Golden Queen Mining Co. Ltd.
Condensed Consolidated Interim Financial Statements
March 31, 2015

(US Dollars)

GOLDEN QUEEN MINING CO. LTD.
Condensed Consolidated Interim Balance Sheets
(Unaudited - US dollars)

		March 31, 2015		December 31, 2014
Assets				
Current assets:				
Cash (Note 7(i))	$	69,083,604	$	91,407,644
Receivables		34,501		52,136
Prepaid expenses and other current assets		257,742		114,625
Total current assets		69,375,847		91,574,405
Property (Note 2)		243,767		251,467
Mineral property interests (Note 3)		61,353,090		37,138,134
Reclamation financial assurance (Note 5)		553,343		553,329
Total Assets	$	131,526,047	$	129,517,335
Liabilities and Shareholders' Equity				
Current liabilities:				
Accounts payable and accrued liabilities (Note 7(i))	$	5,866,495	$	3,309,476
Interest payable (Note 7(ii) and (iii))		415,892		320,721
Closing fee payable (Note 7(iii))		-		250,000
Notes payable (Note 7(iii))		11,918,034		13,881,305
Current portion of loan payable (Note 10)		931,828		222,839
Derivative liability–convertible debenture (Note 7(ii))		1,931,519		1,829,770
Convertible debenture (Note 7(ii))		6,823,493		6,649,967
Total current liabilities		27,887,261		26,464,078
Asset retirement obligations (Note 5)		624,142		624,142
Loan payable (Note 10)		2,847,287		690,293
Total Liabilities		31,358,690		27,778,513
Temporary Equity				
Redeemable portion of non-controlling interest (Note 7(vi))		22,718,963		22,833,645
Shareholders' Equity				
Common shares, no par value, unlimited shares authorized 99,928,683 (2014 – 99,778,683) shares issued and outstanding (Notes 4 and 7(i))		62,860,443		62,709,015
Additional paid-in capital (Note 7(vi))		56,390,510		56,390,510
Deficit accumulated		(75,881,003)		(74,444,816)
Total shareholders' equity attributable to GQM Ltd.		43,369,950		44,654,709
Non-controlling interest (Note 7(vi))		34,078,444		34,250,468
Total Shareholders' Equity		77,448,394		78,905,177
Total Liabilities, Temporary Equity and Shareholders' Equity	$	131,526,047	$	129,517,335

Basis of Presentation and Ability to Continue as a Going Concern (Note 1)
Commitments and Contingencies (Note 6)
Subsequent Events (Note 13)

Approved by the Directors:

"H. Lutz Klingmann"	*"Thomas M. Clay"*
H. Lutz Klingmann, Director	Thomas M. Clay, Director

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

GOLDEN QUEEN MINING CO. LTD.
Condensed Consolidated Interim Statements of Income/(Loss) and Comprehensive Income/(Loss)
(Unaudited - US dollars)

		Three Months Ended March 31, 2015		Three Months Ended March 31, 2014
General and administrative expenses (Notes 7 and 12)	$	(739,533)	$	(1,065,257)
Change in fair value of derivative liability including change in foreign exchange (Note 7(ii))		(101,749)		(5,747,376)
		(841,282)		(6,812,633)
Interest expense (Note 7(v))		(947,753)		(691,297)
Interest income		66,142		9,292
Net and comprehensive income (loss) for the period		(1,722,893)		(7,494,638)
Add: Net and comprehensive loss attributable to the non-controlling interest for the period (Note 7(vi))		286,706		-
Net and comprehensive income (loss) attributable to Golden Queen Mining Co Ltd. for the period	$	(1,436,187)	$	(7,494,638)
Income (loss) per share - basic (Note 9)	$	(0.01)	$	(0.08)
Income (loss) per share - diluted (Note 9)	$	(0.01)	$	(0.08)
Weighted average number of common shares outstanding - basic		99,785,350		99,260,653
Weighted average number of common shares outstanding - diluted		99,785,350		99,260,653

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

GOLDEN QUEEN MINING CO. LTD.
Condensed Consolidated Interim Statements of Shareholders' Equity, Non-controlling Interest and Redeemable Portion of Non-controlling Interest
(Unaudited - US dollars)

	Common Shares	Amount	Additional Paid-in Capital	Deficit Accumulated	Total Shareholders' Equity attributable to GQM Ltd	Non-controlling Interest	Total Shareholders' Equity	Redeemable Portion of Non-controlling Interest
Balance, December 31, 2013	99,233,383	$ 62,289,402	$ 9,927,142	$ (65,975,612)	$ 6,240,932	$ -	$ 6,240,932	$ -
Issuance of common shares for mineral property	15,300	24,480	-	-	24,480	-	24,480	-
Stock options exercised	530,000	395,133	(283,712)	-	111,421	-	111,421	-
Stock-based compensation	-	-	233,672	-	233,672	-	233,672	-
Dilution of ownership interest in subsidiary to non-controlling interest	-	-	46,513,408	-	46,513,408	38,091,955	84,605,363	25,394,637
Distributions to non-controlling interest	-	-	-	-	-	(3,000,000)	(3,000,000)	(2,000,000)
Net loss for the year	-	-	-	(8,469,204)	(8,469,204)	(841,487)	(9,310,691)	(560,992)
Balance, December 31, 2014	99,778,683	$ 62,709,015	$ 56,390,510	$ (74,444,816)	$ 44,654,709	$ 34,250,468	$78,905,177	22,833,645
Issuance of common shares as part of management agreement	150,000	151,428	-	-	151,428	-	151,428	-
Net loss for the period	-	-	-	(1,436,187)	(1,436,187)	(172,024)	(1,608,211)	(114,682)
Balance, March 31, 2015	99,928,683	$ 62,860,443	$ 56,390,510	$ (75,881,003)	$ 43,369,950	$ 34,078,444	$77,448,394	$ 22,718,963

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

GOLDEN QUEEN MINING CO. LTD.
Condensed Consolidated Interim Statements of Cash Flows
(Unaudited - US dollars)

	Three Months Ended March 31, 2015	Three Months Ended March 31, 2014
Operating activities:		
Net income (loss) for the period	$ (1,722,893)	$ (7,494,638)
Adjustments to reconcile net income (loss) to cash used in operating activities:		
Amortization and depreciation	7,700	9,327
Amortization of debt discount and interest accrual	934,342	691,297
Change in fair value of derivative liabilities including change in foreign exchange	101,749	5,747,376
Shares for services (Note 12)	151,428	-
Stock-based compensation	-	96,074
Unrealized foreign exchange	(581,102)	(179,506)
Changes in assets and liabilities:		
Receivables	17,635	(11,582)
Prepaid expenses and other current assets	(143,117)	17,047
Accounts payable and accrued liabilities	132,611	107,920
Interest payable	(250,000)	-
Cash used in operating activities	(1,351,647)	(1,016,685)
Investment activities:		
Additions to mineral property interests	(18,222,379)	(3,087,272)
Release (Purchase) of financial assurance	(14)	15
Cash used in investing activities	(18,222,393)	(3,087,257)
Financing activities:		
Borrowing under short-term debt	-	10,000,000
Repayment of short-term debt	(2,500,000)	-
Closing fees related to short-term debt	(250,000)	-
Issuance of common shares upon exercise of stock options	-	12,721
Cash (used in)/provided by financing activities	(2,750,000)	10,012,721
Net change in cash	(22,324,040)	5,908,779
Cash, Beginning balance	91,407,644	5,030,522
Cash, Ending balance	$ 69,083,604	$ 10,939,301

Supplementary Disclosures of Cash Flow Information (Note 8)

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

Nature of Business Golden Queen Mining Co. Ltd. ("Golden Queen", "GQM Ltd." or the "Company") is engaged in the development of the Soledad Mountain Project ("the Project"), located in the Mojave Mining District, Kern County, California. The Company originally used its wholly owned subsidiary, Golden Queen Mining Company, Inc. ("GQM Inc."), to explore and develop the Project. On September 10, 2014, GQM Inc. was converted to a limited liability company, Golden Queen Mining Company, LLC ("GQM LLC"). The Company entered into a Joint Venture (the "JV") agreement with Gauss LLC ("Gauss") through its newly formed, wholly owned subsidiary, Golden Queen Mining Holdings, Inc. ("GQM Holdings"). The JV was completed on September 15, 2014. Upon completion of the JV, both the Company, through GQM Holdings, and Gauss each owned, and continue to own, 50% of GQM LLC. In February 2015, the Company incorporated Golden Queen Mining Canada Ltd. ("GQM Canada"), a wholly-owned British Columbia subsidiary, to hold the Company's interest in GQM Holdings.

