenditures on resource properties and general Company expenses, as incurred in the period, and discussed above.

The Company funded its operations in the quarter ended March 31, 2008 through the application of existing cash reserves, acquired through prior financings. While Q1 quarter end cash balances were insufficient to fund anticipated administrative costs and project development activities planned for the remaining 9 months of 2008, the Company successfully completed a private placement financing in April that will support planned activity through the remainder of 2008.

The Company's quarter-end financial statements have been prepared on a going concern basis which assumes the realization of assets and liquidation of liabilities and commitments in the normal course of business. The ability of the company to continue as a going concern is dependent upon management's ability to raise capital and eventually to generate positive cash flows from mining operations. Management believes that they will be successful in these actions making the use of the going concern basis appropriate.

Based in part on the funding demands placed on the Company by its development projects, the Company is currently reviewing strategic alternatives. While the Company has been successful in the past at sourcing additional capital when required, this is always subject to market conditions and there can be no assurance that additional funds will be available at any given time.

2008 Private Placement Equity Financing

On April 3, 2008 QGX closed on a private placement of 1,485,000 common shares of the Company (the "Offering") at $3.40 per common share for gross proceeds of approximately $5.05 million. The Company retained CIBC World Markets Inc. to act as exclusive agent (the "Agent") in connection with the Offering.

The net proceeds from the Offering will be used to augment the Company's working capital position as it proceeds with its review of strategic alternatives, as originally announced on February 12, 2008.

Long-Term Liability

The only long-term liability of the Company as of March 31, 2008 is 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-asset and book-asset valuations 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.

The Company does not have any long term environmental liabilities included on the balance sheet. Environmental obligations for reclamation of disturbed areas are addressed on a continuous basis, as leases are explored and decisions made to abandon or plan further work. Local environmental regulations in Mongolia require surface disturbances from mineral exploration to be addressed on an annual basis. The Company has no production facilities, leaching facilities, or permanent maintenance facilities. The Company's estimate of outstanding environmental obligations on disturbed property is approximately $70,000 at March 31 2008. Exploration camp facilities are almost always temporary in nature, mobile, and are moved from site to site. Asset retirement obligations (ARO's) on permanent long-lived structures at the Company's' two primary camp sites do not represent material exposures. The Company does include preliminary estimates of costs to conduct final environmental and ARO reclamation in its 43-101 standard preliminary economic assessments and pre-feasibility studies regarding project economic returns.

Capitalization

There were 48,101,809 common shares outstanding at March 31, 2008.

The Company's fully diluted share count at March 31, 2008 was 52,336,809 shares. The potential dilution is related to 4,235,000 stock options held by officers, directors, employees and consultants, at exercise prices ranging from $2.00 to $3.25.

Subsequent to March 31, 2008, a private placement was completed in which 1,485,000 common shares were issued. This raised the common shares outstanding to 49,586,809 and the fully diluted common shares to 53,821,809 as at May 9, 2008.

Change in Accounting Policies

On January 1, 2008 the Company adopted four new handbook sections issued by the Canadian Institute of Chartered Accountants ("CICA"), which apply to fiscal years beginning on or after October 2007.

- Section 3862 describes the required disclosures related to the significance of financial instruments on the Company's financial position, risk associated with those financial instruments, and how the entity manages those risks.
- Section 3863 establishes standards for presentation of financial instruments and non-financial derivatives.
- Section 1535 establishes standards disclosing information about a Company's capital and how it is managed to enable users of financial statements to evaluate the Company's objectives, policies and procedures for managing capital.
- Section 1400, *General Standards on Financial Statement Presentation*. This standard requires management to assess at each balance sheet date and, if necessary, disclose any uncertainty surrounding the ability of the Company to continue as a going concern.

The above changes in accounting policy did not have a material impact on the financial statements of the Company.

Future Accounting Standards

Effective January 1, 2009, the CICA has issued a new standard which may affect the financial disclosures and results of operations of the Company for interim and annual periods beginning January 1, 2009 and is considering the impact this will have on the Company's financial statements.

- Section 3064, Goodwill and intangible assets, establishes revised standards for recognition, measurement, presentation and disclosure of goodwill and intangible assets. Concurrent with the introduction of this standard, the CICA withdrew EIC27, which addressed recognition of revenues and expenses during the pre-operating period (defined as the period between initial production and achievement of commercial production). At such time as the Company was to advance a project to this stage of development, the Company would no longer be able to defer project costs or revenues on that project.

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.

All property-related acquisition costs, exploration costs, and associated overhead expenditures are recorded as an asset on the balance sheet under the heading "Resource Properties". Resource properties, provided they are deductible for tax purposes at some future date, are recorded at cost.

The tax deductibility of a portion of the Company's capitalized assets is not reasonably assured in either Mongolia or Canada. In accordance with Canadian Generally Accepted Accounting Principles (GAAP), the additional future tax obligation associated with these non-deductible assets has been recognized as a future tax liability. The Mongolian corporate income tax rate of 25% is the applicable rate in this tax liability calculation, and has been used to calculate both the future tax liability and the adjusted asset value.

All resource property assets, once capitalized are held on the balance sheet until one of two events occurs;

- If lease acreage is dropped from the exploration portfolio, or if management otherwise determines that the net carrying amount on a specific lease will not be recovered, the associated asset values and tax liability (if relevant) are immediately written off to income.
- If a property is put into production at some future date, both the capitalized asset value and the deferred tax liability will be amortized against earnings over the estimated life of the property.

The amount expensed for stock-based compensation was based on the application of a recognized option valuation formula, the Black-Scholes model, which is highly dependent on the expected volatility of the Company's shares. The Company used an expected volatility rate for its shares of 74% in 2008 (66% - 77% in 2007). 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 its 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, and 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.
- **No Operating Mine History**. QGX has no history of developing or operating a mining project and there can be no assurance of its ability to operate such mining projects profitably.
- **Environmental Risks**. While the Company reclaims areas disturbed by exploration on a continuous basis, exploration activities could potentially create environmental exposures that would represent unforeseen expenses for the Company (see discussion in this MD&A, pages 12 & 13).

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, 2007, 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 March 31, 2008 that have materially affected, or are reasonably likely to materially affect, the Company's design or effectiveness of disclosure controls and procedures. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer conclude that current disclosure controls and procedures were effective as of March 31, 2008 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)

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.

Management believes there have been no changes that have materially affected, or are reasonably likely to materially affect, the Company's design of internal controls over financial reporting, during the quarter ended March 31, 2008. Based on that evaluation, the chief executive officer and chief financial officer conclude that ICFR design was effective as of March 31, 2008.

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.