

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

Form 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT  
OF 1934

For the quarterly period ended March 31, 2018

TRANSITION REPORT UNDER SECTION 13 OR 15 (d) OF THE EXCHANGE ACT

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

000-21777

(Commission File Number)

GOLDEN QUEEN MINING CO. LTD.

(Exact name of registrant as specified in its charter)

British Columbia, Canada

(State or other jurisdiction of incorporation)

Not Applicable

(IRS Employer Identification No.)

2300 – 1066 West Hastings Street

Vancouver, British Columbia

V6E 3X2 Canada

(Address of principal executive offices)

Issuer's telephone number, including area code: (778) 373-1557

Former name, former address and former fiscal year, if changed since last report: N/A

Check whether the registrant (1) filed all reports required to be filed by sections 13 or 15(d) of the Securities and 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  No

Check whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Check whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company  Emerging growth company

Check whether the registrant is a shell company, as defined in Rule 12b-2 of the Exchange Act. Yes  No

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: As at May 9, 2018, the registrant's outstanding common stock consisted of 300,101,444 shares.

**PART I. FINANCIAL INFORMATION**

**Item 1. Financial Statements**

## **Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operation**

The following discussion of the operating results and financial condition of Golden Queen Mining Co. Ltd. (“Golden Queen”, “GQM Ltd.”, “Company”, “we”, “our” or “us”) is as at May 9, 2018 and should be read in conjunction with the unaudited condensed consolidated interim financial statements of the Company for the three months ended March 31, 2018 and the notes thereto.

The information in this Management’s Discussion and Analysis of Financial Condition and Results of Operations is prepared in accordance with US generally accepted accounting principles (“US GAAP”). All amounts herein are presented in thousands of US dollars, except per share amounts, or unless otherwise noted.

### ***Cautionary Note Regarding Forward-looking Statements***

This Form 10-Q contains certain forward-looking statements, which relate to the intent, belief and current expectations of the Company’s management, as well as assumptions and parameters used in the feasibility study referenced in this report. These forward-looking statements are based upon numerous assumptions that involve risks and uncertainties and other factors that may cause actual results to differ materially from those indicated by such forward-looking statements. Such factors include among other things the receipt and compliance with the terms of required approvals and permits, results of operations and commodity prices. In addition, projected mining results, including quantity of ore, grade, production rates, operating costs and recovery rates, are subject to numerous risks normally associated with mining activity of the nature described in this report and in the feasibility study, and as a result actual results may differ substantially from projected results. Readers are cautioned not to place undue reliance on the forward-looking statements, which speak only as of the date the statements were made.

### ***Cautionary Note to US Investors***

We advise US investors that the mineral reserve estimates disclosed in this report have been prepared in accordance with Canadian regulations and may not qualify as “reserves” under the SEC Industry Guide 7. Information concerning mineral resources and reserves set forth herein may not be comparable with information presented by companies using only US standards in their public disclosure.

Mr. Tim Mazanek, SME is a qualified person for the purposes of NI 43-101 and has reviewed and approved the technical information in this Form 10-Q.

### ***The Soledad Mountain Mine***

#### ***Overview***

The Company is engaged in the operation of the Soledad Mountain Mine (“the Mine”), located in the Mojave Mining District, Kern County, California. The Company owns 50% of Golden Queen Mining Company, LLC (“GQM LLC”), the operator of the Mine. The remaining 50% is owned by Gauss LLC (“Gauss”). The Mine is located just outside the town of Mojave in southern California and utilizes conventional open pit mining methods and cyanide heap leach and Merrill-Crowe processes to recover gold and silver from crushed, agglomerated ore. The Mine also produces aggregate.

