

## QUARTERLY REPORT

BC FORM 51-901F

---

### ISSUER DETAILS

For Quarter Ended: September 30, 2003  
Date of Report: November 28, 2003  
Name of Issuer: **QGX Ltd.**  
Issuer's Address: 35 Main St., Suite 31  
Waterdown ON, L0R 2H0  
Issuer's Fax Number: 905-689-9443  
Issuer's Telephone Number: 905-689-9442  
Contact Person: Mark Wayne  
Contact Position: CFO  
Contact Telephone Number: 403-218-1407

---

### CERTIFICATE

The schedule(s) required to complete this Quarterly Report is/are attached and the disclosure contained therein has been approved by the Board of Directors. A copy of this Quarterly Report will be provided to any shareholder who requests it.

---

Director's Name: David Anderson      Date signed: November 28, 2003  
Director's Name: Mark Wayne      Date Signed: November 28, 2003

**QGX Ltd.**  
**Consolidated Statement of Operations and Deficit**

	For 3 months ended 30-Sep-03	For 3 months ended 30-Sep-02	For 9 months ended 30-Sep-03	For 9 months ended 30-Sep-02
<b>Revenue</b>				
Interest	\$26,231	\$5,454	\$77,215	\$9,148
<b>Expenses</b>				
Advertising	-	213	-	2,213
Amortization	6,822	6,547	16,318	9,043
Bank charges and interest	2,424	425	6,686	1,320
Communications	6,758	5,805	24,115	13,245
Conventions	12,776	-	12,775	-
Investor relations	2,920	-	25,642	-
IPO Expenses	-	299,414	-	340,138
Loss on disposal of investment	-	-	-	-
Management fee	90,357	-	232,076	-
Office	14,574	21,113	74,550	27,664
Professional fees	21,248	43,642	117,478	99,002
Project Expenses	-	-	-	12,193
Rent	12,477	13,759	39,513	24,045
Salaries and benefits	66,374	41,269	201,539	85,201
Transfer agent services	4,538	-	15,024	-
Travel	7,219	22,104	80,841	41,019
Write down of investment in subsidiary	-	8,090	-	8,090
Write down of resource properties	-	-	-	-
	<u>248,487</u>	<u>462,381</u>	<u>846,557</u>	<u>663,173</u>
Adjustment for foreign exchange	(4,906)	0	12,507	(509)
<b>Loss for the period</b>	<u>(217,350)</u>	<u>(456,927)</u>	<u>(781,850)</u>	<u>(654,534)</u>
<b>Deficit, beginning of period</b>	(7,547,147)	(5,002,403)	(6,982,647)	(4,805,814)
<b>Deficit, end of period</b>	<u>(\$7,764,497)</u>	<u>(\$5,459,330)</u>	<u>(\$7,764,497)</u>	<u>(\$5,459,330)</u>
Loss per common share	(0.01)	(0.02)	(0.03)	(0.03)
Diluted loss per common share	(0.01)	(0.02)	(0.03)	(0.03)
Number of shares outstanding	28,656,304	20,453,176	28,656,304	20,453,176

