

U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K/A
(Amendment)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2009

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

0-21777

(Commission File Number)

GOLDEN QUEEN MINING CO. LTD.

(Name of registrant in its charter)

British Columbia, Canada

(State or other jurisdiction
of incorporation or organization)

Not Applicable

(IRS Employer
Identification No.)

6411 Imperial Avenue, West Vancouver, British Columbia, Canada

(Address of principal executive offices)

V7W 2J5

(Zip Code)

Issuer's telephone number: (604) 921-7570

Securities registered under Section 12(b) of the Exchange Act: None

Securities registered under section 12(g) of the Exchange Act: Common shares without par value

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers in response to Item 405 of Regulation S-B is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes [] No [X]

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter: \$72,956,250 as at June 30, 2010.

Indicate the number of shares outstanding of each of the registrant's classes of common equity, as of the latest practicable date: 94,228,380 common shares as at December 31, 2010.

EXPLANATORY NOTE

This Amendment to the Annual Report on Form 10-K/A filed by Golden Queen Mining Co. Ltd. (the "Company"), on January 14, 2011 corrects certain typographical errors in the restated financial statements for the year ended December 31, 2009, which were due to a technical error.

Except as specifically referenced herein, this Amendment to the Annual Report on Form 10-K/A does not reflect any event occurring subsequent to January 14, 2011, the filing date of the original report, and no other changes have been made to the report.

Item 8. Financial Statements and Supplementary Data.

The Consolidated Financial Statements of the Company and the notes thereto are attached to this report following the signature page and Certifications.

PART IV

Item 15. Exhibits

<u>Exhibit No.</u>	<u>Description of Exhibit</u>	<u>Manner of Filing</u>
23.1	Consent of BDO Canada LLP	Filed herewith
31.1	Rule 13a-14(a)/15(d)-14(a) Certification	Filed herewith
32.1	Section 1350 Certification	Filed herewith

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

GOLDEN QUEEN MINING CO. LTD.

By: /s/ H. Lutz Klingmann
H. Lutz Klingmann
President, Principal Executive Officer,
and Principal Accounting Officer

Date: January 26, 2011

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ H. Lutz Klingmann</u> H. Lutz Klingmann	President, Principal Executive Officer, Principal Accounting Officer, and Director	January 26, 2011
<u>/s/ Edward Thompson</u> Edward Thompson	Director	January 26, 2011
<u>/s/ Chester Shynkaryk</u> Chester Shynkaryk	Director	January 26, 2011
<u>/s/ Gordon Gutrath</u> Gordon Gutrath	Director	January 26, 2011
<u>/s/ Thomas Clay</u> Thomas Clay	Director	January 26, 2011



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BDO Canada LLP
600 Cathedral Place
925 West Georgia Street
Vancouver BC V6C 3L2 Canada

Report of Independent Registered Public Accounting Firm

To the Shareholders of
Golden Queen Mining Co. Ltd.
(An exploration stage company)

We have audited the accompanying consolidated balance sheets of Golden Queen Mining Co. Ltd. (an exploration stage company), as of December 31, 2009 and 2008, and the consolidated statements of loss, changes in shareholders' equity (capital deficit) and cash flows for the years then ended. We have also audited the statements of loss, changes in shareholders' equity (capital deficit), and cash flows for the period from inception (November 21, 1985) through December 31, 2009, except that we did not audit these financial statements for the period from inception (November 21, 1985) through May 31, 1996; those statements were audited by other auditors whose report dated July 12, 1996, expressed an unqualified opinion on those statements. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. Our opinion, insofar as it relates to the amounts for the period from inception (November 21, 1985) through May 31, 1996, is based solely on the report of the other auditors.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of other auditors, the consolidated financial statements referred to above present fairly, in all material respects the financial position of Golden Queen Mining Co. Ltd., as of December 31, 2009 and 2008, and the results of its operations and its cash flows for the years then ended and for the period from inception (November 21, 1985) through December 31, 2009, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company had a \$53,468,071 deficit accumulated during the exploration stage as of December 31, 2009. These conditions raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

The consolidated financial statements as of December 31, 2009 and for the year then ended have been restated to correct errors in the adoption of a new accounting pronouncement as described in Note 11 to the consolidated financial statements.

/s/ BDO Canada LLP

Chartered Accountants
Vancouver, Canada
December 14, 2010

GOLDEN QUEEN MINING CO. LTD.
(an exploration stage company)
Consolidated Balance Sheets
(US dollars)

	December 31, 2009 (Restated – Note 11)	December 31, 2008
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,433,202	\$ 3,033,771
Receivables	24,604	20,051
Prepaid expenses and other current assets	19,490	19,846
Total current assets	2,477,296	3,073,668
Property and equipment, net (Note 2)	205,916	211,940
Reclamation financial assurance (Note 3)	286,653	271,808
Total Assets	\$ 2,969,865	\$ 3,557,416
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 150,766	\$ 172,702
Advance minimum royalties (Note 8)	-	48,034
Accrued liabilities	77,821	76,341
Total current liabilities	228,587	297,077
Asset retirement obligations (Note 7)	177,564	162,903
Derivative liability (Note 11)	2,695,602	-
Total liabilities	3,101,753	459,980
Shareholders' equity (capital deficit):		
Preferred shares, no par value, 3,000,000 shares authorized; no shares outstanding		
Common shares, no par value, 100,000,000 shares authorized; 88,378,383 (2008 – 85,640,883) shares issued and outstanding (Note 6)	50,205,634	48,677,903
Additional paid-in capital	3,130,549	3,837,117
Deficit accumulated during the exploration stage	(53,468,071)	(49,417,584)
Total shareholders' equity (capital deficit)	(131,888)	3,097,436
Total liabilities and shareholders' equity (capital deficit)	\$ 2,969,865	\$ 3,557,416

Financial Condition and Ability to Continue as a Going Concern (Note 1)

Commitments and Contingencies (Notes 4, 7 and 8)

Subsequent Event (Note 6)

Approved by the Directors:

"H. Lutz Klingmann"

H. Lutz Klingmann, Director

"Chester Shynkaryk"

Chester Shynkaryk, Director

See Accompanying Summary of Accounting Policies and Notes to Consolidated Financial Statements

GOLDEN QUEEN MINING CO. LTD.
(an exploration stage company)
Consolidated Statements of Loss
(US dollars)

	Year Ended December 31, 2009 (Restated – Note 11)	Year Ended December 31, 2008	Cumulative Amounts From Date of Inception (November 21, 1985) through December 31, 2009 (Restated – Note 11)
	<u> </u>	<u> </u>	<u> </u>
General and administrative expenses	\$ (2,246,953)	\$ (2,817,429)	\$ (19,727,800)
Asset impairment loss (Note 3)	(167,898)	(1,270,366)	(32,135,592)
Adjustment to asset retirement obligation on changes in cash flow estimates (Note 7)	(6,882)	275	223,583
Accretion expense (Note 7)	(7,779)	(17,213)	(55,381)
Change in fair value of derivative liability (Note 11)	(2,095,300)	-	(2,095,300)
Gain on settlement of debt	-	-	136,627
Abandoned mineral property interests	-	-	(277,251)
	<u>(4,524,812)</u>	<u>(4,104,733)</u>	<u>(53,931,114)</u>
Interest expense	-	-	(913,098)
Interest income	10,070	107,956	1,599,987
	<u> </u>	<u> </u>	<u> </u>
Net loss	\$ <u>(4,514,742)</u>	\$ <u>(3,996,777)</u>	\$ <u>(53,244,225)</u>
Loss per share - basic and diluted	\$ <u>(0.05)</u>	\$ <u>(0.05)</u>	
Weighted average number of common shares outstanding	<u>86,738,897</u>	<u>85,539,184</u>	

