

**QUIA RESOURCES INC.**  
**Management's Discussion and Analysis**  
**of Financial Condition and Results of Operation**  
**For the nine month period ended September 30, 2011**

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*Management's discussion and analysis (MD&A) is current to November 29, 2011 and is management's assessment of the operations and the financial results together with future prospects of Quia Resources Inc. ("Quia" or the "Company"). This MD&A should be read in conjunction with our unaudited interim condensed consolidated financial statements for the three and nine month period ended September 30, 2011 and our audited consolidated financial statements and related notes for the years ended December 31, 2010 and 2009, prepared in accordance with Canadian generally accepted accounting principles. All figures are in Canadian dollars unless stated otherwise. This discussion contains forward-looking statements that are not historical in nature and involves risks and uncertainties. Forward-looking statements are not guarantees as to Quia's future results as there are inherent difficulties in predicting future results. Accordingly, actual results could differ materially from those expressed or implied in the forward looking statements. The Company has adopted National Instrument 51-102F1 as the guideline in presenting the MD&A. This MD&A should be read in conjunction with the most recent Annual Information form ("AIF") on file with the provincial securities regulatory authorities. Additional information relevant to Quia's activities, including Quia's Press Releases can be found on SEDAR at [www.sedar.com](http://www.sedar.com).*

*The Company has adopted IFRS on January 1, 2011 with a transition date of January 1, 2010.*

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## **1. Description of Business**

Quia Resources Inc. (the "Company" or "Quia") was incorporated under the laws of the Province of Ontario, Canada by Articles of Incorporation dated October 26, 2007. The Company is engaged in the acquisition, exploration and development of the properties for the mining of precious metals in Colombia. The Company's operations in Colombia are affected by Colombia's political and economic environment. Although the environment has been relatively stable in recent years, there is the risk that this situation could deteriorate and adversely affect the Company's operations.

The profitability and operating cash flow of the Company is affected by various factors, including the market price of gold, operating costs, interest rates, regulatory and environmental compliance, general and administrative costs, the level of exploration and development expenditures and other discretionary costs. While Quia seeks to manage the level of risk associated with its business, many of the factors affecting these risks are beyond the Company's control.

As at November 29, 2011, the directors and officers of the Company were:

Yannis Banks	CEO and Director
Dan Noone	Chairman
Adam Szweras	Director and Corporate Secretary
Robert Manning	Director
Richard Brown	Director and VP Business Development
Chris Davie	Director
Paul Lin	Director
Andres Tinajero	Chief Financial Officer
Ian Kelso	VP Exploration

Iain Kelso, P.Geo. is the "Qualified Person" for the Company under the definition of National Instrument 43-101.

## **2. Recent Developments**

### **Financing Developments**

On December 22, 2010, the Company closed its qualifying transaction (the "Qualifying Transaction") with Onsino Capital Corporation. Pursuant to the Qualifying Transaction, which involved the amalgamation (the "Arrangement") of Quia and a wholly-owned subsidiary of Onsino, 1833668 Ontario Inc. ("Onsino Sub"), under the terms of a statutory plan of arrangement (the "Plan of Arrangement") completed in accordance with the *Business Corporations Act* (Ontario), Onsino acquired all of the issued and outstanding common shares of Quia (the "Quia Shares") in exchange for the issuance of an aggregate of 56,144,628 common shares of Onsino (the "Onsino Shares"). In addition, Onsino issued 22,676,574 common share purchase warrants of the Company in exchange for 22,676,574 common share purchase warrants of Quia (the "Quia Warrants"), 2,985,959 broker's warrants of the Company in exchange for 2,985,959 broker's warrants of Quia (the "Quia Broker's Warrants") and 1,040,000 options of the Company in exchange for 1,040,000 options of Quia. The Arrangement was approved by the shareholders of Quia on December 17, 2010 and the final order from the Ontario Superior Court of Justice (Commercial List) with respect to the Plan of Arrangement was obtained on December 20, 2010.

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In connection with the Qualifying Transaction and immediately prior to its completion, the Company changed its name to "Quia Resources Inc." and consolidated its common shares on the basis of one (1) post-consolidation share for every 1.5 pre-consolidation shares.

Concurrently with the closing of the Qualifying Transaction, Quia completed a brokered private placement (the "Concurrent Financing") of 7,000,000 units ("Quia Units") at \$0.50 per Quia Unit for aggregate gross proceeds of \$3,500,000, with each Quia Unit comprised of one (1) Quia Share and one-half of one (1/2) Quia Warrant, with each Quia Warrant exercisable to acquire one (1) additional Quia Share at \$0.80 for a period of 24 months from the date of issuance. Canaccord Genuity Corp. ("Canaccord") and Foundation Markets Inc. ("Foundation" and together with Canaccord, the "Agents") acted as co-lead agents in the Concurrent Financing.

