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

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2012

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _______________ to _______________

0-21777
(Commission File Number)

GOLDEN QUEEN MINING CO. LTD.
(Name of registrant in its charter)

British Columbia, Canada (State or other jurisdiction of incorporation or organization)	**Not Applicable** (IRS Employer Identification No.)
6411 Imperial Avenue, West Vancouver, British Columbia, Canada (Address of principal executive offices)	**V7W 2J5** (Zip Code)

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

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

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

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

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

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

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

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

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter: $135,079,019 as at June 30, 2012.

Indicate the number of shares outstanding of each of the registrant's classes of common equity, as of the latest practicable date: 98,013,383 common shares as at March 15, 2013.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement for the Annual Meeting of Stockholders are incorporated by reference into Part III of this Form 10-K, which Proxy Statement is to be filed within 120 days after the end of the registrant's fiscal year ended December 31, 2012. If the definitive Proxy Statement cannot be filed on or before the 120 day period, the issuer may instead file an amendment to this Form 10-K disclosing the information with respect to Items 10 through 14.

Form 10-K

Table of Contents

PART I

FORWARD-LOOKING STATEMENTS

ALL STATEMENTS IN THIS DISCUSSION THAT ARE NOT HISTORICAL ARE FORWARD-LOOKING STATEMENTS WITHIN THE MEANING OF SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. STATEMENTS PRECEDED BY, FOLLOWED BY OR THAT OTHERWISE INCLUDE THE WORDS "BELIEVES", "EXPECTS", "ANTICIPATES", "INTENDS", "PROJECTS", "ESTIMATES", "PLANS", "MAY INCREASE", "MAY FLUCTUATE" AND SIMILAR EXPRESSIONS OR FUTURE OR CONDITIONAL VERBS SUCH AS "SHOULD", "WOULD", "MAY" AND "COULD" ARE GENERALLY FORWARD-LOOKING IN NATURE AND NOT HISTORICAL FACTS. THESE FORWARD-LOOKING STATEMENTS WERE BASED ON VARIOUS FACTORS AND WERE DERIVED UTILIZING NUMEROUS IMPORTANT ASSUMPTIONS AND OTHER IMPORTANT FACTORS THAT COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE IN THE FORWARD-LOOKING STATEMENTS. FORWARD-LOOKING STATEMENTS INCLUDE THE INFORMATION CONCERNING OUR FUTURE FINANCIAL PERFORMANCE, BUSINESS STRATEGY, PROJECTED PLANS AND OBJECTIVES. THESE FACTORS INCLUDE, AMONG OTHERS, THE FACTORS SET FORTH BELOW UNDER THE HEADING "RISK FACTORS." ALTHOUGH WE BELIEVE THAT THE EXPECTATIONS REFLECTED IN THE FORWARD-LOOKING STATEMENTS ARE REASONABLE, WE CANNOT GUARANTEE FUTURE RESULTS, LEVELS OF ACTIVITY, PERFORMANCE OR ACHIEVEMENTS. MOST OF THESE FACTORS ARE DIFFICULT TO PREDICT ACCURATELY AND ARE GENERALLY BEYOND OUR CONTROL.

EXCEPT AS REQUIRED BY LAW, WE ARE UNDER NO OBLIGATION TO PUBLICLY UPDATE ANY OF THE FORWARD-LOOKING STATEMENTS TO REFLECT EVENTS OR CIRCUMSTANCES AFTER THE DATE HEREOF OR TO REFLECT THE OCCURRENCE OF UNANTICIPATED EVENTS. READERS ARE CAUTIONED NOT TO PLACE UNDUE RELIANCE ON THESE FORWARD-LOOKING STATEMENTS. REFERENCES IN THIS FORM 10-K, UNLESS ANOTHER DATE IS STATED, ARE TO DECEMBER 31, 2012.

AS USED HEREIN, THE "COMPANY," "GOLDEN QUEEN MINING" "WE," "US," "OUR" AND WORDS OF SIMILAR MEANING REFER TO GOLDEN QUEEN MINING CO. LTD.

Item 1. Business.

Glossary

Certain terms used in this Form 10-K are described below. Note that Golden Queen Mining Co. Ltd. (the “Company”) uses Canadian Institute of Mining, Metallurgy and Petroleum definitions for the terms “reserves”, “measured resources”, “indicated resources” and “inferred resources”, and U.S. investors are cautioned that while these terms are recognized and required by Canadian regulations, the U.S. Securities and Exchange Commission does not recognize them.

Advance minimum royalty - Payment made before the start of commercial production under a mining lease agreement with landholders.

Ag – The chemical symbol for silver.

Au – The chemical symbol for gold.

Exploration Stage Company – A company engaged in the search for or exploration of mineral deposits, which is not in either the development or production stage.

Development Stage Company – A company engaged in the preparation of a mineral deposit with reserves for production and which is not in the production stage.

Production Stage Company – A company engaged in the exploitation of a mineral deposit with reserves.

Fault or *faulting* - A fracture in the earth's crust caused by tectonic forces with displacement along the fracture.

Grade - A term used to assign value to resources and reserves, such as gram per tonne (g/t) or troy ounces per ton (oz/ton). Grades are reported both in Imperial and Metric units in this Form 10-K.

Heap leaching – A process which allows dilute cyanide solutions to percolate through run-of-mine or crushed ore heaped on an impervious pad to dissolve gold and/or silver.

Kriging - A geostatistical method used to assign grades to mineral resource and mineral reserve model blocks.

Mineral deposit - A mineral deposit is a mineralized body, which has been intersected by a sufficient number of drill holes or by underground workings to give an estimate of grade(s) of metal(s) and thus to warrant further exploration or development. A mineral deposit does not qualify as a commercially viable mineral deposit with reserves under standards set by the U.S. Securities and Exchange Commission until a final, comprehensive, economic, technical and legal feasibility study has been completed.

Ore - A natural aggregate of one or more minerals which, at a specified time and place, may be mined and processed and the product(s) sold at a profit or from which some part may be profitably separated.

Mineral Resource - A mineral resource is a concentration or occurrence of natural, solid, inorganic or fossilized organic material in or on the earth's crust in such form and quantity and of such a grade or quality that it has reasonable prospects for economic exploitation. The location, quantity, grade, geological characteristics and continuity of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge. Mineral resources are sub-divided, in order of increasing geological confidence, into inferred, indicated and measured categories.

Mineral Reserve - A mineral reserve is the economically mineable part of an indicated or measured mineral resource as demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, metallurgy and processing, economic and other relevant factors that demonstrate, at the time of reporting, that economic exploitation can be justified. A mineral reserve includes diluting materials and allowance for losses that may occur when the material is mined. Mineral reserves are sub-divided in order of increasing confidence into probable and proven categories.

Stripping ratio - The quantity of waste rock in tonnes or tons removed to allow the mining of one tonne or ton of ore in an open pit.

Volcanics - Rock composed of clasts or pieces that are of volcanic composition.

General Development of Business

The Company was incorporated under the laws of the Province of British Columbia, Canada in November 1985 and has been exploring its mineral properties (the "Property") located just south of Mojave in Kern County in southern California since that time.

The Company acquired its initial interest in the Property in 1985 and has since added to its holdings in the area. Work on the Property and on the Soledad Mountain project (the "Project") is done by Golden Queen Mining Co., Inc., a California corporation and the wholly-owned subsidiary (the "Subsidiary") of the Company.

The Company explored for gold and silver on the Property and did extensive engineering work on the Project between 1988 and 1999. M3 Engineering and Technology Corporation ("M3"), Tucson, Arizona completed a preliminary feasibility study for the Project in 1998 with gold and silver prices of $350/oz and $5.50/oz respectively. The Company did additional drilling and underground sampling in 1998 and 1999.

The Company had previously reported that it expected to begin producing gold and silver from the Project during the second half of 1998, based on the M3 preliminary feasibility study and once approvals and permits had been secured. Because of relatively low gold and silver prices in the late 1990s and in early 2000 however, the Company was not able to obtain financing for the Project and the Project was therefore put on hold in mid-2000. Employees were laid off and costs were reduced to the minimum required to maintain rights to the Property. The major landholders agreed to a 3-year moratorium on advance minimum royalty and other property payments or until the prices of gold and silver improved. The Company recorded an asset impairment loss of $28,547,592 for the year ended December 31, 2000 and this asset impairment loss reduced the carrying value the Property and other assets to their estimated, net realizable value.

In order to update the prospects for the economic exploitation of the Soledad Mountain mineral deposit, the Company initiated a detailed review of the Project in mid-2002 to identify new approaches that would reduce both the capital cost to the start of production and future operating costs. The review was supported and complimented by a substantial amount of work done by independent engineers and contractors. The review was documented and compiled into an in-house report to assist management in determining the prospects for development of the Project at gold and silver prices prevailing in late-2006. The review indicated reasonable prospects for the development of the Project and this was the basis for work on the Project that has continued to date.

The Company retracted the historical mineral reserve estimates, which were based on the report prepared by M3 in 1998, in 2005 on the basis that they were out of date and not supported by National Instrument NI 43-101 ("NI 43-101"), being the Canadian regulation that governs the disclosure of technical information by natural resource companies.

The Company engaged SRK Consulting (U.S.), Inc. ("SRK"), Lakewood, Colorado in 2005 to prepare a NI 43-101 compliant technical report (the "Technical Report (SRK)") to validate and confirm the mineral resource estimates in compliance with NI 43-101. SRK released the Technical Report (SRK) on March 6, 2006 and this confirmed the mineral resource estimates (see "*Exploration & Mineral Resources*" heading below).

The Company engaged Norwest Corporation ("Norwest"), Vancouver in 2007 to prepare a further NI 43-101 compliant technical report (the "Technical Report (Norwest)") to assess mineral reserves for the Project as part of an independent feasibility study based upon the technical work that had been completed to the end of 2006. The results of the Norwest study were disclosed in a press release on December 14, 2007 (see "*Mineral Reserves*" heading below), which is available on SEDAR and on the Company's website at www.goldenqueen.com.

All approvals and permits were received for the Project in 2012. The Company has not as yet made a production decision. The Company is evaluating various financing options for the construction of the Project.

An updated feasibility study and economic analysis was prepared by Norwest with input from independent consulting engineers and management and the results were disclosed in a news release on October 25, 2012 The NI 43-101 Technical Report is available on the Company's website at www.goldenqueen.com.

The Project will produce two different types of materials with overlapping time frames. Open pit mining and heap leaching as presently planned is approximately fifteen months for construction of the facilities, fifteen years of mining and leaching for the production of gold and silver, and a further two years of rinsing and drain-down. The production and sale of aggregate is expected to commence fairly early in the mine life and continue for up to thirty years or until the stockpile of quality waste rock has been exhausted. The Company also plans to process and sell leached and rinsed residues from the heap leach operation for a range of uses to local and regional markets. Reclamation will proceed concurrently where feasible, but is nonetheless expected to require two years following cessation of all mining, and a further three years of post-closure monitoring. Monitoring will continue until the reclamation success criteria are met.

There are a number of risks associated with the Project and readers are urged to consider these risks and possible other risks, in order to obtain an understanding of the Project (see "Item 1A. Risk Factors" heading below).

The registered office of the Company is located at 1200 - 750 West Pender Street, Vancouver, BC, Canada V6C 2T8 and its executive offices are located at 6411 Imperial Ave., West Vancouver, BC, Canada, V7W 2J5.

The U.S. dollar ("U.S.$") is used in this Form 10-K and quantities are reported in Metric units with Imperial units in brackets.

Project Background

The Project is located approximately 8km (5miles) south of Mojave in Kern County in southern California. See Figure 1, property location map below.

Gold mining on Soledad Mountain dates back to the late 19th century. The largest producer in the area was Gold Fields America Development Co. ("Gold Fields"), a subsidiary of Consolidated Gold Fields of South Africa. This syndicate operated an underground mine and mill on the property from 1935 to 1942, when the mine was forced to close by War Production Board Order L-208. Production after the war was minimal, as costs had increased while the price of gold remained fixed at $35/oz until 1973.

Exploration & Mineral Resources

The Soledad Mountain mineral deposit is hosted in a volcanic sequence of rhyolite porphyries, quartz latites and bedded pyroclastics that occur on a large dome-shaped feature, called Soledad Mountain, along the margins of a collapsed caldera. Higher-grade precious metals mineralization is associated with steeply dipping, epithermal veins, which occupy faults and fracture zones that cross cut the rock units and generally trend northwest. The veins are contained within siliceous envelopes of lower-grade mineralization that forms the bulk of the mineral resource.

The primary rock types that occur on the Property are rhyolite porphyry and flow-banded rhyolite, quartz latite porphyry, pyroclastics and siliceous vein material. Little or no clay occurs in any of the rocks and the rocks contain upwards of 60% Si as SiO_2. Rhyolite porphyry and flow-banded rhyolite were grouped as a single rock type for the metallurgical test work.

Extensive programs of mapping, diamond drilling, reverse-circulation drilling and underground diamond drilling and channel sampling were carried out on the Property between 1985 and 2011. Company geologists and engineers managed these programs. The geological database today includes the crosscut assay data recorded on linens by Gold Fields between 1933 and 1942 and the results of exploration done on the Property by Rosario Exploration and Shell/Billiton. The database contains 119,906 samples, generated from over 115,648m (379,326ft) of drilling and sampling of underground crosscuts.

Ore zones were shaped manually by Company geologists to define continuity with a low-grade cutoff grade of 0.274g/t AuEq (0.008oz/ton AuEq). Prices for gold and silver of $325.00/oz and $6.00/oz and recoveries for gold and silver of 78.0% and 60.0% respectively were used to calculate the gold-equivalent cutoff grade for this purpose.

Note:

AuEq is the gold-equivalent grade, which is calculated as follows:
AuEq g/t = Au g/t + $\{(Ag/R_1)xR_2\}$ g/t where
R_1 = Au price in $/oz/Ag price in $/oz; R_2 = Ag recovery in %/Au recovery in %.

Mineral Resources Development, Inc. ("MRDI"), San Mateo, California completed a detailed due diligence review of the procedures used by the Company between 1998 and 2000. This work involved statistical analyses, the evaluation of grade capping, the design of appropriate kriging techniques and setting criteria for the classification of resources. The Company received a final report with recommendations in May 2000.

The Company engaged SRK Consulting (U.S.), Inc. ("SRK"), Lakewood, Colorado in 2005 to prepare a NI 43-101 technical report (the "Technical Report (SRK)") to validate and confirm the mineral resource estimates in compliance with NI 43-101. SRK and AMEC E&C Services, Inc. ("AMEC"), Reno, Nevada (AMEC acquired MRDI in 2000) did an exhaustive review of the database information and this included the MRDI recommendations from 2000 and audited the geological model over a period of five months in late 2005 and early 2006. Linear kriging was used to estimate gold and silver grades for all blocks in the model. SRK released the Technical Report (SRK) on March 6, 2006._Peter Clarke, P.Eng., SRK, a Qualified Person ("QP") as described in NI 43-101, was the QP for the Technical Report (SRK). The Technical Report (SRK) is available on the Company's web site at www.goldenqueen.com.

Infill Drill Program

The Company announced that it had initiated an infill drill program in a news release on October 21, 2010. The drill program commenced in April 2011 and was completed in early May 2011. A total of 20 drill holes (6,288 feet) were completed in the program.

The drill program was designed to test targets within the areas of the planned North-West and East open pits. Nine holes were drilled in the area of the North-West open pit with a total length of 2,020 feet/616 m. The North-West open pit is the planned location of the first phase of mining. A total of 11 holes were drilled in the area of the East open pit with a total length of 4,268 feet/1,301 m. Key program objectives were to support potential reclassification of inferred material to higher confidence mineral resource categories, and eventually to mineral reserves, to continue to test continuity of mineralization, and provide data for road alignment and road construction purposes.

AMEC, has integrated the results from the infill drill program into updated mineral resource estimates. The estimate differs from previous estimates because the update has used a lower gold-equivalent cutoff grade, higher gold and silver prices, and current estimates of operating costs and recoveries for gold and silver. The previous estimates were based on gold and silver prices and technical parameters from the late 1990s.

The mineral resource estimates prepared by AMEC are set out in Table 1 below. Mineral Resources were determined using precious metals prices of $1,310/oz gold and $24.05/oz silver, a cut-off grade of 0.004 oz/ton AuEq, and have an effective date of 29 February, 2012. Mineral Resources are reported inclusive of Mineral Reserves.

Mark Hertel, an AMEC Principal Geologist, is the QP for the Mineral Resources. The NI 43-101 Technical Report is available on the Company's web site at www.goldenqueen.com.

Note that mineral resources that are not mineral reserves do not have demonstrated economic viability.

Table 1 - Mineral Resources
Effective Date: February 29, 2012

			In-situ Grade				Contained Metal	
			Gold		Silver		Gold	Silver
Classification	**tonnes**	**ton**	**g/t**	**oz/ton**	**g/t**	**oz/ton**	**oz**	**oz**
Measured	26,727,000	29,400,000	0.850	0.025	13.29	0.39	729,000	11,403,000
Indicated	118,090,000	129,900,000	0.442	0.013	8.53	0.25	1,675,000	32,301,000
Total & Average	**144,817,000**	**159,300,000**	**0.517**	**0.015**	**9.42**	**0.27**	**2,404,000**	**43,704,000**
Inferred	14,545,000	16,000,000	0.362	0.011	7.89	0.23	169,000	3,681,000

Notes:

1. The qualified person for the mineral reserve is Mark Hertel, SME Registered Member, and an employee of AMEC.
2. Mineral Resources are inclusive of Mineral Reserves.
3. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.
4. Mineral Resources are reported at a 0.004 oz/ton (0.137 g/t) AuEq cutoff.
5. Mineral Resources are reported as undiluted.
6. Mineral Resources are reported within a conceptual pit shell that has been merged with the Mineral Reserve pit.
7. Mineral Resources are reported using a long-term gold price of US$1310/oz, silver price of $24.05/oz, mining and processing costs and variable recoveries that are based on rock type classification.
8. Gold equivalent grades were calculated based on the equation:
   AuEq(oz/ton) = Au(oz/ton) + (Ag(oz/ton) * [(Ag price(US$/oz)/Au price(US$/oz)) * (Ag recovery(%)/Au recovery(%))]
9. Rounding as required by reporting guidelines may result in apparent summation differences between tons, grade and contained metal content.

10. Tonnage and grade measurements are in U.S. and metric units. Grades are reported in troy ounces per short ton and in grams per tonne.
11. Mineral zones were shaped manually with a cutoff grade of 0.004 oz/ton (0.137 g/t) AuEq.

The Company has prepared a further drill program with 40 drill holes and approximately 7,200m (23,500ft) of drilling, designed to test a portion of the material classified as inferred within pit shells constructed in 2012. SRK concurred in the Technical Report (SRK) that strategically targeted drilling could upgrade a significant portion of the inferred to the measured or indicated categories. The Company intends to do extensive infill drilling and further exploration once construction of the facilities is under way.

Mineral Reserves

The Company engaged Norwest Corporation ("Norwest"), Vancouver, British Columbia in January 2007 to prepare a NI 43-101 technical report to assess mineral reserves for the Project as part of an independent feasibility study based upon the technical work that had been completed to the end of 2006. The results of the Norwest study were disclosed in a press release dated December 14, 2007.

Norwest completed substantial additional mine design between 2008 and 2012. Norwest prepared an updated feasibility study and economic analysis with input from independent consulting engineers and management and the results were disclosed in a news release on October 25, 2012. This includes updated mineral reserves and these are set out in Table 2 below.

Sean Ennis, P.Eng., Norwest, is the QP for the Mineral Reserves.. The NI 43-101 Technical Report is available on the Company's web site at www.goldenqueen.com.

Table 2 - Mineral Reserves
Effective Date: August 31, 2012

			In-situ Grade				Contained Metal	
			Gold		Silver		Gold	Silver
Reserve Category	**tonnes**	**ton**	**g/t**	**oz/ton**	**g/t**	**oz/ton**	**oz**	**oz**
Proven	18,371,000	20,250,000	0.910	0.027	14.49	0.423	537,700	8,558,500
Probable	42,237,000	46,558,000	0.529	0.015	10.58	0.309	717,900	14,372,500
Total & Average	**60,608,000**	**66,808,000**	**0.644**	**0.019**	**11.77**	**0.343**	**1,255,600**	**22,931,000**

Notes:
1. The qualified person for the mineral reserve is Sean Ennis, Vice President, Mining, P.Eng., APEGBC Registered Member who is employed by Norwest Corporation.
2. A gold-equivalent cut-off grade of 0.240 g/t (0.007 oz/ton) was used to estimate the mineral reserves.
3. AuEq is the gold-equivalent grade, which is calculated as follows:
    a. AuEq g/t = Au g/t + {(Ag/R_1)xR_2} g/t
    b. R_1 = Au price in $/oz/Ag price in $/oz; R_2 = Ag recovery in %/Au recovery in %.