See Accompanying Summary of Accounting Policies and Notes to Consolidated Financial Statements

GOLDEN QUEEN MINING CO. LTD.
(an exploration stage company)
Consolidated Statements of Changes in Shareholders' Equity (Capital Deficit)
(US dollars)

From the Date of Inception (November 21, 1985) through December 31, 2009	Common Shares	Amount	Stock Subscription	Additional Paid-in Capital	Deficit Accumulated During the Exploration Stage	Total Shareholders' Equity (Capital Deficit)
Balance, November 21, 1985						
Issuance of common shares for cash	1,425,001	\$ 141,313	\$ -	\$ -	\$ -	\$ 141,313
Net loss for the period	-	-	-	-	(15,032)	(15,032)
Balance, May 31, 1986	1,425,001	141,313	-	-	(15,032)	126,281
Issuance of common shares for cash	550,000	256,971	-	-	-	256,971
Issuance of common shares for mineral property	25,000	13,742	-	-	-	13,742
Net loss for the year	-	-	-	-	(58,907)	(58,907)
Balance, May 31, 1987	2,000,001	412,026	-	-	(73,939)	338,087
Issuance of common shares for cash	1,858,748	1,753,413	-	-	-	1,753,413
Net income for the year	-	-	-	-	38,739	38,739
Balance, May 31, 1988	3,858,749	2,165,439	-	-	(35,200)	2,130,239
Issuance of common shares for cash	1,328,750	1,814,133	-	-	-	1,814,133
Issuance of common shares for mineral property	100,000	227,819	-	-	-	227,819
Net loss for the year	-	-	-	-	(202,160)	(202,160)
Balance, May 31, 1989	5,287,499	4,207,391	-	-	(237,360)	3,970,031
Issuance of common shares for cash	1,769,767	2,771,815	-	-	-	2,771,815
Issuance of common shares for mineral property	8,875	14,855	-	-	-	14,855
Net loss for the year	-	-	-	-	(115,966)	(115,966)
Balance, May 31, 1990	7,066,141	6,994,061	-	-	(353,326)	6,640,735
Net income for the year	-	-	-	-	28,706	28,706
Balance, May 31, 1991	7,066,141	6,994,061	-	-	(324,620)	6,669,441
Net loss for the year	-	-	-	-	(157,931)	(157,931)
Balance, May 31, 1992	7,066,141	6,994,061	-	-	(482,551)	6,511,510
Net loss for the year	-	-	-	-	(285,391)	(285,391)
Balance, May 31, 1993	7,066,141	6,994,061	-	-	(767,942)	6,226,119
Issuance of common shares for cash	5,834,491	1,536,260	-	-	-	1,536,260
Share issuance costs	-	-	-	-	(18,160)	(18,160)
Issuance of common shares for mineral property	128,493	23,795	-	-	-	23,795
Net loss for the year	-	-	-	-	(158,193)	(158,193)
Balance, May 31, 1994	13,029,125	8,554,116	-	-	(944,295)	7,609,821
Issuance of common shares for cash	648,900	182,866	-	-	-	182,866
Net loss for the year	-	-	-	-	(219,576)	(219,576)
Balance, May 31, 1995	13,678,025	8,736,982	-	-	(1,163,871)	7,573,111
Issuance of common shares for cash	2,349,160	2,023,268	-	-	-	2,023,268
Issuance of common shares for debt	506,215	662,282	-	-	-	662,282
Issuance of 5,500,000 special warrants	-	9,453,437	-	-	-	9,453,437
Special warrants issuance costs	-	-	-	-	(100,726)	(100,726)
Net loss for the year	-	-	-	-	(426,380)	(426,380)
Balance, May 31, 1996	16,533,400	\$ 20,875,969	\$ -	\$ -	\$ (1,690,977)	\$ 19,184,992

See Accompanying Summary of Accounting Policies and Notes to Consolidated Financial Statements

GOLDEN QUEEN MINING CO. LTD.
(an exploration stage company)
Consolidated Statements of Changes in Shareholders' Equity (Capital Deficit)
(US dollars)

From the Date of Inception (November 21, 1985) through December 31, 2009	Common Shares	Amount	Stock Subscription	Additional Paid-in Capital	Deficit Accumulated During the Exploration Stage	Total Shareholders' Equity (Capital Deficit)
Balance, carried forward from previous page	16,533,400	\$ 20,875,969	\$ -	\$ -	\$ (1,690,977)	\$ 19,184,992
Issuance of common shares for cash	18,000	10,060	-	-	-	10,060
Issuance of common shares for special warrants	5,500,000	-	-	-	-	-
Special warrants issuance costs	-	-	-	-	(123,806)	(123,806)
Net loss for the period	-	-	-	-	(348,948)	(348,948)
Balance, December 31, 1996	22,051,400	20,886,029	-	-	(2,163,731)	18,722,298
Issuance of common shares for cash	157,000	157,050	-	-	-	157,050
Issuance of 3,500,000 special warrants	-	5,287,315	-	-	-	5,287,315
Issuance of common shares for special warrants	3,500,000	-	-	-	-	-
Options to non-employee directors	-	-	-	70,200	-	70,200
Special warrants issuance costs	-	-	-	-	(163,313)	(163,313)
Net loss for the year	-	-	-	-	(1,047,869)	(1,047,869)
Balance, December 31, 1997	25,708,400	26,330,394	-	70,200	(3,374,913)	23,025,681
Issuance of common shares upon exercise of warrants	1,834,300	857,283	-	-	-	857,283
Issuance of common shares through conversion of debt	2,017,941	1,000,000	-	-	-	1,000,000
Share issuance costs	-	-	-	-	(6,060)	(6,060)
Issuance of common shares for cash	5,236,000	2,439,753	-	-	-	2,439,753
Options and re-priced options to non-employee directors	-	-	-	107,444	-	107,444
Net loss for the year	-	-	-	-	(971,595)	(971,595)
Balance, December 31, 1998	34,796,641	30,627,430	-	177,644	(4,352,568)	26,452,506
Issuance of 13,250,000 special warrants	-	3,350,915	-	-	-	3,350,915
Special warrants issuance costs	-	-	-	-	(166,620)	(166,620)
Issuance of common shares for special warrants	13,250,000	-	-	-	-	-
Net loss for the year	-	-	-	-	(564,657)	(564,657)
Balance, December 31, 1999	48,046,641	33,978,345	-	177,644	(5,083,845)	29,072,144
Cumulative effect of change in accounting for stock options	-	-	-	(177,644)	-	(177,644)
Stock subscription	-	-	200,000	-	-	200,000
Net loss for the year	-	-	-	-	(28,708,276)	(28,708,276)
Balance, December 31, 2000	48,046,641	33,978,345	200,000	-	(33,792,121)	386,224
Issuance of common shares through conversion of debt	406,250	65,000	-	-	-	65,000
Issuance of common shares for conversion of stock subscription	1,538,462	200,000	(200,000)	-	-	-
Share issuance costs	-	-	-	-	(3,337)	(3,337)
Net loss for the year	-	-	-	-	(262,059)	(262,059)
Balance, December 31, 2001	49,991,353	\$ 34,243,345	\$ -	\$ -	\$ (34,057,517)	\$ 185,828

See Accompanying Summary of Accounting Policies and Notes to Consolidated Financial Statements.