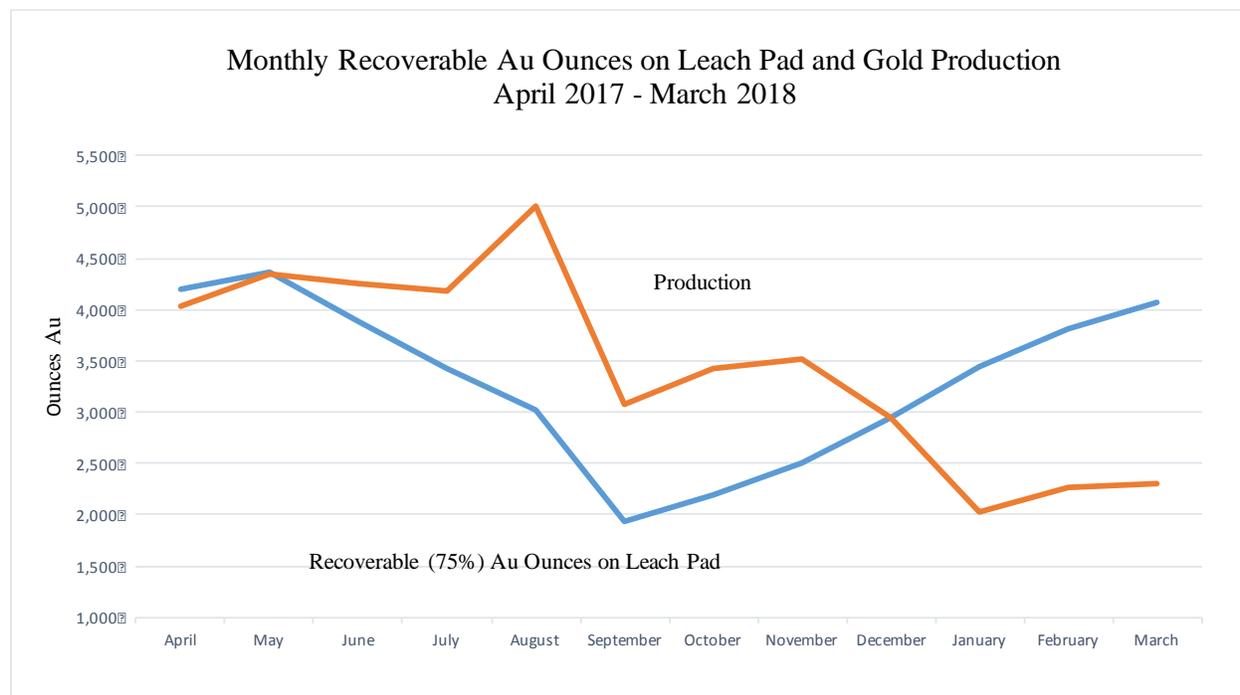
#### ***Highlights: First Quarter Highlights***

- Total of 3.8 million tons of ore and waste were mined including 1,135 kt of ore;
- Plant processed a total of 806 kt of ore at an average grade of 0.019 oz/t; and
- 6,579 ounces of gold and 58,024 ounces of silver were produced.

#### ***Project Update***

In the fourth quarter of 2017, management accelerated the development of the East Pit to access production of sufficient higher-grade ore. In the first quarter of 2018, almost all of the Mine’s production was sourced from the East Pit. Mining results from the East Pit have shown significant positive reconciliation for both tons and grade with the mine plan. Operations during the first quarter of 2018 showed continued improvement in gold ounces loaded on the pad. Mining of the East Pit progressed on schedule.

In the second half of 2017, the plant extracted more gold from the leach pad than the net recoverable ounces loaded due to the low grade of the ore loaded during this period, as shown in the figure below. In the first quarter of 2018, the Mine has experienced a lack of available ounces translating to doré as the gold loaded solution circulating on the pad was purged of its gold content during the fourth quarter of 2017. The monthly recoverable gold ounces loaded on leach pad have steadily increased since September 2017, but the impact on production will be from the second quarter of 2018 onward.



Leaching performance is matching the feasibility study - total apparent gold recovery to March 31, 2018 is 71.5%, which Management believes is on track to achieve the life of mine 80% gold recovery.

In the first quarter of 2018, the Company continues to develop the East Pit. It is anticipated that the transition to the East Pit will provide the majority of ore production for at least the next two years where higher ore tonnage and grade and lower waste tons are expected. The plan is to increase delivery of ounces to the heap leach pad by selectively mining higher grade tons as much as practical.

In the Process area, pad-loading tonnage and average grade are expected to increase compared to the fourth quarter of 2017. Taking advantage of the good porosity of the heap, flow to the Merrill-Crowe plant is expected to be at capacity. As a result of higher grades in the East Pit and the improved plant throughput, gold production is anticipated to increase throughout the year.

A drilling program commenced in January 2018 and is now complete. A total of 19,520 feet of reverse circulation drilling was completed over 21 holes. This drill program was designed to increase confidence in the currently modelled ore grades and tonnage associated with the Golden Queen vein structure, to improve the Company's understanding of the Patience vein structure potentially adding ounces to the Company's reserves and to investigate the Silver Queen vein structure (where historical underground development is illustrated on historic maps but not evidenced in historic extraction reports). The drill results will be analyzed during the second quarter of the year.

As well, the Company is in the process of permitting of additional infrastructure for ongoing operations and planned activities that are expected to extend the mine life of Soledad Mountain beyond the initial 11 years contemplated in the 2015 Feasibility Study. The process is anticipated to take approximately 1 to 2 years.