Indicated recoveries for gold and silver based upon extensive test work are 85.0% and 52.5% as discussed in detail in section ***Mineralogy, Process Development & Flow Sheet*** below.

Cautionary note to U.S. investors concerning proven or probable reserve estimates: This section uses the terms "proven reserves" and "probable reserves". We advise U.S. investors that these terms are defined strictly in accordance with applicable Canadian regulations.

These mineral reserve estimates are included in the Measured & Indicated Mineral Resource Estimates set out in the table in the section ***Exploration & Mineral Resources*** above.

Exploration Potential

Additional geological targets have been identified on the Property. These targets are generally peripheral (east, south and west) to the currently defined mineral resources. In the east, two additional zones of quartz stringer veins have been mapped in the hanging wall of the Karma/Ajax vein system. Toward the south, an extension of the Silver Queen vein system is open and additional vein splits have been mapped on surface. Also, an extension of the Golden Queen vein system appears to be offset by an east-west trending fault. Initial drill results indicate widths of 8m (26ft) with good gold and silver grades.

The exploration work to date has focused on known fault/vein structures central to the deposit. The host volcanics associated with the mineralization on the Property extend further to the south and have not been fully evaluated. Further, anomalous gold values have also been found in the low volcanic hills that protrude from the valley floor to the northwest of the Property.

The continuity of mineralization at depth remains untested.

Independent Feasibility Study

Norwest prepared an updated feasibility study and economic analysis with input from independent consulting engineers and management and the results were disclosed in a news release on October 25, 2012. The analysis was done on a constant U.S. dollar, stand-alone basis.

At gold and silver prices of $1,438/oz and $27.65/oz respectively, the trailing 36-month average precious metals prices to the end of September 2012, the Project has a pre-tax indicated internal rate of return ("IRR") of 64.4%, a net present value ("NPV") of $735 million with a discount rate of 5% and the undiscounted, cumulative net cash flow is approximately $1.13 billion and this is considered the base case. The all-inclusive average cash cost per ounce of gold produced including sustaining capital and an accrual for closure and reclamation and net of silver credits, is $285/oz. The after-tax IRR is 52.2%, the NPV is $517 million with a discount rate of 5% and the undiscounted, cumulative net cash flow is $800 million.

The tax model allows for federal and state taxes and treats the Company and the Project as stand-alone for tax calculations.

The trailing 36-month average precious metals prices are accepted by the U.S. Securities And Exchange Commission when reporting mineral reserves.

At gold and silver prices of $1,749/oz and $33.03/oz respectively, the London p.m. fix for precious metals on October 17, 2012 and the date of the Technical Report, the Project has a pre-tax indicated IRR on capital employed of 82.9%. The NPV is $986 million with a discount rate of 5%, and the undiscounted, cumulative net cash flow is approximately $1.49 billion. The indicated contribution of gold and silver to gross revenues is 83% and 17% respectively. The all-inclusive average cash cost per ounce of gold produced including sustaining capital and net of silver credits, is $256/oz. The after-tax IRR is 65.6%, the NPV is $685 million with a discount rate of 5% and the undiscounted, cumulative net cash flow is $1.04 billion.

		Pre-Tax			**After-Tax**		
Gold Price	Silver Price	NPV @ 5%	NPV @ 5%	IRR	NPV @ 5%	NPV @ 5%	IRR
$/oz	$/oz	$ million	$/share	%	$ million	$/share	%
1,749	33.03	986	9.81	82.9	685	6.82	65.6
1,438	27.65	735	7.31	64.4	517	5.15	52.2

Technical information is provided in the following sections.

Mine Design

Norwest did detailed mine designs between 2008 and 2010 and again in 2012. These detailed mine designs were adapted from the original 2007 designs to reduce waste to ore mining ratios, enhance opportunities for backfill placement and develop pit phasing and access which would lower the costs associated with backfilling. One of the key considerations was also to develop sufficient ore to fill the heap leach pads.

Mineral reserves estimates are discussed in section ***Mineral Reserves*** above.

The average waste to ore mining ratio has been reduced from 2.12:1.0 in 2008 to 1.85:1.0 in 2011 to 1.49 in 2012.

An independent consulting engineer did open pit slope stability analyses in 1995 and these included analyses with the ultimate slopes subjected to a maximum, credible earthquake acceleration of 0.297g. The consulting engineer recommended an ultimate slope angle of 55^o with an indication that this angle could be safely increased to 63.4^o. The Company drilled five diamond drill holes in 1997 specifically to obtain rock strength parameters for further slope stability analyses. An independent consulting engineer did further slope stability analyses and confirmed the ultimate slope angle of 55^o. Norwest used an inter-ramp slope angle of 55^o for the mine design done in 2012.

Disposal of waste rock will be largely in mined-out phases of the open pit and a single, external waste rock pad will be constructed to provide a pad for the aggregate operation. Independent consulting engineers did waste rock stability analyses in 1996 and again in 1998 and these were confirmed by Norwest in 2007. A further stability analysis was done in 2010. These analyses concluded that backfilled waste rock and the down-slope portion of the waste rock pad would be stable under both static and seismic loading conditions, both during operations and after closure and reclamation. Some sloughing of the faces of backfilled waste rock or the waste rock pad could occur during significant seismic events in the area.

Waste rock will be disposed of at an angle of repose of 37^o (1.3:1.0) and a specific volume of $18.1ft^3$/ton that represents a 30% net swell after allowing for partial compaction. Waste rock will be re-sloped to 27^o (2.0:1.0) as part of closure and reclamation. The toes of the re-sloped fills will remain within the Approved Project Boundary. There is no groundwater in the areas where waste rock will be disposed of and this will therefore not have an impact on the stability of the waste rock pad.

Open Pit Operation

Standard, open pit mining methods will be used to mine ore and waste rock. Mining operations will include drilling, blasting, loading and hauling and it is expected that the Company will do the mining. All open pit mining will occur in dry conditions above the water table.

Maximum planned mining rates are 11,800 tonnes (13,000 tons) of ore and 24,500 tonnes (27,000 tons) of waste rock per day or 4.14 million tonnes (4.55 million tons) of ore and 8.59 million tonnes (9.45 million tons) of waste rock per year for a combined total of 12.73 million tonnes (14.0 million tons) of ore and waste rock per year. Mine life has increased from 12 years to 15 years. The total quantity of ore to be mined, crushed and screened and stacked on the heap leach pads is estimated to be 60.73 million tonnes (66.81 million tons). Total waste rock to be mined is estimated as 90.39 million tonnes (99.43 million tons) of which 17.3 million tonnes (19.0 million tons) is expected to be processed and 13.6 million tonnes (15.0 million tons) sold as aggregate.

The quantities of both ore and waste rock mined per year will vary from year to year to ensure the most efficient disposal of waste rock in mined-out phases of the open pit.

Ore-from-waste separation will require special attention to ensure that overall grade projections are met.

Underground mine openings will be encountered from time-to-time during open pit mining and this will be allowed for in the detailed mine planning.

The open pit design done by Norwest assumed a loaded downhill ore haul to the primary crusher for the life of the mine. The intent is to replace trucks with a downhill pipe conveyor to convey ore for a number of the mining phases with a reduction in the number of trucks required. Ore will be crushed by an in-pit, portable, primary crusher and fed to the pipe conveyor and conveyed to the coarse ore stockpile. The length of the pipe conveyor will be approximately 500m (1,600ft). Various alternative mine designs are being explored in an effort to make the best possible use of the pipe conveyor and detailed engineering for this application remains to be completed.

Pipe conveyor technology is well-proven in practice with upwards of 200 installations in Europe and a number of installations in North America. Regenerative braking is typically used in all loaded downhill applications and the power generated would provide a small portion of the power required elsewhere in the Project.

Norwest prepared capital and operating cost estimates for the open pit operation for the updated feasibility study.

Mineralogy, Process Development & Flow Sheet

Studies show that gold is present as native gold and electrum with particles ranging in size from less than 10 micron to greater than 150 micron with the silver content of the electrum as high as 25%. Silver is also present as the mineral acanthite (Ag_2S) with some native silver, pyrargyrite ($3Ag_2S \cdot Sb_2S_3$) and polybasite ($9Ag_2S \cdot Sb_2S_3$). Pyrite (FeS_2), galena (PbS) and chalcopyrite ($CuFeS_2$) are present in minor amounts with no indicated acid-generating potential. Multi-element x-ray fluorescence analyses show only trace quantities of mercury.

Test work done on Soledad Mountain ores from 1989 to 2007 shows that these ores are readily amenable to heap leaching provided the ore is crushed and/or ground to relatively small sizes. A range of parameters required to design a heap leach operation, such as agglomerate strength, percolation rates under load and the consumption of cyanide and other reagents, were determined.

It was proposed to crush and screen ore to 100% - 8mesh or 100% - 2.37mm and a four-stage crushing and screening plant using vertical shaft impact crushers in the third and fourth crushing stages was designed for the Project in the 1990s. This approach is referred to as conventional crushing in the following analysis. The Company did a review that provided new insights into the historical test results in 2002. An alternative flow sheet was developed for the Project in late 2002. This was now a three-stage crushing and screening plant with a high-pressure grinding roll ("HPGR") in the third crushing stage.

Confirmation HPGR tests were required to provide the following:

- The design parameters to both size the equipment and determine the motor sizes for the HPGR;
- The target particle size distributions for the commercial operation; and
- Information to finalize the flow sheet, e.g. the need to recycle edge material.

Samples of rhyolite ore and quartz latite ore were collected for the HPGR tests in July 2003 and in March 2004 respectively. The samples were crushed to 100% passing 32mm and 35mm respectively by McClelland Laboratories, Inc. ("MLI"), an independent metallurgical laboratory located in Sparks, Nevada. The samples were shipped by airfreight to the laboratories of two HPGR manufacturers in Germany where the actual HPGR tests were done. The crushed samples were returned to the MLI laboratory in Nevada for confirmation leach test work. The following conclusions were drawn based upon the results of bottle roll and column leach tests:

- Recoveries are higher with longer leach times and this confirms the historical findings;
- Recoveries increase with a finer crushed product and this effect is especially pronounced for silver; and
- Recoveries for the HPGR products are consistently higher and extraction rates faster than those obtained from conventional crusher products – the evidence is that this is due to penetration of leach solution into micro-cracks that are created by the high specific press force applied to the ore particles in the HPGR.

The detailed analysis of the leached residues or tails indicated that tests should be done on a high-grade and a low-grade sample to obtain data for the complete range of expected head grades. Two rhyolite samples were taken for this test work in April 2006. The total weight of the two samples was approximately 2,100kg (4,600lb). The samples were shipped by truck to MLI for first-stage crushing and then by airfreight to a HPGR manufacturers' laboratory in Germany where the HPGR tests were done. The samples were returned to MLI and bottle roll tests and column leach tests were started in July and completed in December 2006. Final test results were received and combined with the results from earlier tests for a detailed recovery analysis.

The Company now estimates the following recoveries based upon the tails analysis:

Primary Rock Types	**Proportion**	**Gold**	**Silver**
	%	**%**	**%**
Pyroclastics	10.5	85.4	52.5
Quartz Latite	21.3	89.9	52.5
Rhyolite	68.1	83.4	52.5
Undefined	0.1	Average	Average
Total & Average	100.0	85.0	52.5

Tests were done on leached residues from two of the column leach tests to determine the percolation rates under load and the results of the tests were used to design the heap and confirm heap height for the heap leach operation.

The test work shows that the HPGR is expected to have distinct advantages over conventional crushing and screening to size and prepare particles for heap leaching in this particular application. The indicated benefits of using the HPGR will be:

- Higher recoveries in the heap leach operation due to micro-cracks in the ore particles;
- Faster gold and silver extraction rates;
- Stronger agglomerates due to a more favourable overall particle size distribution and this will also impact the flow rates of solution through the heap;
- Substantially lower capital costs than a conventional crushing - screening plant;
- Manageable dust control with fewer transfer points;
- Lower energy consumption and thus lower operating costs; and
- Exceptional circuit flexibility that will readily permit future upgrades such as a finer HPGR feed size or the recycle of edge product.

A technical paper entitled “Flow Sheet Development And Benefits Of The HPGR” was presented at the RANDOL conference held in Perth, Australia in late August 2005.

The HPGR consists basically of two counter-rotating rolls – one a fixed roll and the other a ‘floating’ roll. The ‘floating’ roll is mounted on and can move freely on two slides and the grinding forces are applied to the ‘floating’ roll by four hydraulic rams. Ore is choke-fed to the gap between the rolls and comminution takes place by inter-particle crushing in the bed of particles. The gap between the rolls is determined by the nip-in characteristics of the feed and the total grinding force applied, which in turn depends upon pressures in the hydraulic system. Each roll is driven by an electric motor via a planetary gear reducer. The total grinding force can range from 750kN to 20,000kN and pressures in the gap can range from 50MPa (approximately 7,000lb/in^2) to 250MPa (approximately 36,000lb/in^2). The unconfined compressive strengths of Soledad Mountain ores range from 2.2MPa (320lb/in^2) to 118.9MPa (17,200lb/in^2) by comparison.

Comminution in the HPGR is achieved without impact and essentially without attrition of the wear protection on the surface of the rolls.

An independent consulting engineering firm did the design of the crushing-screening plant including the HPGR in 2006. This design was revised in 2008 and further updated in 2011. The crushing-screening plant has been designed to process 650t/h (715ton/h) for a possible throughput of 4,650,000 tonnes (5,119,000 tons) of ore per year. The engineering firm also prepared capital and operating cost estimates for the crushing-screening plant for the updated feasibility study in 2012.

Merrill-Crowe Plant

Gold and silver are typically recovered in a heap leach operation by dissolution in a dilute sodium-cyanide solution and then by precipitation with zinc or adsorption on activated carbon. The zinc precipitation process, referred to as the Merrill-Crowe process after its developers, is used to recover gold and silver when the silver to gold ratio in solution is greater than 10:1. The silver to gold ratio is expected to average 15:1 for the Project and a Merrill-Crowe precipitation plant will therefore be required. In the Merrill-Crowe process, zinc dust is metered into the deaerated, pregnant solution and gold and silver are precipitated as micron-sized, metallic particles. The precipitate is dried, mixed with selected fluxes and melted in an induction furnace. The molten mix of gold and silver, i.e. the dorè, is poured into molds. The dorè is cooled, cleaned and shipped to a commercial refinery where gold and silver bullion are produced for final sale.

The Merrill-Crowe process is highly efficient and recoveries in a commercial plant typically range upwards of 98%.

An independent consulting engineering firm did detailed designs and prepared capital and operating costs estimates for the Merrill-Crowe plant and this includes the refinery for the updated feasibility study in 2012.

The Heap Leach Pad And The Heap

A dilute, sodium-cyanide solution will be used to extract gold and silver in the heap leach operation. Extensive procedures will be put in place to protect workers and the environment. The cyanide will be received in a dissolved form by truck directly from the manufacturer and will be pumped to a storage tank on site and from there to the process.

An independent consulting engineering firm is responsible for the design of the heap leach facility, which has been designed for zero discharge. The design contemplates that the first heap leach pad to be constructed, the Phase 1 pad, will be located on the northern side of Soledad Mountain. A second pad, the Phase 2 pad, will be located on the western side of Soledad Mountain, if required. Both pads will be single-use, dedicated pads.

The following are the design criteria for the Phase 1 pad:

- The pad has been designed as a permanent, single-use pad;
- Dry specific weight of agglomerated ore ranges from 1.36t/m^3 (85lb/ft^3) to 1.86t/m^3 (116lb/ft^3);
- Maximum heap height is 60m (200ft);
- Lift height is 10m (33ft);
- The angle of repose of the agglomerated ore is 2.0H:1.0V;
- Slopes are 2.5H:1.0V on the north and west sides and 2.0H:1.0V on the south and east side of the heap;
- Nominal capacity of the two pads is 60.73 million tonnes (66.81 million tons) and
- The heap is to be constructed in 4 stages.

The Phase 1 heap leach pad will be lined with a composite liner consisting of a compacted soil liner and a geomembrane. The geomembrane will in turn be covered and protected by 45cm (18inch) of a crushed liner protection fill that will act as a drainage layer. A network of perforated pipes will be installed in the liner protection fill. Solution will drain by gravity to a pump box and will be pumped to the Merrill-Crowe plant where gold and silver will be extracted from the pregnant solution. The barren solution will be returned to the heap and drip emitters will be used on the heap to limit evaporation losses. Drip emitters will be covered. An overflow pond is located east and downstream of the pump box.

Detailed site investigations were done in the area where the Phase 1 heap leach pad will be constructed in 2004 and again in 2006. The design of the Phase 1 pad has been completed for construction. An experienced contractor based in Bakersfield prepared a construction cost estimate for the Phase 1, Stage 1 portion of the pad for the updated feasibility study in 2012.

The design of the heap leach pad meets all applicable regulatory requirements. Note that the heap must be reclaimed to approximately 23m (25ft) above original contours to meet State reclamation requirements.

An equipment manufacturer did the heap leach stacking study for the conveying and stacking system and prepared capital and operating cost estimates for the updated feasibility study in 2012.

Services

The Project is located approximately 8km (5 miles) south of Mojave in southern California. The metropolitan areas of Rosamond and Lancaster lie from 14km (9 miles) to 32km (20 miles) to the south. Access to site is from State Route 14 and Silver Queen Road, an existing paved County road. Mojave is a railroad hub for the Burlington Northern/Santa Fe and Union Pacific/Southern Pacific railroad lines. Services such as a hospital, ambulance, fire-protection, garbage and hazardous waste disposal, schools, motels and housing, shopping, airport and recreation are available in Mojave and its surroundings.

Water Supply

A water supply will be required for the operation and it is expected that groundwater will be used.

A detailed study of the site hydrogeology was completed in 2006 to confirm that groundwater would be a dependable source of water for the Project. As many as 35 wells have been drilled in the greater Project area in the past. Records for some of these wells plus step rate test data from production well PW-1 drilled by the Company indicate that, initially, two production wells can provide the maximum estimated water requirement of 147.6m^3/h (650gal/min). Production well PW-1 is located approximately 1km (3,000ft) north of the Project. A second production well was drilled approximately 300m (1,000ft) north of well PW-1 and cased and tested and a third production well, PW-3, was drilled in an area west of the Project in November 2008 and development of the well has been completed.

Water samples taken from five characterization wells on site indicate that groundwater can be used in the heap leach process without pre-treatment.

An independent consulting engineering firm did the design for the water supply and the process water and firewater distribution systems and prepared capital and operating cost estimates for the updated feasibility study in 2012.

The Company filed an application for a water service connection with Antelope Valley – East Kern Water Agency in February 2008 to provide a backup water supply. This was mandated as one of the conditions of approval in the Conditional Use Permits that were issued in 2010. An independent consulting engineering firm based in Bakersfield is designing a pipeline and pump station to pump water to site and this will provide a 100% backup water supply for the Project.

The Company is in discussion with the Rosamond Community Services District to determine the availability and feasibility of using recycled water for the Project and initial engineering studies have been initiated.

Power Supply

The regional utility, Southern California Edison (“SCE”), will supply power.

A main power line with three sets of conductors runs along the eastern property boundary. The top two sets of conductors carry 66kV while the bottom set of conductors carries 12,460V and these are the common primary voltages in SCE territory.

SCE provided a rate for power for the updated feasibility study in 2012. The rate structure is complex and a mix of consumption and demand charges applies to peak, mid-peak and off-peak periods.

SCE indicates that the power factor is an absolutely critical item in SCE territory. SCE requires a minimum operating power factor of 0.95 and a load-sensitive capacitor bank will be installed to achieve this. SCE may also limit the number of starts permitted for the major motors per day.

It is expected that the Company will install and own the utility tie sub-station, which will transform the incoming voltage of 12,460V to 4160V and this will be the mine distribution voltage. This decision is supported by a Method of Service study done by SCE.

Overhead transmission lines will distribute power from the utility tie sub-station to the areas where power will be required.

A diesel-powered generator will provide standby power and this will be set beside the Merrill-Crowe plant. Power will be available to operate the pregnant and barren solution pumps in case of a SCE power failure.

An independent consulting engineering firm prepared a detailed motor list and estimated the power consumption for the Project. The firm also prepared a detailed capital cost estimate for the supply of power to the Project for the updated feasibility study in 2012. The engineering firm is currently doing the detailed electrical design and cost estimates for construction in 2013.

Assay Laboratory, Offices & Workshop/Warehouse

Detailed designs for all services required for a mining operation such as an office, workshop and warehouse, diesel fuel and gasoline storage and an assay laboratory have been completed. Detailed capital and operating cost estimates were prepared for these facilities for the updated feasibility study in 2012.

