Golden Queen Mining Co. Ltd.
Condensed Consolidated Interim Financial Statements
June 30, 2015

(US Dollars)

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

	June 30, 2015	December 31, 2014
Assets		
Current assets:		
Cash (Note 7 (vii))	$ 85,721,947	$ 91,407,644
Receivables	31,729	52,136
Prepaid expenses and other current assets	1,143,721`	114,625
Total current assets	86,897,397	91,574,405
Property (Note 2)	236,440	251,467
Mineral property interests (Note 3)	82,330,623	37,138,134
Reclamation financial assurance (Note 5)	902,382	553,329
Total Assets	170,366,842	129,517,335
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities (Note 7(i))	$ 8,468,313	$ 3,309,476
Interest payable (Note 7(ii) and (iii))	374,545	320,721
Closing fee payable (Note 7(iii))	-	250,000
Notes payable (Note 7(iii))	-	13,881,305
Current portion of loan payable (Note 10)	1,347,120	222,839
Derivative liability–convertible debenture (Note 7(ii))	12,414	1,829,770
Convertible debenture (Note 7(ii))	7,749,036	6,649,967
Total current liabilities	17,951,428	26,464,078
Notes payable (Note 7 (iii))	33,640,346	-
Derivative liability – warrants (Note 7(iv))	3,352,979	-
Asset retirement obligations (Note 5)	902,382	624,142
Loan payable (Note 10)	3,943,982	690,293
Total Liabilities	59,791,117	27,778,513
Temporary Equity		
Redeemable portion of non-controlling interest (Note 7(vii))	27,434,016	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(vii))	56,390,510	56,390,510
Deficit accumulated	(77,260,267)	(74,444,816)
Total shareholders' equity attributable to GQM Ltd.	41,990,686	44,654,709
Non-controlling interest (Note 7(vii))	41,151,023	34,250,468
Total Shareholders' Equity	83,141,709	78,905,177
Total Liabilities, Temporary Equity and Shareholders' Equity	$ 170,366,842	$ 129,517,335

Basis of Presentation and Ability to Continue as a Going Concern (Note 1)
Commitments and Contingencies (Note 6)
Subsequent Events (Note 14)

Approved by the Directors:

" Thomas M. Clay"	*"Bryan A. Coates"*
Thomas M. Clay, Chairman	Bryan A. Coates, 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 June 30, 2015	Three Months Ended June 30, 2014	Six Months Ended June 30, 2015	Six Months Ended June 30, 2014
General and administrative expenses (Notes 8 and 12)	$ (1,991,215)	$ (2,081,950)	$ (2,730,747)	$ (3,147,208)
Change in fair value of derivative liability including change in foreign exchange (Notes 7(ii) and 7(iv))	2,568,849	1,634,681	2,467,100	(4,112,695)
	577,634	(447,269)	(263,647)	(7,259,903)
Interest expense (Note 7(vi))	(1,070,111)	(264,120)	(2,017,864)	(955,417)
Loss on extinguishment of debt (Note 7(iii))	(151,539)	-	(151,539)	-
Closing fee (Note 7(iii))	(1,500,000)	-	(1,500,000)	-
Interest income	52,383	5,546	118,525	14,838
Net and comprehensive income (loss) for the period	(2,091,633)	(705,843)	(3,814,525)	(8,200,482)
Add: Net and comprehensive loss attributable to the non-controlling interest for the period (Note 7(vii))	712,368	-	999,074	-
Net and comprehensive income (loss) attributable to Golden Queen Mining Co Ltd. for the period	$ (1,379,265)	$ (705,843)	$ (2,815,451)	$ (8,200,482)
Earnings (Loss) per share – basic (Note 9)	$ (0.01)	$ (0.01)	$ (0.03)	$ (0.08)
Earnings (Loss) per share – diluted (Note 9)	$ (0.01)	$ (0.02)	$ (0.03)	$ (0.08)
Weighted average number of common shares outstanding -basic	99,928,683	99,619,562	99,857,412	99,441,099
Weighted average number of common shares outstanding - diluted	99,928,683	109,418,434	99,857,412	99,441,099

