

**GOLDEN QUEEN MINING CO. LTD.**  
**(an exploration stage company)**  
**Consolidated Balance Sheets**  
**June 30, 2008**  
**(Unaudited - Prepared by Management - US dollars)**

## **NOTICE OF NO AUDITOR REVIEW**

The accompanying unaudited consolidated interim financial statements have been prepared by management and approved by the Audit Committee and Board of Directors.

The Company's independent auditors have not performed a review of these consolidated financial statements in accordance with the standards by the Canadian Institute of Chartered Accountants for a review of interim statements by an entity's auditor.

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

	<u>June 30, 2008</u>	<u>December 31, 2007</u> (audited)
Assets (Note 1)		
Current assets:		
Cash and cash equivalents	\$ 4,897,275	\$ 2,796,190
Receivables	44,085	43,543
Prepaid expenses and other current assets	<u>119,844</u>	<u>21,445</u>
Total current assets	5,061,2041	2,861,178
Property and equipment, net	215,006	218,067
Reclamation financial assurance	<u>266,692</u>	<u>266,692</u>
	<u>\$ 5,542,902</u>	<u>\$ 3,345,937</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 21,949	\$ 135,949
Advance minimum royalties	72,484	72,484
Accrued liabilities	<u>51,544</u>	<u>81,751</u>
Total current liabilities	145,977	290,184
Asset retirement obligations	<u>152,671</u>	<u>145,965</u>
Total liabilities	<u>298,648</u>	<u>436,149</u>
Commitments and contingencies		
Shareholders' equity:		
Common shares, no par value, 100,000,000 shares authorized 85,640,883 (2007 – 78,440,883) shares issued and outstanding	48,677,903	44,493,478
Additional paid-in capital	3,837,117	3,837,117
Deficit accumulated during the exploration stage	<u>(47,270,766)</u>	<u>(45,420,807)</u>
Total shareholders' equity	<u>5,244,254</u>	<u>2,909,788</u>
	<u>\$ 5,542,902</u>	<u>\$ 3,345,937</u>

Approved by the Directors:

*"H. Lutz Klingmann"*

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H. Lutz Klingmann, Director

*"Chester Shynkaryk"*

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Chester Shynkaryk, Director

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

	<b>Three-Months Ended:</b>		<b>Six-Months Ended:</b>	
	<b>June 30, 2008</b>	<b>June 30, 2007</b>	<b>June 30, 2008</b>	<b>June 30, 2007</b>
General and administrative expenses	\$ 1,253,781	\$ 834,123	\$ 1,920,701	\$ 1,201,451
Accretion expense	3,353	2,737	6,706	5,473
Interest expense	-	-	-	-
Interest income	<u>(32,471)</u>	<u>(38,382)</u>	<u>(77,448)</u>	<u>(84,106)</u>
<b>Net loss</b>	<b>\$ <u>(1,224,663)</u></b>	<b>\$ <u>(798,478)</u></b>	<b>\$ <u>(1,849,959)</u></b>	<b>\$ <u>(1,122,818)</u></b>
Net loss per share	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>	<u>\$ (0.02)</u>	<u>\$ (0.01)</u>
Weighted average shares outstanding	<u>85,539,184</u>	<u>78,165,327</u>	<u>85,539,184</u>	<u>78,165,327</u>

**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 June 30, 2008	Common Shares	Amount	Stock Subscription	Additional Paid-in Capital	Deficit Accumulated During the Exploration Stage	Total Shareholders' Equity (Capital Deficit)
November 21, 1985						
Issuance of common shares for cash	1,425,001	\$ 141,313	\$ -	\$ -	\$ -	\$ 141,313
Net loss for the year	-	-	-	-	(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

**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, 2007	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

**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, 2007	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 (Note 7)	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 (Note 7)	652,174	150,000	-	39,917	-	189,917
Stock option compensation (Note 7)	-	-	-	814,810	-	814,810
Modification of warrants (Note 7)	-	-	-	889,117	-	889,117
Share issuance costs (Note 7)	-	-	-	-	(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 (Note 7)	290,000	127,652	-	-	-	127,652
Issuance of common shares for property (Note 7)	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 period	-	-	-	-	(1,849,959)	(1,849,959)
Balance, June 30, 2008	85,640,883	\$ 48,677,903	\$ 0	\$ 3,837,117	\$ (47,270,766)	\$ 5,244,254