**QGX Ltd.**  
**Consolidated Statement of Cash Flows**

	For 3 months ended 30-Sep-03	For 3 months ended 30-Sep-02	For 9 months ended 30-Sep-03	For 9 months ended 30-Sep-02
<b>Cash flows from operating activities</b>				
Loss for the period	(\$217,350)	(\$456,927)	(\$781,850)	(\$653,516)
Adjustments to reconcile loss to net cash provided by operating activities				
Amortization	6,822	6,547	16,318	9,043
Loss on disposal of investment	0	0	0	0
Write down of investment	0	0	0	0
Write down of resource properties	0	0	0	0
Share capital of Emerging Ventures Corp	-	236,581	-	236,581
Deficit Emerging Ventures Corp at July 31, 2002	-	(40,818)	-	(40,818)
	<u>6,822</u>	<u>202,310</u>	<u>16,318</u>	<u>204,806</u>
Changes in non-cash working capital balances				
Interest and taxes receivable	(20,427)	(17,164)	(16,987)	(24,704)
Accounts payable and accrued liabilities	9,542	(62,379)	63,719	20,943
	<u>(10,885)</u>	<u>(79,543)</u>	<u>46,732</u>	<u>(3,761)</u>
	<u>(221,413)</u>	<u>(334,160)</u>	<u>(718,801)</u>	<u>(452,471)</u>
<b>Cash flows from investing activities</b>				
Sale of shares (net of issue costs and warrants)	5,030,527	3,000,000	8,012,055	3,000,000
Purchase of fixed assets	(913)	(16,930)	(33,477)	(44,075)
Additions to resource properties	(1,255,341)	(981,310)	(3,174,179)	(1,611,112)
	<u>3,774,273</u>	<u>2,001,760</u>	<u>4,804,400</u>	<u>1,344,813</u>
<b>Increase (decrease) in cash during the period</b>	3,552,860	1,667,600	4,085,599	892,342
<b>Cash and short-term investments, beginning of period</b>	4,370,747	66,365	3,838,008	841,624
<b>Cash and short-term investments, end of period</b>	<u>\$7,923,607</u>	<u>\$1,733,966</u>	<u>\$7,923,607</u>	<u>\$1,733,966</u>

# QGX Ltd.

Notes to Financial Statements (Unaudited)

## Three Months Ended September 30, 2003

---

### 1. The Company

The Company was formed on August 1, 2002 under the laws of Ontario by the amalgamation of Quincunx Gold Exploration Ltd. and Emerging Ventures Corp. Quincunx was deemed to be the acquiring company in the transaction. Quincunx was a private company that had been engaged in mineral exploration in Mongolia since its inception in 1994. Emerging Ventures was a capital pool company listed on the TSX Venture Exchange. The common shares of QGX were listed for trading on the TSX Venture Exchange on August 13, 2002. These statements include the accounts of the Company and its wholly owned subsidiaries.

### 2. Significant Accounting Policies

These interim consolidated financial statements should be read in conjunction with the most recent annual financial statements. They follow the same accounting policies and methods of their application as the most recent annual financial statements.

### 3. Share capital:

---

	Number of shares	Amount
Authorized:		
Unlimited First Preferred Shares		
Unlimited Second Preferred Shares		
Unlimited Common Shares		
Issued:		
Common Shares	28,656,304	\$23,339,356

---

Options to officers, directors, employees and consultants outstanding at period end are as follows: 1,545,000 exercisable at \$0.50 per share until August 1, 2007; 500,000 exercisable at \$1.20 per share until March 1, 2008; and 100,000 exercisable at \$1.20 per share until July 25, 2008.

Broker warrants outstanding at period end are as follows: 125,000 exercisable at \$1.50 per share until February 1, 2004; 62,498 exercisable at \$2.25 per share until February 1, 2004; 180,752 exercisable at \$1.15 per share until June 30, 2004; and 200,000 exercisable at \$1.20 per share until July 23, 2004

#### 4. Stock Options

---

The Company has a stock option plan (the "Plan") for directors, officers, employees and consultants of the Company and its subsidiaries. The number of common shares subject to the options granted under the Plan is limited to 10% of the issued and outstanding common shares of the Company and no one person may receive in excess of 5% of the outstanding common shares of the Company. The Company has granted options to certain key employees, directors and officers of the Company to purchase a total of 2,145,000 common shares at option prices ranging from \$0.50 to \$1.20 per share. Of the outstanding options, 1,545,000 will expire in August, 2007, 500,000 will expire in March, 2008 and 100,000 will expire in July, 2008.