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	-
Top-up contribution to non-controlling interest	-	-	-	-	-	7,500,000	7,500,000	5,000,000
Net loss for the period	-	-	-	(2,815,451)	(2,815,451)	(599,445)	(3,414,896)	(399,629)
Balance, June 30, 2015	99,928,683	$ 62,860,443	$ 56,390,510	$ (77,260,267)	$ 41,990,686	$ 41,151,023	$ 83,141,709	$ 27,434,016

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

	Six Months Ended June 30, 2015	Six Months Ended June 30, 2014
Operating activities:		
Net income (loss) for the period	$ (3,814,525)	$ (8,200,482)
Adjustments to reconcile net income (loss) to cash used in operating activities:		
Amortization and depreciation	15,027	18,223
Amortization of debt discount and interest accrual	1,973,307	955,417
Change in fair value of derivative liabilities including change in foreign exchange	(2,467,100)	4,112,695
Shares for services (Note 7(i) and Note 12)	151,428	-
Stock-based compensation	-	192,148
Loss on extinguishment of debt (Note 7(iii))	151,539	-
Closing fee related to long-term debt	1,500,000	-
Unrealized foreign exchange	(497,411)	18,369
Changes in assets and liabilities:		
Receivables	20,407	(14,752)
Prepaid expenses and other current assets	(1,029,096)	(100,102)
Accounts payable and accrued liabilities	597,434	203,275
Interest payable	(797,945)	-
Cash used in operating activities	(4,196,935)	(2,815,209)
Investment activities:		
Additions to mineral property interests	(34,389,709)	(7,250,113)
Purchase of financial assurance	(349,053)	-
Cash used in investing activities	(34,738,762)	(7,250,113)
Financing activities:		
Top-up contribution	12,500,000	-
Borrowing under long-term debt	25,000,000	-
Repayment of short-term debt	(2,500,000)	-
Borrowing under short-term debt	-	10,000,000
Closing fees related to short-term debt capitalized to the loan	(250,000)	-
Closing fees related to long-term debt	(1,500,000)	-
Issuance of common shares upon exercise of stock options	-	111,421
Cash provided by financing activities	33,250,000	10,111,421
Net change in cash	(5,685,697)	46,099
Cash, Beginning balance	91,407,644	5,030,522
Cash, Ending balance	$ 85,721,947	$ 5,076,621

Supplementary Disclosures of Cash Flow Information (Note 8)

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 Transaction with Gauss LLC ("Gauss") through its newly formed, wholly owned subsidiary, Golden Queen Mining Holdings, Inc. ("GQM Holdings"). The Joint Venture Transaction was completed on September 15, 2014. Upon completion of the Joint Venture Transaction, 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(vi) - 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 June 30, 2015 and December 31, 2014 were $1.25 and $1.16, and stated in Canadian dollars per one US dollar, respectively. The average rates of exchange during the six months ended June 30, 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(vii)), the recoverability of mineral properties expenditures (Note 3), reclamation reserves (Note 5), warrant liability (Note 7(iv)) 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 reclamation financial assurance approximate fair values because of the immediate or short-term maturity of these non-level 3 financial instruments. The fair value of the short-term and long-term loans payable approximate their carrying values as the interest rates are based on the market rates as they were initiated during the quarter and the previous two quarters. The market rates have remained steady for the loans payable during the past three quarters. The carrying value of the short and long term portions of the notes payable approximates their carrying value and have been estimated based on discounted cash flows using interest rates being offered for similar debt instruments. The carrying amount of the convertible debt instrument and the notes payable are being recorded at amortized cost using the effective interest rate method. As at June 30, 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 $7,686,009 (December 31, 2014: $7,972,993). The embedded derivatives in connection with the convertible debenture and the share purchase warrants are being recorded at their fair values 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 the expiry date of the vested portion of a stock option will be the earlier of the date so fixed by the Board at the time the stock option is awarded and the early termination date (the "Early Termination Date"). The Early Termination Date will be the date the vested portion of a stock option expires following the option holder ceasing to be a director, employee or consultant, as determined by the Board at the time of grant, or in the absence thereof at any time prior to the time the option holder ceases to be a director, employee or consultant, in accordance with and subject to the provisions of the Plan. 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 700,000 (December 31, 2014 – 750,000) common shares were issuable pursuant to such stock options as at June 30, 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 simple 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, including warrants that do not have a fixed exercise price, 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 June 30, 2015 had a deficit of $77,260,267 (December 31, 2014 - $74,444,816) and working capital of $68,945,969 (December 31, 2014 - $65,110,327).