GOLDEN QUEEN MINING CO. LTD.
(an exploration stage company)
Consolidated Statements of Changes in Shareholders' Equity (Capital Deficit)
(US dollars)

From the Date of Inception (November 21, 1985) through December 31, 2009	Common Shares	Amount	Stock Subscription	Additional Paid-in Capital	Deficit Accumulated During the Exploration Stage	Total Shareholders' Equity (Capital Deficit)
Balance, carried forward from previous page	49,991,353	\$ 34,243,345	\$ -	\$ -	\$ (34,057,517)	\$ 185,828
Issuance of common shares through exercise of options	290,000	37,234	-	-	-	37,234
Issuance of common shares through exercise of warrants	1,520,836	243,334	-	-	-	243,334
Stock option compensation	-	-	-	21,456	-	21,456
Share issuance costs	-	-	-	-	(4,216)	(4,216)
Net loss for the year	-	-	-	-	(347,603)	(347,603)
Balance, December 31, 2002	51,802,189	34,523,913	-	21,456	(34,409,336)	136,033
Issuance of common shares through exercise of options	100,000	24,379	-	-	-	24,379
Equity component of convertible notes	-	-	-	375,000	-	375,000
Stock option compensation	-	-	-	127,326	-	127,326
Net loss for the year	-	-	-	-	(744,516)	(744,516)
Balance, December 31, 2003	51,902,189	34,548,292	-	523,782	(35,153,852)	(81,778)
Issuance of common shares for cash	8,000,000	3,036,282	-	-	-	3,036,282
Issuance of common shares for convertible notes	978,260	225,000	-	-	-	225,000
Issuance of common shares through exercise of options	200,000	55,861	-	-	-	55,861
Share issuance costs	-	-	-	-	(38,975)	(38,975)
Net loss for the year	-	-	-	-	(1,772,250)	(1,772,250)
Balance, December 31, 2004	61,080,449	37,865,435	-	523,782	(36,965,077)	1,424,140
Issuance of common shares through exercise of options	110,000	21,049	-	-	-	21,049
Stock option compensation	-	-	-	48,592	-	48,592
Net loss for the year	-	-	-	-	(1,476,324)	(1,476,324)
Balance, December 31, 2005	61,190,449	37,886,484	-	572,374	(38,441,401)	17,457
Issuance of common shares through private placement	7,200,000	1,614,716	-	1,520,899	-	3,135,615
Issuance of common shares through exercise of options	100,000	30,853	-	-	-	30,853
Issuance of common shares through exercise of warrants	8,978,260	4,659,173	-	-	-	4,659,173
Issuance of common shares for convertible notes	652,174	150,000	-	39,917	-	189,917
Stock option compensation	-	-	-	814,810	-	814,810
Modification of warrants	-	-	-	889,117	-	889,117
Share issuance costs	-	-	-	-	(62,888)	(62,888)
Net loss for the year	-	-	-	-	(4,910,036)	(4,910,036)
Balance, December 31, 2006	78,120,883	44,341,226	-	3,837,117	(43,414,325)	4,764,018
Issuance of common shares for exercise of options	290,000	127,652	-	-	-	127,652
Issuance of common shares for property	30,000	24,600	-	-	-	24,600
Net loss for the year	-	-	-	-	(2,006,482)	(2,006,482)
Balance, December 31, 2007	78,440,883	44,493,478	-	3,837,117	(45,420,807)	2,909,788
Issuance of common shares through exercise of warrants	7,200,000	4,184,425	-	-	-	4,184,425
Net loss for the year	-	-	-	-	(3,996,777)	(3,996,777)
Balance, December 31, 2008	85,640,883	48,677,903	-	3,837,117	(49,417,584)	3,097,436
Cumulative effect of change in accounting principle (Note 11)	-	-	-	(863,402)	464,255	(399,147)
Issuance of common shares through private placement (Note 6)	2,337,500	1,396,646	-	-	-	1,396,646
Issuance of common shares through exercise of options (Note 6)	400,000	131,085	-	-	-	131,085
Reclassification of derivative liability on the exercise of stock options (Note 11)	-	-	-	156,834	-	156,834
Net loss for the year, restated (Note 11)	-	-	-	-	(4,514,742)	(4,514,742)
Balance, December 31, 2009 (restated)	88,378,383	\$ 50,205,634	\$ -	\$ 3,130,549	\$ (53,468,071)	\$ (131,888)

See Accompanying Summary of Accounting Policies and Notes to Consolidated Financial Statements

GOLDEN QUEEN MINING CO. LTD.
(an exploration stage company)
Consolidated Statements of Cash Flows
(US dollars)

	Year Ended December 31, 2009 (Restated – Note 11)	Year Ended December 31, 2008	Cumulative Amounts From Date of Inception (November 21, 1985) through December 31, 2009 (Restated – Note 11)
	<u> </u>	<u> </u>	<u> </u>
Operating activities:			
Net loss	\$ (4,514,742)	\$ (3,996,777)	\$ (53,244,225)
Adjustments to reconcile net loss to non-cash items and cash used in operating activities:			
Asset impairment loss	167,898	1,270,366	32,135,592
Abandoned mineral property interests	-	-	277,251
Amortization and depreciation	6,024	6,127	461,801
Amortization of debt discount	-	-	375,000
Adjustment to asset retirement obligation based on changes in cash flow estimates	6,882	(275)	(223,583)
Accretion expense	7,779	17,213	55,381
Change in fair value of derivative liability	2,095,300	-	2,095,300
Gain on disposition of property and equipment	-	-	(10,032)
Stock option compensation	357,989	-	1,370,173
Financing charges related to modification of warrants	-	-	889,117
Mineral property expenditures	-	-	(22,395,449)
Changes in assets and liabilities:			
Receivables	(4,553)	23,492	(24,604)
Prepaid expenses and other current assets	356	1,599	(106,400)
Accounts payable and accrued liabilities	(20,456)	31,343	268,504
Royalty and mining rights payable	(48,034)	(24,450)	-
Cash used in operating activities	<u>(1,945,557)</u>	<u>(2,671,362)</u>	<u>(38,076,174)</u>
Investing activities:			
Purchase of mineral properties	(167,898)	(1,270,366)	(7,803,356)
Deposits on mineral properties	-	-	(1,017,551)
Purchase of reclamation financial assurance	(14,845)	(5,116)	(286,653)
Purchase of property and equipment	-	-	(1,313,838)
Proceeds from sale of property and equipment	-	-	47,153
Cash used in investing activities	<u>(182,743)</u>	<u>(1,275,482)</u>	<u>(10,374,245)</u>

See Accompanying Summary of Accounting Policies and Notes to Consolidated Financial Statements

GOLDEN QUEEN MINING CO. LTD.
(an exploration stage company)
Consolidated Statements of Cash Flows (Continued)
(US dollars)