Principles of Consolidation The Company consolidates all entities in which it can vote a majority of the outstanding voting stock. In addition, it consolidates entities which meet the definition of a variable interest entity for which it is the primary beneficiary. The primary beneficiary is the party who has the power to direct the activities of a variable interest entity that most significantly impact the entity's economic performance and who has an obligation to absorb losses of the entity or a right to receive benefits from the entity that could potentially be significant to the entity. We consider special allocations of cash flows and preferences, if any, to determine amounts allocable to non-controlling interests. All intercompany transactions and balances are eliminated in consolidation.

These condensed consolidated interim financial statements include the accounts of Golden Queen, a British Columbia corporation, its wholly-owned subsidiaries, Golden Queen Mining Canada Ltd. ("GQM Canada"), GQM Holdings, a US (State of California) corporation, and GQM LLC, a limited liability company in which Golden Queen has a 50% interest, through GQM Holdings. GQM LLC meets the definition of a Variable Interest Entity ("VIE"). Golden Queen has determined it is the member of the related party group that is most closely associated with GQM LLC and, as a result, is the primary beneficiary who consolidates GQM LLC.

Generally Accepted Accounting Principles ("GAAP") The condensed consolidated interim financial statements have been prepared in accordance with accounting principles generally accepted in the United States.

Cash 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.

The Company places its cash and cash equivalents with high quality financial institutions. At times, such cash deposits may be in excess of Federal Deposit Insurance Corporation insurance limits. To date, the Company has not experienced a loss or lack of access to its cash and cash equivalents. However, no assurance can be provided that access to the Company's cash and cash equivalents will not be impacted by adverse economic conditions in the financial markets.

Property Property is 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 0 to 30 years, as follows:

Rental properties	30 years
Land	Not depreciated

The Company has instituted a policy that all property and equipment acquired for an amount over $3,000 will be capitalized and all property and equipment purchased for under this threshold will be expensed as incurred.

Mineral Properties Costs related to the development of our mineral reserves are capitalized when it has been determined an ore body can be economically developed. An ore body is determined to be economically minable based on proven and probable reserves and when appropriate permits are in place. Major mine development expenditures are capitalized, including primary development costs such as costs of building access roads, heap leach pads, processing facilities, and infrastructure development.

Costs for exploration, pre-production development, if and when applicable, and maintenance and repairs on capitalized property, plant and equipment are charged to operations as incurred. Exploration costs include those relating to activities carried out in search of previously unidentified mineral deposits. Pre-production development activities involve costs incurred in the exploration stage that may ultimately benefit production that are expensed due to the lack of evidence of economic development, which is necessary to demonstrate future recoverability of these expenses. Secondary

development costs are incurred for preparation of an ore body for production in a specific ore block, stope or work area, providing a relatively short-lived benefit only to the mine area they relate to, and not to the ore body as a whole.

Drilling and related costs are either classified as exploration or secondary development, as defined above, and charged to operations as incurred, or capitalized, based on the following criteria:

- Whether or not the costs are incurred to further define mineralization at and adjacent to existing reserve areas or intended to assist with mine planning within a reserve area;
- Whether or not the drilling costs relate to an ore body that has been determined to be commercially mineable, and a decision has been made to put the ore body into commercial production; and
- Whether or not at the time that the cost is incurred, the expenditure: (a) embodies a probable future benefit that involves a capacity, singly or in combination, with other assets to contribute directly or indirectly to future net cash inflows, (b) we can obtain the benefit and control others' access to it, and (c) the transaction or event giving rise to our right to or control of the benefit has already occurred.

If all of these criteria are met, drilling and related costs are capitalized. Drilling costs not meeting all of these criteria are expensed as incurred. The following factors are considered in determining whether or not the criteria listed above have been met, and capitalization of drilling costs is appropriate:

- Completion of a favourable economic study and mine plan for the ore body targeted;
- Authorization of development of the ore body by management and/or the Board of Directors; and
- All permitting and/or contractual requirements necessary for us to have the right to or control of the future benefit from the targeted ore body have been met.

Once production has commenced, capitalized costs will be depleted using the units-of-production method over the estimated life of the proven and probable reserves. If mineral properties are subsequently abandoned or impaired, any capitalized costs will be charged to the Consolidated Statements of Income (Loss) and Comprehensive Income (Loss) for that period.

We assess the carrying cost of our mineral properties for impairment whenever information or circumstances indicate the potential for impairment. Such evaluations compare estimated future net cash flows with our carrying costs and future obligations on an undiscounted basis. If it is determined that the future undiscounted cash flows are less than the carrying value of the property, a write down to the estimated fair value is charged to the Consolidated Statements of Income (Loss) and Comprehensive Income (Loss) for the period. Where estimates of future net cash flows are not available and where other conditions suggest impairment, management assesses if the carrying value can be recovered.

Capitalized Interest For significant exploration and development projects, interest is capitalized as part of the historical cost of developing and constructing assets in accordance with ASC 835-20 ("capitalization of interest"). Interest is capitalized until the asset is ready for service. Capitalized interest is determined by multiplying the Company's weighted-average borrowing cost on general debt by the average amount of qualifying costs incurred. Once an asset subject to interest capitalization is completed and placed in service, the associated capitalized interest is expensed through depletion or impairment. See Note 7(v) - Amortization of Discount and Interest Expense.

Valuation of Long-lived Assets Accounting standards require recognition of impairment of long-lived assets in the event the carrying value of such assets may not be recoverable. 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 or not reported in continuing operations or in discontinued operations. In accordance with the provisions of the accounting standard 360-10-35, the Company reviews the carrying value of its mineral properties on a regular basis. Estimated undiscounted future cash flows from the mineral properties are compared with the current carrying value in order to determine if 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 flows or liquidation value.

Foreign Currency Translation The Company's functional and reporting currency, the US dollar, is the primary economic currency. Assets and liabilities in foreign currencies are generally translated into US dollars at the exchange rate on the balance sheet date. Revenues and expenses are translated at exchange rates on the date of the transaction. Where amounts denominated in a foreign currency are converted into US dollars by remittance or repayment, the realized exchange differences are included in other income. The exchange rates prevailing at March 31, 2015 and December 31, 2014 were $1.27 and $1.16, and stated in Canadian dollars per one US dollar, respectively. The average rates of exchange

during the three months ended March 31, 2015 and the year ended December 31, 2014 were $1.24 and $1.10, stated in Canadian dollars per one US dollar, respectively.