The agents received a cash commission equal to 8% of the gross proceeds received pursuant to the Concurrent Financing, and Quia Broker's Warrants to purchase 560,000 Quia Shares exercisable at \$0.50 for a period of 24 months from the date of issuance. In addition, Quia has paid Canaccord a corporate finance fee and issued 20,000 Quia Shares.

On November 2, 2010, the Company completed a private placement financing for gross proceeds of \$2,000,000 comprised of 5,000,000 units (the "Yamana Units") at \$0.40 per Yamana Unit (the "Offering"). Each Yamana Unit consisted of one common share of the Company (a "Quia Share") and three-quarters of one (3/4) Quia Share purchase warrant (each whole purchase warrant, a "Quia Warrant"), each Quia Warrant exercisable into one Quia Share at an exercise price of \$0.70 for a period of two years from the date of issuance provided, however, that in the event that the closing price of the Quia Shares (or such other securities issued to the holder in exchange for the Quia Shares as part of a restructuring transaction involving the Company) on the TSX Venture Exchange or the Toronto Stock Exchange is greater than \$1.25 for a period of 20 consecutive trading days, the Company may, at its option, accelerate the expiry date of the Quia Warrants by giving notice to the holder and in such case the Quia Warrants will expire on the date which is the earlier of: (i) the 30th day after the date on which such notice is given by the Company ; and (ii) two years from the date of issuance.

The sole subscriber under the Offering was Yamana Gold Inc. ("Yamana"). Pursuant to the terms of the Offering, the Company has granted Yamana the right, so long as Yamana maintains a minimum ownership of 8% of the issued and outstanding Quia Shares (or such other securities issued to Yamana in exchange for Quia Shares as part of a restructuring transaction involving the Company) on a non-diluted basis, to (a) participate in future financings or issuances of equity securities of the Company by up to 50% of any such individual financing, provided, however, that Yamana shall not exceed ownership of more than 19.9% of the issued and outstanding Quia Shares (or such other securities issued to Yamana in exchange for Quia Shares as part of a restructuring transaction involving the Company ); and (b) exercise a right of first refusal in respect of a sale of the San Lucas Property by the Company , either directly or indirectly.

In connection with the Offering, a cash finder's fee of \$160,000 has been paid to Canaccord Genuity Corp. ("Canaccord") equal to 8% of the gross proceeds received pursuant to the Offering. In addition, Canaccord has received compensation warrants (the "Finder's Warrants") to purchase 400,000 Quia Shares equal to 8% of the Yamana Units sold pursuant to the offering, exercisable at \$0.40 per Quia Share for a period of 24 months from the closing of the Offering.

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### **Exploration Developments**

The San Lucas Property (the "San Lucas Property") consists of 17 semi-contiguous concession contracts comprising a total area of approximately 6,980 hectares in the Department of Bolivar, Colombia. Quia, through its wholly owned subsidiary San Lucas Gold Corp., holds 100% interest in San Lucas Property.

In its Phase 1 surface campaign completed between August 2010 and February 2011, Quia conducted approximately 28 square kilometres of surface soil sampling and geologic mapping over target areas (structural features and geophysical anomalies) identified through the previously completed airborne geophysical survey and satellite image structural interpretation.

In May 2011, subsequent to completion of the first phase of surface work, Quia completed 10 line kilometres of induced polarization and ground magnetic surveys over anomalies identified through the Phase 1 surface campaign. Construction of a new camp located closer to these target areas also commenced in May 2011.

The 5,000 metre Phase 1 drilling campaign began June 11th with drill hole SL1102 at Platform B. Drilling at hole SL1101 from Platform A began June 29th. As of November 18th, 2011, 2620 metres have been completed in 11 holes.

SL1101, SL1104, SL1106, and SL1107 were drilled from Platform A to test the 2,400 metre long by up to 500 metre wide La Colina target consisting of the gold in soil anomaly that is coincident with the contact between gneissic rocks and quartz diorite porphyry rocks to the east, a strong uranium and thorium anomaly from the airborne survey, and a strong IP chargeability anomaly.

SL1102 and SL1103 were drilled from platform B to test the 3,000 metre long by up to 100 metre wide La Rueda target consisting of the gold in soil anomaly that is coincident with a granodiorite intrusive body and a trend over which several small scale mines are located.

SL1105 was drilled from platform C and SL1108 from platform E to test a strong chargeability anomaly. Based on the IP profiles, this chargeability target appears to be a 500 to 650 m long structure trending 70° between the La Colina and La Rueda targets.