The following table summarizes the status of the stock option plan:

	<b>2003 Stock options outstanding</b>	<b>Weighted average exercise price</b>	2002 Stock options outstanding	Weighted average exercise price
Outstanding, January 1	<b>1,820,000</b>	<b>\$0.52</b>	870,000	\$1.50
Granted	<b>600,000</b>	<b>\$1.20</b>	1,820,000	\$0.52
Exercised	<b>(175,000)</b>	-	-	-
Cancelled	<b>(100,000)</b>	<b>\$0.80</b>	(870,000)	-
Outstanding, December 31			1,820,000	\$0.52
Outstanding, September 30	<b>2,145,000</b>	<b>\$0.70</b>		
Exercisable, December 31			1,820,000	\$0.52
Exercisable, September 30	<b>1,745,000</b>	<b>\$0.70</b>		

During the nine months ended September 30, 2003, 600,000 options were granted (200,000 which were exercisable at September 30<sup>th</sup>), 175,000 options were exercised and 100,000 options were cancelled. In the third quarter of 2003, 150,000 options were exercised.

The Company does not record compensation expense when stock options are issued to employees, as disclosed in the accounting policies referred to in Note 2. Had compensation expense been determined based on the fair value at the grant dates, the net income and earnings per share would have been reduced to the pro-forma amounts indicated below:

Loss for the year, as reported	\$	(781,850)
Loss for the year, pro-forma	\$	(937,354)
Loss per common share, as reported	\$	(0.027)
Loss per common share, pro-forma	\$	(0.032)

The fair value of stock options was estimated at the date the options were vested using the Black-Scholes option-pricing model with the following assumptions:

Risk-free interest rate	4.0%
Expected Option Life	5 years
Expected Volatility	76.83%
Dividend Yield	- %

## 5. Resource Properties

The Company is engaged in the acquisition, exploration and development of resource properties. The resource properties are recorded at cost. All acquisition, exploration and related overhead expenditures are deferred and will be depleted over the estimated life of the property. The estimated life of a property depends on whether the property contains economically recoverable reserves that can be brought into production. The costs relating to a property are written down by management when it is determined that the net carrying amount will not be recovered. It is management's opinion that the potential for economic mineralization continues to exist. The total amount recorded for mineral properties and deferred exploration expenditures represents costs incurred to date and does not reflect present or future values. Proceeds from disposition of mineral properties are normally credited to the capitalized costs with no gain or loss being recognized. The recoverability of amounts shown as resource properties is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability to obtain the necessary financing to complete the development, future profitable production or proceeds from the disposition of resource properties, and the ability to complete its obligations and obtain approval from the Mongolian government at each stage of exploration and development of its properties.

	September, 2003		June, 2003	
	Cost	Accumulated Depletion	Cost	Accumulated Depletion
Balance, beginning of period	\$6,593,220	-	\$5,568,935	-
Additions	1,255,341	-	1,024,285	-
Writedown	-	-	-	-
Balance, end of period	\$7,848,562	\$ -	\$6,593,220	\$ -

**QGX LTD.**  
**Schedule B: Quarterly Report Supplementary Information**

**Quarter Ended September 30, 2003**

---

**1. Analysis of Expenses and Deferred Costs**

At September 30, 2003, the Company held 89 mineral exploration licenses along with a carried interest in three additional mineral exploration licenses in Mongolia pursuant to a joint venture with Ivanhoe Mines Ltd. A total of \$1,255,341 was added to resource properties in the quarter. Of this amount \$204,391 was expended on property acquisitions and license fees and \$1,050,950 was expended on exploration programs. Within the exploration expenditures, \$452,490 was expended on the Golden Hills prospect in the period and the balance \$598,460 was spent on several prospect areas throughout Mongolia.

**2. Related party transactions**

None.

**3. Summary of Securities and Options issued during period.**

During the three month period ended September, 2003:

- a) 150,000 common shares were issued at \$.50 per share pursuant to the exercise of stock options by an employee, directors and former officer of the Company;
- b) 243,200 common shares were issued at \$.50 per share pursuant to the exercise of broker warrants;
- c) 97,328 common shares were issued at \$1.15 per share pursuant to the exercise of broker warrants; and
- d) 2,000,000 common shares were issued at \$2.40 per share pursuant to a private placement.