	Year Ended December 31, 2009 (Restated – Note 11)	Year Ended December 31, 2008	Cumulative Amounts From Date of Inception (November 21, 1985) through December 31, 2009 (Restated – Note 11)
Financing activities:			
Borrowing under long-term debt	-	-	3,918,187
Payment of long-term debt	-	-	(2,105,905)
Proceeds from convertible debt	-	-	440,000
Issuance of common shares for cash	1,396,646	-	21,237,302
Share issuance costs	-	-	(688,101)
Issuance of special warrants	-	-	18,091,667
Issuance of common shares upon exercise of stock options	131,085	-	289,590
Issuance of common shares upon exercise of warrants	-	4,184,425	9,700,881
Cash provided by financing activities	<u>1,527,731</u>	<u>4,184,425</u>	<u>50,883,621</u>
Net change in cash and cash equivalents	(600,569)	237,581	2,433,202
Cash and cash equivalents, beginning balance	<u>3,033,771</u>	<u>2,796,190</u>	<u>-</u>
Cash and cash equivalents, ending balance	<u>\$ 2,433,202</u>	<u>\$ 3,033,771</u>	<u>\$ 2,433,202</u>

Supplementary Disclosures of Cash Flows Information (Note 10)

See Accompanying Summary of Accounting Policies and Notes to Consolidated Financial Statements

GOLDEN QUEEN MINING CO. LTD.
(an exploration stage company)
Summary of Accounting Policies
(US dollars)

Nature of Business Golden Queen Mining Co. Ltd. (“Company”) is engaged in acquiring and maintaining gold and silver mining properties for exploration, future development and production. The Company was formed on November 21, 1985. Since its inception, the Company has been in the exploration stage. Planned activities involve bringing to production a precious metals mine located in the Mojave Mining District, Kern County, California.

Principles of Consolidation. These consolidated financial statements include the accounts of Golden Queen Mining Co. Ltd., a British Columbia corporation, and its wholly-owned subsidiary, Golden Queen Mining Co., Inc. (the “Subsidiary”), a US (State of California) corporation and, until its dissolution on August 27, 2007, the Karma Wegmann Corporation (see Note 4).

Generally Accepted Accounting Principles (“GAAP”). The consolidated financial statement has been prepared in accordance with accounting principles generally accepted in the US.

In June 2009, “The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles” was issued. The FASB Accounting Standards Codification (“Codification”) will become the source of authoritative US GAAP to be applied by nongovernmental entities. Rules and interpretive releases of the Securities and Exchange Commission “SEC” under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. On the effective date of this statement, the Codification will supersede all then-existing non-SEC accounting and reporting standards. All other non-grandfathered non-SEC accounting literature not included in the Codification will become non-authoritative. This statement is effective for financial statements issued for interim and annual periods ending after September 30, 2009. Effective January 1, 2009, references made to FASB guidance throughout this consolidated financial statements have been updated for the Codification.

Cash and Cash Equivalents. For purposes of balance sheet classification and the statements of cash flows, the Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. In response to the global financial crisis of 2008, the Emergency Economic Stabilization Act of 2008 (“Act”) was created in the US. The Act temporarily increased the federal deposit insurance coverage (“FDIC”) from \$100,000 to \$250,000 per depositor until December 31, 2013.

The Company places its cash and cash equivalents with high quality financial institutions and, by policy, limits the amount of credit exposure to any one financial institution. At times, such investments may be in excess of FDIC insurance limits. To date, the Company has not experienced a loss or lack of access to its invested cash and cash equivalents. However, no assurance can be provided that access to the Company’s invested cash and cash equivalents will not be impacted by adverse economic conditions in the financial markets.

Property and Equipment. Property and equipment are stated at the lower of cost or net realizable value less accumulated depreciation. Depreciation is provided by the straight-line method over the estimated service lives of the respective assets, which range from 5 to 30 years, as follows:

Buildings	20 years
Furniture and Fixtures	5 years
Automobiles	3 to 5 years
Rental Properties	30 years

Mineral Properties. Mineral properties includes the cost of advance minimum royalty payments, the cost of capitalized mineral property leases, and the cost of property acquired either by cash payment, the issuance of term debt or common shares. Expenditures for exploration on specific properties with no proven reserves are written off as incurred. Mineral property costs will be amortized against future revenues or charged to operations at the time the related property is determined to have an impairment in value.

GOLDEN QUEEN MINING CO. LTD
(an exploration stage company)
Summary of Accounting Policies
(US dollars)

Carrying Value of Mineral Property Interests. The cost of acquiring mineral property interests is capitalized. Capitalized acquisition costs are expensed in the period in which it is determined that the mineral property has no future economic value. Capitalized amounts may also be written down if future cash flows, including potential sales proceeds related to the property, are estimated to be less than the carrying value of the property. The Company reviews the carrying value of mineral property interests periodically, and whenever events or changes in circumstances indicate that the carrying value may not be recoverable, reductions in the carrying value of each property would be recorded to the extent the carrying value of the investment exceeds the property's estimated fair value (Note 3).

Exploration and Development Expenditures. Exploration and development expenditures are expensed as incurred. Once a mineral reserve has been established, all future development costs will be capitalized and charged to operations on a unit-of-production method based on estimated recoverable reserves.

Valuation of Long-lived Assets. Accounting standard requires recognition of impairment of long-lived assets in the event the net book value of such assets exceeds the estimated undiscounted future cash flows attributable to such assets. It requires that those long-lived assets to be disposed of by sale are to be measured at the lower of carrying amount or fair value less cost of sale whether reported in continuing operations or in discontinued operations. In accordance with the provisions of the accounting standard, the Company reviews the carrying value of its mineral properties on a regular basis. Estimated undiscounted future cash flow from the mineral properties is compared with the current carrying value in order to determine if an impairment exists. Reductions to the carrying value, if necessary, are recorded to the extent the net book value of the property exceeds the estimate of future discounted cash flow or liquidation value.

Foreign Currency Translation. The Company has adopted the US dollar as its reporting currency for its financial statements prepared after May 21, 1996 as the US dollar is the currency of the primary economic environment in which Golden Queen and the Subsidiary conduct business and is considered the appropriate functional currency for the Company's operations. Balances held in Canadian dollars are re-measured into the functional currency in accordance with accounting standard, "Foreign Currency Translation". Assets and liabilities in foreign currencies are generally translated into US dollars at the rates ruling at the balance sheet date. Revenues and expenses are translated at average rates for the year. Where amounts denominated in a foreign currency are converted into dollars by remittance or repayment, the realized exchange differences are included in other income. The exchange rates prevailing at December 31, 2009 and December 31, 2008 were \$1.05 and \$1.22 stated in Canadian dollars per one US dollar respectively. The average rates of exchange during the years ended December 31, 2009 and December 31, 2008 were \$1.14 and \$1.07 stated in Canadian dollars per one US dollar, respectively.

Loss per Share. The Company computes and discloses loss per share in accordance with accounting standard, "Earnings per Share", which requires dual presentation of basic loss per share and diluted loss per share on the face of all income statements presented for all entities with complex capital structures. Basic loss per share is computed as net loss divided by the weighted average number of common shares outstanding for the period. Diluted loss per share reflects the potential dilution that could occur from common shares issuable through stock options and warrants. Since the Company's stock options and warrants are anti-dilutive for all periods presented, there is no difference between basic and diluted loss per share as presented. A total of 3,850,000 (2008 – 2,300,000) and nil (2008 – nil) common shares were issuable pursuant to such stock options and warrants at December 31, 2009 and 2008, respectively.

Asset Retirement Obligations. The Company follows the requirements of accounting standard, "Accounting for Asset Retirement Obligations". The Company records the fair value of an asset retirement obligation as a liability in the period in which it incurs a legal obligation associated with the retirement of tangible long-lived assets that result from the acquisition, construction, development, and/or normal use of the assets. The obligation is measured initially at fair value using present value methodology, and the resulting costs capitalized into the carrying amount of the related asset. In subsequent periods, the liability will be adjusted for any changes in the amount or timing of the underlying future cash flows. Capitalized asset retirement costs are depreciated on the same basis as the related asset and the discount accretion of the liability is included in determining the results of operations.