SL1109 was drilled from platform D 70 metres southwest of platform A. SL1111 was drilled from platform F 200 metres west-southwest of platform A. The purpose of these holes was to test the along strike and down-dip continuity of mineralization encountered in holes drilled from platform A.

SL1110 is currently being drilled from platform H, 670 metres southwest of platform A. Platform H is located further south in the La Colina target to test a higher-grade, 300 metre by 100 metre, gold-in-soil center.

### **3. Overall Performance**

For the nine month period ended September 30, 2011, the Company's cash position decreased by \$3,741,927 to \$1,773,734 from \$5,515,661 at December 31, 2010. This decrease is due to

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exploration and evaluation expenditures and general operating costs, offset by the exercise of options and warrants.

The Company is engaged in the business of preliminary or early stage mineral exploration and mine development. The Company holds no interests in producing or commercial ore deposits. The Company has no production or other revenue. There is no operating history upon which investors may rely. Commercial development of any kind will only occur in the event that sufficient quantities of ore containing economic concentrations of gold or other mineral resources are discovered. If in the future a discovery is made, substantial financial resources will be required to establish ore reserves. Additional substantial financial resources will be required to develop mining and processing for any ore reserves that may be discovered. If the Company is unable to finance the establishment of ore reserves or the development of mining and processing facilities it will be required to sell all or a portion of its interest in such property to one or more parties capable of financing such development.

**Results of Operations**

**Selected Annual Information**

	<b>Nine month period ended September 30, 2011</b>	<b>Year Ended December 31, 2010</b>	<b>Year Ended December 31, 2009 (CDN GAAP)</b>
	\$	\$	\$
Loss before income taxes	5,137,150	3,297,418	1,115,673
Net Loss	5,137,150	3,297,418	1,115,673
Loss per weighted average share – basic and diluted	\$0.083	\$0.193	\$0.044
Total Assets	2,281,105	5,720,278	2,004,343

**Three month period ended September 30, 2011**

The Company incurred a net loss of \$1,674,255 or \$0.027 a share for the three month period ended September 30, 2011, compared with a net loss of \$387,085 or \$0.009 a share for the same period ended September 30, 2010.

For the three month period ended September 30, 2011, management and consulting fees decreased by \$156,489 to \$195,985 from \$352,474 in the same period in 2010. Management and Consulting fees decreased due to the fact that during the third quarter of 2010, the Company had to engage several consultants to get caught up in terms of accounting and corporate records on several years of inactivity and was working towards a going public transaction.

Travel and promotion expenses for the three month period ended September 30, 2011 increased by \$129,788 to \$171,602 from \$41,814 in the same period in 2010. The increase is due to the fact that during the early part of 2010 the Company was still inactive and mainly working towards getting the Company to go public, whereas in the current year, activities on the property in Colombia are commencing thus requiring the increased travel time.

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Total office and general costs increased in the three month period ended September 30, 2011, by \$21,172 to \$123,350 from \$102,178 in 2010. The increase is due to the fact that the Colombian office has been reorganized in order to absorb the increased activity in exploration.

Total exploration and evaluation costs increased in the three month period ended September 30, 2011, by \$966,006 to \$983,903 from \$17,897 in 2010. The increase in the current period is a product of the Company now being public and having a robust cash balance compared to the early part of 2010. The Company is currently developing its wholly owned San Lucas Gold project. The increase mainly reflects drilling and related exploration work.

Professional fees increased by \$17,259 to \$67,535 during the three month period ended September 30, 2011 compared to \$50,276 in the same period in 2010. The increase is attributable to higher legal fees on general corporate matters as the Company looks to advance its current mineral properties and seeks out potential new investments.

The Company incurred share based payments for the three month period ended September 30 2011 of \$30,300 compared to \$nil for the same period in 2010. Share based payments are booked based on the valuation of options using the Black-Scholes model and based on other payment of expenses in shares.

Total salaries and benefits costs increased in the three month period ended September 30, 2011, by \$99,125 to \$99,125 from \$nil in 2010. The increase is due to the hiring of employees in Colombia for office work and work on the property. There were no employees in 2010.

**Nine month period ended September 30, 2011**

The Company incurred a net loss of \$5,137,150 or \$0.083 a share for the nine month period ended September 30, 2011, compared with a net loss of \$1,937,309 or \$0.051 a share for the same period ended September 30, 2010.

For the nine month period ended September 30, 2011, management and consulting fees increased by \$15,104 to \$570,552 from \$555,448 in the same period in 2010. Management and Consulting fees remained constant over the period.