**4. Summary of securities outstanding at September 30, 2003**

- a) Authorized – Unlimited Common Shares  
Unlimited First Preferred Shares  
Unlimited Second Preferred Shares
  
- b) Outstanding  
  
Preferred Shares – Nil  
Common Shares – 28,656,304 (\$23,339,356 stated value)  
(fully diluted – 31,869,554)

Stock Options – 1,545,000 each entitling the holder to purchase one common share at \$.50 per share until August 1, 2007; 500,000 each entitling the holder to purchase one common share at \$1.20 per share until March 1, 2008; and 100,000 each entitling the holder to purchase one common share at \$1.20 per share until July 25, 2008;

Broker Warrants – 125,000 each entitling the holder to purchase one common share at \$1.50 per share until February 1, 2004; 62,498 each entitling the holder to purchase one common share at \$2.25 per share until February 1, 2004; 180,752 each entitling the holder to purchase one common share at \$1.15 per share until June 30, 2004; and 200,000 each entitling the holder to purchase one common share at \$1.20 per share until July 23, 2004

(d) Escrowed Securities – 2,826,633 Common Shares that were issued to certain former shareholders of Quincunx Gold Exploration Ltd. are held under an escrow agreement, and 266,666 Common Shares that were issued to certain former shareholders of Emerging Ventures Corp. are held under a separate escrow agreement, representing a total of 3,359,965 escrowed Common Shares

## 5. **Directors and Officers**

Directors: David Anderson, Mark Wayne, Robert McRae, Hank Reimer, Barry Simmons  
Officers: David Anderson: President and Chief Executive Officer,  
Paul Zweng, Chief Operating Officer  
Mark Wayne: Chief Financial Officer  
Jeff Lawson: Secretary

## QGX LTD.

### Schedule C: Management Discussion and Analysis

Quarter Ended September 30, 2003

---

#### Description of Business

QGX Ltd. ("QGX") was formed on August 1, 2002 through a merger between Quincunx Gold Exploration Ltd. ("Quincunx") and Emerging Ventures Corp. ("EVS"). Quincunx was a private company that had been engaged in mineral exploration in Mongolia since its inception in 1994. EVS was a capital pool corporation listed on the TSX Venture Exchange. QGX has carried on the business of Quincunx following the merger.

#### Operations

The Company continued its exploration programs in Mongolia during the period with a primary focus on the Golden Hills prospect in western Mongolia. The Company reported results on April 28, 2003 from a fifteen-hole drill program designed to test the on-strike, eastern extension of the gold-bearing gossans drilled in the western end of the Central Valley Zone at Golden Hills in October 2002.

#### Golden Hills

Drilling at Golden Hills resumed in mid-June, 2003. On August 20, 2003, QGX announced that a recently completed transient electromagnetic (TEM) survey and drilling program at the Central Valley Zone at Golden Hills had confirmed two new mineralized zones—the "South Zone" and the "North Zone" in addition to the "Central Zone" that was identified by previous drilling. The Company reported that new drilling on the South Zone had intersected several gossans including **32.5 m of 13.76 g/t Au** in Hole CVZ-30 and **19.6 m of 5.32 g/t Au** in Hole CVZ 32. The single hole drilled to test the North Zone (CVZ-40) intersected 131 meters of massive sulphide. Full results were included in a press release dated August 20, 2003.

On September 3, 2003 QGX announced that the upper 31.5 m of the massive sulfide body intersected in Hole CVZ-40 returned **3.4% Cu, 0.8 g/t Au and 20.1 g/t Ag (including 11.5 m of 6.0% Cu, 1.0 g/t Au and 32.9 g/t Ag)**. Drilling resumed on August 31, 2003. See press release dated September 3, 2003.