The Company and its 50%-owned subsidiary, GQM LLC, are a going concern as both have sufficient funds to meet their contractual obligations for the next twelve months.

The Company however has a $37.5 million loan maturing on December 8, 2016. Golden Queen, on a non-consolidated basis, currently does not have sufficient funds to repay this loan. This raises substantial doubt about this entity's ability to continue as a going concern. The Company is evaluating its options, including debt and equity, to re-finance the June 2015 Loan before or at maturity.

2. *Property*

Property consists of:

	June 30, 2015	December 31, 2014
Land	$ 109,600	$ 109,600
Rental properties	324,566	324,566
Property, cost	434,166	434,166
Less accumulated depreciation	(197,726)	(182,699)
Property, net	$ 236,440	$ 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 June 30, 2015 and December 31, 2014 are as follows:

	June 30, 2015	December 31, 2014
Mineral property interest, land and claims	$ 3,811,821	$ 3,299,319
Deferred mine development costs	73,509,565	31,020,717
Asset retirement costs	550,807	272,567
Capitalized interest	3,997,182	2,412,015
Capitalized depreciation	461,248	133,516
Balance, end of the period	$ 82,330,623	$ 37,138,134

3. *Mineral Property Interests - Continued*

As at June 30, 2015, included in deferred mine development costs are buildings and equipment with a total accumulated cost of $9,085,651 (December 31, 2014 - $2,424,635). Total additions during the three and six months ended June 30, 2015 were $2,553,646 and $6,661,016 (Three and six months ended June 30, 2014 - $107,228 and $183,585). During the three and six months ended June 30, 2015, depreciation of $212,669 and $327,732 (Three and six months ended June 30, 2014 - $14,270 and $21,100) 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 (vi) –Amortization of Discount and Interest Expense.

4. Share Capital

The Company's common shares outstanding have no par value, and are 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 7(i)). 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.

4. Share Capital - Continued

<u>Stock options</u>

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 six months ended June 30, 2015 and June 30, 2014:

	Shares	Weighted Average Exercise Price per Share
Options outstanding, December 31, 2013	1,380,000	$0.87
Options exercised	(530,000)	$0.21
Option outstanding, June 30, 2014	850,000	$1.27
Options exercisable, June 30, 2014	650,000	$1.29
Options forfeited	(100,000)	$1.16
Option outstanding and exercisable, December 31, 2014	750,000	$1.29
Options expired	(50,000)	$1.22
Options outstanding and exercisable, June 30, 2015	700,000	$1.30

There were no stock options issued during the three and six months ended June 30, 2015 and June 30, 2014.

During the three and six months ended June 30, 2015, the Company recognized $Nil and $Nil (Three and six months ended June 30, 2014 - $96,074 and $192,148) 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 June 30, 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 and six months ended June 30, 2015.

4. ***Share Capital – Continued***

Stock options – *Continued*

The following table summarizes information about stock options outstanding and exercisable at June 30, 2015:

Expiry Date	Number Outstanding and Exercisable	Weighted Average Remaining Contractual Life (Years)	Exercise Price
November 11, 2015	200,000	0.37	$1.16
June 3, 2018	50,000	2.93	$1.16
September 3, 2018	150,000	3.18	$1.59
September 18, 2018	300,000	3.22	$1.26
Outstanding, June 30, 2015	700,000	2.38	
Exercisable, June 30, 2015	700,000	2.38	

Share Purchase Warrants

During the six months ended June 30, 2015, the Company granted 10,000,000 share purchase warrants. The following is a summary of the share purchase warrant activity:

	June 30, 2015	December 31, 2014
Balance, beginning of the period	$ -	$ -
Issued	10,000,000	-
Balance, end of the period	$ 10,000,000	$ -

Expiry Date	Number Outstanding	Weighted Average Remaining Contractual Life (Years)	Exercise Price
June 8, 2020	10,000,000	4.94	$0.95

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 reclamation estimate for 2015 is $624,142 (December 31, 2014 - $624,142).