Project Management & Operating Manpower

A management team will be assembled in Mojave to manage the Project. Manpower is expected to average 31 salaried and 129 hourly-paid workers once the mine is in full production with a further 15 hourly-paid workers required for the aggregate operation. Indications are that skilled workers will be available locally as there are a number of mines and quarries in production in the greater Mojave area.

Construction manpower is expected to peak at 200 with an estimated 141.7 man-years required for construction.

Aggregate

It is expected that a by-product aggregate and construction materials business can be developed once the heap leach operation is in full production, based on the location of the Project in southern California with close proximity to major highways and railway lines. The source of raw materials will be quality waste rock specifically stockpiled for this purpose. The waste rock can be classified into a range of products such as riprap, crushed stone and sand with little further processing. Test work done in the 1990s confirmed the suitability of waste rock as aggregate and construction material. The production and sale of aggregate is expected to commence fairly early in the mine life and continue for up to thirty years or until the stockpile of quality waste rock has been exhausted. The Company also plans to process and sell leached and rinsed residues from the heap leach operation as aggregate or for other uses to local and regional markets.

Environmental Issues, Approvals & Permits

Introduction

The Company's Soledad Mountain Project requires three main permits that will give the Company the right to begin mining and processing operations. These are:

a. Amended Conditional Use Permits to be issued by Kern County (see "*CEQA/NEPA*" heading below);
b. Authorities to Construct to be issued by the Eastern Kern Air Pollution Control District (see "*Authority to Construct & Permit to Operate*" heading below; and
c. Waste Discharge Requirements to be issued by the Lahontan Regional Water Quality Control Board (see "*Water Quality*" heading below.

The environmental issues and the efforts made to secure the three main permits are described in detail under the subheadings "*CEQA/NEPA*", "*Authority to Construct & Permit to Operate*", and "*Water Quality*".

General

The area surrounding Mojave is typical of the western Mojave Desert. The immediate vicinity of the Project is sparsely populated with considerable historical and more recent mining activity. The Standard Hill, Tropico and Cactus mines are located within a radius of 12km (7.5 miles) of the Property.

The Project and the immediate area surrounding the Project or a total of approximately 9,600 (3,887 hectares) acres are included in the Specific Plan (the "Plan") for Soledad Mountain - Elephant Butte & Vicinity - south of Mojave. This Plan was prepared in March 1973 and adopted by the Kern County Board of Supervisors as Resolution 73-485 on June 18, 1973. Gold and silver mining operations are recognized in the Plan as important land uses and the protection of mineral deposits, potentially of commercial value, is included in the Plan through restriction of incompatible land uses. The Project as presently defined is consistent with the Plan.

An independent consulting engineering firm reviewed the major approvals and permits that were issued for the Project in the late 1990s and the current regulatory environment in California in 2005. Additional work was indicated due to the time that had passed since the permits were first issued and changes that had been made in the Project. There have also been changes in regulations imposed by two levels of government in California. No significant environmental issues were however identified in the review and furthermore, the footprint of the Project as presently defined has been reduced in both a physical and an environmental sense.

Environmental issues and the status of approvals and permits are summarized in the following sections.

CEQA/NEPA

The Project is subject to the California Environmental Quality Act ("CEQA") and the National Environmental Policy Act ("NEPA"), each of which requires written analysis of proposed mining activities and their effect on the physical, biological, social and economic resources of the area. This analysis is known under CEQA as an environmental impact report ("EIR"), and under NEPA as an environmental impact statement ("EIS").

The environmental setting of the Project was documented in a number of baseline studies prepared between 1990 and 1997. The Kern County Board of Supervisors unanimously approved two Conditional Use Permits ("CUP") for the Project in September 1997 (i.e. CUP Case No. 41, Map No. 213 and CUP Case No. 22, Map No. 214). The Bureau of Land Management subsequently issued its Record of Decision approving the Plan of Operations under NEPA in November 1997.

The State of California introduced backfilling requirements for certain types of open pit, metal mines in December 2002. The Company contended that these regulations did not apply to the Project under a grandfathering provision included in the regulation. The Company, therefore, pursued both a favourable interpretation under the regulation and subsequently an amendment of the regulation with the State Mining and Geology Board (the "Board") in 2006. These efforts were supported by Kern County officials. Both approaches were rejected by the Board and the decision was duly recorded by the Board in January 2007.

The Company completed an Application for a revised Surface Mining and Reclamation Plan, which was submitted to the Kern County Planning Department (the "Planning Department") in April 2007. The Planning Department completed its review of the Application and deemed the Application complete in July 2007. The Planning Department noted that changes proposed for the Project constituted new information that required evaluation of potential impacts and mitigation in a supplemental EIR ("SEIR"). The Planning Department issued a Request for Proposal to prepare the SEIR to a total of 17 qualified consultants in October 2007. The Chambers Group was awarded the contract to prepare the SEIR. The Company signed an agreement with the Planning Department in February 2008 and made a payment of $55,000 which was 50% of the cost of preparing the SEIR. This agreement was approved by the Kern County Board of Supervisors at its regular meeting on March 11, 2008.

The kickoff meeting with the Chambers Group was held on the afternoon of March 12, 2008. The Chambers Group completed the initial review of information provided by the Planning Department and issued a draft Notice of Preparation by mid-June. The Planning Department then terminated the agreement with the Chambers Group due to a conflict of interest related to another project. The Planning Department mailed the Notice of Preparation and the supporting reports to agencies on the mailing list on August 18 with a deadline for responses by September 17. A total of 66 sets of information were mailed by the Planning Department directly plus a further 15 sets were mailed by the State Clearinghouse.

The State Office of Mine Reclamation ("OMR"), accompanied by the Planning Department and Company management, met on site for a due diligence review on September 16, 2008. The OMR indicated that it would require additional time beyond the September 17, 2008 deadline to prepare comments on the Project.

The Planning Department received nine comment letters by September 17, 2008 and two additional comment letters at the end of September plus a twelfth comment letter thereafter. The OMR submitted comments to the Planning Department on September 30, 2008.

The County selected RGP Planning and Development Services ("RGP") to continue with the preparation of the SEIR. The agreement with RGP was approved by the Kern County Board of Supervisors at its regular meeting on October 14, 2008. The estimated cost of the work to be done by RGP was $123,800 and the Company paid this amount on September 25, 2008.

A scoping meeting was held on site attended by RGP, the Planning Department, and Company management.

The Company submitted responses to ten of the comment letters referred to above to the Planning Department on November 27, 2008 and responses to the OMR's comment letter on December 16, 2008.

RGP prepared a Progress Report, which the Planning Department released to the public, on December 30, 2008.

The Company's consulting engineers did extensive studies to confirm the possibility of backfilling mined-out phases of the open pit in January and February 2009. The studies were presented to the Planning Department in a meeting in Bakersfield on March 11, 2009. The Planning Department requested that the Project Description be revised to include the backfilling studies and this was done and submitted to the Planning Department on March 24. The Application for the revised Surface Mining and Reclamation Plan was also revised and submitted to the Planning Department on April 5. A further revision of the Application was requested by the Planning Department on May 5 and this was completed and submitted on May 25. The Company recognizes that the reviews by the Planning Department have added to the overall quality of the Application.

The Planning Department's target for the release of the SEIR to the public was then late July or early August 2009.

The following two items are of note:

- The Company completed a number of studies and did significant work on site between 2005 and 2010 to document that the environmental setting for the Project had not changed since 1997. The studies have been submitted to the Planning Department.
- The Bureau of Land Management has confirmed that its Record of Decision approving the Plan of Operations under NEPA in November 1997 remains valid and that no additional reviews or approvals are required before the Company can proceed with the Project.

The SEIR was distributed by the Planning Department, as lead agency under the provisions of CEQA to approximately 430 recipients and notification of release to 985 recipients on January 11, 2010. At the conclusion of the review period, the Planning Department had received 26 responses, including letters supporting the Project, letters that had concerns with the Project, and letters from regulatory agencies designated as responsible agencies under CEQA. Comments were also received from the State of California on the reclamation plan provisions. The lead agency responded in writing to the comments received by February 25, 2010. The Company supported the lead agency's effort by supplying additional information that was requested. As required by CEQA, the lead agency provided written responses to those who commented no later than 14 days prior to the project's consideration by the Kern County

Planning Commission “Commission”. The Commission was scheduled to consider this case at its regularly scheduled April 8, 2010, hearing.

The Commission formally considered the Project on April 8, 2010. At the meeting, the Commission, consisting of a panel of three commissioners, unanimously approved the Project. Two appeals to the certification were filed but subsequently withdrawn. Accordingly, the Commission’s actions became final on May 24, 2010. The thirty-day period for filing a lawsuit challenging the SEIR expired on June 23, 2010. The Commission certified the SEIR and adopted a Mitigation Measures Monitoring Program and a set of Conditions of Approval for the Project. The Mitigation Measures Monitoring Program and Conditions of Approval for the Project were amended by Commission Resolution No. 171-10 adopted on October 28, 2010 and are now final.

The Company announced that the Planning Department had approved the additional information submitted by the Company in regards to Condition 107 of the Conditional Use Permits for the Project in a news release dated July 12, 2012.

Under Condition 107 of the Conditional Use Permits, the Company was required to submit, prior to the commencement of mining, additional information relating to closure and closing reclamation. The Company submitted the required information to the Planning Department on November 28, 2011 and June 8, 2012. In accordance with the Surface Mining and Reclamation Act of 1975, the Planning Department consulted the OMR. The OMR confirmed in a letter to the Planning Department dated June 29, 2012 that the additional information provided by the Company adequately demonstrated compliance with Condition 107.

The Project is now fully permitted.

Air Quality

Background Information

The Project lies within the Southeast Desert Air Basin, which falls under the jurisdiction of the Eastern Kern Air Pollution Control District (“EKAPCD”). The district is charged to regulate sources of air pollution within the basin, pursuant to authority granted under the federal Clean Air Act.

The area is designated as unclassified for PM_{10} emissions (that portion of the total suspended particulates less than 10 microns in size) and as a non-attainment area for ozone. The typically windy conditions and very dry nature of the area are responsible for high background PM_{10} levels recorded at several nearby meteorological monitoring stations.

Fugitive dust from a mining operation on the Property, combined with background dust, may result in unacceptable levels of PM_{10} emissions in the surrounding areas, especially downwind, and this may present the greatest potential environmental issue for the Project. A PM_{10} level of 44 micrograms per cubic meter was projected by computer modeling for an annual mining rate of 27 million tonnes (30 million tons) in 1996. This level is below the California attainment standard of 50 micrograms per cubic meter and the Federal standard of 150 micrograms per cubic meter. However, the Company believes that it will achieve compliance with applicable standards by a greater margin, as the modeling methodology assumes worst-case conditions, which are considered unlikely to be encountered in the actual operation based on the planned use of commonly accepted dust control techniques in all phases of the operation.

The Planning Department requested that the Air Quality Assessment and Health Risk Assessment for the Project be redone in February 2009 to provide current information for the SEIR. This study was completed and in the hands of the Planning Department and EKAPCD on July 21, 2009.

EKAPCD transferred an Emission Reduction Credit Certificate from Cactus Gold Mines Company to the Project in February 1999 and this remains valid.

Authority To Construct & Permit To Operate

The Company had obtained seven Authorities to Construct dated March 16, 2002. These permits expired on March 16, 2004 and were not renewed due to changes anticipated in the Project.

Ten applications for Authority to Construct permits were submitted to the EKAPCD in February 2011. The EKAPCD confirmed that the information required to support the applications was complete. The draft Authority to Construct permits were received in September 2011. The Company's consulting engineers and legal counsel completed their review of the draft Authority to Construct permits in January 2012. The Authority to Construct permits were issued by EKAPCD on February 8, 2012. The Authority to Construct permits will be converted to a Permit to Operate after construction has been completed and subject to inspection by EKAPCD.

An eleventh application for an Authority to Construct permit is currently being completed.

Meteorological Monitoring Station

The Company was required to install both upwind and downwind meteorological monitoring stations before the start of production and decided to proceed with the upwind monitoring station in May 2006 to add to the background database. The station was designed by Air Sciences Inc., Golden, Colorado and commissioned in September 2006. The EKAPCD approved the design of the station in October 2006. Data is being recorded on a continuous basis and quarterly reports are being issued to the EKAPCD.

The equipment for the downwind meteorological monitoring station has been purchased and is in storage in Mojave. It is expected that the downwind station will be constructed in March 2013.

Water Quality

The Project is located in the northern portion of the Antelope Valley Groundwater Basin. The mean recorded annual rainfall in the surrounding area is approximately 156mm (6.14in). Typical patterns of precipitation are winter rains and summer thunderstorms and these tend to be short-lived and of high intensity. The site is dominated by Soledad Mountain and surface drainage patterns in the area are largely influenced by local topography. This varies from steep, rugged hillsides at the upper elevations to a gently sloping desert floor around the toe of Soledad Mountain. Runoff on the northern side of Soledad Mountain is via a series of gullies or channels, which direct surface flows to the north, northeast and northwest and eventually to the east to the Gloster and Chaffee Hydrologic Areas of the Antelope Hydrologic Unit.

There are no springs or intermittent streams in the immediate area. The closest intermittent stream is approximately 5km (3 miles) to the west. Evaporation rates are high. Groundwater is typically found at depths of 55m to 60m (180ft to 200ft) in the area north of the Project.

The Lahontan Regional Water Quality Control Board ("Regional Board") is responsible for ensuring compliance with the federal Clean Water Act and California's Porter-Cologne Water Quality Act. The Company submitted a Report of Waste Discharge ("ROWD"), prepared by a company based in Bakersfield to the Regional Board in June 1997. The Regional Board adopted Board Order No. 6-98-9 in March 1998 at a meeting held in Lancaster and this set the Waste Discharge Requirements for the Project.

Revised Report Of Waste Discharge

The ROWD submitted in 1997 included a design for the heap leach facility done before and in 1997. The Company and its consulting engineers prepared an engineering review that set out significant differences between the layout and designs prepared for the heap leach facility in 1997 and in 2005 and made a presentation to the Regional Board in Victorville in May 2006. The Regional Board requested that the Company submit a revised ROWD to reflect these changes. The Company and its consulting engineers prepared and submitted a revised ROWD to the Regional Board in March 2007.

The Regional Board completed its assessment of the revised ROWD and prepared draft Waste Discharge Requirements ("WDRs") for the Project. The Regional Board waited for confirmation from the Planning Department that the SEIR had been certified before adopting a revised Board Order and setting revised WDRs for the Project.

The Regional Board unanimously approved WDRs and a Monitoring and Reporting Program for the Project at the joint, regular meeting held on July 14, 2010 in South Lake Tahoe, NV and Victorville, CA. The Board recommended adopting an order approving the WDRs subject only to locating an additional ground water monitoring well. This well was drilled and tested in November 2010. The Board Order was signed by the Executive Officer of the Regional Board on July 23, 2010.

The order approving the WDRs is a critical authorization for the construction and operation of, and establishes the discharge and monitoring standards for, the heap leach pads, rock stockpiles and other activities that have the potential to affect surface and ground waters.

Closure, Reclamation and Financial Assurance

Closure and reclamation will be done in accordance with the requirements set out in the CUPs and an approved Surface Mining and Reclamation Plan and as set out in the Board Order issued by the Regional Board.

The following general principles apply:

- Considerable experience gained in reclamation of other heap leach operations in the California deserts since the mid-1990s shows that reclamation can be completed successfully.
- The Surface Mining and Reclamation Plan will be an active plan with concurrent reclamation on one hand and alternative reclamation concepts to be sought and evaluated during the mine life on the other hand.
- Reclamation will proceed concurrently where feasible, but is nonetheless expected to require two years following ending of all mining and the processing and sale of aggregate and construction materials.
- The site drainage plan will be re-assessed to direct and thus control runoff to minimize erosion.
- Public safety will be a concern to be addressed both while mining is underway and as part of closure, and
- Post-closure monitoring will continue until revegetation targets are met with the ultimate goal of establishing a productive and self-staining eco-system.

The following points will have an impact on closure and reclamation costs:

- The footprint required for Project facilities has been significantly reduced from the earlier concepts;
- A road to the top of Soledad Mountain will remain for access to public facilities and will not be reclaimed;
- Waste rock will be disposed of in mined-out phases of the open pit as part of a comprehensive waste rock management plan;
- A planned major waste rock dump to the south of Soledad Mountain has been eliminated and this will significantly reduce the total disturbed area that must be reclaimed;
- The Company is committed to neutralizing, rinsing and then selling the leached residues; and
- The size and complexity of the crushing & screening plant has been significantly reduced with fewer structures that have to be dismantled and fewer concrete footings that have to be broken up or buried.

The following two items will require future consideration:

- The workshop and warehouse building and wash slab, security and human resources units, bulk fuel storage tanks, septic tank and leach field and the parking lot will find an approved, alternative industrial use and may not be dismantled and the site where these facilities are constructed may not have to be reclaimed.
- Two (or three) water supply wells may remain for future industrial or municipal use. The water supply infrastructure may be turned over to the Mojave Public Utility District to become part of the permanent facilities in the area.

Revegetation

Sites have been revegetated successfully elsewhere in the California deserts, for example at the Castle Mountain Mine in San Bernardino County, and it is expected that revegetation can be completed successfully for the Project as per the detailed revegetation plan that has been prepared by the Company's consulting engineers.

A summary of the proposed revegetation procedures is given below:

- Two revegetation test plots were prepared and seeded north and south of Soledad Mountain in 2006 and 2007 respectively to demonstrate that seed collected locally can be an effective source of seed;
- Seed is being collected locally and a seed library has been established;
- Seed collected locally will be supplemented by seed contained in growth media that has been stockpiled;
- Surfaces will be prepared to provide textures suitable for desert plants and micro-basins will be created to trap seed and moisture;
- Hand seeding has been found to be effective and aerial (crop duster or helicopter) seeding can be used in areas that are inaccessible by vehicle or foot;
- Seeded areas will not require fertilizer and watering;
- Reclamation of disturbed areas will occur as soon as possible throughout the mine life;
- Control of runoff to minimize erosion will be a key to successful revegetation and
- Quantifiable goals for density and diversity of perennial species have been proposed.

Financial Assurances

The Company will be required to provide the following financial assurances for the Project:

- To the Bureau of Land Management, State of California and Kern County for general reclamation on site;
- To the State Water Resources Control Board for rinsing and closing reclamation of the leached residues on the heap and
- "Unforeseen events financial assurance" required by the State Water Resources Control Board to provide for an unforeseen event that could contaminate surface or groundwater.

The Company provided reclamation financial assurance in the form of a Payment Bond Certificate backed by a Certificate Of Deposit with Union Bank of California in the amount of $335,457 effective October 2012. The estimate for reclamation financial assurance is $475,937 for 2013 and this estimate has been submitted to the Engineering, Surveying & Permit Services Department for review and approval.

Cleanup On Site

The Company has done extensive cleanup on site over the past several years as summarized in the table below.

Payable To	Years	Amount US$	No. of Loads
Contractor 1	2006	13,077.93	6.0
	2007	41,946.50	48.5
	2008	138,336.00	160.0
	2009	15,425.00	17.5
	2010	20,310.00	19.5
	2011	93,285.00	74.0
	2012	80,292.00	66.0

Total	2006-2012	402,672.43	391.5
Contractor 2	2008	128,000.00	141.0
Contractor 3	2010	18,644.60	5.0
Grand Total		**549,317.03**	**532.5**

Some work remains to be done and cleanup is continuing in 2013.

The work was done at a significant cost to the Company and demonstrates that the Company is committed to environmental stewardship and good housekeeping in its operations.

Environmental, Safety and Health Policy

The Company has an Environmental, Safety and Health Policy and a management system to implement the Policy.

The Company expects to sign the International Cyanide Management Code. The Code was developed under the auspices of the United Nations Environment Program and the International Council on Metals and the Environment. The International Cyanide Management Institute, a non-profit organization, administers the Code. Signatories to the Code commit to follow the Principles set out in Code and to follow the Standards of Practice. Companies are expected to design, construct, operate and decommission their facilities consistent with the requirements of the Code and must have their operations audited by an independent third party. Audit results are made public. The Company is preparing a Cyanide Management Plan for submission to the International Cyanide Management Institute and this is well under way.

Offices and Employees

The Company's principal executive offices are located in Vancouver at 6411 Imperial Ave., West Vancouver, BC V7W 2J5, Canada.

The Company currently has no employees. The Company utilizes an accounting firm, which is independent from our auditors, on a contract basis for the preparation of its financial statements, and engages various part-time consultants and contractors as needed for administrative services. Technical services related to Project permitting, development and land matters are performed by consultants and contractors on an as-needed basis.

Item 1A. Risk Factors.

The following is a brief discussion of distinctive or special characteristics of the Company's operations and the industry in which it operates, which may have a material impact on, or constitutes risk factors in respect of, the Company's future financial performance and in respect of an investment in the Company. These risk factors should be read in conjunction with disclosure on business and risks appearing in this Form 10-K and elsewhere.