Travel and promotion expenses for the nine month period ended September 30, 2011 increased by \$434,564 to \$556,216 from \$121,652 in the same period in 2010. The increase is due to the fact that during the early part of 2010 the Company was still inactive and mainly working towards getting the Company to go public, whereas in the current year, activities on the property in Colombia are commencing thus requiring the increased travel time.

Total office and general costs increased in the nine month period ended September 30, 2011, by \$13,840 to \$398,265 from \$384,425 in 2010. The amount remained fairly constant.

Total exploration and evaluation costs increased in the nine month period ended September 30, 2011, by \$1,640,625 to \$1,819,104 from \$178,479 in 2010. The increase in the current period is a product of the Company now being public and having a robust cash balance compared to the early part of 2010. The Company did is currently developing its wholly owned San Lucas Gold project.

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Professional fees increased by \$116,022 to \$309,924 during the nine month period ended September 30, 2011 compared to \$193,102 in the same period in 2010. The increase is attributable to higher legal fees on general corporate matters as the Company looks to advance its current mineral properties and seeks out potential new investments.

The Company incurred share based payments for the nine month period ended September 30, 2011 of \$1,279,800 compared to \$648,952 for the same period in 2010. Share based payments are booked based on the valuation of options using the Black-Scholes model and based on other payment of expenses in shares.

Total salaries and benefits costs increased in the nine month period ended September 30, 2011, by \$197,370 to \$197,370 from \$nil in 2010. The increase is due to the hiring of employees in Colombia for office work and work on the property. There were no employees in 2010.

**4. Summary of Quarterly Results**

**Working Capital**

As at September 30, 2011, the Company had a net working capital of \$1,323,512 compared to working capital of \$5,213,508 as at December 31, 2010.

A summary of the Company's cash position and changes in cash for the nine month period ended September 30, 2011 and 2010 are provided below:

	<b>Nine month period ended September 30,</b>	
	<b>2011</b>	<b>2010</b>
Cash used in operating activities - net	<b>(3,805,282)</b>	(2,070,862)
Cash used in investing activities	<b>(97,776)</b>	(12,623)
Cash provided by financing activities	<b>161,131</b>	3,120,735
(Decrease) increase in cash	<b>(3,741,927)</b>	1,037,250
Cash, beginning of period	<b>5,515,661</b>	100,436
Cash, end of period	<b>1,773,734</b>	1,137,686

**Liquidity Outlook**

Quia had cash of \$1,773,734 available at September 30, 2011, a decrease of \$3,741,927 from the balance at December 31, 2010 of \$5,515,661.

As noted above, the Company's working capital decreased by \$3,889,996 to \$1,323,512 from a working capital of \$5,213,508 at December 31, 2010.

The Company believes that between its current cash balances, it has the necessary funds available to meet its financing obligations.

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**5. Related-party Transactions**

Related party transactions are as follows:

During the nine month period ended September 30, 2011, US\$18,000 (September 30, 2010 - US\$58,000) was paid as a salary to the former Vice President and Director. Included in loans payable is \$nil (December 31, 2010 - \$nil, January 1, 2010 - \$15,833) owing to the President and Director as well as \$nil (December 31, 2009 - \$nil, December 31, 2009 - \$39,166) which is included in loans receivable owing from the President and Director and Vice President, Corporate Development. Included in due to related parties is \$2,260 (December 31, 2010 - \$nil, January 1, 2010 - \$nil)

During the nine month period ended September 30, 2011, \$nil (September 30, 2010 - \$170,437) was paid for consulting fees to Foundation Market Inc. ("FMI"), a company in which the Secretary and Director of the Company is a director. At September 30, 2011 included in loans and interest payable are \$nil (December 31, 2010 - \$nil, January 1, 2010 - \$108,308). At September 30, 2011 included in due to related parties is \$nil (December 31, 2010 - \$nil, January 1, 2010 - \$108,249).

During the nine month period ended September 30, 2011, \$36,520 (September 30, 2010 - \$20,640) was paid for consulting fees to Cavalry Corporate Solutions Inc. ("Cavalry"), a company in which the CEO and Directors have an indirect interest. At September 30, 2011 included in due to related parties are \$nil (December 31, 2010 - \$nil, January 1, 2010 - \$108,308).

During the nine month period ended September 30, 2011, \$40,269 (September 30, 2010 \$274,750) was paid for legal fees to a company in which a Director of the Company is a partner. Included in due to related parties is \$29,823 (December 31, 2010 - \$nil, January 1, 2010 - \$93,360) payable to this company.