In addition to the above, the Company is required to obtain and maintain financial assurance for initiating and completing corrective action and remediation of a reasonably foreseeable release from the Project's waste management units as required by the Lahontan Regional Water Quality Control Board (the "Regional Board"). The reclamation estimate for 2015 is $278,240 (December 31, 2014 - $Nil).

The Company has provided reclamation financial assurance to the Bureau of Land Management, the State and Kern County and a reasonably foreseeable release financial assurance to the Regional Board totaling $902,382 (December 31, 2014 - $553,329; June 30, 2014 - $478,739).

The total asset retirement obligation as of June 30, 2015 is $902,382 (December 31, 2014 - $624,142; June 30, 2014 - $552,250).

5. *Asset Retirement Obligations – Continued*

The Company estimated its asset retirement obligations based on its understanding of the requirements to reclaim and clean-up its property based on its activities to date. During the three and six months ended June 30, 2015, there was an increase of $278,240 to the retirement obligations as compared with the year ended December 31, 2014, where $71,892 was capitalized to mineral property interests as the asset portion of the retirement obligation. The amount was capitalized as the Company is in the development stage and is capitalizing all of its development costs pursuant to our policy.

The following is a summary of asset retirement obligations:

	June 30, 2015	December 31, 2014
Balance, beginning of the period	$ 624,142	$ 552,250
Changes in cash flow estimates	278,240	71,892
Balance, end of the period	$ 902,382	$ 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 and six month periods ended June, 2015 were $50,167 and $60,167 (Three and six months ended June 30, 2014 - $65,500 and $99,980 of which $24,480 related to common shares issued), and the Company is expected to make approximate payments of $140,000 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 June 30, 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.

6. Commitments and Contingencies - Continued

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.

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

As of June 30, 2015, GQM LLC has entered into contracts for construction totaling approximately $58.0 million, of which $26.2 million remains to be paid. 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. GQM LLC made approximately $4.0 million in additional construction commitments subsequent to June 30, 2015.

In addition, GQM LLC committed, as of June 30, 2015, to $16.6 million of Komatsu mobile mining equipment with Road Machinery LLC. As of June 30, 2015, GQM LLC received the water truck, a motor grader, three dozers, two articulated trucks and two excavators valued at approximately $6.8 million (see Note 10 of the unaudited condensed consolidated interim financial statements for more details). Please refer to Subsequent Events – Note 14 for additional commitments entered into by the Company subsequent to June 30, 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 and six months ended June 30, 2015, the Company paid $12,378 and $201,312 (Three and six months ended June 30, 2014 - $39,032 and $84,059) to Mr. H. Lutz Klingmann for services as President of the Company of which $Nil (December 31, 2014 - $Nil; June 30, 2014 - $13,797) is payable as at June 30, 2015. Included in the consulting fees for the six months ended June 30, 2015 was $151,428 (Six months ended June 30, 2014 - $Nil) related to 150,000 bonus shares issued in accordance with Mr. Klingmann's management agreement (Refer to Note 6 – Commitments and Contingencies of the unaudited condensed consolidated interim financial statements). On May 1, 2015 Mr. Klingmann became an employee of the Company and his salary, since that date, is included under corporate salary expenses.

During the three and six months ended June 30, 2015, the Company paid a total of $18,414 and $36,852 respectively (2014 - $11,815 and $23,439, respectively) for regular director fees to the three independent directors and Thomas M. Clay. Mr. Clay did not receive directors' fees during the three and six months ended June 30, 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. Subsequent to June 30, 2015, the convertible debenture was repaid. Refer to Subsequent Events – Note 14 for complete details.