GOLDEN QUEEN MINING CO. LTD.
(an exploration stage company)
Notes to Consolidated Financial Statements
(US dollars)

Estimates. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates have been made by management in several areas including the recoverability of mineral properties, reclamation reserves and valuation of stock options. Actual results could differ from those estimates.

Fair Value of Financial Instruments. The carrying amounts reported in the balance sheets for cash and cash equivalents, receivables, accounts payable and accrued liabilities approximates fair value because of the immediate or short-term maturity of these financial instruments. The fair value of the reclamation financial assurance approximates the carrying value because the stated interest rates reflect recent market conditions or because the rates are variable in nature.

Income Taxes. The Company follows the asset and liability method of accounting for income taxes whereby deferred tax assets and liabilities are recognized for the future tax consequences of differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. If it is determined that the realization of the future tax benefit is not more likely than not, the Company establishes a valuation allowance.

Stock Option Plan. In 1996, the Company adopted the 1996 stock option plan (the “1996 Plan”) reserving 3,300,000 shares for issuance on exercise of options granted under that plan. The exercise price of stock options granted under the 1996 Plan is determined by the Board of Directors of the Company (the “Board”), or a committee established by the Board in accordance with the 1996 Plan, but shall not be less than the closing price on the day immediately preceding the award date. Options issued to directors who are not employees can vest immediately. For all other options granted under the 1996 Plan, the right to exercise vests over a two year period in equal increments on the date of grant and on each of the first two anniversaries of such date. All stock options granted under the 1996 Plan and outstanding as at December 31, 2009 expire at a date determined by the Board, not exceeding five years from the date of grant, or after 39 months from the date of grant if not specified.

In 2009, the Company adopted a second stock option plan referred to as the 2008 stock option plan (the “2008 Plan”). Pursuant to the 2008 stock option plan, a further 7,200,000 shares were reserved for issuance on exercise of options granted under the new plan. The exercise price of stock options granted under the 2008 Plan is determined by the Board, but shall not be less than the volume weighted average price for the five trading days immediately prior to the award date. All options granted under the 2008 Plan will be subject to such vesting requirements as may be prescribed by the Exchange, if applicable, or as may be imposed by the Board. All stock options granted under the 2008 Plan and outstanding as at December 31, 2009 expire at a date determined by the Board, not exceeding five years from the date of grant.

GOLDEN QUEEN MINING CO. LTD.
(an exploration stage company)
Notes to Consolidated Financial Statements
(US dollars)

Derivative Financial Instruments. The Company reviews the terms of its equity instruments and other financing arrangements to determine whether there are embedded derivative instruments that are required to be accounted for separately as a derivative financial instrument. Also, in connection with the issuance of financing instruments, the Company may issue freestanding options or warrants that may, depending on their terms, be accounted for as derivative instrument liabilities, rather than as equity. The Company may also issue options or warrants to non-employees in connection with consulting or other services.

Derivative financial instruments are initially measured at their fair value. For derivative financial instruments that are accounted for as liabilities, the derivative instrument is initially recorded at its fair value and is then re-valued at each reporting date, with changes in the fair value reported as charges or credits to income. For warrant-based derivative financial instruments, the Company uses the Black-Scholes option pricing model to value the derivative instruments. To the extent that the initial fair values of the freestanding and/or bifurcated derivative instrument liabilities exceed the total proceeds received, an immediate charge to income is recognized, in order to initially record the derivative instrument liabilities at their fair value.

The classification of derivative instruments, including whether such instruments should be recorded as liabilities or as equity, is reassessed at the end of each reporting period. If reclassification is required, the fair value of the derivative instrument, as of the determination date, is reclassified. Any previous charges or credits to income for changes in the fair value of the derivative instrument are not reversed. Derivative instrument liabilities are classified in the balance sheet as current or non-current based on whether or not net-cash settlement of the derivative instrument could be required within 12 months of the balance sheet date.

New Accounting Pronouncements. In January 2010, an accounting standard update on codification, Fair value Measurements and Disclosures, improving disclosures about fair value measurements was issued. This update provides amendments that will provide more robust disclosures about (1) the different classes of assets and liabilities measured at fair value, (2) the valuation techniques and inputs used, (3) the activity in Level 3 fair value measurements, and (4) the transfers between Levels 1, 2, and 3. The standard adds new disclosure and clarifies existing disclosure requirements. The new standard requires disclosures of the fair value of financial instruments for interim reporting periods of publicly traded companies in addition to the annual disclosure required at year-end. The provisions of the new standard are effective for the interim periods ending after June 15, 2009. The adoption of this standard did not have a material effect on the Company's consolidated financial statements.

In June 2008, the Financial Accounting Standards Board ("FASB") issued Emerging Issues Task Force ("EITF") Issue 07-5 (EITF 07-5), "Determining Whether an Instrument (or Embedded Feature) is Indexed to an Entity's Own Stock" which is now included in the FASB Accounting Standards Codification at ASC 815-40-15. This guidance requires entities to evaluate whether an equity-linked financial instrument (or embedded feature) is indexed to its own stock by assessing the instrument's contingent exercise provisions and settlement provisions. Instruments not indexed to their own stock fail to meet the scope exception of Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities, paragraph 11(a), now included in the FASB Codification at ASC 815-10-15-74(a), and should be classified as a liability and marked-to-market. ASC 815-40-15 was effective for fiscal years beginning after December 15, 2008 and thus, upon its adoption on January 1, 2009, was applied to the Company's outstanding stock options and warrants. (Note 11).

In January 2010, an accounting standard update on stock compensation was issued. This accounting standards update codifies Escrowed Share Arrangements and the Presumption of Compensation. When evaluating whether presumption of compensation has been overcome, registrants should consider the substance of the arrangement, including whether the arrangement was entered into for purposes unrelated to, and not contingent upon, continued employment. An escrowed share arrangement in which the shares are automatically forfeited if employment terminates is compensation. The adoption of this standard is not expected to have a material effect on the Company's consolidated financial statements.

GOLDEN QUEEN MINING CO. LTD.
(an exploration stage company)
Notes to Consolidated Financial Statements
(US dollars)

New Accounting Pronouncements (continued). In September 2009, an accounting standard update, “Fair Value Measurement and Disclosures” was issued. This amendments to Fair Value Measurements and Disclosures—Overall for the fair value measurement of investments in certain entities that calculate net asset value per share (or its equivalent). The amendments in this Update also require disclosures by major category of investment about the attributes of investments within the scope of the amendments in this Update. The amendments in this Update are effective for interim and annual periods ending after December 15, 2009. Early application is permitted in financial statements for earlier interim and annual periods that have not been issued. If an entity elects to early adopt the measurement amendments in this Update, the entity is permitted to defer the adoption of the disclosure provisions until periods ending after December 15, 2009. The adoption of this standard did not have a material effect on the Company’s consolidated financial statements.