Earnings (Loss) Per Share The Company computes and discloses earnings (loss) per share in accordance with ASC 260, "Earnings per Share", which requires dual presentation of basic earnings (loss) per share and diluted earnings (loss) per share on the face of all income statements presented for all entities with complex capital structures. Basic earnings (loss) per share is computed as net income (loss) attributed to the Company divided by the weighted average number of common shares outstanding for the period. Diluted earnings (loss) per share reflects the potential dilution that could occur from common shares issuable through stock options, warrants and convertible instruments. Net income attributable to any non-controlling interest is not included in the calculation of the basic and diluted earnings (loss) per share.

Reclamation Costs (Asset Retirement Obligations) The Company accrues the estimated costs associated with reclamation obligations in the period in which the liability is incurred or becomes determinable. Until such time that a project life is established or the Company begins capitalizing exploration expenditures when an ore body can be economically developed, the Company records the corresponding cost as an expense. The costs of future expenditures for reclamation are not discounted to their present value unless subject to a contractually obligated fixed payment schedule.

Future reclamation expenditures are difficult to estimate due to the early-stage nature of the Project, the uncertainties associated with defining the nature and extent of environmental disturbance, the application of laws and regulations by regulatory authorities and changes in reclamation requirements. The Company periodically reviews the provision for such reclamation costs as evidence indicating that the liabilities have potentially changed. Changes in estimates are reflected in the Consolidated Statements of Income (Loss) and Comprehensive Income (Loss) in the period an estimate is revised.

The Company is unable to determine the estimated timing of expenditures relating to reclamation accruals. It is reasonably possible that the ultimate cost of reclamation and remediation could change in the future and that changes to these estimates could have a material effect on future operating results as new information becomes known.

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 and judgements have been made by Management in several areas including the accounting for the joint venture transaction and determination of the temporary and permanent non-controlling interest (Note 7(vi)), the recoverability of mineral properties expenditures, reclamation reserves (Note 3) and convertible debenture (Note 7(ii)). Actual results could differ from those estimates.

Fair Value of Financial Instruments The carrying amounts reported in the balance sheets for cash, receivables, accounts payable and accrued liabilities, interest payable, closing fee payable and notes payable approximate fair values because of the immediate or short-term maturity of these non-level 3 financial instruments. The fair value of the loans payable approximates the carrying value as the interest rates are based on the market rates as they were initiated during the quarter or just before December 31, 2014.The carrying amount of the convertible debt instrument is being recorded at amortized cost using the effective interest rate method. As at March 31, 2015, the estimated fair value of the convertible debt using a discounted cash flow analysis based on an interest rate for a similar type of instrument without a conversion feature was $8,456,064 (December 31, 2014: $7,972,993). The fair value of the reclamation financial assurance approximates the carrying value due to its short term nature. The embedded derivative in connection with the convertible debenture is being recorded at its fair value using an acceptable valuation model at each reporting period.

Income Taxes The Company follows the asset and liability method of accounting for income taxes whereby the 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 basis. 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 The Company's current stock option plan (the "Plan") was adopted by the Company in 2013 and approved by shareholders of the Company in 2013. The Plan provides a fixed number of 7,200,000 common shares of the Company that may be issued pursuant to the grant of stock options. The exercise price of stock options granted under the Plan shall be determined by the Company's Board of Directors (the "Board"), but shall not be less than the volume-weighted, average trading price of the Company's shares on the TSX for the five trading days immediately prior to the date of the grant. The expiry date of a stock option shall be the date so fixed by the Board subject to a maximum term of five years. The Plan provides that stock options will terminate on the earlier of the expiry of the term and (i) 12 months from the date an option holder dies, (ii) 12 months from the date the option holder ceases to act as a director or officer of the Company, or (iii) 12 months from the date the option holder ceases to be employed, or engaged as a consultant, by the Company. All options granted under the 2013 Plan will be subject to such vesting requirements as may be prescribed by the TSX, if applicable, or as may be imposed by the Board. A total of 750,000 (December 31, 2014 – 750,000) common shares were issuable pursuant to such stock options as at March 31, 2015.

Stock-based Compensation Compensation costs are charged to the consolidated statements of income (loss) and comprehensive income (loss). Compensation costs for employees are amortized over the period from the grant date to the date the options vest. Compensation expense for non-employees is recognized immediately for past services and pro-rata for future services over the service provision period.

We account for stock-based compensation awards granted to non-employees in accordance with FASB ASC Topic 505-50, *Equity-Based Payments to Non-Employees, or* ASC 505-50. Under ASC 505-50, we determine the fair value of the stock-based compensation awards granted as either the fair value of the consideration received or the fair value of the equity instruments issued, whichever is more reliably measurable. If the fair value of equity instruments issued is used, it is measured using the stock price and other measurement assumptions as of the earlier of either (1) the date at which commitment for performance by the counterparty to earn the equity instruments is reached, or (2) the date at which the counterparty's performance is complete.

The Company uses the Black-Scholes option valuation model to calculate the fair value of stock options at the date of grant. Option pricing models require the input of highly subjective assumptions, including the expected price volatility. Changes in these assumptions can materially affect the fair value estimate.

Derivative Financial Instruments The Company reviews the terms of its equity instruments and other financing arrangements to determine whether or not 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 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 profit or loss. For warrant-based derivative financial instruments, the Company uses the Black-Scholes option pricing model to estimate fair value of the derivative instruments. For more complex derivative financial instruments, the Company uses acceptable pricing models to estimate fair value of the derivative instrument.

The classification of derivative instruments, including whether or not 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 net-cash settlement of the derivative instrument could be required within 12 months of the balance sheet date.

New Accounting Policies

(i) Effective August 2014, FASB issued Accounting Standards update ("ASU") 2014-15, Presentation of Financial Statements – Going Concern (Subtopic 205-40 –Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern. The update essentially requires management of all entities, for annual and interim periods, to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date the financial statements are issued.

If conditions or events raise substantial doubt about an entity's ability to continue as a going concern, but the substantial doubt is alleviated as a result of consideration of management's plans, the entity should disclose information that enables users of the financial statements to understand all of the following:

1. Principal conditions or events that raised substantial doubt about the entity's ability to continue as a going concern (before consideration of management's plans).
2. Management's evaluation of the significance of those conditions or events in relation to the entity's ability to meet its obligations.
3. Management's plans that alleviated substantial doubt about the entity's ability to continue as a going concern.

If conditions or events raise substantial doubt about an entity's ability to continue as a going concern, and substantial doubt is not alleviated after consideration of management's plans, an entity should include a statement in the footnotes indicating that there is *substantial doubt about the entity's ability to continue as a going concern* within one year after the date that the financial statements are issued (or available to be issued). Additionally, the entity should disclose information that enables users of the financial statements to understand all of the following:

1. Principal conditions or events that raise substantial doubt about the entity's ability to continue as a going concern.
2. Management's evaluation of the significance of those conditions or events in relation to the entity's ability to meet its obligations.
3. Management's plans that are intended to mitigate the conditions or events that raise substantial doubt about the entity's ability to continue as a going concern.

This update will come into effect for the annual period ending after December 15, 2016, and for annual periods and interim periods thereafter. The Company is assessing the impact of this standard.
ii) In February, 2015, the FASB issued ASU 2015-02, *Consolidation (Topic 810) – Amendments to the Consolidation Analysis* which focuses on the consolidation evaluation for reporting organizations (public and private companies and not-for-profit organizations) that are required to evaluate whether they should consolidate certain legal entities. In addition to reducing the number of consolidation models from four to two, the new standard simplifies the standards and improves current GAAP by:

- Placing more emphasis on risk of loss when determining a controlling financial interest. A reporting organization may no longer have to consolidate a legal entity in certain circumstances based solely on its fee arrangement, when certain criteria are met.
- Reducing the frequency of the application of related-party guidance when determining a controlling financial interest in a variable interest entity (VIE).
- Changing consolidation conclusions for public and private companies in several industries that typically make use of limited partnerships or VIEs.