Included in loans and interest payable are amounts payable to the Director of the Company of \$nil (December 31, 2010 - \$nil, January 1, 2010 - \$49,457).

During the nine month period ended September 30, 2011, 2011 \$108,000 (September 30, 2010 - \$108,000) was paid to the VP of exploration. As at September 30, 2011, \$nil is included in due to related parties (December 31, 2010, \$35,112, January 1, 2010 - \$62,010).

During the nine month period ended September 30, 2011, \$42,000 (September 30, 2010 - \$nil) was paid to The Vice-President, Business Development and a Director for exploration related costs. As at September 30, 2011, due to related parties included \$59,062 (December 31, 2010 - \$62,513, January 1, 2010 - \$124,035).

During the nine month period ended September 30, 2011, \$37,500 (September 30, 2010 - \$nil) was paid for services to the chief executive officer. As at September 30, 2011, \$nil is included in due to related parties (December 31, 2010, \$nil, January 1, 2010 - \$nil).

During the nine month period ended September 30, 2011, \$44,060 (September 30, 2010 - \$51,000) was paid for services to the former chief executive officer and current director.

During the nine month period ended September 30, 2011, \$45,000 (September 30, 2010 - \$39,000) was paid for services to the chief financial officer. As at September 30, 2011 included in



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due to related parties is \$nil (December 31, 2010 - \$5,650, January 1, 2010 - \$nil) payable to the chief financial officer.

In addition, there were related party loans and interest as disclosed in note 10.

All transactions with related parties were in the normal course of operations and are recorded at the exchange amount as agreed to by the parties involved.

**Disclosure of Outstanding Share Data November 29, 2011**

	<b>Authorized</b>	<b>Outstanding</b>
Voting or equity securities issued and outstanding	Unlimited Common Shares	62,198,164 Common Shares
Securities convertible or exercisable into voting or equity shares		<ul style="list-style-type: none"> <li>a) Options to acquire up to 4,309,500 common shares</li> <li>b) 25,579,534 Warrants exercisable to acquire common shares of the Company.</li> </ul>

**Off-Balance Sheet Arrangements**

The Company has no off-balance sheet arrangements.

**Dividends**

The Corporation has neither declared nor paid any dividends on its Common Shares. The Corporation intends to retain its earnings, if any, to finance growth and expand its operation and does not anticipate paying any dividends on its Common Shares in the foreseeable future.

**Critical Accounting Estimates**

**Assessment of Recoverability of Future Income Tax Assets**

Quia follows the asset and liability method of accounting for income taxes. Under this method, future tax liabilities and assets are recognized for the estimated tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases. Future tax liabilities and assets are measured using enacted tax rates. The effect on the future tax liabilities and assets of a change in tax rates is recognized in the period that the change occurs.

In preparing the consolidated financial statements, the Company is required to estimate its income tax obligations. This process involves estimating the actual tax exposure together with assessing temporary differences resulting from differing treatment of items for tax and accounting purposes. The Company assesses, based on all available evidence, the likelihood that the future income tax assets will be recovered from future taxable income and, to the extent that recovery cannot be considered "more likely than not," a valuation allowance is established. If the valuation allowance is changed in a period, an expense or benefit must be included within the tax provision on the consolidated income statement.

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**Estimate of Share Based Payments and Associated Assumptions**

Quia uses the fair value method in accounting for share based payments. Under this method, share based payments are measured at the fair value of the equity instruments issued, and are amortized over the vesting period. The offset to the recorded cost is to reserve for share based payments.

The Company recorded share based payments based on an estimate of the fair value on the grant date of stock options issued. This accounting required estimates of interest rate, life of options, stock price volatility and the application of the Black-Scholes option pricing model. See note 12 of the September 30, 2011 unaudited interim consolidated financial statements for a full disclosure.

**Assessment of Recoverability of Receivables Including HST**

The carrying amount of accounts receivables, and HST are considered representative of their respective values. The Company assesses the likelihood that these receivables will be recovered and, to the extent that recovery is considered doubtful a provision for doubtful accounts is recorded.

**Impairment of Long-lived Assets**

Quia reviews long lived assets for impairment on a periodic basis or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment losses on long-lived assets are recognized when events or changes in circumstances indicate that the undiscounted cash flows estimated to be generated by such assets are less than their carrying value and, accordingly, all or a portion of such carrying value may not be recoverable. Impairment losses then are measured by comparing the fair value of assets to their carrying amounts.

**Asset Retirement Obligations**

At September 30, 2011, the Company has made no provision for site restoration costs or potential environmental liabilities as all properties are still in the exploration stages. Factors such as further exploration, inflation and changes in technology may materially change the cost estimate.