Further results were reported on September 22, 2003 when the Company announced that drill holes CVZ-33 to 37 had extended gold-in-oxide mineralization within the Central Valley Zone ("CVZ") of Golden Hills to the east by 300 m. The South, Central and North Zones and their eastern extensions (East Zone) are now believed to have a collective strike distance of 2.2 km. Drill holes CVZ-38 and 39 broadened and confirmed the continuity of gold-in-oxide mineralization within the Central Zone. Additional assays from CVZ-40 indicate that a new, 40-m wide "gold-only" zone containing 1.4 g/t Au occurs directly beneath massive sulphide. This mineralization may represent a feeder zone to the massive sulfide containing 31.5 m of 3.4% Cu, 0.8 g/t Au, and 20.1 g/t Ag found higher in the drill hole, as reported on September 3, 2003.

QGX initiated its third drilling campaign in the CVZ on June 19<sup>th</sup>. Eighteen holes (CVZ-23 to 40) were drilled, resulting in the discovery of gold in gossan/oxide in the new South Zone as well as high-grade copper-gold-silver in massive sulfide in the new North Zone. The drilling also expanded the Central Zone where most of the previous drilling had taken place (see press releases dated August 20<sup>th</sup> and September 3<sup>rd</sup>). This release reported on the last eight holes drilled during this campaign.

#### *East Zone*

Holes CVZ-33 to 37 were drilled to the east of the previous holes reported in this campaign (CVZ-23 to 32). These holes lengthen the known strike distance of gold-bearing oxide/gossan zones by 300 m to the east. The best hole in the East Zone was **CVZ-35, returning 3.5 g/t Au over 26.9 m**. Hole **CVZ-36** clipped a massive sulfide body, yielding a **4.8 m wide interval containing 6.6% copper, 1.0 g/t Au, and 17.8 g/t Ag**. It is not clear yet if these gossans or massive sulphide bodies correspond to the South, Central, or North Zones, and therefore they have collectively been designated as the *East Zone*.

#### *Central Zone*

Holes CVZ-38 and 39 were drilled in the Central Zone. Hole **CVZ-38 (16.0 m @ 5.3 g/t Au, 17.9 g/t Ag and 11.15 m @ 2.2 g/t Au, 38.7 g/t Ag)** deepens and widens the oxide mineralization intersected in Hole 30 (10.1 m @ 3.71 g/t Au from 4.40-14.50 m) on section 10,200 E. Hole **CVZ-39 (35.5 m @ 1.86 g/t Au including 17.3 m @ 3.1 g/t Au)** on section 10,250 E confirms the continuity of oxide gold mineralization between CVZ-21 (20.2 m @ 2.0 g/t Au) at 10,300 E and CVZ-22 (16.2 m @ 2.6 g/t Au) at 10,225 E.

#### *North Zone*

The high-grade zone containing 3.4% Cu, 0.8 g/t Au, and 20.1 g/t Ag within the upper 31.5 m of massive sulfide intersected in CVZ-40 was reported on September 3<sup>rd</sup>. Additional assays indicate that a "gold-only" zone occurs directly beneath the massive sulfide within schist and a sulphide-matrix breccia. The zone is 40.7 m wide and contains 1.4 g/t Au. **This is a new and third style of gold mineralization previously unrecognized at the CVZ** (the other two being gold in oxide/gossan and gold-copper-silver in massive sulfide). CVZ-40 was the last hole completed when the drilling stopped temporarily on August 5<sup>th</sup>.

#### ***Uhaa Hudag***

On July 7, 2003, the Company announced that a four-to-six hole drill program had commenced to test both sulfide (deep) and oxide (shallow) mineralization contained within a gold-quartz vein system hosted within Paleozoic metamorphic rocks. The apparent center of the gold occurrence is exposed in 11 trenches spaced 100 m apart. Typical trench geochemical samples conducted by QGX in the mid-90's returned 1-2 g/t gold over 10-79 m widths (see [www.qgxgold.com](http://www.qgxgold.com) for trench results and for a more complete property description). Visible gold is present in many of these trenches. The known length of the gold-quartz vein system at Uhaa Hudag is 2.5 km.