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 June 30, 2015 is $12,414 (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	0.49% - 0.50%	1.00% - 1.09%
Expected life of derivative liability	0.07 - 0.32 years	0.57 - 1.32 years
Expected volatility	49.36% - 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:

	June 30, 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	(1,817,356)	(1,004,217)
Balance, end of the period	$ 12,414	$ 1,829,770

The change in the convertible debentures is as follows:

	June 30, 2015	December 31, 2014
Balance, beginning of the period	$ 6,649,967	$ 4,642,620
Discounted convertible debentures	-	-
Amortization of discount	1,590,551	2,510,611
Foreign exchange	(491,482)	(503,264)
Balance, end of the period	$ 7,749,036	$ 6,649,967

During the three and six months ended June 30, 2015, in addition to the amortization of the discount on the convertible debenture, the Company incurred interest expense of $40,301 and $80,586, respectively (Three and six months ended June 30, 2014 - $45,799 and $91,516, respectively) based on the 2% per annum stated interest rate for a total amortization of discount and interest expense of $882,982 and $1,671,137 for the three and six months ended June 30, 2015 (Three and six months ended June 30, 2014 - $638,837 and $1,205,134, respectively). Interest payable relating to the convertible debenture as at June 30, 2015 was $145,378 (December 31, 2014 - $70,721).

7. Related Party Transactions – Continued

(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 also agreed to provide the lenders with the option for certain registration rights whereby the Company would bear the costs and responsibility of registering the lenders common shares for the purposes of disposition subsequent to July 1, 2015. The Company has determined it is unlikely the registration option would be exercised and therefore has not accrued any potential costs related to the registration of the common shares. The Company has presented these transaction costs as a contra liability as substantially all of these costs were paid to the lenders.

On June 8, 2015, the Company amended the December Loan to extend the maturity to December 8, 2016 and increasing the principal amount from $12,500,000 to $37,500,000 (the "June 2015 Loan"). The Company also issued 10,000,000 common share purchase warrants exercisable for a period of five years expiring June 8, 2020. The common share purchase warrants have an exercise price of $0.95. All other terms remained the same as the December Loan. The Company also incurred a closing fee to secure the loan in the amount of $1,500,000, all of which was paid on June 8, 2015. The Company agreed to pay the legal fees incurred by the lenders relating to this instrument which amounted to $46,408. The legal fees were expensed as the transaction met the definition of a debt extinguishment. The terms of the registration rights remains unchanged as does the Company's assessment of the likelihood of the registration rights being exercised. As such, as of June 30, 2015, no accrual has been made for the potential costs related to the registration rights.

	June 30, 2015	December 31, 2014
Balance, beginning of the period	$ 13,881,305	$ -
Fair value at inception	33,497,277	22,500,000
Repayment of loans	(2,500,000)	(7,500,000)
Amortization of closing and legal fees	967,156	-
Amortization of discount on the June Loan	143,069	-
Extinguishment of the December Loan	(12,500,000)	-
Loss on extinguishment of debt	151,539	-
Capitalized closing fee and legal fees	-	(1,118,695)
Balance, end of the period	$ 33,640,346	$ 13,881,305

Interest payable relating to the June 2015 Loan as at June 30, 2015 was $229,167 (December 31, 2014 - $250,000 – of which $125,000 was interest expense and $125,000 related to the additional charge for the January Loan).

7. Related Party Transactions – Continued

(iv) Share Purchase Warrants

On June 8, 2015 the Company issued 10,000,000 share purchase warrants to the Clay family in connection with the June 2015 Loan. The share purchase warrants are exercisable until June 8, 2020 at an exercise price of $0.95. Included in the June 2015 Loan agreement was an anti-dilution provision. If the Company were to complete a financing at a share price lower than the exercise price of the share purchase warrants, the exercise price of the share purchase warrants would be adjusted to match the price at which the financing was completed.

The share purchase warrants meet the definition of a derivative liability instrument as the exercise price is not a fixed price as described above. Therefore, the settlement feature does not meet the "fixed-for-fixed" criteria outlined in ASC 815-40-15.