**Significant accounting judgments and estimates**

The preparation of these financial statements requires management to make judgements and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates its judgements and estimates in relation to assets, liabilities, revenue and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgements and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions. The most significant estimates relate to asset retirement obligations; capital assets, including gold reserves and resources, depreciation and depletion; recoverability of accounts receivable, valuation of deferred income tax amounts, impairment testing and the calculation of share-based payments. The most significant judgements relate to recoverability of capitalized amounts, recognition of deferred tax assets and liabilities, determination of the commencement of commercial production and the determination of the economic viability of a project.

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## **6. Financial Instruments and other Instruments**

### **Net Fair Value of Financial Assets and Liabilities**

The Company's financial instruments comprise cash, accounts receivable, accounts payable and accrued liabilities.

Cash has been designated as held-for-trading, which are measured at fair value. Accounts receivable is classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities and are classified as other financial liabilities, which are measured at amortized cost. The Company has no available for sale instruments.

### **Additional Capital**

The exploration activities of the Company may require substantial additional financing. Failure to obtain sufficient financing may result in delaying or indefinite postponement of exploration and development of any of the Company's properties. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financings will be favorable to the Company. In addition, low commodity prices may affect the Company's ability to obtain financing.

### **Environmental and Permitting**

All phases of the Company's operations are subject to environmental regulation in the various jurisdictions in which it operates. These regulations, among other things, mandate the maintenance of air and water quality standards, land reclamation, transportation, storage and disposal of hazardous waste. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors, and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations.

### **Acquisition**

The Company uses its best judgment to acquire mining properties for exploration and development in pursuit of such opportunities, the Company may fail to select appropriate acquisition candidates or negotiate acceptable agreements, including arrangements to finance the acquisitions and development, or integrate such opportunity and their personnel with the Company. The Company can not assure that it can complete any acquisition that it pursues or is currently pursuing, on favorable terms, or that any acquisition completed will ultimately benefit the Company.

### **Competition**

The mining industry is intensely competitive in all of its phases, and the Company competes with many companies possessing greater financial resources and technical facilities than itself. Competition in the mining business could adversely affect the Company's ability to acquire suitable producing properties or prospectus for mineral exploration in the future.

### **Financial Risk Factors**

#### **Fair Value**

The carrying amount of cash, accounts payable and accrued liabilities approximate fair value due to the relatively short term maturity of these financial instruments. The fair value of loans

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receivable, contingent liabilities and due to related parties cannot be determined with sufficient reliability as there are no fixed terms of repayment. The carrying value of loans and interest payable approximate the fair value based on discounted cash flows. Fair value represents the amount that would be exchanged in the arm's length transaction between willing parties and is best evidenced by a quoted market price if one exist.

**Fair value hierarchy and liquidity risk disclosure**

The following summarizes the methods and assumptions used in estimating the fair value of the Company's financial instruments where measurement is required. The fair value of short-term financial instruments approximates their carrying amounts due to the relatively short period to maturity. These include cash as at September 30, 2011. Fair value amounts represent point-in-time estimates and may not reflect fair value in the future. The measurements are subjective in nature, involve uncertainties and are a matter of significant judgment. The methods and assumptions used to develop fair value measurements, for those financial instruments where fair value is recognized in the balance sheet, have been prioritized into three levels as per the fair value hierarchy included in GAAP.

- (i) Level one includes quoted prices (unadjusted) in active markets for identical assets or liabilities.
- (ii) Level two includes inputs that are observable other than quoted prices included in level one.
- (ii) Level three includes inputs that are not based on observable market data.

All of the Company's cash is a level one as per the fair value hierarchy included in GAAP.

A summary of the Company's risk exposures as it relates to financial instruments are reflected below:

A) Credit Risk

The Company's credit risk is primarily attributable to cash and loans receivable. The Company has no significant concentration of credit risk arising from operations. Cash is held with reputable Canadian, United States and Colombian chartered banks which are closely monitored by management. Financial instruments included in loans receivable consist of loans to its President and Director and to the Vice President, Corporate Development. Management believes that the credit risk concentration with respect to financial instruments included in cash and loans receivable is minimal.

B) Market Risk

i.) Interest Rate Risk

The Company has cash balances and no variable interest bearing debt. The Company has fixed rates on its debt, changes in interest rates could result in fair value risk on the Company's fixed rate debt.