For the three months ended March 31, 2018, the Company recorded aggregate sales of \$6. In 2017, the Company was added to the California AB 3098 list, which allows the Company to sell its aggregate to state and municipal agencies.

The Company will not include the sale of aggregate in cash flow projections until such time as a long-term contract for the sale of products has been secured.

There is a total of 218 employees currently on site.

### **Results of Operations**

The following are the results of operations for the three months ended March 31, 2018 and 2017:

		<b>Three months ended:</b>	
		<b>March 31,</b>	<b>March 31,</b>
		<b>2018</b>	<b>2017</b>
<b>Mining - Key Metrics</b>			
Ore mined	k ton	1,135	852
Waste mined: ore mined ratio	ore mined ratio	2.3:1	3.8:1
Gold grade placed	oz/ton	0.019	0.019
Silver grade placed	oz/ton	0.313	0.232
Gold sold	oz	6,529	11,160
Silver sold	oz	53,612	62,095
Apparent cumulative recovery - gold <sup>(1)</sup>	%	71.5%	63.3%
Apparent cumulative recovery - silver <sup>(1)</sup>	%	27.1%	25.3%
<b>Financial <sup>(1)</sup></b>			
Revenue	\$	9,585	14,804
Income (loss) from mine operations	\$	(6,449)	457
General and administrative expenses	\$	(1,254)	(1,416)
Total other expenses	\$	(1,360)	(1,857)
Net and comprehensive loss	\$	(9,063)	(2,816)
Net and comprehensive loss attributable to GQM Ltd.	\$	(5,417)	(2,426)
Average realized gold price <sup>(1)</sup>	\$/oz sold	1,330	1,228
Average realized silver price <sup>(1)</sup>	\$/oz sold	16.70	17.59
Total cash costs - net of by-product credits <sup>(1)</sup>	\$/Au oz produced	2,090	1,019
All-in sustaining costs - net of by-product credits <sup>(1)</sup>	\$/Au oz produced	2,413	1,663
Total cash costs <sup>(1)</sup>	\$/t placed	18.06	16.08
Off-site costs <sup>(1)</sup>	\$/t placed	0.61	0.84

<sup>(1)</sup> total cash costs, all-in sustaining costs, apparent cumulative recovery, off-site costs, average realized gold price and average realized silver price are financial performance measures with no standard meaning under US GAAP. Refer to “**Non-US GAAP Financial Performance Measures**” for further information.

### **Financial Results**

For the three months ended March 31, 2018, the Company generated revenues from operations of \$9,585 from the sale of 6,529 ounces of gold and 53,612 ounces of silver compared to revenues of \$14,804 from the sale of 11,160 ounces of gold and 62,095 ounces of silver during the comparable period in 2017, a decrease in revenue of \$5,219.

The decrease in revenue is mainly due to a lack of available ounces translating to doré on the leach pad. Although 15,094 ounces of gold was placed on the leach pad in the first quarter of 2018 compared to 14,178 ounces in the first quarter of 2017, revenues from ounces of gold placed on the leach pad will not be realized until later in the year. Because of this situation, the Mine recorded a higher cost per ton (less tons mined) and a higher cost per ounce (less ounces produced).

The costs, excluding depreciation and depletion, applicable to sales incurred during the three months ended March 31, 2018 were \$14.6 million (three months ended March 31, 2017 - \$11.6 million). The cost of sales, excluding depreciation and depletion, in the current quarter were relatively consistent with the prior quarter (three months ended December 31, 2017 - \$15.9 million) and increased compared to respective quarter in prior year due to expensing \$4.5 million of costs to ensure inventory was recognized at net realizable value. Costs of sales include mining, processing, maintenance and site support costs. Also, included in the costs of sales are refining, transportation costs, royalties and property taxes.

Depreciation and depletion expenses during the three months ended March 31, 2018 were \$2,976 compared to \$2,756 for the same period in 2017, an increase of \$220. The increase in 2018 compared to 2017 was mainly due to the addition of depreciable fixed assets of \$19,409 in the third and fourth quarters in 2017.

General and administrative expenses for the three months ended March 31, 2018 were \$1,254 compared to \$1,416 for the three months ended March 31, 2017, a decrease of \$162. The decrease in 2018 compared to 2017 was mainly a result of a decrease in corporate administration costs.

For the three months ended March 31, 2018, the Company incurred finance expenses of \$1,533 compared to \$1,047 for the three months ended March 31, 2017, an increase of \$486. The increase in finance expenses was mainly due to an increase of 2% in the interest rate on the Clay Loan resulting in additional interest of \$87 payable, and increased accretion of \$269 recorded on the Clay Loan.