In August 2009, “Fair Value of Measurements and Disclosure – Measuring Liabilities at Fair Value” was issued. The new guidance provides clarification that in certain circumstances in which a quoted price in an active market for the identical liability is not available, a company is required to measure fair value using one or more of the following valuation techniques: the quoted price of the identical liability when traded as an asset, the quoted prices for similar liabilities or similar liabilities when traded as assets, or another valuation technique that is consistent with the principles of fair value measurements. The new guidance clarifies that a company is not required to include an adjustment for restrictions that prevent the transfer of the liability and if an adjustment is applied to the quoted price used in a valuation technique, the result is a Level 2 or 3 fair value measurement. The new guidance is effective for interim and annual periods beginning after August 27, 2009. The adoption of this standard is not expected to have a material effect on the Company’s consolidated financial statements.

In May 2009, “Subsequent Events” was issued, which establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. The standard sets forth (1) The period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, (2) The circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements and (3) The disclosures that an entity should make about events or transactions that occurred after the balance sheet date. The standard was effective for interim or annual financial periods ending after June 15, 2009. The Company has evaluated subsequent events through December 14, 2010 which represents the date on which the financial statements were issued.

In April 2009, an accounting standard was issued, which extends the previous disclosure requirements about fair value of financial instruments to interim financial statements of publicly traded companies. This standard requires that disclosures provide quantitative and qualitative information on fair value estimates for all financial instruments not measured on the balance sheet at fair value, when practicable, with the exception of certain financial instruments. This standard is effective prospectively for interim reporting periods ending after June 15, 2009. The adoption of this standard did not have a material effect on the Company’s consolidated financial statements.

Accounting Standards Not Yet Effective

In June 2009, new guidance relating to the accounting for transfers of financial assets was issued. The new guidance, which was issued as, *Accounting for Transfers of Financial Assets*, has not yet been adopted into Codification. The new standard eliminates the concept of a “qualifying special-purpose entity,” changes the requirements for derecognizing financial assets, and requires additional disclosures in order to enhance information reported to users of financial statements by providing greater transparency about transfers of financial assets, including securitization transactions, and an entity’s continuing involvement in and exposure to the risks related to transferred financial assets. The new guidance is effective for fiscal years beginning after November 15, 2009. The Company is evaluating the impact it would have to the Company’s consolidated financial statements.

GOLDEN QUEEN MINING CO. LTD.
(an exploration stage company)
Notes to Consolidated Financial Statements
(US dollars)

1. Financial Condition and Ability to Continue as a Going Concern

These financial statements have been prepared on a going concern basis, which assumes the Company will continue to realize its assets and discharge its liabilities and commitments in the normal course of business. The Company has not generated revenues and has an accumulated deficit of \$53,468,071 at December 31, 2009 and is unlikely to generate earnings in the immediate or foreseeable future. The continuation of the Company as a going concern is dependent upon the continued financial support from its shareholders, the ability of the Company to obtain necessary equity and/or debt or joint venture financing to fund construction of the operating facility on its Soledad Mountain Property (the "Property") in the Mojave Mining District, Kern County, California once a production decision has been made.

Management cannot provide assurances that such plans will occur. These factors raise substantial doubt regarding the Company's ability to continue as a going concern. These financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

2. Property and Equipment

Property and equipment consists of:

	<u>2009</u>	<u>2008</u>
Buildings	\$ 26,360	\$ 26,360
Furniture and fixtures	56,090	56,090
Automobiles	21,401	21,401
Rental properties	<u>313,635</u>	<u>313,635</u>
Property and equipment, cost	417,486	417,486
Less accumulated depreciation	<u>(211,570)</u>	<u>(205,546)</u>
Property and equipment, net	<u>\$ 205,916</u>	<u>\$ 211,940</u>

3. Mineral Properties

The Company formerly capitalized amounts which were paid to acquire mineral property rights and for professional services rendered in the exploration, drilling, sampling, engineering and other related technical, managerial and professional services toward the evaluation and development of its Property until the fiscal year 2000. The Company's investment in mineral properties in the amount of \$30,616,348 (2008 - \$30,267,372) was fully provided for by the year ended December 31, 2009.

	<u>2009</u>	<u>2008</u>
Exploration and development expenditures	\$ 21,015,506	\$ 21,015,506
Mineral Properties	5,937,952	5,770,054
Advance minimum royalty	3,297,103	3,122,907
Asset retirement obligations	365,787	358,905
Asset impairment loss	<u>(30,616,348)</u>	<u>(30,267,372)</u>
Total	<u>\$ -</u>	<u>\$ -</u>

GOLDEN QUEEN MINING CO. LTD.
(an exploration stage company)
Notes to Consolidated Financial Statements
(US dollars)

3. Mineral Properties - Continued

As at December 31, 2009, the Company had provided reclamation financial assurance to the Bureau of Land Management, the State and Kern County totaling \$286,653 (2008 - \$271,808). This deposit earns interest at 0.4% per annum and is not available for working capital purposes.

4. Other Assets

In July 2006 the Company acquired, through the purchase of the Karma Wegmann Corporation a tract of land contiguous to the Property in consideration of \$875,000 paid to the vendors. The mineral properties owned by Karma Wegmann Corporation were transferred to Golden Queen Mining Co. Inc. and management determined that a write down of \$875,000 was necessary in 2006. The Karma Wegmann Corporation was wound-up on August 27, 2007.

The Company is required to pay a royalty of 1% of gross smelter returns for a period of up to 60 years, not to exceed \$60,000,000, upon commencement of commercial production from the property formerly owned by Karma Wegmann Corporation. As of December 31, 2009, the Company has not incurred any royalty as the property has not been in production.

5. Income Taxes

The tax effects of the temporary differences that give rise to the Company's deferred tax assets and liabilities are as follows:

	<u>2009</u>	<u>2008</u>
Net operating and capital losses	\$ 8,848,000	\$ 8,777,000
Property, plant and equipment	317,000	321,000
Mineral properties and deferred exploration costs	1,456,000	1,539,000
Asset retirement obligations	58,000	60,000
Undeducted financing costs	4,000	9,000
Valuation allowance	<u>(10,683,000)</u>	<u>(10,706,000)</u>
Deferred tax assets (liabilities)	\$ <u>-</u>	\$ <u>-</u>

The provision for income taxes differs from the amount established using the statutory income tax rate as follows:

	<u>2009</u>	<u>2008</u>
Income benefit at Canadian statutory rate	\$ (1,354,000)	\$ (1,239,000)
Foreign income taxes at other than Canadian statutory rate	(64,000)	(92,000)
Change in fair value of derivative liability	681,000	-
Expiry of losses carried forward	699,000	-
Effect of reduction in statutory rate	61,000	163,000
Increase (decrease) in valuation allowance	<u>(23,000)</u>	<u>1,168,000</u>
Deferred tax recovery	\$ <u>-</u>	\$ <u>-</u>

GOLDEN QUEEN MINING CO. LTD.
(an exploration stage company)
Notes to Consolidated Financial Statements
(US dollars)

5. Income Taxes - Continued

The Company's deferred tax assets include approximately \$14,000 (2008 - \$29,000) related to deductions for share issue costs in excess of amounts deducted for financial reporting purposes. If and when the valuation allowance related to these amounts is reversed, the Company will recognize this benefit as an adjustment to share capital as opposed to income tax expense in the Statements of Loss.

The Company evaluates its valuation allowance requirements based on projected future operations. When circumstances change and this causes a change in management's judgment about the recoverability of future tax assets, the impact of the change on the valuation allowance is reflected in current income. As management of the Company does not currently believe that it is more likely than not that the Company will receive the benefit of this asset, a valuation allowance equal to the future tax asset has been established at both December 31, 2009 and December 31, 2008.