The fair value of the derivative liability related to the share purchase warrants as at June 30, 2015 is $3,352,979 (December 31, 2014 - $Nil). The derivative liability was calculated using an acceptable option pricing valuation model with the following assumptions:

	2015	2014
Risk-free interest rate	0.81% - 1.02%	-
Expected life of derivative liability	4.94 - 5 years	-
Expected volatility	72.29% - 72.52%	-
Dividend rate	0.00%	-

The change in the derivative share purchase warrants is as follows:

	June 30, 2015	December 31, 2014
Balance, beginning of the period	$ -	$ -
Fair value at inception	4,002,723	-
Change in fair value	(649,744)	-
Balance, end of the period	$ 3,352,979	$ -

(v) Advance

In July 2014, GQM Inc. entered into a $10,000,000 short-term advance agreement (the "Advance") with Leucadia and Auvergne (collectively, 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.

7. Related Party Transactions – Continued

(vi) Amortization of Discounts and Interest Expense

The following table summarizes the amortization of discounts and interest on loans and convertible debentures:

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	Three Months Ended June 30, 2015	Three Months Ended June 30, 2014	Six Months Ended June 30, 2015	Six Months Ended June 30, 2014
Interest expense related to the convertible debentures	$ 40,301	$ 45,799	$ 80,586	$ 91,516
Interest expense related to the January 2014 loans	-	616,096	-	741,096
Interest expense related to the December 2014 loans	236,301	-	547,945	-
Interest expense related to the June 2015 loans	229,167	-	229,167	-
Interest expense related to Komatsu Financial loans	31,146	-	44,558	-
Amortization of debt discount on the convertible debentures	842,681	593,038	1,590,551	1,113,618
Amortization of the December 2014 loan closing fees	430,427	-	967,155	-
Amortization of the June 2015 loan discount	143,069	-	143,069	-
Amortization of discount and interest on loan and convertible debentures	$ 1,953,092	$ 1,254,933	$ 3,603,031	$ 1,946,230

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.

	Three Months Ended June 30, 2015	Three Months Ended June 30, 2014	Six Months Ended June 30, 2015	Six Months Ended June 30, 2014
Amortization of discounts and interest on loan, advance and convertible debenture	$ 1,953,092	$ 1,254,933	$ 3,603,031	$ 1,946,230
Less: Interest costs capitalized	(882,983)	(990,813)	(1,585,167)	(990,813)
Amortization of discounts and interest expensed	$ 1,070,111	$ 264,120	$ 2,017,864	$ 955,417

(vii) **Joint Venture Transaction**

On September 15, 2014, the Company closed the Joint Venture Transaction with Gauss resulting in both parties owning a 50% interest in the Project. Pursuant to the Joint Venture Transaction, 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.

7. Related Party Transactions – Continued

(vii) Joint Venture Transaction - Continued

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.

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 June 30, 2015 and December 31, 2014 are as follows:

	June 30, 2015	December 31, 2014
Assets, GQM LLC	$ 79,517,574	$ 118,937,371
Liabilities, GQM LLC	(14,690,770)	(4,769,144)
Net assets, GQM LLC	$ 64,826,804	$ 114,168,227

Included in the assets above, is $71,275,286 (December 31, 2014 - $83,282,403) in cash held as at June 30, 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).

7. Related Party Transactions – Continued

(vii) Joint Venture Transaction - Continued

Non-Controlling Interest - Continued

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 Joint Venture Transaction constitutes contingent redeemable equity as outlined in Accounting Series Release No. 268 ("ASR 268") and has been classified as temporary equity.

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 Joint Venture Transaction	$ 16,973,184
Investment by Gauss	110,000,000
Net assets, GQM LLC after Joint Venture Transaction	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, distributions and contributions pursuant to ASC 810-10 based on the same percentage allocation used to calculate the initial book value of temporary equity.