The ASU will be effective for periods beginning after December 15, 2015, for public companies. Early adoption is permitted, including adoption in an interim period. The Company is assessing the impact of this standard.

iii) In April, 2015, FASB issued ASU 2015-03, Interest – Imputation of Interest (Subtopic 835-30) which focuses on simplifying the presentation of debt issuance costs, the amendments in this update require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in this update.

The ASU will be effective for periods beginning after December 15, 2015, for public companies. Early adoption is permitted, including adoption in an interim period. The Company is assessing the impact of this standard.

1. Basis of Presentation and Ability to Continue as a Going Concern

The accompanying unaudited condensed consolidated interim financial statements and notes to the unaudited condensed consolidated interim financial statements contain all adjustments, consisting of normal recurring items, necessary to present fairly, in all material respects, the financial position of Golden Queen Mining Co. Ltd. and its consolidated subsidiaries. These unaudited condensed consolidated interim financial statements should be read in conjunction with our audited consolidated financial statements and related footnotes as set forth in our annual report filed on Form 10-K for the year ended December 31, 2014, as it may be amended from time to time.

The results of operations for the periods presented may not be indicative of those which may be expected for a full year. The unaudited condensed consolidated interim financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in audited financial statements prepared in accordance with generally accepted accounting principles in the United States ("GAAP") have been condensed or omitted pursuant to those rules and regulations, although we believe that the disclosures are adequate for the information not to be misleading.

The Company has had no revenues from operations since inception and as at March 31, 2015 had a deficit of $75,881,003 (December 31, 2014 - $74,444,816) and working capital of $41,488,586 (December 31, 2014 –$65,110,327).

On June 9, 2014, the Company announced that it had entered into an agreement (the "JV") with Gauss LLC ("Gauss") for a 50% interest in the Project. On September 9, 2014, the Company's shareholders approved the JV, which then closed on September 15, 2014. Pursuant to the JV, the Company's wholly owned subsidiary, Golden Queen Mining Co., Inc. ("GQM Inc.") was converted into a limited liability company, GQM LLC. On closing of the JV, Gauss invested $110,000,000 into GQM LLC and received 110,000 newly created membership units of GQM LLC to give it 50% ownership, with the Company retaining 50% interest in GQM LLC through its newly formed and wholly owned subsidiary GQM Holdings. The JV and thus the Project continues to be consolidated in the financial statements of Golden Queen. *See Note 7 (vi) for complete details on the JV.* The funds received from Gauss' investment will help the Company move the Project through the development stage and into the production phase.

At the Project level, GQM LLC is a going concern as it has sufficient funds to meet its contractual obligations for the next twelve months. However, the assets of GQM LLC are not available to be used to satisfy the obligations of Golden Queen. Therefore, on a non-consolidated basis, the ability of Golden Queen to obtain financing for its ongoing activities and thus maintain solvency, or to fund its attributable portion of capital requirements under the joint venture, is dependent on equity market conditions, the market for precious metals, and the willingness of other parties to lend this entity money. Golden Queen has a related party outstanding loan in the amount of $12,500,000 plus accrued interest that will come due in July 2015 and a related party convertible debenture in the amount of C$10,000,000 plus accrued interest that will also come due in July 2015. The Company has the option to settle the C$10,000,000 convertible debt by issuing common shares at maturity. The loan and the convertible debenture were provided by members of the Clay family, who are shareholders of the Company, members which include an investment vehicle managed by Thomas M. Clay, a Director and insider of the Company.

Golden Queen, on a non-consolidated basis, currently does not have sufficient funds to repay the $12,500,000 loan at the issuance date of the consolidated financial statements. This raises substantial doubt about this entity's ability to continue as a going concern.

However, in order to secure the necessary funds to meet this upcoming obligation and mitigate the going concern uncertainty, management is actively exploring several options including debt financing and equity offering. The Company recently filed a Form S-3 shelf prospectus in the U.S. (dated August 21, 2014) and a final short form shelf prospectus in Canada (dated March 18, 2015) in preparation for a potential equity raise. The Company is also in discussions with lenders to potentially secure debt financing that would allow the Company to repay the $12,500,000 loan. Management will review and assess all options available to find the most beneficial option to the Company and its shareholders. While Golden Queen has been successful in certain of these efforts in the past, there can be no assurance that future efforts will be successful.

These condensed consolidated interim 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*

Property consists of:

	March 31, 2015	December 31, 2014
Land	$ 109,600	$ 109,600
Rental properties	324,566	324,566
Property, cost	434,166	434,166
Less accumulated depreciation	(190,399)	(182,699)
Property, net	$ 243,767	$ 251,467

3. *Mineral Property Interests*

In July 2012, the Company received notice that it had met all the remaining major conditions of the conditional use permits for development of the Project and began capitalizing all development expenditures directly related to the Project. Prior to July 2012, all acquisition costs were expensed due to uncertainties around obtaining the necessary permits. Components of capitalized costs related to the mineral properties as of March 31, 2015 and December 31, 2014 are as follows:

	March 31, 2015	December 31, 2014
Mineral property interest, land and claims	$ 3,558,541	$ 3,299,319
Deferred mine development costs	54,159,203	31,020,717
Asset retirement costs	272,567	272,567
Capitalized interest	3,114,200	2,412,015
Capitalized depreciation	248,579	133,516
Balance, end of the period	$ 61,353,090	$ 37,138,134

As at March 31, 2015, included in deferred mine development costs are buildings and equipment with a total accumulated cost of $6,532,005 (December 31, 2014 - $2,424,635). Total additions during the three months ended March 31, 2015 were $4,107,371 (Three months ended March 31, 2014 - $76,356). During the three months ended March 31, 2015, depreciation of $115,063 (Three months ended March 31, 2014 - $6,830) relating to these assets was capitalized within deferred mine development.

The Company is capitalizing a portion of the interest expense related to the convertible debenture and loan in accordance with its accounting policy. See Note 7 (v) –Amortization of Discount and Interest Expense.

4. Share Capital

The Company's common shares outstanding have no par value, voting shares with no preferences or rights attached to them.

Common shares - 2015

In March 2015, the Company issued 150,000 common shares to the President of the Company for achieving two of the three milestones outlined in his management agreement (See Note 6 – Commitments and Contingencies). The common shares had a total fair value of $151,428 (Note 4). The fair value was based on the market price on the date of issuance.

Common shares - 2014

In May 2014, 300,000 stock options were exercised and the Company issued 300,000 common shares at $0.21 per share for proceeds of $63,000. The total transferred to share capital from additional paid-in capital upon exercise of stock options was $160,592.

In April 2014, 170,000 stock options were exercised and the Company issued 170,000 common shares at $0.21 per share for proceeds of $35,700. The total transferred to share capital from additional paid-in capital upon exercise of stock options was $91,002.

In February 2014, the Company issued 15,300 common shares for mineral property interests with a total fair value of $24,480. The fair value was based on the market price on the date of issuance.

In February 2014, 60,000 stock options were exercised and the Company issued 60,000 common shares at $0.21 per share for proceeds of $12,721. The total transferred to share capital from additional paid-in capital upon exercise of stock options was $32,118.

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 following is a summary of stock option activity during the three months ended March 31, 2015:

	Shares	Weighted Average Exercise Price per Share
Options outstanding, December 31, 2013	1,380,000	$0.87
Options exercised	(60,000)	$0.21
Option outstanding, March 31, 2014	1,320,000	$0.90
Options exercisable, March 31, 2014	820,000	$0.71
Options forfeited	(100,000)	$1.16
Options exercised	(470,000)	$0.21
Options outstanding and exercisable December 31, 2014 and March 31, 2015	750,000	$1.29

There were no stock options issued during the three months ended March 31, 2015 and March 31, 2014.