For the three months ended March 31, 2018, the Company recorded a gain on derivative instruments of \$138 compared to a loss on derivative instruments of \$481 for the three months ended March 31, 2017. The gain in 2018 was due to a decrease in the Company's share price whereas the loss in 2017 was due to an increase in the Company's share price.

### *Summary of Quarterly Results*

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

	<b>Results for the quarter ended:</b>			
	<b>31-Mar-18</b>	<b>31-Dec-17</b>	<b>30-Sep-17</b>	<b>30-Jun-17</b>
Revenue	\$ 9,585	\$ 13,939	\$ 16,496	\$ 16,882
Net and comprehensive income (loss)	\$ (9,063)	\$ (1,327)	\$ (3,224)	\$ 1,192
Net and comprehensive income (loss) attributable to GQM Ltd.	\$ (5,417)	\$ 2,188	\$ (1,889)	962
Basic net income (loss) per share	\$ (0.03)	\$ 0.02	\$ (0.02)	\$ 0.01
Diluted net income (loss) per share	\$ (0.03)	\$ 0.02	\$ (0.02)	\$ 0.01

	<b>Results for the quarter ended:</b>			
	<b>31-Mar-17</b>	<b>31-Dec-16</b>	<b>30-Sep-16</b>	<b>30-Jun-16</b>
Revenue	\$ 14,804	\$ 10,278	\$ 13,451	\$ 3,464
Net and comprehensive income (loss)	\$ (2,816)	\$ (434)	\$ 3,591	\$ (3,568)
Net and comprehensive income (loss) attributable to GQM Ltd.	\$ (2,426)	\$ 868	2,738	(2,109)
Basic net income (loss) per share	\$ (0.02)	\$ 0.01	\$ 0.03	\$ (0.02)
Diluted net income (loss) per share	\$ (0.02)	\$ 0.01	\$ 0.03	\$ (0.02)

During the three months ended March 31, 2018, net and comprehensive loss was \$9,063 mainly as a result of loss from mine operations of \$6,449 due to higher direct mining costs as a result of developing the East Pit and lower revenues due to lower production as a result of less available gold ounces on the leach pad.

During the three months ended September 30, 2017, net and comprehensive loss was \$3,224 primarily due to an operating loss of \$3,010 for the period.

During the three months ended June 30, 2017, net and comprehensive income was \$1,192 mainly as a result of income from mine operations of \$773 for the period.

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

## **Reclamation Financial Assurance and Asset Retirement Obligation**

### Reclamation Financial Assurance

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.

This estimate, once approved by state and county authorities, forms the basis of reclamation financial assurance. The reclamation assurance provided as at March 31, 2018 was \$1,500 (December 31, 2017 – \$1,465).

The Company is also required to provide financial assurance with the Lahontan Regional Water Quality Control Board (the “Regional Board”) for closure and reclamation costs related to the lined impoundments, which are defined as the Stage 1 and Stage 2 heap leach pads, the overflow pond, and the solution collection channel. The reclamation financial assurance estimate as at March 31, 2018, is \$2,450 (December 31, 2017 – \$1,869).

In addition to the above, the Company is required to obtain and maintain financial assurance for initiating and completing corrective action and remediation of a reasonably foreseeable release from the Project’s waste management units as required by the Regional Board. The reclamation financial assurance estimate as at March 31, 2018 is \$278 (December 31, 2017 – \$278).

The Company entered into \$4,228 (2017 – \$3,612) in surety bond agreements in order to release its reclamation deposits and posted a portion of the financial assurance due in 2017. The Company pays a yearly premium of \$90 (2016 – \$90). GQM Ltd. has provided a corporate guarantee on the surety bonds.

### Asset Retirement Obligation

The total asset retirement obligation as at March 31, 2018, was \$2,229 (December 31, 2017 – \$1,838).

The Company estimated its asset retirement obligations based on its understanding of the requirements to reclaim and remediate its property based on its activities to date. As at March 31, 2018, the Company estimates the cash outflow related to these reclamation activities will be incurred in 2028. Reclamation provisions are measured at the expected value of future cash flows discounted to their present value using a discount rate based on a credit adjusted risk-free interest rate of 8.34% and an inflation rate of 2.41%.

The following is a summary of asset retirement obligations:

	March 31, 2018	December 31, 2017
Balance, beginning of the period	\$ 1,838	\$ 1,366
Accretion	42	126
Changes in cash flow estimates	349	346
Balance, end of the period	\$ 2,229	\$ 1,838

### **Off-balance Sheet Arrangements**

The Company has no off-balance sheet arrangements.