The Likelihood of Continued Losses from Operations and Ability To Continue As A Going Concern

The Company has had no revenue from operations and has incurred cumulative losses from inception through December 31, 2012 of $67,953,626. Losses are expected to continue until such time as the Company can economically produce and sell gold and silver, aggregate and construction materials from the Project. Continued losses will require that the Company raise additional funds by equity or debt financing, failing which the Company will not be able to continue operations. Management cannot provide assurances that this will occur and this raises doubts about the Company's ability to continue as a going concern.

The Need for Significant Additional Financing

If a production decision is made, the Company will need significant additional financing to develop the Project into an operating mine and estimates that this could range as high as $119 million and this includes working capital of $10 million. The Company expects to finance the construction and to secure the necessary working capital from either additional sales of common shares, from bank or other borrowings or, alternatively, through a merger with an established mining company. However, the Company has no commitment for the underwriting of additional shares or for bank financing and it is not a party to any agreement or arrangement providing for a merger with an established mining company. Whether or not and to what extent project financing can be secured will depend on a number of factors, including gold and silver prices. Gold and silver prices fluctuate widely and are affected by numerous factors beyond the Company's control, such as the strength of the U.S. dollar and foreign currencies, global and regional demand, and global or regional political or economic events. If financing is not obtained, the Company will not be able to develop the Project and would be forced to seek alternatives to its current business plan, including disposing of its interests in the Property.

Passive Foreign Investment Company

The Company may be classified as a passive foreign investment company. U.S. investors should seek independent advice from tax advisors to discuss any tax consequences.

The agreements with landholders need ongoing monitoring.

The Company monitors the status of agreements with landholders on a regular basis in order to protect the Company's interests in the Property that it does not own. There can be no assurance that the Company will continue to be able to retain all of its interests in the Property through negotiations with landowners, or that the cost of retaining its interests will not increase significantly as a result of future negotiations. The value of the Project may be significantly reduced if the Company cannot access or mine areas of the Property that are material to the Project, due to its inability to retain its interests in the Property. While each and every property has its own value and unique purpose in the overall mine plan, the feasibility of the Project will depend on the Company's ability to maintain control of the portions of the Property that are material to the Project. Failure to keep property agreements in good standing may result in a loss of control of the corresponding interest in the Property, which, if material to the Project, would prevent the Company from developing the Project.

We rely extensively on the services of our President, Mr. H. Lutz Klingmann, P.Eng., who has considerable current knowledge of our operations, including the Soledad Mountain Project, and the loss of his services would likely result in delay and cost associated with acquiring and training additional management.

Since 2002, Mr. Klingmann has been largely responsible for of the operations of the Company, including work on the Project. The successful development of the Project as currently envisioned by management is dependent to a significant extent on the efforts and abilities of Mr. Klingmann. Investors must be willing to rely to a significant extent on management's discretion and judgment. We do not maintain key employee insurance on Mr. Klingmann and the loss of his services would likely have an adverse affect on Company operations and plans, until such time as a replacement can be located and brought current on Company plans and operations.

Risks and Contingencies Associated with the Mining Industry Generally

In addition to the risks noted above, the Company is subject to all of the risks inherent in the mining industry, including environmental risks, fluctuating metals prices, industrial accidents, labor disputes, unusual or unexpected geologic formations, cave-ins, flooding, earth quakes and periodic interruptions due to inclement weather. These risks could result in damage to, or destruction of, production facilities, personal injury, environmental damage, delays, monetary losses and legal liability. Although the Company maintains or can be expected to maintain insurance within ranges of coverage consistent with industry practice, no assurance can be given that such insurance will be available at economically feasible premiums. Insurance against environmental risks (including pollution or other hazards resulting from the disposal of waste products generated from production activities) is not generally available to the Company or other companies in the mining industry. If subjected to environmental liabilities, the costs incurred would reduce funds available for other purposes.

While we believe we have taken the steps necessary to improve the effectiveness of our internal control over financial reporting, if we are unable to successfully address or prevent material weaknesses in our internal control over financial reporting, our ability to report our financial results on a timely and accurate basis and to comply with disclosure and other requirements may be adversely affected.

Our management identified material weaknesses in internal control over financial reporting as of December 31, 2012 related to the (i) lack of segregation of duties and weakness around timely and consistent management review of financial statements, account reconciliations, and technical accounts in the financial closing and reporting process, and (ii) lack of segregation of duties in daily cash management and limited approval on general and administrative and capital expenditures (see "Item 9A. Controls and Procedures"). As a result of these material weaknesses, our management concluded that, as of December 31, 2012, we did not maintain effective disclosure controls and procedures or internal control over financial reporting. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

We can give no assurances that the measures we take to remediate material weaknesses that we identified will be successful, or that any additional material weaknesses will not arise in the future.

Any material weakness or other deficiencies in our disclosure controls and procedures and internal control over financial reporting may affect our ability to report our financial results on a timely and accurate basis and to comply with disclosure obligations or cause our financial statements to contain material misstatements, which could negatively affect the market price and trading liquidity of our common stock or cause investors to lose confidence in our reported financial information.

Our independent registered public accounting firm, BDO Canada LLP, has issued reports on its assessment of our internal control over financial reporting and our consolidated financial statements that are included in Item 8 of this Annual Report on Form 10-K. The reports contain an explanatory paragraph regarding the Company's ability to continue as a going concern and an adverse opinion on the effectiveness of the Company's internal control over financial reporting as of December 31, 2012.

Most of our directors are ordinarily resident outside of the United States and accordingly it may be difficult to effect service of process on them, or to enforce any legal judgment against them.

With the exception of Thomas Clay, our directors namely Edward G. Thompson, Chester Shynkaryk, Bryan Coates and H. Lutz Klingmann are residents of Canada. Consequently, it may be difficult for U.S. investors to effect service of process within the U.S. upon these directors, or to realize in the U.S. upon judgments of U.S. courts predicated upon civil liabilities under the U.S. securities laws. A judgment of a U.S. court predicated solely upon such civil liabilities would probably be enforceable in Canada by a Canadian court if the U.S. court in which the judgment was obtained had jurisdiction, as determined by the Canadian court, in the matter. There is substantial doubt whether an original action could be brought successfully in Canada against any of such directors predicated solely upon such civil liabilities.

Because our common shares will likely trade at prices below U.S.$5.00 per share, and because we will not be listed on a national U.S. exchange, there are additional regulations imposed on U.S. broker-dealers trading in our shares that may make it more difficult for you to resell our shares through a U.S. broker-dealer.

Because of U.S. rules that apply to shares with a market price of less than U.S.$5.00 per share, known as the "penny stock rules", investors will find it more difficult to sell their securities in the U.S. through a U.S. broker dealer. The penny stock rules will probably apply to trades in our shares. These rules in most cases require a broker-dealer to deliver a standardized risk disclosure document to a potential purchaser of the securities, along with additional information including current bid and offer quotations, the compensation of the broker-dealer and its salesperson in the transaction, monthly account statements showing the market value of each penny stock held in the customer's account, and to make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written agreement to the transaction.

Item 1B. Unresolved Staff Comments.

Not applicable.

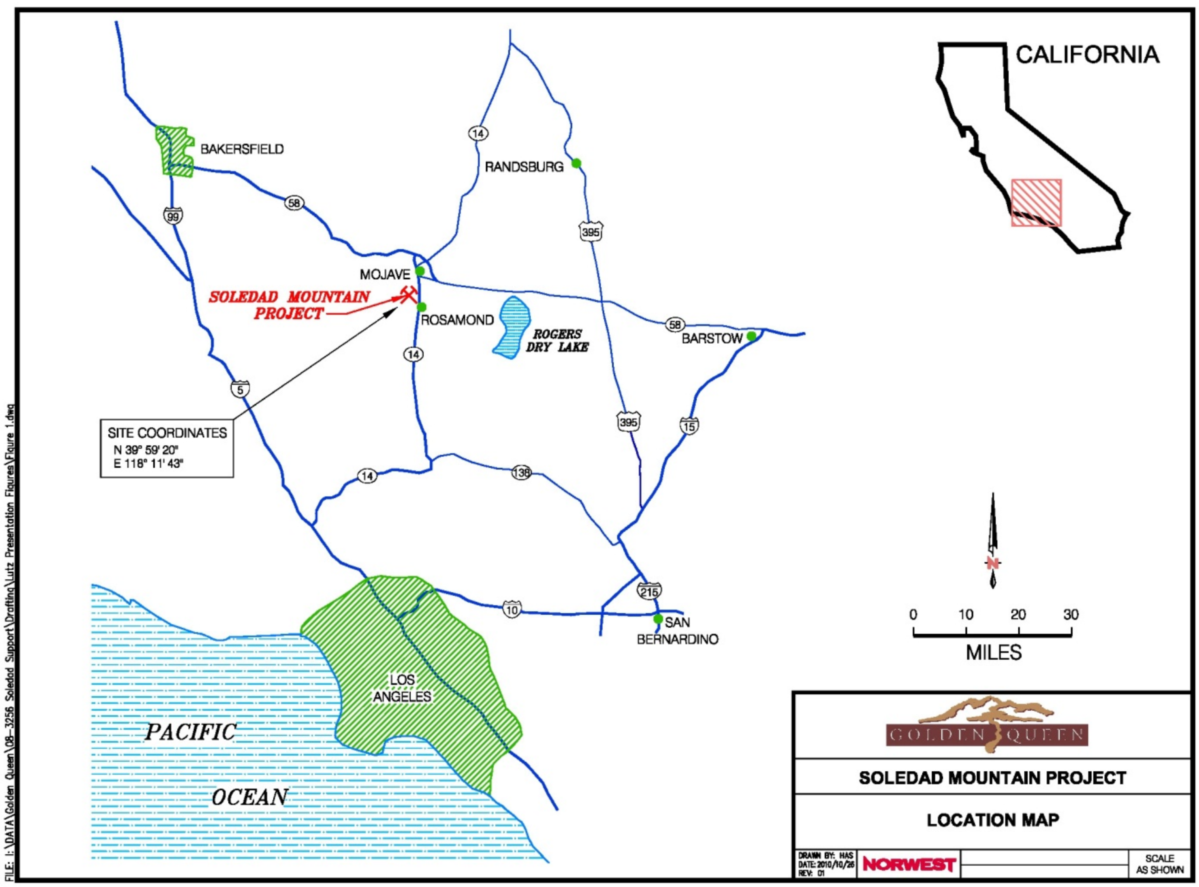
Item 2. Properties.

Land Ownership and Mining Rights

The Company acquired its initial property interests in 1985 and has since acquired additional properties in the area. The Company holds directly or controls via agreement a total of 33 patented lode mining claims, 134 unpatented lode mining claims, 1 patented millsite, 12 unpatented millsites, 1 unpatented placer claim and upward of 867 acres of fee land, which together make up the Property. The Property is located west of California State Highway 14 and lies largely south of Silver Queen Road covering all of Section 6 and portions of Sections 5, 7 and 8 in Township 10 North, Range 12 West; portions of Sections 1 and 12 in Township 10 North, Range 13 West; portions of Section 18 in Township 9 North, Range 12 West, and portions of Section 32 in Township 11 North, Range 12 West, all from the San Bernardino Baseline and Meridian.

A Property location map is shown in Figure 1 below.

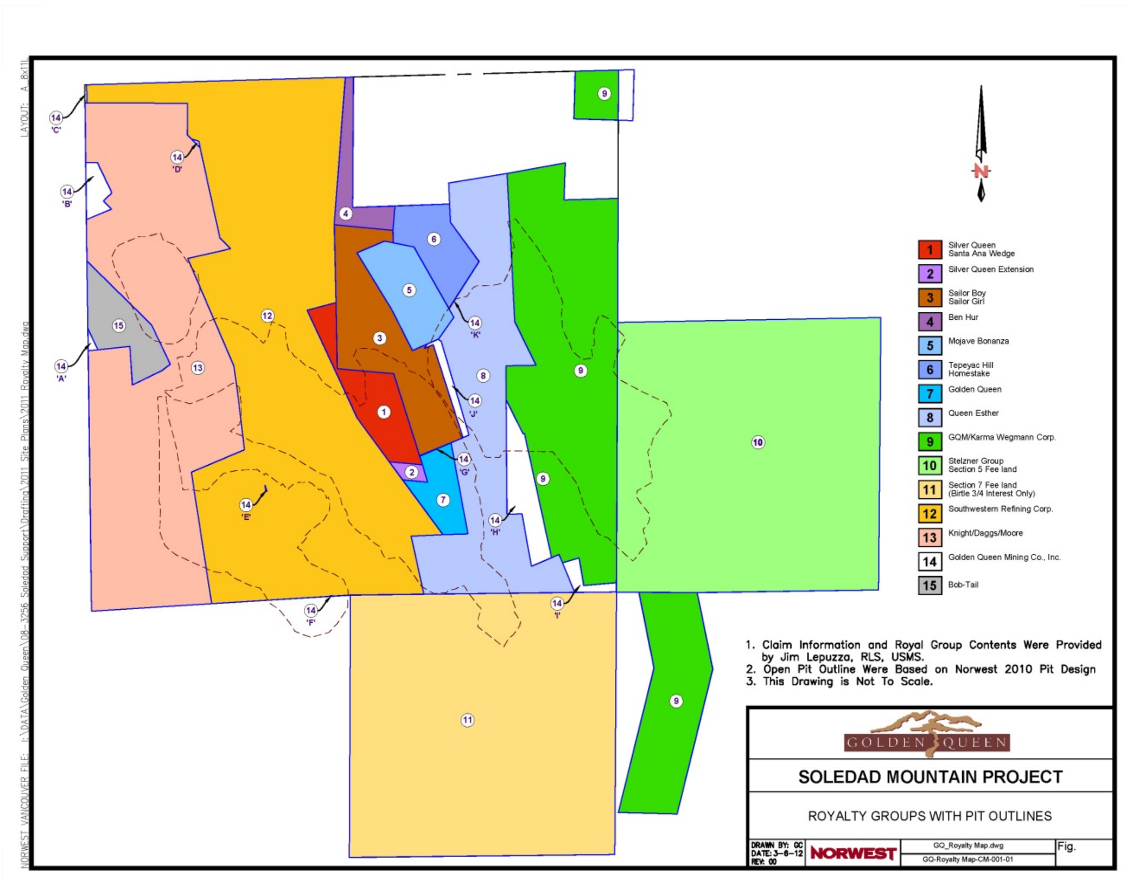
Figure 1



The Company holds the properties either directly through a subsidiary, or under mining lease agreements with a number of individual landholders, two groups of landholders and three incorporated entities. The land required for the Project has therefore either been secured under one of these agreements or is controlled by the Company through ownership of the land in fee or where the Company holds patented and unpatented mining claims or millsites. The mining lease agreements were entered into from 1986 onwards. Refer to the section *Property Interest Are In Good Standing* below for key information.

Figure 2 below provides a map of the various claim groups that make up the Property.

Figure 2



The fee land surrounding Section 6 is required for the construction of the ancillary facilities required for a mining operation, for the construction of the heap leach pads and for construction of a pad for the aggregate production facilities. The area that will be disturbed by the Project is a 369 hectare-block (912 acres) within the total area of approximately 1,417 hectares (3,500 acres) owned, held or controlled by the Company. The Company also owns six residential properties with buildings north of Silver Queen Road and one residential property west of Mojave Tropico Road.

The Company is continuing with its efforts to purchase additional land that will secure its land position in the area.

Title Review

The Company commissioned a formal title review of the Property by a firm familiar with title matters in California in 1996. This title review was updated in February 1998 and again in March 1999. A further title review was completed by an independent landman in 2004 and no particular title problems were identified.

Quiet Title Judgment

The ownership history is typically complex in historic mining districts and title problems will exist. The Company obtained a Quiet Title Judgment on May 15, 1999 and this resolved a majority of title questions. The effect of the Judgment was to clear the title to the interests in the patented claims listed in the action and to cure the title defects of record, providing security of title and thus greatly enhancing the value of the Property.

The Company has determined that any remaining title questions would not present a threat to the Project.

Record Of Survey

The California Business & Professions Code includes the Professional Land Surveyors Act, "Article 5. Surveying Practices" and specifically "8762. Records of survey." Land surveyors must be aware of the requirements set out in Article 5 as these are essential to their surveying practice and govern their responsibilities to their clients and the State. The Company therefore decided to proceed with a Record of Survey and engaged James A. LaPuzza, PLS, MS in November 2009.

A set of fourteen maps based upon survey work done by James A. LaPuzza, PLS, MS on Soledad Mountain between 2007 and 2010, along with supporting information on the history of staking and recording and ownership of mining claims and millsites researched by Sylvia Good, RPL, Landman and legal counsel and staff of Gresham Savage Nolan & Tilden, A Professional Corporation, San Bernardino, California from the early 1990s onwards, was submitted to the Kern County Department of Engineering, Surveying and Permit Services in August 2010. The maps were checked in meticulous detail by County staff over a period of 10 months. There were also numerous exchanges of information between James A. LaPuzza, PLS, MS and staff during this period. County staff gave the maps a "Final Check" in May 2011. The recordable mylars were submitted to County staff in July 2011, formally signed by the County Surveyor and forwarded to the Kern County Assessor – Recorder as a Record of Survey. The Record of Survey was recorded as follows:

- Recorded July 20, 2011;
- Document No. 211092035 and
- Book 0027, Page 66

The basis for the Company's royalty map is now the Record of Survey and this has superseded all earlier versions of the royalty map.

A copy of this report was sent to all landholders of record on August 1, 2011.

The Company is currently completing a Record of Survey for the claims in Section 8.

Royalties

The Company is required to make advance minimum royalty payments under the mining lease agreements. In some instances, the Company will receive a credit for the advance minimum royalty payments on commencement of commercial production. Most of the royalties are of the net smelter return type and are based on a sliding scale, with the percentage amount of the royalty depending upon the ore grades on the particular property to which the royalty relates. Weighted average royalty rates will range from a low of 1.0 % to a high of 5.0% depending upon the area being mined and gold and silver prices. The agreements also typically provide for an additional royalty if non-mineral commodities, such as aggregates, are produced and sold.

Property Interests Are In Good Standing

The Company had disclosed in its Form 10-K for the fiscal year ended December 31, 2007 that not all property interests were in good standing. The total advance minimum royalty owing to landholders was $714,137. The Company contacted all landholders and paid $666,103 in the second, third and fourth quarters of 2008 with a further $48,034 paid to the remaining rightful landholders in 2009. The Company continues to pay advance minimum royalties to landholders and incurred a total of $204,792 in 2012 and $6,351 which has yet to be paid. The Company believes it is in compliance with the requirements.

A mining lease agreement with a group of landowners expired in 2004. Negotiations with the group were completed in July 2011 and the agreements were extended to 2041. Under the amended agreements, the Company paid advance minimum royalties of $7,500 per year for eight years for a total amount of $60,000 in August 2011 to bring the advance minimum royalties owing current to March 14, 2012.

A number of lease agreements expired in 2010 and in January 2011. Of these expired lease agreements, one set of lease agreements that together comprises approximately 50% interest in a claim group, is considered material by the Company. The Company is in the process of negotiating renewed leases with the landholders, maintains a good relationship with the landholders involved and anticipates that it will be able to reach agreements for new leases in 2013.

While the Company is not in default of any current lease, the Company is negotiating renewal terms for leases that are approaching expiry. The Company does not consider any of those leases to be individually material. However leases that are individually not material may become part of a material group of leases if more than one of the leases in the group cannot be renewed.

Leases have expiry dates ranging from 2014 to 2045. Of these, no single lease is considered material with the exception of four leases which expire in September 2014, April 2015, April 2021 and April 2026 respectively. All leases have an evergreen clause that becomes effective once the mine commences commercial production.

While each and every part of the Property has its own value and unique purpose in the overall mine plan, the feasibility of the Project will depend on the ability of the Company to maintain the rights to access and use of the material portions of the Property. A failure to keep property agreements in good standing may result in a loss of control, which, if material to the Project, would prevent the Company from developing the Project.

Item 3. Legal Proceedings.

To the best of our knowledge, there are no legal actions pending, threatened or contemplated against the Company.

Item 4. Mine Safety Disclosures.

The Company is the operator of the Soledad Mountain project, which includes one mine located in Mojave in Kern County, California. The Company is currently evaluating the development of the mine for production. The Company has no mine safety violations or other regulatory matters to report.

PART II

Item 5. Market for Common Equity, Related Stockholder Matters and Small Business Issuer Purchases of Equity Securities.

Market and Trading Price

The common shares of the Company are listed and traded on the Toronto Stock Exchange under the trading symbol "GQM". The high and low sales prices of the common shares as traded on the Toronto Stock Exchange for the calendar periods indicated are set out in the table below. All prices are reported in Canadian dollars.