4. ***Share Capital – Continued***

During the three months ended March 31, 2015, the Company recognized $Nil (Three months ended March 31, 2014 - $96,074) in stock-based compensation relating to employee stock options that have vesting terms.

During the year ended December 31, 2014, the Company recognized $233,672 (2013 - $475,263) in stock-based compensation relating to employee stock options that have vesting terms. This included a reversal of $46,245 (2013 - $Nil) in stock based compensation related to forfeited stock options.

As at March 31, 2015, the aggregate intrinsic value of the outstanding exercisable options was $Nil (December 31, 2014 - $Nil).

The total intrinsic value of 530,000 options exercised during 2014 was approximately $754,513. There were no options exercised in the three months ended March 31, 2015.

The following table summarizes information about stock options outstanding and exercisable at March 31, 2015:

Expiry Date	Number Outstanding and Exercisable	Weighted Average Remaining Contractual Life (Years)	Exercise Price
April 18, 2015	50,000	0.05	$1.22
November 11, 2015	200,000	0.62	$1.16
June 3, 2018	50,000	3.18	$1.16
September 3, 2018	150,000	3.43	$1.59
September 18, 2018	300,000	3.47	$1.26
Outstanding, March 31, 2015	750,000	2.45	
Exercisable, March 31, 2015	750,000	2.45	

5. 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 annually. The financial assurance is adjusted once the cost estimate is approved.

The Company's provision for reclamation of the property is estimated each year by an independent consulting engineer. This estimate, once approved by state and county authorities, forms the basis for a cash deposit of reclamation financial assurance.

The Company has provided reclamation financial assurance to the Bureau of Land Management, the State and Kern County totaling $553,343 (2014 - $553,329). This deposit earns interest at 0.1% per annum and is not available for working capital purposes.

The Company estimated its asset retirement obligations based on its understanding of the requirements to reclaim and clean up the property within the Project based on its activities and planned activities to date.

5. Asset Retirement Obligations - Continued

Management made the decision to capitalize all development expenditures directly related to the Project in July 2012, as a result $Nil (December 31, 2014- $71,892) was capitalized as the asset portion of the retirement obligation for the three months ended March 31, 2015. The following is a summary of asset retirement obligations:

	2015	2014
Balance, beginning of the period	$ 624,142	$ 552,250
Changes in cash flow estimates	-	71,892
Balance, end of the period	$ 624,142	$ 624,142

6. Commitments and Contingencies

Property rent payments (Advance minimum royalties)

The Company has acquired a number of mineral properties outright. It has acquired exclusive rights to explore, develop and mine other portions of the Project under various mining lease agreements with landowners.

The Company is required to make property rent payments related to its mining lease agreements with landholders, in the form of advance minimum royalties. The total property rent payments for the three month period ended March 31, 2015 were $10,000 (Three months ended March 31, 2014 - $34,480 of which $24,480 related to common shares issued), and the Company is expected to make approximate payments of $150,000 in 2015 to various landowners under the existing lease agreements. The payments will cease if and when the Company goes into production and then begins paying royalty payments on production yields.

There are multiple third party landholders and the royalty amount due to each landholder over the life of the Project varies with each property.

Finder's fee

The Company has agreed to issue 100,000 common shares as a finder's fee in connection with certain property acquisitions upon commencement of commercial production of the Project. As of March 31, 2015, commercial production has not commenced and no shares have been issued.

Management agreement

In 2004, the Company entered into an agreement with the President of the Company to issue 300,000 bonus shares upon completion of certain milestones. Upon receipt by the Company of a bankable feasibility study and the decision to place the Property into commercial production (Achieved), a bonus of 150,000 (Issued) common shares would be issued. Upon commencement of commercial production on the Property, a further bonus of 150,000 common shares would be issued. In May 2010, the Company entered into an amendment to the agreement whereby the 300,000 bonus shares would alternatively be issuable upon a change of control transaction, or upon a sale of all or substantially all of the Company's assets, having a value at or above C$1.00 per share of the Company, with a further 300,000 bonus shares being issuable in the event the change of control transaction or asset sale occurred at a value at or above C$1.50 per share. This amended agreement is for a term of three years and shall automatically renew for two years. The first of two milestones was reached during the first quarter of 2015 and as a result 150,000 bonus shares, valued at $151,428, were issued to H. Lutz Klingmann on March 27, 2015.

In May 2015, the Company replaced the President's management agreement with an employment agreement. In addition to the previously mentioned bonus shares issuable upon commencement of commercial production, included in the agreement with the President is a provision that if the President's position is lost upon a change of control or within six months of a change of control the President would be entitled to a one-time payment equal to twice the annual salary C$438,000 total plus twice the annual bonus. The annual bonus is determined by the Board subsequent to a review of the President's performance.

In 2013, the Company entered into an employment agreement with the Chief Financial Officer ("CFO"). Included in the agreement with the CFO is a provision that if the CFO's position is lost upon a change of control or within six months of a change of control the CFO would be entitled to a one-time payment equal to twice the annual salary, C$300,000 total, plus twice the annual bonus. The annual bonus is determined by the Board subsequent to a review of the CFO's performance.

6. Commitments and Contingencies - Continued

Compliance with Environmental Regulations

The Company's exploration and development activities are subject to laws and regulations controlling not only the exploration and mining of mineral properties, but also the effect of such activities on the environment. Compliance with such laws and regulations may necessitate additional capital outlays or affect the economics of a project, and cause changes or delays in the Company's activities.

Mine Development Commitments

GQM LLC has entered into contracts for construction totaling approximately $59.2 million as of March 31, 2015, of which $26.2 million had been paid as of March 31, 2015. The major commitments relate to the construction of the crushing-screening plant for $18.1 million, the construction of the Phase 1, Stage 1 heap leach pad for $8.3 million, the construction of the conveying and stacking system for $8.2 million and work related to the Merrill-Crowe plant equipment for $7.1 million. The commitments are expected to be paid out in 2015.

In addition, GQM LLC committed, as of March 31, 2015, to $16.2 million of Komatsu mobile mining equipment with Road Machinery LLC. The final terms of the mobile equipment financing were not known as of March 31, 2015. As of March 31, 2015, GQM LLC received the water truck, a motor grader, two dozers and two articulated trucks valued at approximately $4.6 million (Refer to Note 10 - Loan Payable). In addition, four mining trucks and two loaders were delivered and assembled on site in April. The Company paid a 10% deposit of $0.9 million in April and expects to finance the remaining purchase price when it officially takes possession of the equipment later this year.

GQM LLC made approximately $1.4 million in additional construction commitments subsequent to March 31, 2015.

7. Related Party Transactions

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

(i) Consulting Fees

For the three months ended March 31, 2015, the Company paid $188,934 (Three months ended March 31, 2014 - $45,027) to Mr. H. Lutz Klingmann for services as President of the Company of which $Nil (December 31, 2014 - $Nil; March 31, 2014 - $15,287) is payable as at March 31, 2015. Included in the consulting fees for the three months ended March 31, 2015 was $151,428 (Three months ended March 31, 2014 - $Nil) related to 150,000 bonus shares issued in accordance with the Mr. H. Lutz Klingmann's management agreement (Refer to Note 6 – Commitments and Contingencies).

During the three months ended March 31, 2015, the Company paid a total of $18,438 (Three months ended March 31, 2014 - $11,624) for regular director fees to the three independent directors and Thomas M. Clay. Thomas M. Clay did not receive directors fees during the three months ended March 31, 2014.