As at December 31, 2009, the Company had net operating loss carry-forwards available to reduce taxable income in future years as follows:

<u>Country</u>	<u>Amount</u>	<u>Expiration Dates</u>
US – Federal	\$22,309,000	2010 – 2029
Canada (C\$)	\$ 5,505,000	2010 – 2029

These financial statements do not reflect the potential effect on future income taxes of the application of these losses.

“Accounting for Uncertainty in Income Taxes” was issued, which clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements, and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The Company has evaluated its tax positions for the years ended December 31, 2009 and 2008 and determined that it has no uncertain tax positions requiring financial statement recognition.

The impact of an uncertain income tax position on income tax expense must be recognized at the largest amount that is more likely than not to be sustained. An uncertain income tax position will not be recognized if it has less than a 50% likelihood of being sustained. Because the Company's recent history of operating losses, management believes that recognition of the deferred tax assets arising from the above-mentioned future tax benefits is currently not likely to be realized and, accordingly, has provided a 100% valuation allowance against its net deferred tax assets due to the uncertainty surrounding the realization of such assets.

6. Share capital

Common shares

In January 2008, warrants were exercised and the Company issued 7,200,000 common shares at C\$0.60 per share for proceeds of \$4,184,425 (C\$4,320,000).

In July 2009, the Company issued 2,337,500 common shares at C\$0.65 per share for proceeds of \$1,396,646 (C\$1,519,375).

During the three-month period from September to November of 2009, 400,000 stock options were exercised and the Company issued 400,000 common shares at C\$0.35 per share for cash proceeds of \$131,085 (C\$140,000).

GOLDEN QUEEN MINING CO. LTD.
(an exploration stage company)
Notes to Consolidated Financial Statements
(US Dollars)

6. Share capital - Continued

Stock options

The Company has elected to use the Black-Scholes option pricing model to determine the fair value of stock options granted. In accordance with the accounting standard for employees, the compensation expense is amortized on a straight-line basis over the requisite service period which approximates the vesting period. Compensation expense for stock options granted to non-employees is amortized over the contract services period or, if none exists, from the date of grant until the options vest. Compensation associated with unvested options granted to non-employees is re-measured on each balance sheet date using the Black-Scholes option pricing model.

The expected volatility of options granted has been determined using the method described under the accounting standard using the historical stock price. The Company uses historical data to estimate option exercise, forfeiture and employee termination within the valuation model. For non-employees, the expected term of the options approximates the full term of the options. The risk-free interest rate is based on a treasury instrument whose term is consistent with the expected term of the stock options. The Company has not paid and does not anticipate paying dividends on its common stock; therefore, the expected dividend yield is assumed to be zero. In addition, accounting standard requires companies to utilize an estimated forfeiture rate when calculating the expense for the reporting period. Based on its best estimate, management applied the estimated forfeiture rate of nil in determining the expense recorded in the accompanying Consolidated Statements of Loss.

The following is a summary of stock option activity during the year ended December 31, 2009:

	Shares	Weighted Average Exercise Price per Share
Options outstanding and exercisable, January 1, 2008 and December 31, 2008	2,300,000	C\$0.57
Granted	1,950,000	C\$0.26
Exercised	(400,000)	C\$0.35
Options outstanding and exercisable, December 31, 2009	3,850,000	C\$0.44

The Company applies the fair value method in accounting for its stock options granted to directors, officers and consultants using the Black-Scholes option pricing model. The stock-based compensation expense recognized on the grant date was \$357,989 (2008 - \$nil). Subsequent to the grant date, such options are revalued to fair value at each period end. (Note 11)

The fair value of stock options granted as above was calculated using the following weighted average assumptions:

	2009	2008
Expected life (years)	5	-
Interest rate	2.04%	-
Volatility	112.3%	-
Dividend yield	0%	-

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate.

As at December 31, 2009, the aggregate intrinsic value of the outstanding exercisable options was \$1,921,979 (2008 - \$nil). The total intrinsic value of 400,000 options exercised during 2009 was approximately \$232,160 (2008 - \$nil).

GOLDEN QUEEN MINING CO. LTD.
(an exploration stage company)
Notes to Consolidated Financial Statements
(US Dollars)

6. Share capital - Continued

Stock options - Continued

There is no unamortized compensation expense as at December 31, 2009 and 2008 as all the outstanding options vested at the grant date.

The following table summarizes information about stock options outstanding and exercisable at December 31, 2009:

Expiry Date	Number Outstanding and Exercisable	Weighted Average Contractual Life (Years)	Weighted Average Exercise Price
February 1, 2010	700,000	0.09	C\$0.35
April 20, 2011	1,200,000	1.30	C\$0.77
January 28, 2014	1,950,000	4.08	C\$0.26
	3,850,000	2.49	C\$0.44

In January 2010, the Company issued 700,000 common shares for proceeds of \$233,111 (C\$245,000) pursuant to the exercise of stock options.

In April 2010, the Company granted 50,000 stock options to a consultant, which are exercisable at C\$1.24 per share and expire on April 18, 2015.

In September 2010, 50,000 stock options were exercised and the Company issued 50,000 common shares at C\$0.26 per share for proceeds of \$12,487 (C\$13,000).

Warrants

	Shares	Weighted Average Exercise Price per Share	Average Contractual Life (Years)
Outstanding and exercisable, January 1, 2008	7,200,000	C\$0.60	1.07
Granted	-	-	
Exercised	(7,200,000)	C\$0.60	1.07
Options outstanding and exercisable, December 31, 2008 and 2009	-	-	

On June 1, 2010, the Company issued 5,000,000 units at C\$1.60 per unit for gross proceeds of \$7,634,316 (C\$8,000,000). Each unit consisted of one common share, one-quarter of one Class A purchase warrant and one-quarter of one Class B purchase warrant. Each whole Class A warrant is exercisable to acquire one additional common share of the Company at a price of C\$1.75. Each Class B warrant is exercisable to acquire one additional common share of the Company at a price of C\$2.00. Both Class A and Class B warrants expire December 1, 2011.

GOLDEN QUEEN MINING CO. LTD.
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(US Dollars)

7. Asset Retirement Obligations

The Company is required to provide the Bureau of Land Management, the State Office of Mine Reclamation and Kern County with a revised reclamation cost estimate once per year. The financial assurance is adjusted once the cost estimate is approved (Note 3).

The Company estimated its asset retirement obligation based on its understanding of the requirements to reclaim, and clean up its Property. The Company estimated that total payments of approximately \$370,414 over three years commencing in 2017 would be required to complete the retirement obligations. In determining the estimated initial present value of the obligation, a discount factor of 9.0% (the credit-adjusted risk-free rate), and an inflation rate of 3.0% were used. The asset portion of the retirement obligation was written off in 2004. The asset retirement obligation accrual required management to make significant estimates and assumptions. Actual results could materially differ from these estimates. The liability for accrued asset retirement obligations is comprised as follows:

	2009	2008
Beginning of the year	\$ 162,903	\$ 145,965
Change in cash flow estimates	6,882	(275)
Accretion expense	7,779	17,213
End of the year	\$ 177,564	\$ 162,903

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8. *Commitments and Contingencies*

The Company has acquired a number of mineral properties outright and has acquired exclusive rights to explore, develop and mine the Property under various agreements with landowners.

Agreements are typically subject to sliding scale royalties on either gross or net smelter returns ranging from 1% to 7.5%.