	June 30, 2015	December 31, 2014
Net and comprehensive loss in GQM LLC	$ (1,998,148)	$ (2,804,957)
Non-controlling interest percentage	50%	50%
Net and comprehensive loss attributable to non-controlling interest	(999,074)	(1,402,479)
Net and comprehensive loss attributable to permanent non-controlling interest	$ (599,445)	$ (841,487)
Net and comprehensive loss attributable to temporary non-controlling interest	$ (399,629)	$ (560,992)

7. Related Party Transactions – Continued

(vii) 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
Capital contribution	7,500,000	5,000,000
Net and comprehensive loss for the period	(599,445)	(399,629)
Carrying value of non-controlling interest , June 30, 2015	$ 41,151,023	$ 27,434,016

	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 interest	(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 Joint Venture 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 were H. Lutz Klingmann as Chief Executive Officer, and Andrée St-Germain as Chief Financial Officer. Subsequent to June 30, 2015, the President of GQM LLC was appointed as the Chief Executive Officer of GQM LLC. A director of the Company was appointed to the GQM LLC Board of Managers as a nominee of the Company, replacing Mr. Klingmann. 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

(vii) Joint Venture Transaction - Continued

Capital Contribution Agreement

Pursuant to the Joint Venture Transaction, GQ Holdings' made a single capital contribution to GQM LLC of $12.5 million on June 15, 2015. Gauss funded an amount equal to GQM Holdings' capital contribution to GQM LLC, and the aggregate amount of $25 million is anticipated to provide GQM LLC with the necessary funds to fully develop the Project. Both partners will maintain their 50% ownership of the Project.

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. The Company has decided not to proceed with a rights offering, and as a result the standby commitment has expired.

8. Supplementary Disclosures of Cash Flow Information

	June 30, 2015	June 30, 2014
Cash paid during period for:		
Interest	$ 589,553	$ -
Income taxes	$ -	$ -
Non-cash financing and investing activities:		
Stock-based compensation	$ -	$ 192,148
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	$ 4,377,970	$ -
Mineral property expenditures included in accounts payable	$ 7,658,456	$ 228,071
Non-cash interest cost capitalized to mineral property interests	$ 1,585,167	$ 990,813
Non-cash amortization of discount and interest expense	$ 1,973,307	$ 955,417

9. *Earnings (Loss) Per Share*

	Three Months Ended June 30, 2015	Three Months Ended June 30, 2014	Six Months Ended June 30, 2015	Six Months Ended June 30, 2014
Numerator:				
Net income (loss) – numerator for basic EPS	$ (1,379,265)	$ (705,843)	$ (2,815,451)	$ (8,200,482)
Amortization of discount	-	-	-	-
Change in derivative liability – Convertible debentures	-	(1,634,681)	-	-
Change in derivative – Warrants	-	-	-	-
Numerator for diluted EPS	$ (1,379,265)	$ (2,340,524)	$ (2,815,451)	$ (8,200,482)

	Three Months Ended June 30, 2015	Three Months Ended June 30, 2014	Six Months Ended June 30, 2015	Six Months Ended June 30, 2014
Denominator:				
Denominator for basic EPS	99,928,683	99,619,562	99,857,412	99,441,099
Effect of dilutive securities:				
Employee stock options	-	90,134	-	-
Convertible debenture	-	9,708,738	-	-
Warrants	-			
Denominator for diluted EPS	99,928,683	109,418,434	99,857,412	99,441,099
Basic earnings(loss) per share	$ (0.01)	$ (0.01)	$ (0.03)	$ (0.08)
Diluted loss per share	$ (0.01)	$ (0.02)	$ (0.03)	$ (0.08)

For the three month periods ended June 30, 2015 and 2014, 700,000 and 150,000 options were not included above as their impact would be anti-dilutive. For the six month periods ended June 30, 2015 and 2014, 700,000 and 850,000 options were not included above as their impact would be anti-dilutive.

For the three and six months ended June 30, 2015, 10,000,000 and Nil (Three and six months ended June 30, 2014 – Nil and Nil) warrants were not included above as their impact would be anti-dilutive.

For the three and six months ended June 30, 2015 and for the six months ended June 30, 2014, the convertible debentures were not included above as their impact would be anti-dilutive. The convertible debenture was included in the calculation for the three months ended June 30, 2014.