### **Transactions with Related Parties**

Except as noted elsewhere in this Form 10-Q, related party transactions are disclosed as follows:

(i) Compensation of Key Management Personnel, Transactions with Related Parties and Related Party Balances

For the three months ended March 31, 2018, the Company recognized \$195 (for the three months ended March 31, 2017 – \$218) salaries and fees for Officers and Directors.

As at March 31, 2018, \$nil (December 31, 2017 – \$38) was included in prepaid expenses and other current assets for closing fees paid to related parties.

As at March 31, 2018, \$835 (December 31, 2017 – \$463 for amended fees and accrued interest payable to related parties) was included in accounts payable and accrued liabilities for accrued interest payable to related parties and salaries and fees payable to Officers and Directors.

(ii) Note Payable

On November 18, 2016, the Company entered into a loan with the Clay Group for \$31,000 (the “November 2016 Loan”), due on May 21, 2019 and an annual interest rate of 8%, payable quarterly. In connection with the November 2016 Loan the Company issued 8,000,000 common share purchase warrants exercisable for a period of five years expiring November 21, 2021. The common share purchase warrants have an exercise price of \$0.85.

On November 10, 2017, the Company and the Clay Group entered into a letter agreement (the “Letter Agreement”) pursuant to which they agreed to amend the November 2016 Loan by reducing the 2018 quarterly and 2019 Q1 principal payments from \$2,500 to \$1,000, adding the reduction of such payments pro-rata to the remaining 2019 payments, and increasing the annual interest rate from 8% to 10% effective January 1, 2018 (the “November 2017 Loan”). On February 22, 2018, the Company and the Clay Group entered into definitive agreements to amend the terms of the November 2016 Loan and the registration rights agreement in accordance with the Letter Agreement.

The following table summarizes activity on the notes payable:

	March 31, 2018	December 31, 2017
Balance, beginning of the period	\$ 30,099	\$ 26,347
Interest payable transferred to principal balance	-	2,212
Accretion of discount on loans	490	1,940
Capitalized financing and legal fees	-	(400)
Accretion of capitalized financing and legal fees	65	-
Repayment of loans and interest	(4,712)	-
Balance, end of the period	<u>\$ 25,942</u>	<u>\$ 30,099</u>
Current portion	<u>\$ 4,000</u>	<u>\$ 7,712</u>
Non-current portion	<u>\$ 21,942</u>	<u>\$ 22,387</u>

(iii) Amortization of Discounts and Interest Expense

The following table summarizes the amortization of discounts and interest on loan:

	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017
Accretion of the November 2017 Loan discount	\$ 490	\$ 286
Accretion of capitalized financing and legal fees	65	-
Interest expense related to the November 2017 Loan	713	626
Closing and commitment fees related to the Credit Facility	30	-
Interest expense related to Komatsu financial loans <sup>(1)</sup>	235	135
Accretion of discount and interest on loan	<u>\$ 1,533</u>	<u>\$ 1,047</u>

<sup>(1)</sup> Komatsu is not a related party and has only been included in the above table to reconcile the total interest expense incurred for the period to the amounts capitalized and expensed.

(iv) Joint Venture

The net assets of GQM LLC as at March 31, 2018 and December 31, 2017 are as follows:

	March 31, 2018	December 31, 2017
Assets, GQM LLC	156,998	149,095
Liabilities, GQM LLC	(23,221)	(28,024)
Net assets, GQM LLC	<u>133,777</u>	<u>121,071</u>

Included in the assets above, is \$9,622 (December 31, 2017 – \$2,606) in cash held by GQM LLC which is directed specifically to fund capital expenditures required to continue with production and to settle GQM LLC’s obligations. The liabilities of GQM LLC do not have recourse to the general credit of Golden Queen except for \$2,203 for two mining drill loans and \$4,228 in surety bond agreements.

(v) Revolving credit

On May 23, 2017, GQM LLC entered into a \$5,000 one-year revolving credit agreement (the “Credit Facility”) in which Gauss Holdings LLC and Auvergne, LLC agreed to extend credit in the form of loans to GQM LLC. The Credit Facility commenced on July 1, 2017, bears interest at a rate of 12% per annum and is subject to a commitment fee of 1% per annum. For the three months ended March 31, 2018, GQM LLC paid commitment fees of \$30 (2017 – \$nil). As at March 31, 2018, GQM LLC has drawn \$nil (December 31, 2017 – \$3,000) from the Credit Facility.

**Fair Value of Financial Instruments**

*Fair Value Measurements*

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).