Year ended December 31		High	Low
2012	Fourth Quarter	$2.99	$2.11
	Third Quarter	$3.10	$1.89
	Second Quarter	$2.59	$1.93
	First Quarter	$2.99	$2.54
2011	Fourth Quarter	$3.37	$2.44
	Third Quarter	$3.95	$2.58
	Second Quarter	$3.84	$2.61
	First Quarter	$2.94	$2.26

Exchange Rates

The following table sets forth, for the periods indicated, certain exchange rates based on the noon buying rate in Canadian dollars. Such rates are the number of Canadian dollars per one (1) U.S. dollar quoted by the Bank of Canada. The high and low exchange rates for each month during the previous six months were as follows:

	High	Low
February 2013	$1.0285	$0.9960
January 2013	$1.0078	$0.9839
December 2012	$0.9952	$0.9841
November 2012	$1.0028	$0.9927
October 2012	$1.0004	$0.9763
September 2012	$0.9902	$0.9710

Exchange rate information (from U.S.$ to Canadian $) as at each of the years ended December 31, 2011 and 2012 is set out in the table below:

	Year Ended December 31	
	2011	2012
Rate at end of Period	$1.0170	$0.9949
Low	$0.9449	$0.9710
High	$1.0604	$1.0418

As of March 1, 2013, there were 224 registered holders of record of the Company's common shares and an undetermined number of beneficial holders.

The Company announced that it had commenced trading on the OTCQX International under the symbol "GQMNF" in a news release dated September 11, 2012. The OTCQX is the highest tier of the OTC Markets group and the Company expects that this will increase accessibility for U.S. investors.

The high and low sales prices of the common stock as traded on the Pink Sheets and the OTCQX for the calendar periods indicated are set out in the table below. All prices are reported in U.S.$.

Year ended December 31		**High**	**Low**
2012	Fourth Quarter	$3.03	$2.00
	Third Quarter	$3.09	$1.76
	Second Quarter	$2.62	$1.85
	First Quarter	$3.02	$2.49
2011	Fourth Quarter	$3.31	$2.36
	Third Quarter	$4.01	$2.62
	Second Quarter	$4.05	$2.65
	First Quarter	$3.00	$2.30

Dividends

The Company has not declared dividends on its common shares since inception.

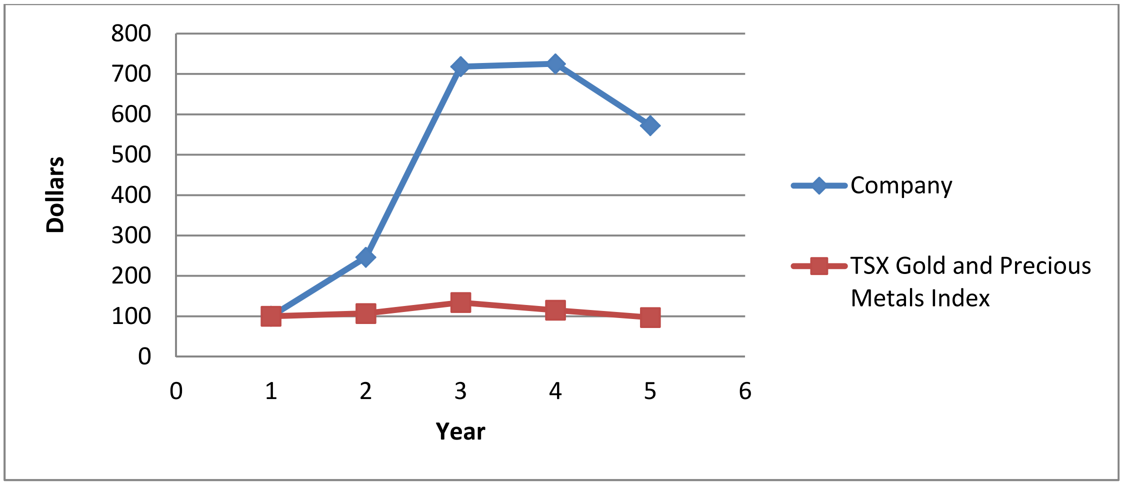
Securities Authorized for Issuance Under Compensation Plans

The following table sets forth information as at December 31, 2012 respecting the compensation plans under which shares of the Company's common stock are authorized to be issued.

Plan Category	**Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)**	**Weighted-average exercise price of outstanding options, warrants and rights (b)**	**Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)**
Equity compensation plans approved by security holders	1,800,000	CAD$0.29	5,400,000
Equity compensation plans not approved by security holders	Nil	Nil	Nil
Total	1,800,000	--	5,400,000

Performance Graph

The performance graph below shows the Company's cumulative total return based on an initial investment of $100 in GQM common stock, as compared with the S&P/TSX Global Gold Index. The chart shows performance marks as of the last trading day during each of the last five years ended December 31.



	December 31, 2008	December 31, 2009	December 31, 2010	December 31, 2011	December 31, 2012
Company	100	246	718	725	572
S&P/TSX Global Gold Index (TITTGD)	100	107	134	115	97

Purchases of Equity Securities by the Company and Affiliated Purchasers

Neither the Company nor an affiliated purchaser of the Company purchased common shares of the Company in the year ended December 31, 2012.

Item 6. Selected Financial Data.

The following table summarizes certain selected consolidated financial data of the Company and should be read in conjunction with the Consolidated Financial Statements and Notes thereto appearing elsewhere in this report.

Results for the five most recent years are set out in the table below.

Results for the year ended on: Item	Dec. 31, 2012 $	Dec. 31, 2011 $	Dec. 31, 2010 $	Dec. 31, 2009 $	Dec. 31, 2008 $
Revenues	0	0	0	0	0
Net loss and comprehensive loss	-1,270,988	-3,230,641	-9,983,926	-4,514,742	-3,996,777
Basic loss and diluted loss per share	-0.01	-0.03	-0.11	-0.05	-0.05
Cash and cash equivalents	4,031,403	7,922,255	6,967,465	2,433,202	3,033,771
Total assets	6,567,069	8,692,866	7,655,343	2,969,865	3,557,416
Stockholders' equity	2,413,780	3,631,916	-3,327,592	-131,888	3,097,436

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation.

The following discussion of the operating results and financial condition of the Company is as at March 18, 2013 and should be read in conjunction with the audited, consolidated financial statements of the Company for the year ended December 31, 2012 and the notes thereto.

The information in this Management Discussion and Analysis of Financial Condition and Results of Operation is prepared in accordance with U.S. generally accepted accounting principles and all amounts herein are in U.S.$ unless otherwise noted.

Results of Operation

The following are the results of operation for the year ended December 31, 2012.

The Company had no revenue from operations.

The Company incurred general and administrative expenses of $466,996 during the year ended December 31, 2012 (2011 - $880,830; 2010 - $639,203). General and administrative costs were significantly lower when compared with 2011.

The following significant general and administrative expenses were incurred during the year with a comparison to expenses in 2011 and 2010:

- $182,153 (2011 - $270,114; 2010 - $174,678) for accounting and auditing fees during the year. The expenditures decreased from 2011 as the Company changed consultants for its internal bookkeeping and financial reporting at a reduced fee.

- $234,914 (2011 - $332,760; 2010 - $624,863) in legal fees. Legal fees decreased significantly from 2011 due to a reduction in corporate activity that required legal assistance.

- $59,359 (2011 - $106,734; 2010 - $56,068) in office expenditures. Office expenditures decreased significantly during the year as there were reduced administrative activities at the Project and an overall reduction in corporate activities.

The Company incurred exploration expenditures of $1,567,894 during the year-ended December 31, 2012 (2011 - $2,639,946; 2010 - $2,651,533). Exploration expenditures were significantly lower when compared with 2011 and 2010 due to the Company's transition into the development stage.

The following significant exploration expenses were incurred during the year with a comparison to expenditures in 2011 and 2010:

- $9,575 (2011 - $251,393; 2010 - $84,948) for the infill drill program. Expenditures were lower as the infill drilling was completed in 2011 and the focus shifted to updating the mineral resource estimates as described under ***Infill Drill Program*** above.

- $178,638 (2011 - $108,988; 2010 - $38,955) for site maintenance, site development and ongoing clean-up. The significant increase during the year was due to work completed to ensure an adequate power supply was available for the Project.
- $806,781 (2011 – $1,046,765; 2010 - $1,365,069) for detailed engineering of the Phase 1, Stage 1 heap leach pad and the associated site drainage plans, detailed engineering of site grading plans, detailed engineering of the sub-station and site power distribution and ongoing mine design and drafting support. Work was also done on an updated feasibility study and a NI 43-101 Technical Report.

- $112,742 (2011 - $77,914; 2010 - $180,621) for fees charged by the regulatory authorities such as State Water Resources Control Board, Kern County Planning & Community Development Department, Kern

County Engineering, Surveying & Permit services Department and Eastern Kern Air Pollution Control District. The amount also includes the annual claim maintenance fees paid to the Bureau of Land Management and this is the primary reason for the increase in 2012.

- $322,242 (2011 - $203,226; 2010 – 90,061) for sampling and analysis of groundwater from monitoring and production wells to meet the requirements set in the Waste Discharge Requirements by the Lahontan Regional Water Quality Control Board. The evaluation of alternative methods of sampling groundwater was approved by the Lahontan Regional Water Quality Control Board and the necessary equipment was purchased and installed in four groundwater monitoring wells during the year. Also includes costs for ongoing monitoring, maintenance and data recovery from the meteorological station on site and consulting engineering fees incurred to support these activities.

- $63,167 (2011 – $245,970; 2010 - $185,276) for advance minimum royalty payments. The Company is required to make advance minimum royalty payments under mining lease agreements with landholders as described in more detail under **Item 2. Properties** above.

- $193,340 (2011 - $938,770; 2010 - $133,436) for costs incurred to acquire mineral property interests. The Company purchased both additional fee land and bought interests in mining claims from landholders.

The Company recorded a change in fair value of a derivative liability including an increase in foreign exchange of $1,030,431 (2011 - $1,213,913; 2010 – $(6,575,406)) as a result of changes in the value of the Canadian dollar as compared with the US dollar, a reduction in the volatility of the Company's share price during the year as well as due to the passage of time. This item is a non-cash item and was recorded in accordance with accounting pronouncement ASC 850-40-15. Refer to Note 10 Derivative Liability of the Consolidated Financial Statements for a detailed analysis of the changes in fair value of the derivative liability.

Interest income of $51,174 (2011 - $48,659; 2010 - $31,633)) was marginally higher by $2,515. Interest rates remained low during the year and are projected to remain low for 2013. There was no interest expense during the year.

The Company recorded a net and comprehensive loss of $1,270,988 (or $0.01 per share) during the year as compared to a net and comprehensive loss of $3,230,641 (or $0.03 per share) during 2011 and $9,983,926 (or $0.11 per share) during 2010.

The Company has not disclosed any contractual obligations as of December 31, 2012, there were no contractual obligations that are required to be disclosed.

Summary of Quarterly Results

Results for the eight most recent quarters are set out in the table below:

Results for the quarter ended on:	**Dec. 31, 2012**	**Sept. 30, 2012**	**June 30, 2012**	**March 31, 2012**
Item	**$**	**$**	**$**	**$**
Revenue	Nil	Nil	Nil	Nil
Net income (loss) for the quarter	+803,716	-1,825,831	+183,733	-432,606
Basic and diluted net income (loss) per share	0.01	-0.02	0.00	0.00

Results for the quarter ended on:	Dec. 31, 2011	Sept. 30, 2011	June 30, 2012	March 31, 2011
Item	**$**	**$**	**$**	**$**
Revenue	Nil	Nil	Nil	Nil
Net loss for the quarter	+230,281	-981,654	-1,758,400	-720,868
Net loss per share	0.00	-0.01	-0.02	-0.01

The results of operations can vary from quarter to quarter depending upon the nature, timing and cost of activities undertaken during the quarter, whether or not the Company incurs gains or losses on foreign exchange or grants stock options, and the movements in its derivative liability.

Selected Annual Information

Results for the year ended on:	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2010	From Inception
Item	$	$	$	$
General and administrative expenses	-466,966	-880,830	-639,203	-6,418,671
Exploration expenditures	-1,567,894	-2,639,946	-2,651,533	-22,155,531
Asset impairment loss	-193,340	-938,770	-133,436	-33,678,389
Adjustment of asset retirement obligation on changes in cash flow estimates	-124,363	-	-	99,220
Accretion expense	-	-33,667	-15,981	-105,029
Change in fair value of derivative liability	1,030,431	1,213,913	-6,575,406	-6,426,362
Gain on settlement of debt	-	-	-	136,627
Sub-total	**-1,322,162**	**-3,279,300**	**-10,015,559**	**-68,548,135**
Interest expense	-	-	-	-913,098
Interest income	51,174	48,659	31,633	1,731,453
Net loss and comprehensive loss	**-1,270,988**	**-3,230,641**	**-9,983,926**	**-67,729,780**
Net loss per share	-0.01	-0.03	-0.11	

Reclamation Financial Assurance and Asset Retirement Obligation

The Company had provided reclamation financial assurance to the Bureau of Land Management, the State and Kern County totaling $339,079 (2011 - $296,180). 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 to date. The Company estimated that total payments of $475,938 would be required to complete its present reclamation obligations. As Management made the decision to capitalize all development expenditures directly related to the Project in July 2012, $124,363 was capitalized as the asset portion of the retirement obligation and $124,363 was expensed for the year ended December 31, 2012.

Property Rent Payments

The Company continues to pay property rental payments to landholders and incurred $204,792 in 2012 and expect to pay approximately $175,000 in 2013. Beginning in July of 2012, the Company moved from the exploration phase to the development phase and as a result, began capitalizing the costs related to the rental payments and they are required in order to move ahead with the Project. As of December 31, 2012, $141,626 of the $204,792 paid in property rental payments were capitalized to mineral properties.

Off-balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Stock Option Plan

The Company's Board of Directors adopted an amended stock option plan referred to as the 2008 stock option plan (the "2008 Plan") in 2008. Pursuant to the 2008 Plan, a further 7,200,000 common shares of the Company 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, but shall not be less than the volume weighted average trading price of the Company's shares on the Toronto Stock Exchange 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) 90 days from the date the option holder ceases to act as a director or officer of the Company, or (iii) 60 days from the date the option holder ceases to be employed, or engaged as a consultant, by the Company.

The Company granted 1,950,000 stock options to directors, officers and consultants of the Company pursuant to the Plan on January 28, 2009. The options are exercisable at a price of CAD$0.26 per share for a period of 5 years from the date of grant. The Company also granted 50,000 stock options to a consultant of the Company pursuant to the Plan on April 19, 2010. The options are exercisable at a price of CAD$1.24 per share for a period of 5 years from the date of grant.

Transactions with Related Parties

For the year ended December 31, 2012, the Company paid $138,885 (2011 - $137,748, 2010 - $141,293) to Mr. H. L. Klingmann for services as President of the Company, paid $26,977 (2011 - $27,295, 2010 - $17,769) to Mr. Chester Shynkaryk for his consulting services to the Company, paid $29,930 (2011 - $20,218, 2010 - $Nil), of which $2,814 is payable (2011 - $2,831, 2010 - $Nil), to Mr. Ross McDonald for his services as CFO.

No other compensation was paid or given during the year for services rendered by the directors in such capacity and no amounts were payable at year-end under any standard arrangements for committee participation or special assignments.

Four directors of the Company were paid $2,017 (2011 - $2,022; 2010 - $1,974) and one director was paid $2,000 (2011 - $2,000; 2010 - $2,000) in director's fees for the year ended December 31, 2012.

The Company amended a consulting services agreement originally entered into in 2004 with Mr. H.L. Klingmann, the President of the Company, in May of 2010. Under the original agreement, upon receipt by the Company of a feasibility study and a production decision made by the Company, a bonus of 150,000 common shares would be issued and upon commencement of commercial production on the Property, a bonus of 150,000 common shares would be issued. Pursuant to the amended agreement, an alternative 300,000 bonus shares would 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. As at December 31, 2012, the milestones had not been reached and no commitment to issue the common shares has been recorded in connection with these arrangements.

There were no other related party transactions during the year ended December 31, 2012.

Fair Value of Financial Instruments

The carrying amount reported in the balance sheets for cash and cash equivalents, receivables, accounts payable and accrued liabilities approximates fair value because of the immediate or short-term maturity of these financial instruments. The Company does not hold any bank or non-bank asset-backed commercial paper. The fair value of the reclamation financial assurance approximates carrying value because the stated interest rate reflects recent market conditions. It is the opinion of management that the Company is not exposed to significant interest, currency or credit risk arising from the use of these financial instruments.

Refer also to the note on fair value of derivative liability under **Results of Operations** above.

Private Placement

There were no private placements during the 2012 or 2011 fiscal years.

The Company completed a non-brokered private placement with AuRico Gold Inc. ("AuRico") (formerly Gammon Gold Inc.) on June 1, 2010, whereby AuRico purchased 5,000,000 units of the Company at a price of C$1.60 per unit for total proceeds of $7,634,316 (C$8,000,000). Each unit consisted of one common share, one quarter of one Class A Warrant, and one quarter of one Class B Warrant. Each Class A Warrant entitled AuRico to purchase a common share at a price of C$1.75 for a period of 18 months from the closing date. Each Class B Warrant entitled AuRico to purchase one common share at a price of C$2.00 for a period of 18 months from the closing date. The aggregate fair value of the Class A and B purchase warrants was $1,726,518 and the amount was recorded as a derivative liability and the Company allocated the remaining proceeds of $5,907,798 to the common shares. AuRico was also granted the right to participate in future financings to maintain its equity position in the Company and this right was subject to certain conditions.

AuRico exercised the warrants before the expiry date of December 1, 2011. The Company filed a registration statement relating to these securities with the U.S. Securities And Exchange Commission and this became effective on December 16, 2011.

Liquidity and Capital Resources

The Company held $4,031,403 in cash and cash equivalents on December 31, 2012.

Cash used in Operating Activities:

Cash was used mainly for the ongoing development of the Project in 2012 with major expenditures in four areas:

- Consulting engineering fees remained high due to the significant amount of detailed engineering completed for Project facilities;

- Costs were incurred for ongoing sampling and analysis of groundwater from monitoring and production wells to meet the requirements set in the Waste Discharge Requirements by the Lahontan Regional Water Quality Control Board. The evaluation of alternative methods of sampling groundwater was approved by the Lahontan Regional Water Quality Control Board and the necessary equipment was purchased and installed in four groundwater monitoring wells during the year;

- Legal fees were incurred in preparing an application for a listing on the OTCQX, in negotiations with landholders to extend mining lease agreements and for corporate legal fees and

- Consulting fees were incurred to do a very detailed analysis of the geological and block models and to prepare a NI 43-101 compliant Technical Report. This report was completed in the fourth quarter of 2012.

Cash was used mainly for the ongoing development of the Project in 2011 and 2010 with major expenditures in two key areas:

- Consulting engineering fees remained high due to the significant amount of detailed engineering completed for Project facilities;

- Costs were incurred for ongoing sampling and analysis of groundwater from monitoring and production wells to meet the requirements set in the Waste Discharge Requirements by the Lahontan Regional Water Quality Control Board and alternative methods of sampling groundwater were also evaluated;

- Legal fees were incurred in support of ongoing efforts to secure approvals and permits process for the Project, in negotiations with landholders to extend mining lease agreements and for corporate legal fees; and

- Consulting fees were incurred to do a very detailed analysis of the geological and block models and to prepare a NI 43-101 compliant Technical Report;

Cash from Financing Activities:

During the 2012 fiscal year, there were no financing activities and as a result there was no cash received or used in financing activities.

Cash was received from financing activities during the year ended December 31, 2011 as follows:

- Proceeds from the exercise of stock options of $972,559 during the year.
- AuRico Gold Inc. exercised 2,500,000 warrants for total proceeds of $4,594,237.

The Company received a total of $7,860,707 from financing activities in 2010. An amount of $7,588,551 was received from a private placement of shares, net of share issuance costs, and the remainder was received from the exercise of 850,000 stock options.

Cash used in Investing Activities:

The Company purchased fee land for approximately $708,809 (2011 - $938,770; 2010 - $310,768) during the year. In addition to fee land purchases, the Company incurred an additional $986,707 of cash expenditures on exploration activities and development activities for the Project. Cash used in investing activities will vary from year to year as willing sellers are found and acceptable prices can be negotiated during the year. Further purchases of fee land are being considered to provide room for a possible future expansion of heap leach pads and future expansion of the area required for the construction of facilities for the aggregate production component of the Project.

Working Capital:

As at December 31, 2012, the Company had current assets of $4,130,223 and current liabilities of $155,280 (Working capital of $3,974,943).