10. ***Loan Payable***

The Company entered into seven financing agreements with Komatsu Financial during the period for two crawler dozers, two articulated trucks, two excavators and a wheeled dozer. The agreements are as follows:

	June 30, 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.	$ 214,286	$ 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.	588,171	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.	634,559	-
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.	1,075,163	-
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.	1,036,515	-
Two Excavators – Acquired on April 23, 2015 and June 26, 2015 for a total purchase price of $992,541 and 280,843 respectively, including financing fees. The loans are payable over 4 years and carry an annual interest rate of 2.99% and 0.00% and monthly payments of $18,391 and $4,900 each, principal and interest. The Company made down payments of $161,487 and $45,658 for each truck.	1,033,557	-
Wheeled Dozer – Acquired on June 26, 2015 for a total purchase price of $846,575 including financing fees. The loan is payable over 4 years and carries an annual interest rate of 2.99% and monthly payments of $15,687, principal and interest. The Company made a down payments of $137,725 for each truck.	708,850	-
Total loan balance	5,291,102	913,132
Less: Current portion of loan	(1,347,120)	(222,839)
Loan payable – Long-term portion	$ 3,943,982	$ 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 and Note 7 (iv) – Share Purchase Warrants 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 June 30, 2015 and December 31, 2014, the Company had embedded derivative liabilities in connection with the Convertible Debenture (Note 7(ii)) and the warrants issued to the Clay family (Note 7 (iv)).

12. ***General and Administrative Expenses***

General and administrative expenses are broken down as follows:

	Three Months Ended June 30, 2015	Three Months Ended June 30, 2014	Six Months Ended June 30, 2015	Six Months Ended June 30, 2014
Audit & Accounting	$ 95,386	$ 107,027	$ 275,368	$ 264,521
Legal	369,400	538,926	615,322	928,756
Consulting fees	12,378	40,235	201,312	113,749
Corporate salary	603,418	266,677	754,848	387,755
Corporate expense	42,670	466,079	86,919	637,663
Office	221,185	241,754	488,523	374,358
Insurance	72,713	28,025	135,902	41,908
Regulatory and licensing	45,468	26,220	110,954	71,457
Environmental matters	56,720	17,093	56,720	17,093
Foreign exchange	94,424	196,168	(467,088)	21,532
Stock-based compensation	-	96,074	-	192,148
Pre-production costs	354,840	-	420,250	-
Public relations & promotion	22,613	57,672	51,717	96,268
Total	$ 1,991,215	$ 2,081,950	$ 2,730,747	$ 3,147,208

13. Comparative Figures

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.

14. Subsequent Events

Subsequent to June 30, 2015, GQM LLC took possession of two loaders and four 100 ton haul trucks, valued at $9.6 million. Shortly after taking possession of the equipment, the Company paid $0.6 million in sales tax. The 10% deposit of $0.9 million had already been paid during the second quarter of 2015. The remaining $8.1 million will be financed over 48 months at an interest rate of 4.24%.

Subsequent to June 30, 2015, GQM LLC took possession of a dozer, valued at $0.2 million. Shortly after taking possession of the equipment, the Company paid $17,550 in sales tax and made a 10% deposit of $23,400. The remaining $0.2 million will be financed over 48 months at an interest rate of 2.99%.

On July 24, 2015, the Company repaid its C$10.0 million ($7.7 million) convertible debenture and accrued interest of C$200,000 ($153,500).

On August 10, 2015, the President and Chief Executive Officer of the Company stepped down. The current Chairman of the Company assumed the role of Interim Chief Executive Officer. The Company also appointed the President and Chief Executive Officer of GQM LLC to the position of Chief Operating Officer. The Company and the former President and Chief Executive Officer entered into a separation agreement as of August 10, 2015, which provides for the termination of the employment agreement and an agreement for the Company to pay six month’s salary commencing from the date of termination. The separation agreement also confirms that as a result of the termination of the employment agreement, the 150,000 bonus shares that were to be issued upon reaching the commencement of production, will no longer be issuable as that milestone was not met as at the date of termination of the employment agreement.