	March 31, 2018			
	Total	Level 1	Level 2	Level 3
<b>Liabilities:</b>				
Share purchase warrants – Related Party (see Note 8)	\$ 302	\$ -	\$ 302	\$ -
Share purchase warrants – (see Note 8)	1	-	1	-
	<u>\$ 303</u>	<u>\$ -</u>	<u>\$ 303</u>	<u>\$ -</u>
	December 31, 2017			
	Total	Level 1	Level 2	Level 3
<b>Liabilities:</b>				
Share purchase warrants – Related Party (see Note 8)	\$ 439	\$ -	\$ 439	\$ -
Share purchase warrants – (see Note 8)	2	-	2	-
	<u>\$ 441</u>	<u>\$ -</u>	<u>\$ 441</u>	<u>\$ -</u>

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. The fair value measurement of the financial instruments above uses observable inputs in option price models such as the binomial and the Black-Scholes valuation models.

Please refer also to the note on fair value of derivative liability under **Results of operations** above for more information.

**Select Non-Consolidated Figures**

The Company has a 50% interest in GQM LLC, which meets the definition of a Variable Interest Entity (“VIE”). The Company consolidates entities which meet the definition of a VIE for which it is the primary beneficiary. The Company has determined it is the member of the related party group that is most closely associated with GQM LLC and, as a result, is the primary beneficiary who consolidates GQM LLC.

The following table shows figures attributable to the Company only as at March 31, 2018:

	GQM LLC 100%	GQM LLC 50% Attributable to GQM Ltd. (1)	GQM Ltd. on a Non- Consolidated Basis * (2)	GQM Ltd. Attributable (1) + (2)
Cash	\$ 9,622	\$ 4,811	\$ 8,608	\$ 13,419
Short Term Debt	\$ 7,709	\$ 3,855	\$ 4,000	\$ 7,855
Long Term Debt	\$ 8,150	\$ 4,075	\$ 21,942	\$ 26,017
Working Capital	\$ 7,341	\$ 3,671	\$ 3,596	\$ 7,267

\* includes GQM Holdings

The following table shows figures attributable to the Company only for the three months ended March 31, 2018:

	GQM LLC 100%	GQM LLC 50% Attributable to GQM Ltd. (1)	GQM Ltd. on a Non- Consolidated Basis * (2)	GQM Ltd. Attributable (1) + (2)
Revenue	\$ 9,585	\$ 4,793	\$ -	\$ 4,793
Cost of sales including depreciation and depletion	\$ (15,894)	\$ (7,947)	\$ (98)	\$ (8,045)
Accretion expense	\$ (42)	\$ (21)	\$ -	\$ (21)
G&A Expenses	\$ (703)	\$ (352)	\$ (505)	\$ (857)
Share based payments	\$ -	\$ -	\$ (45)	\$ (45)
Decrease in fair value of derivative liability	\$ -	\$ -	\$ 138	\$ 138
Interest Expense	\$ (265)	\$ (133)	\$ (1,269)	\$ (1,387)
Interest Income	\$ 25	\$ 13	\$ 9	\$ 22
Net Loss	\$ (7,294)	\$ (3,647)	\$ (1,770)	\$ (5,417)

\* includes GQM Holdings

### Liquidity and Capital Resources

The Company has generated \$98,899 in revenues from operations since inception and as at March 31, 2018, had an accumulated deficit of \$93,917 and working capital of \$10,937. On February 20, 2018, the Company successfully closed a rights offering for net proceeds of \$24,368. The Company issued the full allotment of 188,952,761 common shares pursuant to the terms of the Offering. Partial proceeds were used to reduce the corporate debt, fund the Company's 50% portion of costs required for the purchase of additional equipment for the Mine and to repay the Credit Facility.

Cash from operating activities:

For the three months ended March 31, 2018, \$7,394 of cash was used in operating activities compared to \$2,791 of cash generated from operating activities for the three months ended March 31, 2017. The increased use of cash in 2018 was primarily due to increased direct mining costs and reduced revenue in 2018 compared to 2017.

In the first quarter of 2018, the Company was still developing the East Pit resulting in higher costs in 2018 compared to 2017. As well, gold production in 2018 has been lower compared to 2017 resulting in lower revenues.

Cash used in investing activities:

For the three months ended March 31, 2018, \$2,071 of cash was used in investing activities compared to \$5,236 of cash used in investing activities for the three months ended March 31, 2017. The major use of cash in 2017 was the start of construction of leach pad phase 2; it was completed in the third quarter of 2017.

Cash from financing activities:

For the three months ended March 31, 2018, \$24,758 of cash was generated from financing activities compared to \$1,405 of cash used in financing activities for the three months ended March 31, 2017. The main financing activities of the Company during in 2018 was the closing of a rights offering partial proceeds from which was used to reduce the corporate debt, fund the Company's 50% portion of costs required for the purchase of additional equipment for the Mine and to repay the Credit Facility and a capital contribution of \$10,000 from the non-controlling interest.