A planned 1,800 m drill program in the mid 90's was abandoned after 537 m had been drilled because of poor core recovery. Multiple intersections of anomalous gold were

encountered in each of the three drill holes including 6.6 m of 2.4 g/t, 1.4m of 14.07 g/t and 3.3 m of 4.9 g/t. Procedures have been implemented to improve the core recovery in the current drill program.

On September 22, 2003 the Company announced that five drill holes had been completed at the Uhaa Hudag. The first four holes tested a 2.5 km long shear zone containing auriferous quartz veins exposed in eleven trenches spaced approximately 100 m apart. An IP geophysical survey conducted in 1996 and 1997 showed that the quartz-gold veins exposed in the trenches correspond to chargeability and resistivity highs. All four holes intersected quartz veins, and two of the four holes intersected an interval containing small grains of visible gold.

The fifth hole was collared to test a subparallel zone located several hundred meters to the south. This hole was collared on the edge of the zone, and only cut quartz veins in the upper portions of the drill hole.

Assays have been received for the first four drill holes. However, the gold grades of some sample-duplicate sample pairs that contain elevated levels of gold have not matched consistently, and therefore did not meet QGX's QA-QC criteria. Duplicate pulp samples are analyzed in order to test the reproducibility of gold grades and are part of a rigorous QA-QC program that QGX has designed and implemented in collaboration with AMEC. This lack of reproducibility between sample-duplicate sample pairs is probably due to the presence of coarse-grained gold in these samples. Steps are now being taken to prepare larger sample pulps and to conduct metallic gold assays in order to address this issue. Once remedied, QGX will be in a position to report the assays from the Uhaa Hudag drilling program.

### ***SE Mongolia (Erdene Tolgoi)***

On September 22, 2003 the Company announced the discovery of a porphyry-style, copper-bearing breccia pipe within QGX's Erdene Tolgoi exploration license in SE Mongolia. The "Chuluut" breccia pipe is located approximately 5.5 km NNW of the Erdene Tolgoi copper-gold prospect (see May 16, 2003 press release) and was discovered by reconnaissance geological mapping.

"The discovery of the Chuluut breccia pipe and associated porphyry-style veins and alteration within our Erdene Tolgoi license supports our belief that our SE Mongolia license block, which has had very little prior exploration, is prospective for porphyry Cu-Au deposits" commented Patrick Redmond, QGX's chief geologist.

The breccia pipe has dimensions of approximately 50 x 30 meters at surface, and occurs within a sericite-limonite (after pyrite) alteration zone hosted in Paleozoic granite. The weathered and oxidized near-surface portion of the breccia pipe contains abundant secondary copper minerals (malachite, azurite, and copper wad) and limonite (after pyrite) that infill vugs and coat fractures within a quartz-matrix breccia. Chip samples collected from two, 1.5-2.0 meter deep exploration pits within the breccia pipe, contain up to 1.75 % copper (see Table 1). The sericite-limonite alteration zone that surrounds the breccia pipe has been exposed and chip sampled in a series of shallow (0.5-1.0 m) exploration pits over a distance of 250 m and remains open along strike. Sericite-limonite altered granite contains anomalous copper concentrations (range 12-941 ppm Cu) relative to fresh granite outside the alteration zone (range 7-145 ppm Cu).

The area around the Chuluut breccia pipe contains less than 15 percent rock outcrop. Weathered porphyry-style, quartz-sericite-limonite (after pyrite) veins were mapped in outcrop up to 200 meters away from the pipe. Mineralized quartz vein fragments in float were mapped up to 1 km to the west of the breccia pipe suggesting that a larger porphyry system may be concealed beneath unconsolidated Quaternary cover in the Chuluut area.

QGX holds approximately 10,000 sq. km of licenses in southeastern Mongolia. The area was selected on the basis of regional tectonic and metallogenic analysis and may represent the faulted and offset continuation of the Cu-Au porphyry belt of southern Mongolia hosting the Oyu Tolgoi Cu-Au porphyry discovery by Ivanhoe Mines Ltd.