The Company ceased making property payments and advance minimum royalty payments after successfully concluding moratorium agreements with a number of the landowners in 2000. The moratorium agreements expired toward the end of 2003. The total advance minimum royalty owing from 2003 to the end of 2008 was \$714,137. The Company contacted all landholders and has paid a total of \$714,137 during 2008. During the year ended December 31, 2009, the Company paid \$174,196 to the remaining rightful landholders (2008 - \$48,034). The total advance minimum royalty owing for 2010 is expected to be approximately \$153,000.

In 2007, the Company reached an agreement with a landowner to amend the terms of the lease agreement. Under the terms of the amendment, the Company was granted an extension of twenty years and had to pay \$100,000 owing from 2005. In addition, the Company was not required to pay any further advance royalty until April 23, 2008. Furthermore, the Company will receive a credit representing 50% of all advance minimum royalty paid to date, to be used it against the future production royalty payments. The Company made advance minimum royalty payment, and paid the landowner \$100,000 in 2008 and \$100,000 in 2009.

A mining lease agreement with a group of landholders expired in 2004. The Company is currently in discussions with this group of landholders in an effort to reach a new agreement.

The Company has agreed to issue 100,000 common shares as a finder's fee upon commencement of commercial production on the Property in connection with certain property acquisitions. As of December 31, 2009, commercial production has not commenced and no shares have been issued.

In a prior year, the Company entered into an agreement with the President of the Company to issue 300,000 bonus shares upon the completion of certain milestones. Upon receipt by the Company of a bankable feasibility study and the decision to place the Property into commercial production, a bonus of 150,000 common shares is to be issued. Upon commencement of commercial production on the Property, a bonus of 150,000 common shares is to be issued. As at December 31, 2009, the milestones had not been reached and no common shares were issued in connection with this agreement.

9. *Related Party Transactions*

Except as noted elsewhere in these consolidated financial statements, related party transactions are disclosed as follows:

For the year ended December 31, 2009, the Company paid \$116,776 (2008 - \$136,500) to the President of the Company for his services, and paid \$18,620 (2008 - \$17,996) to the Director of the Company for his consulting services to the Company.

For the year ended December 31, 2009, the Company paid \$1,752 (2008 - 1,861) to each of the four directors and \$2,000 (2008 - \$2,000) to two directors as director's fees.

The above noted transactions were in the normal course of operations, and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

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10. Supplementary Disclosures of Cash Flow Information

	Year ended December 31, 2009	Year ended December 31, 2008	Cumulative Amounts From Date of Inception (November 21, 1985) through December 31, 2009
Cash paid during year for:			
Interest	\$ -	\$ -	\$ 1,192,911
Income taxes	\$ -	\$ -	-
Non-cash financing and investing activities:			
Reclassification of derivative liability for exercised stock options	\$ 156,834	\$ -	\$ 156,834
Stock option compensation	\$ 357,989	\$ -	\$ 1,370,173
Financing charges related to modification of warrants term	\$ -	\$ -	\$ 889,117
Exchange of notes for common shares	\$ -	\$ -	\$ 1,727,282
Exchange of note for future royalty payments	\$ -	\$ -	\$ 150,000
Common shares issued for mineral property	\$ -	\$ -	\$ 304,811
Mineral property acquired through the issuance of long-term debt	\$ -	\$ -	\$ 1,084,833
Common shares issued upon conversion of convertible debt	\$ -	\$ -	\$ 414,917
Asset retirement obligations	\$ 14,661	\$ 16,938	\$ 177,564

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11. Restatement of Prior Financial Statements

Subsequent to the issuance of the Company's December 31, 2009 consolidated financial statements, management discovered an error in connection with the guidance of ASC 815-40-15 in respect of the Company's outstanding stock options. As at January 1, 2009, the date on which the guidance of ASC 815-40-15 became effective for the Company, these stock options met the criteria of a derivative instrument liability because they were exercisable in a currency other than the functional currency of the Company and thus do not meet the "fixed-for-fixed" criteria of that guidance. As a result, the Company was required to separately account for the stock options as a derivative instrument liability recorded at fair value and marked-to-market each period with the changes in the fair value each period charged or credited to income.

The transition provisions of ASC 815-40-15 require cumulative effect adjustments as of January 1, 2009 to reflect the amounts that would have been recognized if derivative fair value accounting had been applied from the original issuance date of an equity-linked financial instrument through the implementation date of the revised guidance. Thus, the Company calculated the value of the derivative liability associated with the stock options at the date of their issuances and recorded the change in the fair value of the derivative liability from the date of the grant of the options up to January 1, 2009. Additionally, in conjunction with the foregoing, the previously calculated amounts in respect of the additional paid-in capital were reversed.

The cumulative effect of this change in accounting principle of \$399,147 has been recognized as a decrease of the opening balance of the accumulated deficit of \$464,255 and a decrease in the opening balance of additional paid-in capital of \$863,402 as of January 1, 2009, with corresponding adjustments at January 1, 2009 to recognize a derivative liability of \$399,147.

Stock-based compensation of \$357,989 in respect of stock options granted in 2009, previously recorded as additional paid-in capital, was reclassified as derivative liability in connection with the adoption of these pronouncements.

During the year ended December 31, 2009, a total of 400,000 stock options included the derivative liability were exercised. Upon exercise of these options, the portion of the derivative liability that pertained to these options was re-measured and recorded at its fair value of \$156,834, subsequent to which it was reclassified to additional paid-in capital. The Company measured the fair value of the derivative liability pertaining to the options exercised using the Black-Scholes pricing model with the following range of assumptions: expected volatility – 100.45% - 108.23%, expected life – 0.28 – 0.44 years, risk-free discount rate – 1.23% - 1.52%, dividend yield – 0.00%.

As of December 31, 2009, the Company had re-measured the remaining outstanding options and determined the fair value of the derivative liability to be \$2,695,602.

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11. Restatement (continued)

The Consolidated Balance Sheet of the Company as at December 31, 2009 has been restated for the effect of this change as follows:

	As previously reported	Adjustment	Restated
Derivative liability	\$ -	\$ 2,695,602	\$ 2,695,602
Additional paid in capital	\$ 4,195,106	\$ (1,064,557)	\$ 3,130,549
Ending accumulated deficit	\$ (51,837,026)	\$ (1,631,045)	\$ (53,468,071)

The Consolidated Statement of Loss for the year ended December 31, 2009 has been restated for the effect of this change as follows:

	As previously reported	Adjustment	Restated
Change in fair value of derivative liability	\$ -	\$ (2,095,300)	\$ (2,095,300)
Net loss for the year	\$ (2,419,442)	\$ (2,095,300)	\$ (4,514,742)
Net loss, cumulative amounts from date of inception (November 21, 1985) through December 31, 2009	\$ (51,148,925)	\$ (2,095,300)	\$ (53,244,225)
Loss per share	\$ (0.03)	\$ (0.02)	\$ (0.05)

The impact of the adoption of ASC 815-40-15 is of a non-cash nature. Therefore, there is no change in total operating, investing, and financing activities on the Consolidated Statement of Cash Flows.

The fair value of the derivative liability has been determined using the Black-Scholes option pricing model using the following assumptions:

	December 31, <u>2009</u>	January 1, <u>2009</u>
Risk-free interest rate	1.47 to 2.77%	1.09%
Expected life of derivative liability	1 to 4.1 years	1.1 to 2.3 years
Expected volatility	60% to 148%	116% to 152%
Dividend rate	0.00%	0.00%