Working capital:

The following table shows working capital as at March 31, 2018:

	<b>GQM LLC 100%</b>	<b>GQM Ltd. on a Non- Consolidated Basis *</b>	<b>GQM Ltd. on a Consolidated Basis **</b>
Current assets	\$ 20,183	\$ 8,660	\$ 28,843
Current liabilities	(12,842)	(5,064)	(17,906)
Working capital	\$ 7,341	\$ 3,596	\$ 10,937

\* includes GQM Holdings

\*\* includes GQM Holdings and GQM LLC

Golden Queen and GQM Holdings

As at March 31, 2018, Golden Queen and GQM Holdings had current assets of \$8,660 (December 31, 2017 – \$502) and current liabilities of \$5,064 (December 31, 2017 – \$9,194) for working capital of \$3,596 (December 31, 2017 – working capital deficit of \$8,692). The increase in current assets from December 31, 2017 is the mainly a result of and increase in cash from funds received from the rights offering. The decrease in current liabilities is a result of paying off principal and accrued interest payable on the November 2017 Clay Loan from the proceeds of the rights offering.

GQM LLC

As at March 31, 2018, GQM LLC had current assets of \$20,183 (December 31, 2017 – \$12,162) and current liabilities of \$12,842 (December 31, 2017 – \$16,572) for working capital of \$7,341 (December 31, 2017 – working capital deficit of \$4,410). The increase in current assets from December 31, 2017 is a result of capital contributions of \$10,000 received from each of its Members, Golden Queen and Gauss. The decrease in current liabilities is due to paying off the Credit Facility from the capital contribution proceeds.

### ***Outstanding Share Data***

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

<b>Item</b>	<b>No. of Shares</b>		
<b>Shares issued and outstanding as at December 31, 2017</b>	111,148,683		
Shares issued as the result of a rights offering	188,952,761		
<b>Shares issued and outstanding as at March 31, 2018</b>	<b>300,101,444</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
Shares to be issued on exercise of directors and employees stock options	2,600,001	\$0.29 to \$1.59	From 06/03/18 to 10/20/22
Shares to be issued on exercise of warrants	24,317,700	\$0.85 to \$0.95 and CAD \$2.00	From 06/08/20 to 11/18/21
<b>Fully diluted May 9, 2018</b>	<b>327,019,145</b>		

The Company has unlimited authorized share capital

### *Non-US GAAP Financial Performance Measures*

Non-US GAAP financial measures are intended to provide additional information only and do not have any standard meaning prescribed by generally accepted accounting principles. These measures should not be considered in isolation or as a substitute for performance measures prepared in accordance with US GAAP.

#### Total Cash Costs

Total cash costs are derived from amounts included in the statement of operations and include direct mining costs and site general and administrative costs. The direct mining costs shown on the table below include mine site operating costs such as mining, processing, smelting, refining, third party transportation costs, advanced minimum royalties and production costs less silver metals revenues. Management has determined that silver revenues when compared with gold revenues, are immaterial and therefore are considered a by-product of the production of gold.

The table below shows a reconciliation of total cash costs per gold ounce and cash costs per gold ounce on a by-product basis:

	Three months ended	
	March 31, 2018	December 31, 2017
<b>Total Cash Costs</b>		
Mining	\$ 7,376	\$ 7,174
Processing	4,488	4,346
Indirect mining cost	1,972	2,308
Inventory changes and others	(820)	1,970
Direct mining costs	13,016	15,798
Site general and administrative expenses	732	897
Cash costs before by-product credits	13,748	16,695
Divided by gold produced (oz)	6,579	9,886
<b>Cash costs per ounce of gold produced (\$/oz)</b>	<b>2,090</b>	<b>1,689</b>
Less: By-product silver credits per ounce (\$/oz)	(136)	(123)
<b>Total cash cost per ounce of gold produced on a by-product basis (\$/oz)</b>	<b>\$ 1,954</b>	<b>\$ 1,566</b>
Ore placed (tons)	806,450	837,779
Total cash costs (\$/t placed)	18.06	17.52
Crusher mechanical availability (%)	65%	69%
Apparent cumulative recovery <sup>(1)</sup> – gold	71.5%	75.5%
Apparent cumulative recovery <sup>(1)</sup> - silver	27.1%	27.4%

<sup>(1)</sup> Note: Apparent cumulative recovery is the ratio of metal produced since beginning of leaching over total estimated metal contained in ore loaded to pad since beginning of operation.