(ii) Convertible Debentures

On July 26, 2013, the Company entered into agreements to issue convertible debentures for aggregate proceeds of C$10,000,000 ($9,710,603), from a significant shareholder group. The convertible debentures are unsecured and bear interest at 2% per annum, calculated on the outstanding principal balance, payable annually. The principal amounts of the notes are convertible into shares of the Company at a price of C$1.03 per share for a period of two years. If the notes have not been converted by the holder prior to the maturity date, then the Company may convert them at the lower of C$1.03 or the market price as at the maturity date.

7. Related Party Transactions – Continued

(ii) Convertible Debentures - Continued

The market price on the maturity date will be determined based on the volume- weighted average price of the shares traded on the Toronto Stock Exchange for the five trading days preceding the maturity date.

A total of C$7,500,000 of the offering was subscribed for by an investment vehicle managed by Thomas M. Clay, a Director and insider of the Company. The Company agreed to pay the legal fees incurred by the lenders relating to this instrument which amounted to $10,049.

The conversion feature of the convertible debentures meets the definition of a derivative liability instrument because the conversion feature is denominated in a currency other than the Company's functional currency as well as the fact the exercise price is not a fixed price as described above. Therefore, the conversion feature does not meet the "fixed-for-fixed" criteria outlined in ASC 815-40-15.

As a result, the conversion feature of the notes is required to be recorded as a derivative liability recorded at fair value and marked-to-market each period with the changes in fair value each period being charged or credited to income or loss.

The fair value of the derivative liability related to the conversion feature as at March 31, 2015 is $1,931,519 (December 31, 2014 - $1,829,770). The derivative liability was calculated using an acceptable option pricing valuation model with the following assumptions:

	2015	2014
Risk-free interest rate	0.50%	1.00% - 1.09%
Expected life of derivative liability	0.32 years	0.57 - 1.32 years
Expected volatility	77.00%	73.03 - 98.21%
Dividend rate	0.00%	0.00%

The changes in the derivative liability related to the conversion feature are as follows:

	March 31, 2015	December 31, 2014
Balance, beginning of the period	$ 1,829,770	$ 2,833,987
Change in fair value of derivative liability including foreign exchange	101,749	(1,004,217)
Balance, end of the period	$ 1,931,519	$ 1,829,770

The change in the convertible debentures is as follows:

	March 31, 2015	December 31, 2014
Balance, beginning of the period	$ 6,649,967	$ 4,642,620
Discounted convertible debentures	-	-
Amortization of discount	747,870	2,510,611
Foreign exchange	(574,344)	(503,264)
Balance, end of the period	$ 6,823,493	$ 6,649,967

7. Related Party Transactions – Continued

(ii) Convertible Debentures - Continued

During the three months ended March 31, 2015, in addition to the amortization of the discount on the convertible debenture, the Company incurred interest expense of $40,285 (Three months ended March 31, 2014 - $45,717) based on the 2% per annum stated interest rate for a total amortization of discount and interest expense of $788,155 for the three months ended March 31, 2015 (Three months ended March 31, 2014 - $566,297). Interest payable relating to the convertible debenture as at March 31, 2015 was $104,248 (December 31, 2014 - $70,721).

(iii) Notes Payable

On January 1, 2014, the Company entered into an agreement to secure a $10,000,000 loan (the "January Loan"). The January Loan was provided by members of the Clay family, who are shareholders of the Company, including $7,500,000 provided by an investment vehicle managed by Thomas M. Clay, a Director and insider of the Company. The January Loan had a twelve-month term and an annual interest rate of 5%, payable on the maturity date.

The January Loan was repaid on a date that is less than 183 days before the maturity date. As a result, the Company paid the Lenders an additional charge in the amount that is equivalent to 5% of the principal amount, plus interest on the principal amount at the rate of 5% per annum accrued to the date the January Loan was repaid. The Company repaid $7,500,000 loan plus the $375,000 accrued interest and $375,000 additional charge on December 31, 2014. The remaining balance of the loan, $2,500,000, the accrued interest of $125,000 and the additional charge of $125,000, were paid on January 5, 2015. In total, the Company incurred $500,000 in interest expense and $500,000 in additional charge related to the January Loan.

On December 31, 2014 the Company also entered into a new loan (the "December Loan") with the same parties for an amount of $12,500,000. The December Loan is due on demand on July 1, 2015 and bears an annual interest rate of 10% payable at the end of each quarter. The loan is guaranteed by GQM Holdings, and secured by a pledge of the Company's interests in GQM Canada, GQM Canada's interest in GQM Holdings and GQM Holdings' 50% interest in GQM LLC. The Company also incurred a closing fee to secure the loan in the amount of $1,000,000, of which, $750,000 was paid on December 31, 2014 and the remaining $250,000 was paid on January 5, 2015. The Company agreed to pay the legal fees incurred by the lenders relating to this instrument which amounted to $90,916. The total legal fees paid for the transaction were $118,695. The Company has presented these transaction costs as a contra liability as substantially all of these costs were paid to the lenders.

	March 31, 2015	December 31, 2014
Balance, beginning of the period	$ 13,881,305	$ -
Proceeds from loans	-	22,500,000
Repayment of loans	(2,500,000)	(7,500,000)
Amortization of closing and legal fees	536,729	-
Capitalized closing fee and legal fees	-	(1,118,695)
Balance, end of the period	$ 11,918,034	$ 13,881,305

7. Related Party Transactions – Continued

(iv) Advance

In July 2014, GQM Inc. entered into a $10,000,000 short-term advance agreement (the "Advance") with Leucadia and Auvergne (the "Lenders"), with the Company as guarantor. Leucadia provided $6,500,000 of the loan and Auvergne provided $3,500,000. The Advance had an interest rate of 10.0% per annum, compounded monthly. Auvergne is an investment vehicle managed by Thomas M. Clay, a Director and insider of the Company. On closing of the joint venture transaction on September 15, 2014, GQM LLC applied part of the investment of $110,000,000 to repayment of principal and accrued interest on the $10,000,000 bridge loan advanced by the Lenders in July 2014. GQM LLC paid $209,607 in interest payment, including $73,632 paid to Auvergne on the July 2014 Advance, of which $45,264 was capitalized to mineral property interests.

(v) Amortization of Discounts and Interest Expense

The following table summarizes the amortization of discount and interest on loan and convertible debentures as at March 31, 2015 and as at March 31, 2014.

	March 31, 2015	March 31, 2014
Interest expense related to the convertible debentures	$ 40,285	$ 45,717
Interest expense related to the notes payable	311,644	125,000
Interest expense related to Komatsu Financial loans	13,411	-
Amortization of the convertible debentures	747,870	520,580
Amortization of the December 2014 loan closing fees	536,729	-
Amortization of discount and interest on loan and convertible debentures	$ 1,649,939	$ 691,297

The Company's loans were contracted to fund significant development costs. The Company capitalizes a portion of the interest expense as it related to funds borrowed to complete development activities at the Project site.

	March 31, 2015	March 31, 2014
Amortization of discounts and interest on loan, advance and convertible debenture	$ 1,649,939	$ 691,297
Less: Interest costs capitalized	(702,186)	-
Amortization of discounts and interest expensed	$ 947,753	$ 691,297

(vi) **Joint Venture Transaction**

On September 15, 2014, the Company closed the JV with Gauss resulting in both parties owning a 50% interest in the Project. Pursuant to the JV, Golden Queen converted its wholly-owned subsidiary GQM Inc., the entity developing the Project, into a California limited liability company named GQM LLC. On closing of the transaction, Gauss acquired 50% of GQM LLC by investing $110 million cash in exchange for newly issued membership units of GQM LLC. GQ Holdings, a newly incorporated subsidiary of the Company, holds the other 50% of GQM LLC.