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ii.) Foreign Currency Risk

The Company's functional currency is the Canadian dollar. The Company operates in Canada, Colombia and the United States, giving rise to market risks from changes in foreign exchange rates. The Company believes that the results of the operations and cash flows would be affected by a sudden change in foreign exchange rates, but would not impair or enhance its ability to pay its U.S. dollar and Colombian pesos denominated obligations.

iii.) Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or related to matters specific to the Company. The Company generates cash flow primarily from its financing activities. As at September 30, 2011, the Company had a cash balance of \$1,773,734 (December 31, 2010 - \$5,515,661, January 1, 2010 - \$100,436) to settle current liabilities of \$824,491 (December 31, 2010 - \$484,315, January 1, 2010 - \$1,462,030). All of the Company's financial liabilities have contractual maturities of less than 365 days and are subject to normal trade terms.

iv.) Commodity Price Risk

Commodity price risk could adversely affect the Company. In particular, the Company's future profitability and viability of development depends upon the world market price of precious metals. These metal prices have fluctuated significantly in recent years. There is no assurance that, even as commercial quantities of these metals may be produced in the future, a profitable market will exist for them. As of September 30, 2011, the Company was not a producing entity. As a result, commodity price risk may affect the completion of future equity transactions such as equity offerings and the exercise of stock options and warrants. This may also affect the Company's liquidity and its ability to meet its ongoing obligations.

v.) Political risk

The resource properties on which the Company is actively pursuing its exploration activities are entirely in Colombia. While the political climate in Colombia is considered by the Company to be stable, there can be no assurances that this will continue indefinitely. To alleviate such risk, the Company funds its operations on an as needed basis. The Company does not presently maintain political risk insurance for its exploration projects.

**Sensitivity Analysis**

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over a nine month period:

- (i) The Company is exposed to foreign currency risk on fluctuations of financial instruments related to cash, loans receivable, accounts payable, due to related parties, loans and interest payable and contingent liability that are denominated in US dollars and Colombian pesos. As at September 30, 2011, had the Canadian dollar weakened/strengthened by 10% against the U.S. dollar with all other variables held constant, the Company's income for the nine month period ended September 30, 2011 would have been approximately \$500 higher/lower

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respectively as a result of foreign exchange losses/gains on translation of Canadian dollar denominated financial instruments. As at September 30, 2011, had the Canadian dollar weakened/strengthened by 10% against the Colombian peso with all other variables held constant, the Company's income for the nine month period ended September 30, 2011 would have been approximately \$19,000 higher/lower respectively as a result of foreign exchange losses/gains on translation of Canadian dollar denominated financial instruments.

**Internal Control over Financial Reporting**

Internal controls over financial reporting are procedures designed to provide reasonable assurance that transactions are properly authorized, assets are safeguarded against unauthorized or improper use, and transactions are properly recorded and reported. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance with respect to the reliability of financial reporting and financial statement preparation.

During the most recent year end there were no changes in the Company's internal control over financial reporting that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

**Proposed Transactions**

In the normal course of business, as an ongoing part of the exploration process, the Company investigates mineral properties which are submitted to the Board of Directors for consideration.

**Evaluation of Disclosure Controls and Procedures**

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the Corporation's President and Chief Executive Officer and Chief Financial Officer, on a timely basis so that appropriate decisions can be made regarding public disclosure. As at the end of the year covered by this management's discussion and analysis, management of the Corporation, with the participation of the President and Chief Executive Officer and the Chief Financial Officer, evaluated the effectiveness of the Corporation's disclosure controls and procedures as required by Canadian securities laws. Based on that evaluation, the President and Chief Executive Officer and the Chief Financial Officer have concluded that, as of the end of the period covered by this management's discussion and analysis, the disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in the Corporation's annual filings and interim filings (as such terms are defined under Multilateral Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings) and other reports filed or submitted under Canadian securities laws is recorded, processed, summarized and reported within the time periods specified by those laws and that material information is accumulated and communicated to management of the Corporation, including the President and Chief Executive Officer and the Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

**7. Status of Quia's Transition to International Financial Reporting Standards ("IFRS")**

**Transition to IFRS from GAAP**

In February 2008, the Canadian Accounting Standards Board confirmed that Canadian publicly accountable enterprises will be required to adopt International Financial Reporting Standards ("IFRS") for financial periods beginning on and after January 1, 2011.

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The Company has adopted IFRS with an adoption date of January 1, 2011 and a transition date of January 1, 2010.

**IFRS Conversion**

The Company's IFRS conversion plan was comprehensive and addressed matters including changes in accounting policies, restatement of comparative periods, organizational and internal controls and any required changes to business processes. To facilitate this process and ensure the full impact of the conversion was understood and managed reasonably, the Company hired an IFRS conversion project manager. The accounting staff attended several training courses on the adoption and implementation of IFRS. Through in-depth training and the preparation of reconciliations of historical Canadian GAAP financial statements to IFRS, the Company believes that its accounting personnel have obtained a thorough understanding of IFRS.