Management does not expect that additional cash will be required beyond cash currently on hand for ongoing work to prepare the Project for production, for paying property rental payments, for detailed engineering of facilities for the Project, for ongoing work on site, for additional land purchases and for general corporate purposes to the end of 2013. Refer also to ***Outlook*** below.

Outstanding Share Data

The number of shares issued and outstanding and the fully diluted share position are set out in the table below.

Golden Queen Mining Co. Ltd.

Item	No. of Shares	Exercise Price	Expiry Date
Shares issued and outstanding on December 31, 2011	97,978,383		
Shares issued for mineral property interests	20,000		
Shares issued and outstanding on December 31, 2012	**97,998,383**		
Director and consultants stock options	1,800,000	C$0.26 & C$1.24	28/01/14 & 19/04/15
Shares to be issued as a finder's fee	100,000	Not Applicable	Not Applicable
Bonus shares to H.L. Klingmann	600,000	Not Applicable	Not Applicable
Fully diluted on December 31, 2012	**100,498,383**		

The company's authorized share capital is 150,000,000 common shares with no par value.

Outlook

The Project is now fully permitted.

Once a production decision is made, the Company will need significant additional financing to develop the Project into an operating mine. Estimated capital costs, including working capital and assuming lease financing of the mining equipment, are $107 million. The Company believes that financing for the Project can be secured if gold and silver prices remain at or near $1,749.00/oz and $33.03/oz respectively, the London p.m. fix for precious metals on October 17, 2012. Gold and silver prices averaged $1,224.53/oz and $20.19/oz in 2010, $1,563.93 and $36.61 in 2011, $1,668.35/oz and $31.16/oz in 2012 and the London p.m. fix for gold and silver was $1,595.50/oz and $28.91/oz respectively on March 15, 2013.

The Company estimates that construction can be completed in approximately fifteen months once Project financing has been secured.

The Company is evaluating various financing options for the Project:

a. An equity financing;
b. A combination of equity and debt; and
c. A merger with an established mining company.

It is not expected that the Company will hedge any of its gold or silver production.

The ability of the Company to develop a mine on the Property is subject to numerous risks, certain of which are disclosed under ***Item 1A. Risk Factors*** above. Readers should evaluate the Company's prospects in light of these and other risk factors.

Mineral Properties

In July 2012, the Company received notice that it had met all remaining major conditions of the conditional use permits for the Company's Soledad Mountain Project. As a result, Management made the decision to begin capitalizing all development expenditures related to Soledad Mountain Project while all other expenses not related to the development of the project continue to be expensed as incurred. Refer also to Note 3 Mineral Properties of the Consolidated Financial Statements for a more detailed discussion. Prior to July 2012, there was uncertainty with respect to whether or not the Company would receive the conditional use permits for the Soledad Mountain Project so that the project may move into the development phase. As a result, all amounts expended on mineral property rights were impaired in the period in which they were incurred.

Subsequent Event

There are no subsequent events.

Application of Critical Accounting Estimates

The financial statements of the Company have been prepared in accordance with generally accepted accounting principles in the United States. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates which have been made using careful judgment.

The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

Mineral Property and Exploration Costs

Costs related to the development of our mineral reserves are capitalized when it has been determined an ore body can be economically developed. The development stage begins when an ore body is determined to be economically recoverable based on proven and probable reserves and appropriate permits are in place, and ends when the production stage or exploitation of reserves begins. Major mine development expenditures are capitalized, including primary development costs such as costs of building access ways, heap leach pads, ramps and infrastructure developments.

Costs for exploration, pre-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 (a) in search of previously unidentified mineral deposits, or (b) at undeveloped concessions. Pre-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 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 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, 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 Loss and Comprehensive Loss in 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 Loss and Comprehensive 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.

Proceeds received under option agreements and/or earn-in agreements are recorded as a cost recovery against the carrying value of the underlying project until the carrying value is reduced to zero. Any proceeds received in excess of the carrying value of the project are recorded as a realized gain in the Consolidated Statements of Loss and Comprehensive Loss.

Asset Retirement Obligations

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

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 to date. The Company estimated that total payments of $475,938 would be required to complete its present reclamation obligations.

Derivative Liabilities

Our stock options and warrants are denominated in a currency other than our reporting currency and the instruments were required to be accounted for as separate derivative liabilities. These liabilities were required to be measured at fair value. These instruments were adjusted to reflect fair value at each period end. Any increase or decrease in the fair value was recorded in results of operations as change in fair value of derivative liabilities. In determining the appropriate fair value, we used the Black-Scholes pricing model.

Recently Issued Accounting Standards

A summary of Recently Issued Accounting Standards is provided under the *Significant Accounting Policies* header of the Notes to the Consolidated Financial Statements for the year ended December 31, 2012**.**

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Interest Rate Risk

We hold all of our cash in bank deposit accounts with a single major financial institution. Based on the average cash balances during the year ended December 31, 2012, a 1% decrease in interest rates would have reduced the interest income for 2012 to $Nil.

Foreign Currency Exchange Risk

Certain purchases of labour and operating supplies are denominated in C$. As a result, currency exchange fluctuations may impact the costs of our operations. Specifically, the appreciation of the C$ against the US$ may result in an increase in the Canadian operating expenses in US dollar terms. As of December 31, 2012, the Company maintained the majority of its cash balance in C$. The Company currently does not engage in any currency hedging activities.

Commodity Price Risk

Our primary business activity is the development of the open pit, gold and silver, heap leach project on the Property. Decreases in the price of either of these metals from current levels has the potential to negatively impact our ability to secure the significant additional financing required to develop the Project into an operating mine. Refer also to ***Item 1A Risk Factors*** above**.**

The Project is not as yet in production and we do not currently hold any commodity derivative positions.

Item 8. Financial Statements and Supplementary Data.

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

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

Disclosure controls and procedures.

Pursuant to Rule 13a-15(b) under the Exchange Act, GQM's management has evaluated, under the supervision and with the participation of our principal executive officer and principal financial officer, the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act), as of the end of the period covered by this report. This evaluation included consideration of various processes and procedures to ensure that information that is required to be disclosed by the Company in the reports it files or submits under the Exchange Act is (i) recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms and (ii) accumulated and communicated to the Company's management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Based upon this evaluation, our principal executive officer and principal financial officer concluded that, as of December 31, 2012, as a result of the material weaknesses described below, our disclosure controls and procedures were not effective. Due to these material weaknesses in preparing our consolidated financial statements for the year ended December 31, 2012, we performed additional procedures to ensure that our consolidated financial statements were fairly presented in all material respects in accordance with U.S. generally accepted accounting principles.

Management's report on internal control over financial reporting. The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) or 15d-15(f) of the Exchange Act). Management assessed the effectiveness of our internal control over financial reporting as of December 31, 2012, using criteria established in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Even an effective internal control system, no matter how well designed, has inherent limitations, including the possibility of human error and circumvention or overriding of controls and therefore can provide only reasonable assurance with respect to reliable financial reporting. Furthermore, the effectiveness of an internal control system in future periods can change with conditions.

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis.

During the preparation and audit of our consolidated financial statements for the year ended December 31, 2012, we identified the following material weaknesses existed as of December 31, 2012:

1. Lack of segregation of duties and weakness around timely and consistent management review of financial statements, account reconciliations, and technical accounts in the financial closing and reporting process.
2. Lack of segregation of duties in daily cash management and limited approval of capital expenditures and general and administrative spending.

These control weaknesses resulted in audit adjustments to the following accounts: mark-to-market expenses (gain) for derivative liabilities and derivative liabilities, asset retirement obligations, prepaid expenses and mineral properties.

Accordingly, the Company's management has determined these control deficiencies constitute material weaknesses and as a result management has concluded that the internal controls over financial reporting are not effective as of December 31, 2012.

Our independent registered public accounting firm, BDO Canada LLP, has issued reports on its assessment of our internal control over financial reporting and our consolidated financial statements that are included in Item 8 of this Annual Report on Form 10-K. The reports contain an explanatory paragraph regarding the Company's ability to continue as a going concern and an adverse opinion on the effectiveness of the Company's internal control over financial reporting as of December 31, 2012.

Remediation of Material Weaknesses. The Company is evaluating remediation plans to address material weaknesses as may be appropriate for the size of operations and staffing of the Company, and that can be implemented in a cost effective manner. In doing so, the Company is currently completing the following steps:

1. Reviewing the financial statement preparation and review process to ensure roles and responsibilities are clearly defined and understood;
2. Review the closing process for the accounting and financial statements to identify specific areas of weakness and address as necessary; and
3. Develop a chain of command and a process for approving general and administrative expenditures and capital expenditures.

Changes in Internal Control. There were no changes in our internal control over financial reporting (as defined in Rule 13a-15(e) and Rule 15d-15(e) under the Exchange Act) during the fiscal year ended December 31, 2012 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting, with the exception that a new financial reporting consultant was hired in April 2012.

Item 9B. Other Information

None.

PART III

Information with respect to Items 10 through 14 is set forth in the definitive Proxy Statement to be filed with the Securities and Exchange Commission on or before April 30, 2013 and is incorporated herein by reference. If the definitive Proxy Statement cannot be filed on or before April 30, 2013, the issuer will instead file an amendment to this Form 10-K disclosing the information with respect to Items 10 through 14.

PART IV

Item 15. Exhibits

Exhibit No.	Description of Exhibit	Manner of Filing
3.1	Notice of Articles	Incorporated by reference to Exhibit 3.1 to the Form 8-K of the Company, filed with the SEC on September 2, 2010
3.2	Articles	Incorporated by reference to Exhibit 3.2 to the Form 8-K of the Company, filed with the SEC on September 2, 2010
10.1	Management Agreement dated March 11, 2004 between the Registrant and H. Lutz Klingmann, and amendment dated May 31, 2010.	Incorporated by reference to Exhibit 10.1 to the Form 10-K/A of the Company, filed with the SEC on January 14, 2011
10.2	Mining Lease dated April 22, 1986 between the Registrant, Southwestern Refining Corporation, and Claude and Mary J.Birtle, and amendment dated March 23, 2007.	Incorporated by reference to Exhibit 10.2 to the Form 10-K/A of the Company, filed with the SEC on January 14, 2011
10.3	Mining Lease dated April 26, 2001 between the Subsidiary and Virginia Knight.	Incorporated by reference to Exhibit 10.3 to the Form 10-K/A of the Company, filed with the SEC on January 14, 2011
10.4	Lease dated October 20, 1994 between the Subsidiary and William J. Warner with respect to certain property within the project area.	Incorporated by reference to Exhibit 10.5 to the Form 10-SB
10.5	Mining Lease dated September 19, 1994 between the Subsidiary and Western Centennials, Inc., with respect to certain property within the project area.	Incorporated by reference to Exhibit 10.6 to the Form 10-SB
10.6	1996 Stock option plan of the registrant, as amended.	Incorporated by reference to Exhibit 10.13 to the Form 10-SB
10.7	2008 Stock option plan of the registrant.	Incorporated by reference to Exhibit 10.1 to the Form S-8 of the Company filed with the SEC on February 17, 2010
21.1	Subsidiaries of the Registrant.	Incorporated by reference to Exhibit 24.0 to the Form 10-SB
23.1	Consent of BDO Canada LLP	Filed herewith
31.1	Rule 13a-14(a)/15(d)-14(a) Certification	Filed herewith
32.1	Section 1350 Certification	Filed herewith

SIGNATURES

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

GOLDEN QUEEN MINING CO. LTD.

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

Date: March 18, 2013

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

Signature	Title	Date
/s/ H. Lutz Klingmann H. Lutz Klingmann	President, Principal Executive Officer, and Director	March 18, 2013
/s/ Edward Thompson Edward Thompson	Director	March 18, 2013
/s/ Chester Shynkaryk Chester Shynkaryk	Director	March 18, 2013
/s/ G. Ross McDonald G. Ross McDonald	Principal Financial Officer and Principal Accounting Officer	March 18, 2013

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

Consent of Independent Registered Public Accounting Firm

Golden Queen Mining Co. Ltd.
Vancouver, Canada

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 333-102112 and No. 333-164950) of Golden Queen Mining Co. Ltd., of our reports dated March 13, 2013, relating to the consolidated financial statements and the effectiveness of Golden Queen Mining Co. Ltd.'s internal control over financial reporting which appear in this Form 10-K. Our report contains an explanatory paragraph regarding the Company's ability to continue as a going concern and an adverse opinion on the effectiveness of the Company's internal control over financial reporting as of December 31, 2012.

(signed) "BDO Canada LLP"

Chartered Accountants

Vancouver, Canada
March 13, 2013

Exhibit 31.1

CERTIFICATION
PURSUANT TO RULE 13a-14(a) OR 15d-14(a)
OF THE U.S. SECURITIES EXCHANGE ACT OF 1934

I, H. Lutz Klingmann, certify that:

1. I have reviewed this annual report on Form 10-K for the year ended December 31, 2012 of Golden Queen Mining Co. Ltd.

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which the annual report is being prepared;

    b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect the registrant's internal control over financial reporting;

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

    a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's control over financial reporting.

Date: March 18, 2013

By: /s/ H. Lutz Klingmann
H. Lutz Klingmann
Principal Executive Officer

Exhibit 31.2

CERTIFICATION
PURSUANT TO RULE 13a-14(a) OR 15d-14(a)
OF THE U.S. SECURITIES EXCHANGE ACT OF 1934

I, G. Ross McDonald, certify that:

1. I have reviewed this annual report on Form 10-K for the year ended December 31, 2012 of Golden Queen Mining Co. Ltd.

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which the annual report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect the registrant's internal control over financial reporting;

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's control over financial reporting.

Date: March 18, 2013

By: /s/ G. Ross McDonald
G. Ross McDonald
Principal Financial Officer

EXHIBIT 32.1

CERTIFICATION
PURSUANT TO 18 U.S.C. SECTION 1350
AND RULE 13a-14(b) OR RULE 15d-14(b)
OF THE U.S. SECURITIES EXCHANGE ACT OF 1934

In connection with the Annual Report of Golden Queen Mining Co. Ltd. (the "Company") on Form 10-K for the year ended December 31, 2012 (the "Report"), the undersigned, in the capacities and on the date indicated below, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 18, 2013

/s/ H. Lutz Klingmann
H. Lutz Klingmann
Principal Executive Officer

EXHIBIT 32.2

CERTIFICATION
PURSUANT TO 18 U.S.C. SECTION 1350
AND RULE 13a-14(b) OR RULE 15d-14(b)
OF THE U.S. SECURITIES EXCHANGE ACT OF 1934

In connection with the Annual Report of Golden Queen Mining Co. Ltd. (the "Company") on Form 10-K for the year ended December 31, 2012 (the "Report"), the undersigned, in the capacities and on the date indicated below, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 18, 2013

/s/ G. Ross McDonald
G. Ross McDonald
Principal Financial Officer

Golden Queen Mining Co. Ltd.
(A Development Stage Company)

Consolidated Financial Statements

December 31, 2012

(US Dollars)

Tel: 604 688 5421
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BDO Canada LLP
600 Cathedral Place
925 West Georgia Street
Vancouver BC V6C 3L2 Canada

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors
Golden Queen Mining Co. Ltd.
(A development stage company)

We have audited Golden Queen Mining Co. Ltd.'s internal control over financial reporting as of December 31, 2012, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Golden Queen Mining Co. Ltd's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, appearing in its Annual Report under Item 9A, "Controls and Procedures". Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. Material weaknesses in internal control over financial reporting related to (i) lack of segregation of duties and weakness around timely and consistent management review of financial statements, account reconciliations, and technical accounts in the financial closing and reporting process, and (ii) lack of segregation of duties in daily cash management and limited approval of capital expenditures and general and administrative spending have been identified and described in management's assessment. These material weaknesses were considered in determining the nature, timing, and extent of audit tests applied in our audit of the 2012 consolidated financial statements, and this report does not affect our report dated March 13, 2013 on those consolidated financial statements.

In our opinion, Golden Queen Mining Co. Ltd. did not maintain, in all material respects, effective internal control over financial reporting as of December 31, 2012, based on the COSO criteria. We do not express an opinion or any other form of assurance on management's statements referring to any corrective actions taken by the Company after the date of management's assessment.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the accompanying consolidated balance sheets of Golden Queen Mining Co. Ltd. as of December 31, 2012 and 2011 and the related consolidated statements of loss and comprehensive loss, stockholders' equity (capital deficit), and cash flows for each of the three years in the period ended December 31, 2012. We have also audited the consolidated statements of loss and comprehensive loss, changes in shareholders' equity (capital deficit), and cash flows for the period from inception (November 21, 1985) through December 31, 2012. Our report dated March 13, 2013, expressed an unqualified opinion with an explanatory paragraph disclosing substantial doubt about the Company's ability to continue as a going concern.

(signed) BDO CANADA LLP

Chartered Accountants

Vancouver, Canada
March 13, 2013

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

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors
Golden Queen Mining Co. Ltd.
(A development stage company)

We have audited the accompanying consolidated balance sheets of Golden Queen Mining Co. Ltd. as of December 31, 2012 and 2011 and the related consolidated statements of loss and comprehensive loss, stockholders' equity (capital deficit), and cash flows for each of the three years in the period ended December 31, 2012. We have also audited the consolidated statements of loss and comprehensive loss, changes in shareholders' equity (capital deficit), and cash flows for the period from inception (November 21, 1985) through December 31, 2012. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Golden Queen Mining Co. Ltd. at December 31, 2012 and 2011, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2012 and for the period from inception (November 1, 1985) through December 31, 2012, in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company has recurring operating losses and had a deficit accumulated as of December 31, 2012. These conditions raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Golden Queen Mining Co. Ltd. and the Subsidiary's internal control over financial reporting as of December 31, 2012, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated March 13, 2013 expressed an adverse opinion on the Company's internal control over financial reporting.

(signed) BDO CANADA LLP

Chartered Accountants

Vancouver, Canada
March 13, 2013

GOLDEN QUEEN MINING CO. LTD.
(a development stage company)
Consolidated Balance Sheets
(US dollars)

		December 31, 2012		December 31, 2011
Assets				
Current assets:				
Cash and cash equivalents	$	4,031,403	$	7,922,255
Receivables		16,972		21,516
Prepaid expenses and other current assets		81,848		144,465
Total current assets		4,130,223		8,088,236
Property and equipment, net (Note 2)		298,466		308,450
Mineral property interests (Note 3)		1,799,301		-
Reclamation financial assurance (Note 6)		339,079		296,180
Total Assets	$	6,567,069	$	8,692,866
Liabilities and Shareholders' Equity				
Current liabilities:				
Accounts payable and accrued liabilities (Note 8)	$	148,929	$	267,513
Property rent payments (Note 7)		6,351		13,723
Total current liabilities		155,280		281,236
Asset retirement obligations (Note 6)		475,938		227,212
Derivative liability (Note 10)		3,522,071		4,552,502
Total liabilities		4,153,289		5,060,950
Shareholders' Equity				
Preferred shares, no par value, 3,000,000 shares authorized; no shares outstanding				
Common shares, no par value, 150,000,000 shares authorized; 97,998,383 (2011 – 97,978,383) shares issued and outstanding (Note 5)		61,959,471		61,906,619
Additional paid-in capital		8,407,935		8,407,935
Deficit accumulated		(67,953,626)		(66,682,638)
Total shareholders' equity		2,413,780		3,631,916
Total Liabilities and Shareholders' Equity	$	6,567,069	$	8,692,866

Basis of Presentation and Ability to Continue as a Going Concern (Note 1)
Commitments and Contingencies (Notes 3, 5 and 7)

Approved by the Directors:

"H. Lutz Klingmann"
H. Lutz Klingmann, Director

"Chester Shynkaryk"
Chester Shynkaryk, Director

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

GOLDEN QUEEN MINING CO. LTD.
(a development stage company)
Consolidated Statements of Loss and Comprehensive Loss
(US dollars)

	Year Ended December 31, 2012	Year Ended December 31, 2011	Year Ended December 31, 2010	Cumulative from Date of Inception (November 21, 1985) through December 31, 2012
General and administrative expenses (Note 8)	$ (466,996)	$ (880,830)	$ (639,203)	$ (6,418,671)
Exploration expenditures	(1,567,894)	(2,639,946)	(2,651,533)	(22,155,531)
Asset impairment loss	(193,340)	(938,770)	(133,436)	(33,678,389)
Adjustment to asset retirement obligation on changes in cash flow estimates (Note 6)	(124,363)	-	-	99,220
Accretion expense (Note 6)	-	(33,667)	(15,981)	(105,029)
Change in fair value of derivative liability including change in foreign exchange (Note 10)	1,030,431	1,213,913	(6,575,406)	(6,426,362)
Gain on settlement of debt	-	-	-	136,627
	(1,322,162)	(3,279,300)	(10,015,559)	(68,548,135)
Interest expense	-	-	-	(913,098)
Interest income	51,174	48,659	31,633	1,731,453
Net loss and comprehensive loss	$ (1,270,988)	$ (3,230,641)	$ (9,983,926)	$ (67,729,780)
Loss per share - basic and diluted	$ (0.01)	$ (0.03)	$ (0.11)	
Weighted average number of common shares outstanding	97,981,197	95,343,041	91,990,821	