Gauss is a funding vehicle owned by entities controlled by Leucadia National Corporation (NYSE: LUK) ("Leucadia") and certain members of the Clay family, a shareholder group which collectively owned approximately 27% of the issued and outstanding shares of Golden Queen (the "Clay Group") at the time of the transaction. Gauss is owned 67.5% by Gauss Holdings LLC ("Gauss Holdings", Leucadia's investment entity) and 32.5% by Auvergne LLC ("Auvergne", the Clay Group's investment entity). Pursuant to the transaction, Leucadia was paid a transaction fee of $2,000,000 and $275,000 was paid to Auvergne through GQM LLC. The Company has adopted an accounting policy of expensing these transaction costs.

7. Related Party Transactions – Continued

(vi) Joint Venture Transaction - Continued

Variable Interest Entity

In accordance with ASC 810-10-30, the Company has determined that GQM LLC meets the definition of a VIE and that the Company is part of a related party group that, in its entirety, would meet the definition of a primary beneficiary. Although no individual variable interest holder individually meets the definition of a primary beneficiary in the absence of the related party group, Golden Queen has determined it is considered the member of the related party group most closely associated with GQM LLC. As a result, the Company has consolidated 100% of the accounts of GQM LLC in these consolidated financial statements, while presenting a non-controlling interest portion representing the 50% interest of Gauss in GQM LLC on its balance sheet. A portion of the non-controlling interest has been presented as temporary equity on the Company's balance sheet representing the initial value of the non-controlling interest that could potentially be redeemable by Gauss in the future. The net assets of GQM LLC as of March 31, 2015 and December 31, 2014 are as follows:

	March 31, 2015	December 31, 2014
Assets, GQM LLC	$ 123,774,153	$ 118,937,371
Liabilities, GQM LLC	(10,179,339)	(4,769,144)
Net assets, GQM LLC	$ 113,594,814	$ 114,168,227

Included in assets above, is $64,508,799 (December 31, 2014 - $83,282,403) in cash held as at March 31, 2015. The cash in GQM LLC is directed specifically to fund capital expenditures required to take the Project to production and settle GQM LLC's obligations. The liabilities of GQM LLC do not have recourse to the general credit of the primary beneficiary.

Non-Controlling Interest

In accordance with ASC 810, the Company has presented Gauss' ownership in GQM LLC as a non-controlling interest amount on the balance sheet within the equity section. However, the Amended and Restated Limited Liability Company Agreement ("LLC Agreement") contains terms within Section 12.5 that provides for the exit from the investment in GQM LLC for an initial member whose interest in GQM LLC becomes less than 20%. The following is a summary of the terms of the clause:

Pursuant to Section 12.5, if a member becomes less than a 20% interest holder, its remaining unit interest will (ultimately) be terminated through one of three events at the non-diluted member's option within 60 days of the diluted member's interest dropping below 20% (the "triggering event"):

a. Through conversion to a net smelter royalty ("NSR") (in which case the conversion ratio is based on a pro rata percentage, determined on a linear basis, based on the following: 0-20% membership interest translates to 0-5% NSR) obligation of GQM LLC;
b. Through a buy-out (at fair value) by the non-diluted member; or
c. Through a sale process by which the diluted member's interest is sold
    - If such sale process does not result in a binding offer acceptable to the non-diluted member within six months after the election by the non-diluted member, the sale process terminates and the non-diluted member has 15 days to choose between (a) and (b).

If the non-diluted member does not make an election pursuant to the above within 60 days, the diluted member may choose (a) or (b) above. If no election is made by the diluted member, option (a) is deemed to have been elected.

This clause in the JV constitutes contingent redeemable equity as outlined in Accounting Series Release No. 268 ("ASR 268") and has been classified as temporary equity.

7. Related Party Transactions – Continued

(vi) Joint Venture Transaction - Continued

Non-Controlling Interest - Continued

On initial recognition the amount of the temporary equity is calculated using the guidance that specifies that the initial measurement of redeemable instruments should be the carrying value. The amount allocated to temporary equity and the permanent equity on initial recognition is shown below. Temporary equity represents the amount of redeemable equity within Gauss' ownership interest in the net assets of GQM LLC. The remaining 60% of their interest is considered permanent equity as it is not redeemable.

	September 15, 2014
Net assets, GQM LLC before JV	$ 16,973,184
Investment by Gauss	110,000,000
Net assets, GQM LLC after JV	126,973,184
Gauss' ownership percentage	50%
Net assets of GQM LLC attributable to Gauss	$ 63,486,592
Allocation of non-controlling interest between permanent equity and temporary equity:	
Permanent non-controlling interest (60% of total non-controlling interest)	$ 38,091,955
Temporary non-controlling interest (40% of total non-controlling interest)	$ 25,394,637

Subsequent to the initial transaction, the carrying value of the non-controlling interest will be adjusted for net income and loss and distributions pursuant to ASC 810-10 based on the same percentage allocation used to calculate the initial book value of temporary equity.

	March 31, 2015	December 31, 2014
Net and comprehensive loss in GQM LLC	$ (573,413)	$ (2,804,957)
Non-controlling interest percentage	50%	50%
Net and comprehensive loss attributable to non-controlling interest	(286,706)	(1,402,479)
Net and comprehensive loss attributable to permanent non-controlling interest	$ (172,024)	$ (841,487)
Net and comprehensive loss attributable to temporary non-controlling interest	$ (114,682)	$ (560,992)

7. Related Party Transactions – Continued

(vi) Joint Venture Transaction - Continued

Non-Controlling Interest - Continued

	Permanent Non-Controlling Interest	Temporary Non-Controlling Interest
Carrying value of non-controlling interest, December 31, 2014	$ 34,250,468	$ 22,833,645
Net and comprehensive loss for the period	(172,024)	(114,682)
Carrying value of non-controlling interest , March 31, 2015	$ 34,078,444	$ 22,718,963

	Permanent Non-Controlling Interest	Temporary Non-Controlling Interest
Carrying value of non-controlling interest, September 15, 2014	$ 38,091,955	$ 25,394,637
Distributions to non-controlling interests	(3,000,000)	(2,000,000)
Net and comprehensive loss for the period	(841,487)	(560,992)
Carrying value of non-controlling interest , December 31, 2014	$ 34,250,468	$ 22,833,645

Dilution of Interest in Subsidiary

As a result of the JV transaction, the Company's interest in GQM LLC was diluted from 100% to 50% and ordinarily, the Company would recognize a charge on dilution. However, since the transaction was with a related party and the Company retained control, the excess has not been recognized in net income but rather has been recorded in equity as an increase to APIC based on guidance provided in ASC 810-10-55-4D and -4E.

	September 15, 2014
Investment by Gauss	$ 110,000,000
Less:	
Initial carrying value of permanent equity	(38,091,955)
Initial carrying value of temporary equity	(25,394,637)
Effect of dilution of subsidiary recorded to APIC	$ 46,513,408

Management Agreement

GQM LLC is managed by a board of managers comprising an equal number of representatives of each of Gauss and GQ Holdings. The initial officers of GQM LLC are H. Lutz Klingmann as Chief Executive Officer, and Andrée St-Germain as Chief Financial Officer. As long as a member of the Clay family holds greater that 25% of the Company, the Clay Group is entitled to appoint one of the Company's representatives to the GQM LLC board of managers.