In conjunction with the adoption of IFRS the Company has implemented a new accounting system, which will satisfy all the information needs of the Company under IFRS. The Company has also reviewed its current internal and disclosure control processes and believes they will not need significant modification as a result of our conversion to IFRS.

**Impact of IFRS**

IFRS employs a conceptual framework that is similar to Canadian GAAP; however significant differences exist in certain matters of recognition, measurement and disclosure. While the adoption of IFRS will not change the actual cash flows of the Company, the adoption will result in changes to the reported financial position and results of operations of the Company. In order to allow the users of the financial statements to better understand these changes, we have provided the reconciliations between Canadian GAAP and IFRS for the total assets, total liabilities, shareholders equity and net earnings in Note 3 to the interim consolidated financial statements. The adoption of IFRS has had no significant impact on the net cash flows of the Company. The changes made to the statements of financial position and comprehensive income have resulted in reclassifications of various amounts on the statements of cash flows, however as there has been no change to the net cash flows, no reconciliations have been presented.

In preparing the reconciliations, the Company applied the principles and elections of IFRS 1, with a transition date of January 1, 2010. As the Company has adopted IFRS effective January 1, 2010, it will apply the provisions of IFRS 1 as described under the section entitled "Initial Adoption – IFRS 1", with a January 1, 2010 transition date. The Company will also apply IFRS standards in effect at December 31, 2011 as required by IFRS 1.

**Initial Adoption of International Accounting Standards**

IFRS 1 "First Time Adoption of International Accounting Standards" sets forth guidance for the initial adoption of IFRS. Under IFRS 1 the standards are applied retrospectively at the transitional date of the statement of financial position with all adjustments to assets and liabilities as stated under GAAP taken to retained earnings unless certain exemptions are applied. The Company elected to take the following IFRS 1 optional exemptions:

- to apply the requirements of IFRS 3, *Business Combinations*, prospectively from the Transition Date;
- to apply the requirements of IFRS 2, *Share-based payments*, only to equity instruments granted after November 7, 2002 which had not vested as of the Transition Date; and

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- to transfer all foreign currency translation differences, recognized as a separate component of equity, to deficit as at the Transition Date including those foreign currency differences which arise on adoption of IFRS.

**Comparative Information**

The Company has restated all prior period figures in accordance with IFRS.

**8. Cautionary Note Regarding Forward Looking Statements**

This Management's Discussion and Analysis includes "forward-looking statements", within the meaning of applicable securities legislation, which are based on the opinions and estimates of Management and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar words suggesting future outcomes or statements regarding an outlook. Such risks and uncertainties include, but are not limited to, risks associated with the mining industry (including operational risks in exploration development and production; delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of reserve estimates; the uncertainty of estimates and projections in relation to production, costs and expenses; the uncertainty surrounding the ability of the Company to obtain all permits, consents or authorizations required for its operations and activities; and health safety and environmental risks), the risk of commodity price and foreign exchange rate fluctuations, the ability of Quia to fund the capital and operating expenses necessary to achieve the business objectives of Quia, the uncertainty associated with commercial negotiations and negotiating with foreign governments and risks associated with international business activities, as well as those risks described in public disclosure documents filed by the Company. Due to the risks, uncertainties and assumptions inherent in forward-looking statements, prospective investors in securities of the Company should not place undue reliance on these forward-looking statements. Statements in relation to "reserves" are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described can be profitably produced in the future.

Readers are cautioned that the foregoing lists of risks, uncertainties and other factors are not exhaustive. The forward-looking statements contained in this press release are made as of the date hereof and the Company undertakes no obligation to update publicly or revise any forward-looking statements or in any other documents filed with Canadian securities regulatory authorities, whether as a result of new information, future events or otherwise, except in accordance with applicable securities laws. The forward-looking statements are expressly qualified by this cautionary statement.

**9. Management's Responsibility for Financial Information**

Management is responsible for all information contained in this report. The unaudited consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include amounts based on management's informed judgments and estimates. The financial and operating information included in this report is consistent with that



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contained in the unaudited consolidated financial statements in all material aspects.

Management maintains internal controls to provide reasonable assurance that financial information is reliable and accurate and assets are safeguarded.

External auditors, appointed by the shareholders, have examined the unaudited interim condensed consolidated financial statements for the nine month period ended September 30, 2011.

The Audit Committee has reviewed the audited consolidated financial statements with management. The Board of Directors has approved the audited consolidated financial statements on the recommendation of the Audit Committee.

November 29, 2011

Yannis Banks  
Chief Executive Officer