GOLDEN QUEEN MINING CO. LTD.
(a development stage company)
Consolidated Statements of Shareholders' Equity (Capital Deficit)
(US dollars)

From the Date of Inception (November 21, 1985) through December 31, 2011	Common Shares		Amount		Additional Paid-in Capital		Deficit Accumulated		Total Shareholders' Equity (Capital Deficit)
Balance, November 21, 1985	-	$	-	$	-	$	-	$	-
Issuance of common shares for cash	1,425,001		141,313		-		-		141,313
Net loss for the period	-		-		-		(15,032)		(15,032)
Balance, May 31, 1986	1,425,001		141,313		-		(15,032)		126,281
Issuance of common shares for cash	550,000		256,971		-		-		256,971
Issuance of common shares for mineral property	25,000		13,742		-		-		13,742
Net loss for the year	-		-		-		(58,907)		(58,907)
Balance, May 31, 1987	2,000,001		412,026		-		(73,939)		338,087
Issuance of common shares for cash	1,858,748		1,753,413		-		-		1,753,413
Net income for the year	-		-		-		38,739		38,739
Balance, May 31, 1988	3,858,749		2,165,439				(35,200)		2,130,239
Issuance of common shares for cash	1,328,750		1,814,133		-		-		1,814,133
Issuance of common shares for mineral property	100,000		227,819		-		-		227,819
Net loss for the year	-		-		-		(202,160)		(202,160)
Balance, May 31, 1989	5,287,499		4,207,391		-		(237,360)		3,970,031
Issuance of common shares for cash	1,769,767		2,771,815		-		-		2,771,815
Issuance of common shares for mineral property	8,875		14,855		-		-		14,855
Net loss for the year	-		-		-		(115,966)		(115,966)
Balance, May 31, 1990	7,066,141		6,994,061		-		(353,326)		6,640,735
Net income for the year	-		-		-		28,706		28,706
Balance, May 31, 1991	7,066,141		6,994,061		-		(324,620)		6,669,441
Net loss for the year	-		-		-		(157,931)		(157,931)
Balance, May 31, 1992	7,066,141		6,994,061		-		(482,551)		6,511,510
Net loss for the year	-		-		-		(285,391)		(285,391)
Balance, May 31, 1993	7,066,141		6,994,061		-		(767,942)		6,226,119
Issuance of common shares for cash	5,834,491		1,536,260		-		-		1,536,260
Share issuance costs	-		-		-		(18,160)		(18,160)
Issuance of common shares for mineral property	128,493		23,795		-		-		23,795
Net loss for the year	-		-		-		(158,193)		(158,193)
Balance, May 31, 1994	13,029,125		8,554,116		-		(944,295)		7,609,821
Issuance of common shares for cash	648,900		182,866		-		-		182,866
Net loss for the year	-		-		-		(219,576)		(219,576)
Balance, May 31, 1995	13,678,025		8,736,982		-		(1,163,871)		7,573,111
Issuance of common shares for cash	2,349,160		2,023,268		-		-		2,023,268
Issuance of common shares for debt	506,215		662,282		-		-		662,282
Issuance of 5,500,000 special warrants	-		9,453,437		-		-		9,453,437
Special warrants issuance costs	-		-		-		(100,726)		(100,726)
Net loss for the year	-		-		-		(426,380)		(426,380)
Balance, May 31, 1996	16,533,400		20,875,969		-		(1,690,977)		19,184,992
Issuance of common shares for cash	18,000		10,060		-		-		10,060
Issuance of common shares for special warrants	5,500,000		-		-		-		-
Special warrants issuance costs	-		-		-		(123,806)		(123,806)
Net loss for the period	-		-		-		(348,948)		(348,948)
Balance, December 31, 1996	22,051,400	$	20,886,029	$	-	$	(2,163,731)	$	18,722,298

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

GOLDEN QUEEN MINING CO. LTD.
(a development stage company)
Consolidated Statements of Shareholders’ Equity (Capital Deficit)
(US dollars)

From the Date of Inception (November 21, 1985) through December 31, 2011	Common Shares	Amount	Stock Subscription	Additional Paid-in Capital	Deficit Accumulated	Total Shareholders’ Equity (Capital Deficit)
Balance, carried forward from previous page	22,051,400	$ 20,886,029	$ -	$ -	$ (2,163,731)	$ 18,722,298
Issuance of common shares for cash	157,000	157,050	-	-	-	157,050
Issuance of 3,500,000 special warrants	-	5,287,315	-	-	-	5,287,315
Issuance of common shares for special warrants	3,500,000	-	-	-	-	-
Options to non-employee directors	-	-	-	70,200	-	70,200
Special warrants issuance costs	-	-	-	-	(163,313)	(163,313)
Net loss for the year	-	-	-	-	(1,047,869)	(1,047,869)
Balance, December 31, 1997	25,708,400	26,330,394	-	70,200	(3,374,913)	23,025,681
Issuance of common shares upon exercise of warrants	1,834,300	857,283	-	-	-	857,283
Issuance of common shares through conversion of debt	2,017,941	1,000,000	-	-	-	1,000,000
Share issuance costs	-	-	-	-	(6,060)	(6,060)
Issuance of common shares for cash	5,236,000	2,439,753	-	-	-	2,439,753
Options and re-priced options to non-employee directors	-	-	-	107,444	-	107,444
Net loss for the year	-	-	-	-	(971,595)	(971,595)
Balance, December 31, 1998	34,796,641	30,627,430	-	177,644	(4,352,568)	26,452,506
Issuance of 13,250,000 special warrants	-	3,350,915	-	-	-	3,350,915
Special warrants issuance costs	-	-	-	-	(166,620)	(166,620)
Issuance of common shares for special warrants	13,250,000	-	-	-	-	-
Net loss for the year	-	-	-	-	(564,657)	(564,657)
Balance, December 31, 1999	48,046,641	33,978,345	-	177,644	(5,083,845)	29,072,144
Cumulative effect of change in accounting for stock options	-	-	-	(177,644)	-	(177,644)
Stock subscription	-	-	200,000	-	-	200,000
Net loss for the year	-	-	-	-	(28,708,276)	(28,708,276)
Balance, December 31, 2000	48,046,641	33,978,345	200,000	-	(33,792,121)	386,224
Issuance of common shares through conversion of debt	406,250	65,000	-	-	-	65,000
Issuance of common shares for conversion of stock subscription	1,538,462	200,000	(200,000)	-	-	-
Share issuance costs	-	-	-	-	(3,337)	(3,337)
Net loss for the year	-	-	-	-	(262,059)	(262,059)
Balance, December 31, 2001	49,991,353	34,243,345	-	-	(34,057,517)	185,828
Issuance of common shares through exercise of options	290,000	37,234	-	-	-	37,234
Issuance of common shares through exercise of warrants	1,520,836	243,334	-	-	-	243,334
Stock option compensation	-	-	-	21,456	-	21,456
Share issuance costs	-	-	-	-	(4,216)	(4,216)
Net loss for the year	-	-	-	-	(347,603)	(347,603)
Balance, December 31, 2002	51,802,189	34,523,913	-	21,456	(34,409,336)	136,033
Issuance of common shares through exercise of options	100,000	24,379	-	-	-	24,379
Equity component of convertible notes	-	-	-	375,000	-	375,000
Stock option compensation	-	-	-	127,326	-	127,326
Net loss for the year	-	-	-	-	(744,516)	(744,516)
Balance, December 31, 2003	51,902,189	$ 34,548,292	$ -	$ 523,782	$ (35,153,852)	$ (81,778)

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

GOLDEN QUEEN MINING CO. LTD.
(a development stage company)
Consolidated Statements of Shareholders' Equity (Capital Deficit)
(US dollars)

From the Date of Inception (November 21, 1985) through December 31, 2011	Common Shares	Amount	Additional Paid-in Capital	Deficit Accumulated	Total Shareholders' Equity (Capital Deficit)
Balance, carried forward from previous page	51,902,189	$ 34,548,292	$ 523,782	$ (35,153,852)	$ (81,778)
Issuance of common shares for cash	8,000,000	3,036,282	-	-	3,036,282
Issuance of common shares for convertible notes	978,260	225,000	-	-	225,000
Issuance of common shares through exercise of options	200,000	55,861	-	-	55,861
Share issuance costs	-	-	-	(38,975)	(38,975)
Net loss for the year	-	-	-	(1,772,250)	(1,772,250)
Balance, December 31, 2004	61,080,449	37,865,435	523,782	(36,965,077)	1,424,140
Issuance of common shares through exercise of options	110,000	21,049	-	-	21,049
Stock option compensation	-	-	48,592	-	48,592
Net loss for the year	-	-	-	(1,476,324)	(1,476,324)
Balance, December 31, 2005	61,190,449	37,886,484	572,374	(38,441,401)	17,457
Issuance of common shares through private placement	7,200,000	1,614,716	1,520,899	-	3,135,615
Issuance of common shares through exercise of options	100,000	30,853	-	-	30,853
Issuance of common shares through exercise of warrants	8,978,260	4,659,173	-	-	4,659,173
Issuance of common shares for convertible notes	652,174	150,000	39,917	-	189,917
Stock option compensation	-	-	814,810	-	814,810
Modification of warrants	-	-	889,117	-	889,117
Share issuance costs	-	-	-	(62,888)	(62,888)
Net loss for the year	-	-	-	(4,910,036)	(4,910,036)
Balance, December 31, 2006	78,120,883	44,341,226	3,837,117	(43,414,325)	4,764,018
Issuance of common shares for exercise of options	290,000	127,652	-	-	127,652
Issuance of common shares for property	30,000	24,600	-	-	24,600
Net loss for the year	-	-	-	(2,006,482)	(2,006,482)
Balance, December 31, 2007	78,440,883	44,493,478	3,837,117	(45,420,807)	2,909,788
Issuance of common shares through exercise of warrants	7,200,000	4,184,425	-	-	4,184,425
Net loss for the year	-	-	-	(3,996,777)	(3,996,777)
Balance, December 31, 2008	85,640,883	48,677,903	3,837,117	(49,417,584)	3,097,436
Cumulative effect of change in accounting principle	-	-	(863,402)	464,255	(399,147)
Issuance of common shares through private placement	2,337,500	1,396,646	-	-	1,396,646
Issuance of common shares through exercise of options	400,000	131,085	-	-	131,085
Reclassification of derivative liability on the exercise of stock options	-	-	156,834	-	156,834
Net loss for the year	-	-	-	(4,514,742)	(4,514,742)
Balance, December 31, 2009	88,378,383	50,205,634	3,130,549	(53,468,071)	(131,888)
Issuance of common shares through exercise of options (Note 5)	850,000	272,156	-	-	272,156
Reclassification of derivative liability on the exercise of stock options (Note 10)	-	-	654,033	-	654,033
Issuance of common shares through private placement (Note 5)	5,000,000	5,907,798	-	-	5,907,798
Share issuance costs (Note 5)	-	(45,765)	-	-	(45,765)
Net loss for the year	-	-	-	(9,983,926)	(9,983,926)
Balance, December 31, 2010	94,228,383	$ 56,339,823	$ 3,784,582	$ (63,451,997)	$ (3,327,592)

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

GOLDEN QUEEN MINING CO. LTD.
(a development stage company)
Consolidated Statements of Shareholders' Equity Capital Deficit)
(US dollars)

From the Date of Inception (November 21, 1985) through December 31, 2011	Common Shares		Amount		Additional Paid-in Capital		Deficit Accumulated		Total Shareholders' Equity (Capital Deficit)
Balance carried forward from previous page	94,228,383	$	56,339,823	$	3,784,582	$	(63,451,997)	$	(3,327,592)
Issuance of common shares through exercise of options (Note 5)	1,250,000		972,559		-		-		972,559
Issuance of common shares through exercise of warrants (Note 5)	2,500,000		4,594,237		-		-		4,594,237
Reclassification of derivative liability on exercise of warrants (Note 10)	-		-		1,629,668		-		1,629,668
Reclassification of derivative liability on the exercise of stock options (Note 10)	-		-		2,993,685		-		2,993,685
Net loss for the year	-		-		-		(3,230,641)		(3,230,641)
Balance, December 31, 2011	97,978,383		61,906,619		8,407,935		(66,682,638)		3,631,916
Issuance of common shares for mineral property interests	20,000		52,852		-		-		52,852
Net loss for the year	-		-		-		(1,270,988)		(1,270,988)
Balance, December 31, 2012	**97,998,383**	**$**	**61,959,471**	**$**	**8,407,935**	**$**	**67,953,626**	**$**	**2,413,780**

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

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

	Year Ended December 31, 2012	Year Ended December 31, 2011	Year Ended December 31, 2010	Cumulative from Date of Inception (November 21, 1985) through December 31, 2012
Operating activities:				
Net loss for period	$ (1,270,988)	$ (3,230,641)	$ (9,983,926)	$ (67,729,780)
Adjustments to reconcile net loss to cash used in operating activities:				
Asset impairment loss	193,340	938,770	133,436	33,678,389
Amortization and depreciation	9,984	9,876	8,119	489,780
Amortization of debt discount	-	-	-	375,000
Adjustment to asset retirement obligation based on changes in cash flow estimates	124,363	-	-	(99,220)
Accretion expense	-	33,667	15,981	105,029
Change in fair value of derivative liability including change in foreign exchange	(1,030,431)	(1,213,913)	6,575,406	6,426,362
Gain on disposition of property and equipment	-	-	-	(10,032)
Stock option compensation	-	-	46,275	1,416,448
Financing charges related to modification of warrants	-	-	-	889,117
Mineral property expenditures	-	-	-	(22,395,449)
Changes in assets and liabilities:				
Receivables	4,544	21,280	(18,192)	(16,972)
Prepaid expenses and other current assets	62,617	(104,362)	(20,613)	(168,758)
Accounts payable and accrued liabilities	(238,494)	(115,001)	153,927	68,936
Royalty and mining rights payable	(7,372)	(3,385)	17,108	6,351
Cash used in operating activities	(2,152,437)	(3,663,709)	(3,072,479)	(46,964,799)
Investment activities:				
Additions to mineral property interests	(1,695,516)	(938,770)	(133,436)	(10,571,078)
Deposits on mineral properties	-	-	-	(1,017,551)
Purchase of financial assurance	(42,899)	(9,527)	-	(339,079)
Purchase of property and equipment	-	-	(120,529)	(1,434,367)
Proceeds from sale of property and equipment	-	-	-	47,153
Cash used in investing activities	(1,738,415)	(948,297)	(253,965)	(13,314,922)

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

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

	Year Ended December 31, 2012	Year Ended December 31, 2011	Year Ended December 31, 2010	Cumulative from Date of Inception (November 21, 1985) through December 31, 2012
Financing activities:				
Borrowing under long-term debt	$ -	$ -	$ -	$ 3,918,187
Payment of long-term debt	-	-	-	(2,105,905)
Proceeds from convertible debt	-	-	-	440,000
Issuance of common shares for cash	-	-	7,634,316	28,871,618
Share issuance costs	-	-	(45,765)	(733,866)
Issuance of special warrants	-	-	-	18,091,667
Issuance of common shares upon exercise of stock options	-	972,559	272,156	1,534,305
Issuance of common shares upon exercise of warrants	-	4,594,237	-	14,295,118
Cash provided by financing activities	-	5,566,796	7,860,707	64,311,124
Net change in cash and cash Equivalents	(3,890,852)	954,790	4,534,263	4,031,403
Cash and cash equivalents, beginning balance	7,922,255	6,967,465	2,433,202	-
Cash and cash equivalents, ending balance	$ 4,031,403	$ 7,922,255	$ 6,967,465	$ 4,031,403

Supplementary Disclosures of Cash Flow Information (Note 9)

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

Nature of Business Golden Queen Mining Co. Ltd. ("Golden Queen" or the "Company") is engaged in acquiring and maintaining gold and silver mining properties for exploration, future development and production. The Company was formed on November 21, 1985. Since its inception, the Company has been in the exploration stage but moved into the development stage in 2012. Planned activities involve bringing to production a precious metals mine, the Soledad Mountain Project ("the Project"), located in the Mojave Mining District, Kern County, California.

Principles of Consolidation These consolidated financial statements include the accounts of Golden Queen, a British Columbia corporation, and its wholly-owned subsidiary, Golden Queen Mining Co., Inc. (the "Subsidiary"), a US (State of California) corporation.

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

Cash and Cash Equivalents For purposes of balance sheet classification and the statements of cash flows, the Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

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 ("FDIC") 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 and Equipment Property and equipment are stated at the lower of cost or net realizable value less accumulated depreciation. Depreciation is provided by the straight-line method over the estimated service lives of the respective assets, which range from 3 to 30 years, as follows:

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

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. The development stage begins when an ore body is determined to be economically recoverable based on proven and probable reserves and appropriate permits are in place, and ends when the production stage or exploitation of reserves begins. Major mine development expenditures are capitalized, including primary development costs such as costs of building access ways, heap leach pads, ramps and infrastructure developments.

Costs for exploration, pre-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 (a) in search of previously unidentified mineral deposits, or (b) at undeveloped concessions. Pre-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 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 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, 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 Loss and Comprehensive Loss in 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 Loss and Comprehensive 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.

Proceeds received under option agreements and/or earn-in agreements are recorded as a cost recovery against the carrying value of the underlying project until the carrying value is reduced to zero. Any proceeds received in excess of the carrying value of the project are recorded as a realized gain in the Consolidated Statements of Loss and Comprehensive Loss.

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 reported in continuing operations or in discontinued operations. In accordance with the provisions of the accounting standard, the Company reviews the carrying value of its mineral properties on a regular basis. Estimated undiscounted future cash flow from the mineral properties is compared with the current carrying value in order to determine if impairment exists. Reductions to the carrying value, if necessary, are recorded to the extent the net book value of the property exceeds the estimate of future discounted cash flow or liquidation value.

Foreign Currency Translation The Company'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 rates 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 December 31, 2012, 2011 and 2010 were \$0.99, \$1.02 and \$0.99 stated in Canadian dollars per one US dollar, respectively. The average rates of exchange during the years ended December 31, 2012, 2011 and 2010 were \$1.00, \$0.99 and \$1.02, stated in Canadian dollars per one US dollar, respectively.

Loss Per Share The Company computes and discloses loss per share in accordance with ASC 260, "Earnings per Share", which requires dual presentation of basic loss per share and diluted loss per share on the face of all income statements presented for all entities with complex capital structures. Basic loss per share is computed as net loss divided by the weighted average number of common shares outstanding for the period. Diluted loss per share reflects the potential dilution that could occur from common shares issuable through stock options and warrants. Since the Company's stock options and warrants are anti-dilutive for all periods presented, there is no difference between basic and diluted loss per share as presented. A total of 1,800,000 (2011 – 1,800,000, 2010 – 5,550,000) common shares were issuable pursuant to such stock options at December 31, 2012.

Reclamation and remediation costs (Asset Retirement Obligations) The Company accrues the estimated costs associated with environmental remediation obligations in the period in which the liability is incurred or becomes determinable. The costs of future expenditures for environmental remediation are discounted to their present value where applicable.

Future reclamation and environmental-related expenditures are difficult to estimate in many circumstances 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 for remediation technology. The Company periodically reviews the provision for such reclamation and remediation costs as evidence indicating that the provision has potentially changed become available. Changes in estimates are reflected in the asset retirement obligation in the period an estimate is revised.

The Company is in the developmental stage and is unable to determine the estimated timing of all potential future expenditures relating to reclamation accruals on its planned development as a result of uncertainty regarding the timing of expenditures on its planned precious metals mine. 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 have been made by management in several areas including the recoverability of mineral properties, reclamation reserves and valuation of stock options. Actual results could differ from those estimates.

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

Income Taxes The Company follows the asset and liability method of accounting for income taxes whereby 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 Board of Directors adopted an amended stock option plan referred to as the 2008 stock option plan (the "2008 Plan") in 2008. Pursuant to the 2008 Plan, a further 7,200,000 shares were reserved for the issuance on exercise of options granted under the new plan. The exercise price of stock options granted under the 2008 Plan is determined by the Board, but shall not be less than the volume weighted average price for the five trading days immediately prior to the award date. All options granted under the 2008 Plan will be subject to such vesting requirements as may be prescribed by the Exchange, if applicable, or as may be imposed by the Board. All stock options granted under the 2008 Plan and outstanding as at December 31, 2012 expire at a date determined by the Company's Board of Directors, not exceeding five years from the date of grant.