7. Related Party Transactions – Continued

(vi) Joint Venture Transaction - Continued

Capital Contribution Agreement

Pursuant to the JV, GQ Holdings will have the right to make a single capital contribution to GQM LLC of between $15 million and $25 million (the "Top-Up Contribution"), with each such threshold to be reduced by 50% of the amount of any proceeds received by GQM LLC from any debt financing transaction . Pursuant to the JV Agreement, if the Company (through GQ Holdings) makes the Top-Up Contribution, Gauss is committed to fund an amount equal to the Top-Up Contribution to GQM LLC, and the aggregate amount of such contributions are anticipated to provide GQM LLC with the necessary funds to fully develop the Project. If the Company does not make the Top-Up Contribution, Gauss will be obligated to make up to a $40 million capital contribution to GQM LLC, in which case GQ Holdings' ownership interest in GQM LLC will be diluted and GQ Holdings will surrender one of its board seats in GQM LLC. If Gauss makes the $40 million capital contribution, the Company will need to reassess whether the resulting dilution of its interest in the JV affects the accounting treatment of the variable interest entity and if consolidation of GQM LLC is still appropriate.

Standby Commitment

Golden Queen also entered into a backstop guarantee agreement with Gauss (the "Backstop Agreement") whereby, if the Company conducts a rights offering, Gauss has agreed to purchase, upon the terms set forth in the Backstop Agreement, any common shares which have not been acquired pursuant to the exercise of rights under the Rights Offering at a purchase price to be determined but not to exceed $1.10 per common share, up to a maximum amount of $45 million in the aggregate. In consideration for entering into the Backstop Agreement, on closing of the Joint Venture, the Company paid Leucadia and Auvergne a standby guarantee fee of $2,250,000, of which $731,250 was paid to Auvergne.

The Transaction Agreement and Backstop Agreement contemplated that the Company would file a registration statement in connection with the rights offering by October 15, 2014, however, the Company is conducting a full review of available financing alternatives, and as a result, whether the Company will proceed with a possible rights offering (if any), and the size of any such rights offering, is not known at this time. The Company will not be subject to additional fees or expenses as a result of not filing a registration statement in connection with a rights offering.

8. Supplementary Disclosures of Cash Flow Information

		March 31, 2015		March 31, 2014
Cash paid during period for:				
Interest	$	260,498	$	-
Income taxes	$	-	$	-
Non-cash financing and investing activities:				
Stock-based compensation	$	-	$	96,074
Common shares issued as part of a management agreement	$	151,428	$	-
Common shares issued for mineral property	$	-	$	24,480
Mineral property acquired through issuance of debt	$	2,865,983	$	-
Mineral property expenditures included in accounts payable	$	5,521,461	$	1,256,040
Non-cash interest cost capitalized to mineral property interests	$	702,186	$	-
Non-cash amortization of discount and interest expense	$	934,342	$	691,297

9. Earnings (Loss) Per Share

	Three Months Ended March 31, 2015	Three Months Ended March 31, 2014
Numerator:		
Net income (loss) – numerator for basic EPS	$ (1,436,187)	$ (7,494,638)
Amortization of discount	-	-
Change in derivative liability – Convertible debentures	-	-
Numerator for diluted EPS	$ (1,436,187)	$ (7,494,638)

	Three Months Ended March 31, 2015	Three Months Ended March 31, 2014
Denominator:		
Denominator for basic EPS	99,785,350	99,260,653
Effect of dilutive securities:		
Employee stock options	-	-
Convertible debenture	-	-
Denominator for diluted EPS	99,785,350	99,260,653
Basic income(loss) per share	$ (0.01)	$ (0.08)
Diluted loss per share	$ (0.01)	$ (0.08)

For the three months ended March 31, 2015, 750,000 (March 31, 2014 – 820,000) options were not included above as their impact would be anti-dilutive.

For the three months ended March 31, 2015 and 2014, the convertible debentures were not included above as their impact would be anti-dilutive.

10. *Loan Payable*

The Company entered into four financing agreements with Komatsu Financial during the period for two crawler dozers and two articulated trucks. The agreements are as follows:

	March 31, 2015	December 31, 2014
Motor Grader – Acquired on December 5, 2014 for a total purchase price of $291,146 including financing fees. The loan is payable over 4 years and carries an annual interest rate of 1.80% and a monthly payment of $5,268, principal and interest. The Company made a down payment of $47,335.	$ 229,082	$ 243,811
Water Wagon – Acquired on November 6, 2014 for a total purchase price of $815,374 including financing fees. The loan is payable over 4 years and carries an annual interest rate of 2.99% and a monthly payment of $15,109, principal and interest. The Company made a down payment of $132,646.	628,897	669,321
Crawler Dozer (Small) – Acquired on February 17, 2015 for a total purchase price of $822,750 including financing fees. The loan is payable over 4 years and carries an annual interest rate of 2.99% and a monthly payment of $15,245, principal and interest. The Company made a down payment of $133,875.	675,347	-
Crawler Dozer (Large) – Acquired on March 20, 2015 for a total purchase price of $1,364,725 including financing fees. The loan is payable over 4 years and carries an annual interest rate of 2.99% and a monthly payment of $25,287, principal and interest. The Company made a down payment of $222,075.	1,142,650	-
Two Articulated Trucks – Acquired on February 17, 2015 for a total purchase price of $671,944 each including financing fees. The loans are payable over 4 years and carries an annual interest rate of 2.99% and monthly payments of $12,451 each, principal and interest. The Company made a down payments of $109,325 for each truck.	1,103,139	-
Total loan balance	3,779,115	913,132
Less: Current portion of loan	(931,828)	(222,839)
Loan payable – Long-term portion	$ 2,847,287	$ 690,293

The loan agreements are secured by the underlying assets.

11. Financial Instruments

Fair Value Measurements

All financial assets and financial liabilities are recorded at fair value on initial recognition. Transaction costs are expensed when they are incurred, unless they are directly attributable to the acquisition of qualifying assets, in which case they are added to the costs of those assets until such time as the assets are substantially ready for their intended use or sale.

The three levels of the fair value hierarchy are as follows:

Level 1 Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability; *See Note 7 (ii)– Convertible Debentures* for derivatives fair valued on a recurring basis and considered within level 2.The fair value measurement of these financial instruments use observable inputs in option price models such as the binomial and the black-scholes valuation models.

Level 3 Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

Under fair value accounting, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. As of March 31, 2015 and December 31, 2014, the Company had embedded derivative liabilities in connection with the Convertible Debenture (Note 7(ii)).

12. *General and Administrative Costs*

General and administrative costs are broken down as follows:

	Three Months Ended March 31, 2015	Three Months Ended March 31, 2014
Legal	$ 245,922	$ 389,830
Consulting fees (Note 4)	188,934	73,514
Audit and accounting	179,983	157,494
Office and miscellaneous	167,540	132,603
Corporate salary	151,430	121,078
Feasibility study	108,542	-
Regulatory and licensing	65,486	45,237
Insurance	63,189	13,883
Pre-production costs	56,666	-
Corporate expense	44,249	171,584
Public relations & promotion	29,104	38,596
Stock-based compensation	-	96,074
Foreign exchange loss/(gain)	(561,512)	(174,636)
Total General and Administrative Costs	$ 739,533	$ 1,065,257

13. ***Subsequent Events***

Subsequent to March 31, 2015, mobile mining equipment was delivered to site. Shortly after receiving the equipment, the Company paid $0.2 million, which represented the sales tax and a 10% deposit. The remaining $0.8 million will be financed over 48 months at an interest rate of 2.99%.

In addition, four mining trucks and two loaders were delivered and assembled on site in April. The Company paid a 10% deposit of $0.9 million in April and expects to finance the remaining purchase price when it officially takes possession of the equipment later this year.