QGX plans to carry out an Induced Polarization (IP) survey within the Erdene Tolgoi license in October 2003. Further geological mapping of the SE Mongolia license block and a stream- sediment sampling program covering approximately 200 sq. km are also planned for October 2003. The objective of these programs is to identify drill targets for later this year or early in 2004.

### **Joint Ventures**

QGX entered into joint venture agreements with Ivanhoe Mines Ltd. in March of 2002 in respect of three properties that QGX had acquired and explored from 1994-98. Ivanhoe can earn up to an 80% working interest in two properties (Ovoot Hyar and Shuteen) by making certain expenditure with QGX retaining a 20% carried interest through to production. QGX also retains a 10% carried interest through to production in the third property (Kharmagtai). Ivanhoe operated ongoing exploration programs on all three properties during the period, including several drill programs. Results are reported by Ivanhoe from time to time, as it deems appropriate. No results were reported by Ivanhoe during the period.

### **Management**

On July 30, 2003 QGX announced that it had retained Patrick Redmond as Chief Geologist of the Company, replacing the previous Chief Geologist, Dr. Yakubchuk, who had accepted a position with a major mining company. Mr. Redmond is an economic geologist with experience in mineral exploration, resource/reserve modeling and project evaluation in Ireland, Australia, the United States, Kazakhstan and Brazil.

### **Financial Results and Condition**

Revenues for the period were minor (\$26,231) consisting of interest income. Expenses totaled \$248,487, resulting in a net loss of \$217,350 for the period (\$0.01 per common share). The net loss in the comparative period of 2002 was higher at \$462,381 (\$0.02 per common share) primarily because there was a charge of \$299,414 for IPO expenses in that period. As an exploration company, QGX expects to continue to incur losses until such time as it achieves commercial production from a mineral property.

QGX invested \$1,255,341 in resource properties in Mongolia during the period (2002 - \$981,310). \$204,391 was expended on property acquisitions and license fees and \$1,050,950 was expended on exploration programs.

## **Liquidity and Solvency**

QGX had working capital of \$7,777,960 at September 30, 2003 (\$3,739,093 at December 31, 2002), the bulk of which consisted of cash and short-term investments. The increase resulted from financings completed after December 31, 2002. The Company has no long-term liabilities. The Company will seek to raise additional capital from time to time to fund the cost of acquiring new properties and conducting exploration programs as warranted. 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.

## **Financings**

The Company completed a non-brokered private placement on September 19, 2003 consisting of 2 million common shares at \$2.40 per share for gross proceeds of \$4,800,000.

An additional \$308,527 was raised from the exercise of broker warrants and stock options during the period.

There was no material variance between the actual use of proceeds and the purpose for which the funds were raised in previous financings.

## **Subsequent Events**

QGX provided an update on exploration activities at Golden Hills, Uhaa Hudag and Erdene Tolgoi on October 28, 2003, subsequent to period end. See press releases issued on that date for further details.

On October 29, 2003 the Company announced that Barrick Gold Corporation had agreed to subscribe for three million common shares of QGX at \$4.00 per share, thereby giving Barrick a 9.5% equity interest in QGX. Closing of the transaction is scheduled for November 7, 2003, subject to execution of formal documentation and regulatory approvals. Other highlights of the agreement are as follows: Barrick has the right to participate in future financings by QGX to maintain its 9.5% equity interest; Barrick will not sell their QGX shares for at least 12 months and thereafter will co-operate with QGX in any intended disposition; Barrick will vote their QGX shares in favour of and as directed by management of QGX; Barrick will have a right of first refusal if QGX wishes to joint venture or dispose of any property in Mongolia that was acquired by QGX after closing of this private placement, such right to terminate if Barrick's equity interest in QGX falls below 5% and in any event after five years. This right does not apply to any of QGX's current properties including Golden Hills, Uhaa Hudag and Erdene Tolgoi. Barrick also has the right to nominate one person to the Board of QGX for so long as it maintains its 9.5% equity interest in QGX.