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 income. For warrant-based derivative financial instruments, the Company uses the Black-Scholes option pricing model to estimate fair value of the derivative instruments. To the extent that the initial fair values of the freestanding and/or bifurcated derivative instrument liabilities exceed the total proceeds received, an immediate charge to income is recognized, in order to initially record the derivative instrument liabilities at their fair value.

The classification of derivative instruments, including whether 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.

Recent Accounting Pronouncements

i) On July 27, 2012, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2012-02, *Intangibles—Goodwill and Other (Topic 350): Testing Indefinite-Lived Intangible Assets for Impairment.* The amendments allow an organization the option to first assess qualitative factors to determine whether it is necessary to perform the quantitative impairment test. An organization electing to perform a qualitative assessment is no longer required to calculate the fair value of an indefinite-lived intangible asset unless the organization determines, based on a qualitative assessment, that it is “more likely than not” that the asset is impaired. The amendments in this Update are effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012. The Company is in the process of assessing the impact of this update on its consolidated financial statements.

ii) In December 2011, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2011-11 *Disclosures about Offsetting Assets and Liabilities*. The amendments enhance disclosures about financial instruments and derivative instruments that are either offset in accordance with US GAAP or are subject to an enforceable master netting arrangement or similar agreement. An entity should provide the disclosures required by those amendments retrospectively for all comparative periods presented. The amendment is effective for annual reporting periods beginning on or after January 1, 2013. The Company does not expect this amendment to have any impact on the Company’s consolidated financial statements.

(US dollars)

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

The Company has had no revenues from operations since inception and as at December 31, 2012 has a deficit of $67,953,626 (2011 - $66,682,638) accumulated during the exploration and development stage. Management plans to control current costs and does not anticipate requiring additional financing to fund the Company's non-development activities over the next twelve months.

The Company has not as yet made a production decision. The Company is evaluating various financing options for the construction of the Project and these may include:

a. An equity financing;
b. A combination of equity and debt; and
c. A merger with an established mining company.

The ability of the Company to obtain financing for its ongoing activities and thus maintain solvency, or to fund construction of the Project, is dependent on equity market conditions, the market for precious metals, the willingness of other parties to lend the Company money or the ability to find a merger partner. While the Company has been successful at certain of these efforts in the past, there can be no assurance that future efforts will be successful. This raises substantial doubt about the Company's ability to continue as a going concern.

These consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

2. Property and Equipment

Property and equipment consists of:

	2012	2011
Buildings	$ 110,730	$ 110,730
Furniture and fixtures	56,090	56,090
Automobiles	21,401	21,401
Rental properties	349,794	349,794
Property and equipment, cost	538,015	538,015
Less accumulated depreciation	(239,549)	(229,565)
Property and equipment, net	$ 298,466	$ 308,450

(US dollars)

3. Mineral Properties

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. As a result, Management made the decision to begin capitalizing all development expenditures directly related to the Project. Prior to July 2012, all acquisition costs were written off due to uncertainties around obtaining the necessary permits. Development expenditures for the years ended December 31, 2011 and 2012 are as follows:

Balance, December 31, 2010 and 2011	$	-
Acquisition costs:		
Mineral properties		515,469
Deferred costs:		
Property rent payments (Note 7)		141,626
Engineering/consulting (Note 8)		587,186
Geology/drilling		5,935
Permitting/environmental		326,110
Site maintenance		71,214
Other direct costs		27,398
		1,674,938
Asset retirement obligation (Note 6)		124,363
Balance, December 31, 2012	$	1,799,301

The Company is required to pay a royalty of 1% of gross smelter returns on eight patented lode mining claims within the Project that were acquired in 2006. The royalty is payable on commencement of commercial production from those claims for a period of 60 years, not exceeding $60,000,000. As of December 31, 2012, the Company has not incurred any royalty as the Project has not been in production.

(US dollars)

4. *Income Taxes*

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

	2012	2011
Net operating and capital losses	$ 9,001,000	$ 8,382,000
Property and equipment	121,000	125,000
Mineral properties and deferred exploration costs	3,315,000	3,085,000
Asset retirement obligations	162,000	77,000
Foreign exchange (gain) loss	(48,000)	(49,000)
Undeducted financing costs	5,000	8,000
Valuation allowance	(12,556,000)	(11,628,000)
Deferred tax assets (liabilities)	$ -	$ -

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

	2012	2011	2010
Income tax benefit at Canadian statutory rate	$ (318,000)	$ (856,000)	$ (2,845,000)
Foreign income taxes at other than Canadian statutory rate	(175,000)	(278,000)	(176,000)
Change in fair value of derivative liability	(278,000)	(329,000)	1,797,000
Non-deductible penalty and other	(15,000)	(16,000)	-
Non-deductible stock-based compensation	-	-	14,000
Share issuance costs	-	-	(7,000)
Non-taxable portion of foreign exchange gain	(61,000)	61,000	(43,000)
Expiry of losses carried forward	-	1,372,000	253,000
Effect of reduction in statutory rate	-	12,000	18,000
Adjustment due to change in estimates	(81,000)	78,000	-
Increase (decrease) in valuation allowance	928,000	(44,000)	989,000
Deferred tax recovery	$ -	$ -	$ -

The Company’s deferred tax assets include approximately $5,000 (2011 - $8,000) related to deductions for share issue costs in excess of amounts deducted for financial reporting purposes. If and when the valuation allowance related to these amounts is reversed, the Company will recognize this benefit as an adjustment to share capital as opposed to income tax expense in the consolidated statements of loss.

The Company evaluates its valuation allowance requirements based on projected future operations. When circumstances change and this causes a change in management’s judgment about the recoverability of deferred tax assets, the impact of the change on the valuation allowance is reflected in current income. As management of the Company does not currently believe that it is more likely than not that the Company will receive the benefit of this asset, a valuation allowance equal to the deferred tax assets has been established at both December 31, 2012 and 2011.

As at December 31, 2012, the Company had net operating loss carry-forwards available to reduce taxable income in future years as follows:

Country	**Amount**	**Expiration Dates**
United States – Federal	$ 21,400,000	2017 - 2032
Canada (C$)	$ 6,900,000	2014 - 2032

4. Income Taxes - Continued

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

The FASB's guidance for "Accounting for Uncertainty in Income Taxes" clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements, and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The Company has evaluated its tax positions for the years ended December 31, 2012 and 2011 and determined that it has no uncertain tax positions requiring financial statement recognition.

Because of the Company's recent history of operating losses, management believes that recognition of the deferred tax assets arising from the above-mentioned future tax benefits is currently not likely to be realized and, accordingly, has provided a 100% valuation allowance against its net deferred tax assets due to the uncertainty surrounding the realization of such assets.

5. Share capital

Common shares - 2012

In November 2012, the Company issued 20,000 common shares for mineral property interests with a total fair value of $52,852 (C$52,000).

Common shares - 2011

In January 2011, 100,000 stock options were exercised and the Company issued 100,000 common shares at C$0.77 per share for proceeds of $77,426 (C$77,000).

In March 2011, 50,000 stock options were exercised and the Company issued 50,000 common shares at C$0.77 per share for proceeds of $39,390 (C$38,500).

In April 2011, 1,050,000 stock options were exercised and the Company issued 1,050,000 common shares at C$0.77 per share for proceeds of $842,463 (C$808,500).

In August 2011, 50,000 stock options were exercised and the Company issued 50,000 common shares at C$0.26 per share for proceeds of $13,280 (C$13,000).

In November 2011, 2,500,000 warrants were exercised and the Company issued 1,250,000 common shares at C$1.75 per share and 1,250,000 common shares at C$2.00 per share for total proceeds of $4,594,237 (C$4,687,500).

Common shares – 2010

In January 2010, 700,000 stock options were exercised and the Company issued 700,000 common shares at C$0.35 per share for proceeds of $234,113 (C$245,000).

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

(US dollars)

5. Share capital – Continued

Common shares – 2010 - Continued

On June 1, 2010, the Company issued 5,000,000 units at C$1.60 per unit for gross proceeds of $7,634,316 (C$8,000,000) and incurred professional fees of $45,765 as share issuance costs. Each unit consisted of one common share, one-quarter of one Class A purchase warrant and one-quarter of one Class B purchase warrant. Each whole Class A warrant is exercisable to acquire one additional common share of the Company at a price of C$1.75. Each Class B warrant is exercisable to acquire one additional common share of the Company at a price of C$2.00. Both Class A and Class B warrants expire December 1, 2011. The aggregate fair value of the Class A and Class B purchase warrants was $1,726,518, which was recorded in derivative liability and the Company allocated the remaining proceeds of $5,907,798 to the common shares. The fair value of the warrants was determined using the Black-Scholes option pricing model with the following assumptions:

	2010
Expected life years	1.5
Interest rate	1.37%
Volatility	114%
Dividend yield	Nil

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

In October 2010, 100,000 stock options were exercised and the Company issued 100,000 common shares at C$0.26 per share for proceeds of $25,565 (C$26,000).

In connection with the guidance of ASC 815-40-15, as the options and warrants are exercisable in a currency other than the functional currency of the Company they do not meet the “fixed-for-fixed” criteria of the guidance. As a result, the Company was required to separately account for the Class A and Class B warrants issued in connection with the private placement noted above as a derivative instrument liability.

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.

(US dollars)

5. Share capital - Continued

Stock options continued

The following is a summary of stock option activity during the years ended December 31, 2012 and 2011:

	Shares	Weighted Average Exercise Price per Share
Options outstanding and exercisable, December 31, 2010	3,050,000	C$0.48
Exercised	(1,250,000)	C$0.75
Options outstanding and exercisable, December 31, 2011 and 2012	1,800,000	C$0.29

The stock-based compensation expense recognized on the grant date was $Nil (2011 - $Nil; 2010 - $46,275). Subsequent to the grant date, these options are revalued to fair value at each period-end as derivative liabilities (Note 10). The fair value of stock options granted as above is calculated using the following weighted average assumptions:

	2010
Expected life years	5
Interest rate	1.95%
Volatility	106%
Dividend yield	0%

As at December 31, 2012, the aggregate intrinsic value of the outstanding exercisable options was approximately $3,515,000 (2011 - $4,500,000; 2010 - $7,124,000).

The total intrinsic value of 1,250,000 options exercised during 2011 was approximately $2,837,000 (2010 -$438,000).

There is no unamortized compensation expense as at December 31, 2012, 2011, and 2010, as all the outstanding options vested at the grant date.

(US dollars)

5. Share capital - Continued

Stock options - Continued

The following table summarizes information about stock options outstanding and exercisable at December 31, 2012:

Expiry Date	Number Outstanding and Exercisable	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price
January 28, 2014	1,750,000	1.08	C$0.26
April 18, 2015	50,000	2.3	C$1.24
	1,800,000	1.11	C$0.29

Warrants

The following is a summary of warrants activity during the years ended December 31, 2012 and 2011:

	Shares	Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Life (Years)	Expiry Date
Outstanding and exercisable, December 31, 2010	2,500,000	C$1.88		
Exercised				
Class A	(1,250,000)	C$1.75	-	December 1, 2011
Class B	(1,250,000)	C$2.00	-	December 1, 2011
Outstanding and exercisable, December 31, 2011 and 2012	-	-	-	

As at December 31, 2012, the aggregate intrinsic value of the outstanding warrants was approximately $Nil (2011 - $Nil; 2010 - $2,325,000).

The total intrinsic value of warrants that were exercised during 2011 was approximately $1,635,000 (2010 - $Nil).

(US dollars)

6. 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.

As at December 31, 2012, the Company had provided reclamation financial assurance to the Bureau of Land Management, the State and Kern County totaling $339,079 (2011 - $296,180). This deposit earns interest at 0.1% per annum and is not available for working capital purposes.

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 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 to date. The Company estimated that total payments of $475,938 would be required to complete its present reclamation obligations. As Management made the decision to capitalize all development expenditures directly related to the Project in July 2012, $124,363 was capitalized as the asset portion of the retirement obligation and $124,363 was expensed for the year ended December 31, 2012. The following is a summary of asset retirement obligations:

		2012		2011
Balance, beginning of the year	$	227,212	$	193,545
Accretion expense		-		33,667
Changes in cash flow estimates		248,726		-
Balance, end of the year	$	475,938	$	227,212

7. Commitments and Contingencies

Property rent payments (Advance minimum royalties)

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

The Company is required to make property rent payments related to its mining lease agreements with landowners. The total property rent payments for the year ended December 31, 2012 was $204,792 (2011 - $245,970) and the Company is expected to make approximately $175,000 in 2013 to various landowners on the existing lease agreements.

A mining lease agreement with a group of landowners expired in 2004. Negotiations with the group were completed in 2011 and the agreements extended to 2041. Under the amended agreements, the Company paid property rent payments of $7,500 per year for eight years for a total amount of $60,000 in August 2011 to bring the property rent payments owing current as at December 31, 2012.

7. Commitments and Contingencies - Continued

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 December 31, 2012, 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, a bonus of 150,000 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. As at December 31, 2012, none of the milestones had been reached and no commitment to issue the common shares has been recorded in connection with these arrangements.

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.

8. Related Party Transactions

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

For the year ended December 31, 2012, the Company paid $138,885 (2011 - $137,748, 2010 - $141,293) to Mr. H. L. Klingmann for services as President of the Company, paid $26,977 (2011 - $27,295, 2010 - $17,769) to Mr. Chester Shynkaryk for his consulting services to the Company, paid $29,930 (2011 - $20,218, 2010 - $Nil), of which $2,814 is payable (2011 - $2,831, 2010 - $Nil), to Mr. Ross McDonald for his services as CFO.

For the year ended December 31, 2011, the Company paid $2,017 (2011 - $2,022, 2010 - $1,974) to each of four directors and $2,000 (2011 and 2010 - $2,000) to a director as director's fees.

All of the above transactions and balances are recorded at amounts established and agreed to between the related parties.

(US dollars)

9. Supplementary Disclosures of Cash Flow Information

	Year Ended December 31, 2012	Year Ended December 31, 2011	Year Ended December 31, 2010	Amounts from Date of Inception (November 21, 1985) through December 31, 2012
Cash paid during year for:				
Interest	$ -	$ -	$ -	$ 1,192,911
Income taxes	$ -	$ -	$ -	$ -
Non-cash financing and investing activities:				
Reclassification of derivative liability for exercised stock options and warrants	$ -	$ 4,623,353	$ 654,033	$ 5,434,220
Stock option compensation	$ -	$ -	$ 46,275	$ 1,416,448
Financing charges related to modification of warrant's term	$ -	$ -	$ -	$ 889,117
Exchange of notes for common shares	$ -	$ -	$ -	$ 1,727,282
Exchange of note for future royalty payments	$ -	$ -	$ -	$ 150,000
Common shares issued for mineral property	$ 52,852	$ -	$ -	$ 357,663
Mineral property acquired through the issuance of long-term debt	$ -	$ -	$ -	$ 1,084,833
Common shares issued upon conversion of convertible debt	$ -	$ -	$ -	$ 414,917
Mineral property expenditures included in accounts payable	$ 119,910	$ -	$ -	$ 119,910
Asset retirement cost charged to mineral property	$ 124,363	$ -	$ -	$ 124,363
Accretion expense	$ -	$ 33,667	$ 15,981	$ 227,212

10. Derivative Liability

As at January 1, 2009, the date on which the guidance of ASC 815-40-15 became effective for the Company, the Company's stock options and warrants met the criteria of a derivative instrument liability because they were exercisable in a currency other than the functional currency of the Company and thus did not meet the "fixed-for-fixed" criteria of that guidance. As a result, the Company was required to separately account for the stock options and warrants as derivative instrument liabilities recorded at fair value and marked-to-market each period with the changes in the fair value each period charged or credited to income.

During the year ended December 31, 2012, no stock options that were treated as derivative liabilities were exercised.

During the year ended December 31, 2011, a total of 1,250,000 stock options treated as derivative liabilities were exercised. Upon exercise of these options, the portion of the derivative liability that pertained to these options was re-measured and recorded at its fair value of $2,993,685, subsequent to which it was reclassified to additional paid-in capital. The Company measured the fair value of the derivative liability pertaining to the options exercised using the Black-Scholes pricing model with the following range of assumptions: expected volatility – 43.70% - 78.82%, expected life – 0.01 – 2.47 years, risk-free discount rate – 1.04% - 1.88%, dividend yield – 0.00%.

(US dollars)

10. Derivative Liability - Continued

During the year ended December 31, 2010, a total of 850,000 stock options treated as derivative liabilities were exercised. Upon exercise of these options, the portion of the derivative liability that pertained to these options was re-measured and recorded at its fair value of $654,033. The Company measured the fair value of the derivative liability pertaining to the options exercised using the Black-Scholes pricing model with the following range of assumptions: expected volatility – 33% - 116%, expected life – 0.01 – 3.30 years, risk-free discount rate – 1.17% - 1.52%, dividend yield – 0.00%.

As of December 31, 2012 and 2011, the Company had re-measured the remaining outstanding options and determined the fair value of the derivative liability to be $3,522,071 and $4,552,502, respectively, using the Black-Scholes option pricing model with the following assumptions:

	2012	2011
Risk-free interest rate	1.14%	0.99% - 1.27%
Expected life of derivative liability	1.08 to 2.30 years	2.08 to 3.30 years
Expected volatility	57.15% - 63.01%	76.66% - 115.11%
Dividend rate	0.00%	0.00%

During the year ended December 31, 2011, a total of 2,500,000 warrants treated as derivative liabilities were exercised. Upon exercise of these warrants the portion of the derivative liability that pertained to these warrants was re-measured and recorded at its fair value of $1,629,668, subsequent to which it was reclassified to additional paid-in capital. The Company measured the fair value of the derivative liability that pertained to the warrants using the Black-Scholes pricing model with the following range of assumptions: expected volatility – 167.710%, expected life – 0.003 years, risk-free discount rate – 1.01%, dividend yield – 0.00%.

As of December 31, 2010, the Company re-measured outstanding warrants and determined the fair value of the derivative liability to be $3,065,339 using the Black-Scholes option pricing model with the following assumptions:

	2010
Risk-free interest rate	1.67%
Expected life of derivative liability	0.92 years
Expected volatility	73.32%
Dividend rate	0.00%

The changes of derivative liability for options and warrants are as follows:

	2012	2011	2010
Balance, beginning of the year	$ 4,552,502	$ 10,389,768	$ 2,695,602
Fair value of options granted	-	-	46,275
Fair value of warrants issued	-	-	1,726,518
Fair value of options exercised	-	(2,993,685)	(654,033)
Fair value of warrants exercised	-	(1,629,668)	-
Change in fair value of options and warrants including foreign exchange	(1,030,431)	(1,213,913)	6,575,406
Balance, end of the year	$ 3,522,071	$ 4,552,502	$ 10,389,768

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;

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 December 31, 2012 and 2011, the Company had no financial assets or liabilities required to be reported for fair value purposes.

Credit Risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss for the Company by failing to discharge its obligations. To mitigate exposure to credit risk on financial assets the Company has established policies to ensure liquidity of funds and ensure counterparties demonstrate minimum acceptable credit worthiness.

The Company maintains its US Dollar and Canadian Dollar cash and cash equivalents in bank accounts with major financial institutions with high credit standings. Cash deposits held in the United States are insured by the FDIC for up to $250,000 and Canadian Dollar cash deposits held in Canada are insured by the Canada Deposit Insurance Corporation ("CDIC") for up to C$100,000. Certain United States and Canadian bank accounts held by the Company exceed these federally insured limits or are uninsured as they related to US Dollar deposits held in Canadian financial institutions. As of December 31, 2012 and 2011, the Company's cash and cash equivalent balances held in United States and Canadian financial institutions include $29,732 and $4,001,671 respectively, which was not insured by the FDIC or CDIC. The Company has not experienced any losses on such accounts and management believes that using major financial institutions with high credit ratings mitigates the credit risk in cash.

Interest Rate Risk

The Company holds all of the Company's cash and cash equivalents in bank deposit accounts with major financial institutions. The interest rates received on these balances may fluctuate with changes in economic conditions. Based on the average cash and cash equivalent balances during the year ended December 31, 2012, a 1% decrease would have resulted in a reduction in interest income to $Nil.

Foreign Currency Exchange Risk

Certain purchases of labour and operating supplies are denominated in C$. As a result, currency exchange fluctuations may impact the costs of our operations. Specifically, the appreciation of the C$ against the US$ may result in an increase in the Canadian operating expenses in US dollar terms. As of December 31, 2012, the Company maintained the majority of its cash balance in C$. The Company currently does not engage in any currency hedging activities.

11. Financial Instruments - Continued

Commodity Price Risk

The Company's primary business activity is the development of the open pit, gold and silver, heap leach project on the Property. Decreases in the price of either of these metals from current levels has the potential to negatively impact the Company's ability to secure significant additional financing required to develop the Property into an operating mine.

12. Comparative information

Certain reclassifications, which have no effect on net loss and comprehensive loss, have been made to the prior period financial statements to conform to the current presentation.