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

	<b>Three-Months Ended June 30, 2008</b>	<b>Three-Months Ended June 30, 2007</b>	<b>Six-Months Ended June 30, 2008</b>	<b>Six-Month Ended June 30, 2007</b>
<b>Operating Activities:</b>				
Net loss	\$ (1,224,663)	\$ (798,478)	\$ (1,849,959)	\$ (1,122,818)
Adjustments to reconcile net loss to cash used in operating activities:				
Amortization and depreciation	1,531	1,535	3,061	3,067
Accretion expense	3,353	2,737	6,706	5,473
Changes in assets and liabilities:				
Receivables	(102)	(15,155)	(542)	(13,852)
Prepaid expenses and other current assets	(106,315)	7,446	(98,399)	14,892
Accounts payable and accrued liabilities	(5,194)	2,156	(144,207)	(186,943)
Royalty and mining rights payable	-	-	-	(107,499)
Cash used in operating activities	<u>(1,331,392)</u>	<u>(799,759)</u>	<u>(2,083,340)</u>	<u>(1,407,680)</u>
<b>Financing Activities:</b>				
Payment of long-term debt	-	-	-	(700,725)
Issuance of common shares for cash	-	84,802	-	127,652
Issuance of common shares upon exercise of warrants	-	-	4,184,425	-
Cash provided by (used in) financing activities	<u>-</u>	<u>84,802</u>	<u>4,184,425</u>	<u>(573,073)</u>
<b>Net change in cash and cash equivalents</b>	<b>(1,331,392)</b>	<b>(714,957)</b>	<b>2,101,085</b>	<b>(1,980,753)</b>
<b>Cash and cash equivalents, beginning balance</b>	<b><u>6,228,667</u></b>	<b><u>4,247,784</u></b>	<b><u>2,796,190</u></b>	<b><u>5,513,580</u></b>
<b>Cash and cash equivalents, ending balance</b>	<b><u>\$ 4,897,275</u></b>	<b><u>\$ 3,532,827</u></b>	<b><u>\$ 4,897,275</u></b>	<b><u>\$ 3,532,827</u></b>
<b>Supplemental Disclosures of Cash Flow Information:</b>				
Cash paid for interest	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**GOLDEN QUEEN MINING CO. LTD.**  
**(an exploration stage company)**  
**Notes to Consolidated Financial Statements**  
**For the Six-Months Ended June 30, 2008**  
**(Unaudited - Prepared by Management - US dollars)**

**1. Basis of Presentation**

These interim financial statements are presented in accordance with United States generally accepted accounting principles for interim financial statements, and are stated in US dollars. They do not include all the note disclosures required for annual financial statements. It is suggested that these interim financial statements be read in conjunction with the audited financial statements of the Company for the year ended December 31, 2007 and the notes thereto included in the Company's annual report. The Company follows the same accounting policies in the preparation of interim reports.

These consolidated interim financial statements reflect all adjustments, consisting of normal recurring adjustments, which, in the opinion of management, are necessary for the fair presentation of the information contained therein.

**2. Financial Condition and Liquidity**

The Company has had no revenues from operations since inception, and a deficit of \$47,270,766 accumulated during the exploration stage. The Company has been negotiating payment schedules with all landowners, and has been negotiating the necessary financing to complete current development activities to exit the exploration stage. Management plans to control current costs and does not anticipate requiring additional financing to fund Company activities over the next 12 months. In addition, management plans to secure equity and/or debt or joint venture financing to fund construction of the operating facility at the Soledad property ("Soledad") once the feasibility study has been concluded and a production decision has been made. The ability of the Company to obtain financing for its ongoing activities and thus maintain solvency, or to fund construction of the operation facility at Soledad, is dependent on equity market conditions, the market for precious metals, the willingness of other parties to lend the Company money or the ability to find a joint venture partner. While the Company has been successful at certain of these efforts in the past, there can be no assurance that current efforts will be successful. This raises substantial doubt about the Company's ability to continue as a going concern.

**3. Share Capital**

**(a) Common Shares**

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

In May 2007, stock options were exercised and the Company issued 75,000 common shares at C\$0.50 per share for proceeds of \$34,110 (C\$37,500).

In April 2007, stock options were exercised and the Company issued 115,000 common shares at C\$0.50 per share for proceeds of \$50,692 (C\$57,500).

In February 2007, stock options were exercised and the Company issued 100,000 common shares at C\$0.50 per share for proceeds of \$42,850 (C\$50,000).

**GOLDEN QUEEN MINING CO. LTD.**  
**(an exploration stage company)**  
**Notes to Consolidated Financial Statements**  
**For the Six-Months Ended June 30, 2008**  
**(Unaudited - Prepared by Management - US dollars)**

**3. Share Capital** (Continued)

(b) **Stock Options**

There was no stock option activity during the three months ended June 30, 2008:

	Shares	Price Range
Options Outstanding, End of Period	2,300,000	C\$0.35 - \$0.77

The following table summarizes information about stock options outstanding at June 30, 2008:

Range of Prices	Number Outstanding	Weighted-Average Contractual Life (Years)	Weighted-Average Exercise Price
C\$0.35	1,100,000	2.09	C\$0.35
C\$0.77	1,200,000	3.30	C\$0.77
	2,300,000	2.72	C\$0.57

(c) **Warrants**

The following table summarizes information about warrants outstanding as at June 30, 2008:

	Shares	Price Range
Warrants Outstanding, Beginning of Period	7,200,000	C\$0.60
Warrants Exercised	(7,200,000)	-
Warrants Outstanding, End of Period	-	C\$0.60

**4. Unaudited Interim Financial Statements**

In accordance with National Instrument 51-102, released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited financial statements for the period ended June 30, 2008