#### All-in Sustaining Costs

Golden Queen defines all-in sustaining costs as the sum of direct mining costs (as defined under total cash costs), site and corporate general and administrative costs, share based payments, reclamation liability accretion and capital expenditures that are sustaining in nature. Adoption of the standard is voluntary and the cost measures presented may not be comparable to other similarly titled measures of other companies. Other companies may calculate these measures differently.

The table below shows a reconciliation of cash costs per gold ounce on a by-product basis and all-in sustaining costs per ounce:

	Three months ended	
	March 31, 2018	December 31, 2017
<b>All-in sustaining costs</b>		
Cash costs before by-product credits*	\$ 13,748	\$ 16,695
Silver by-product	(895)	(1,221)
<b>Total cash cost after by-product</b>	<b>12,853</b>	<b>15,474</b>
Corporate general and administrative expenses	522	549
Stock based compensation	45	68
Accretion expense	42	32
Sustaining capital	2,412	3,303
<b>All-in sustaining costs</b>	<b>15,874</b>	<b>19,426</b>
Divided by gold produced (oz)	6,579	9,886
<b>All-in sustaining costs per gold ounce on a by-product basis</b>	<b>\$ 2,413</b>	<b>\$ 1,965</b>

\*The following table reconciles the above non-US GAAP measures to the most directly comparable US GAAP measures:

	Three months ended	
	March 31, 2018	December 31, 2017
<b>Cost of goods sold</b>	<b>16,034</b>	<b>19,450</b>
Less: depreciation and depletion	\$ (2,976)	\$ (3,526)
Less: accretion expense	(42)	(126)
<b>Direct mining costs</b>	<b>13,016</b>	<b>15,798</b>
Add: site general and administrative expenses	732	897
<b>Cash costs before by-product credits</b>	<b>\$ 13,748</b>	<b>\$ 16,695</b>

#### *Summary of Significant Accounting Policies and Estimates*

Full disclosure of the Company's significant accounting policies and estimates in accordance with US GAAP can be found in notes of its audited consolidated financial statements for the year ended December 31, 2017.

#### *Additional Information*

Further information on Golden Queen Mining Co. Ltd. is available on the SEDAR web site at [www.sedar.com](http://www.sedar.com) and on the Company's web site at [www.goldenqueen.com](http://www.goldenqueen.com).

#### **Item 4. Controls and Procedures.**

##### **Disclosure controls and procedures**

The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as of the end of the period covered by this report.

The Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of the period covered by this report, the Company's disclosure controls and procedures were effective to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the applicable Securities and Exchange Commission rules and forms and (ii) accumulated and communicated to the Company's management, including the Company's Chief Executive Officer and the Company's Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

## **Management's report on internal control over financial reporting**

### *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 quarter ended March 31, 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting, other than the Company has implemented a remediation plan and has addressed the deficiency previously noted in the areas of personnel and controls and has engaged an external consultant to assist in the documentation and review of its internal controls.

### *Fraud Analysis*

The Company is committed to preventing fraud and corruption and is developing an anti-fraud culture. To achieve this goal, the Company has committed to the following:

1. Developing and maintaining effective controls to prevent fraud;
2. Ensuring that if fraud occurs a vigorous and prompt investigation takes place;
3. Taking appropriate disciplinary and legal actions;
4. Reviewing systems and procedures to prevent similar frauds;
5. Investigating whether there has been a failure in supervision and take appropriate disciplinary action if supervisory failures occurred; and
6. Recording and reporting all discovered cases of fraud.

The following policies have been developed to support the Company's goals:

- Insider Trading Policy
- Managing Confidential Information Policy
- Whistleblower Policy
- Anti-corruption Policy

All policies can be viewed in full on the Company's website at [www.goldenqueen.com](http://www.goldenqueen.com)

For the three months ended March 31, 2018 and the year ended December 31, 2017, there were no reported instances of fraud.

## **PART II – OTHER INFORMATION**

### **Item 1. Legal Proceedings**

From time to time, we are a party to routine litigation and proceedings that are considered part of the ordinary course of our business. We are not aware of any material current, pending, or threatened litigation.

### **Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

Not applicable.

### **Item 3. Defaults Upon Senior Securities**

Not applicable.

### **Item 4. Mine Safety Disclosures**

GQM LLC is the operator of the Project, which is located in Mojave in Kern County, California. The mine safety disclosures required by section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 104 of Regulation S-K are included in Exhibit 95.1 of this Quarterly Report. There was one lost-time accident at GQM LLC during the three months ended March 31, 2018.

**Item 5. Other Information**

Not applicable.

**Item 6. Exhibits**

<b><u>Exhibit No.</u></b>	<b><u>Description of Exhibit</u></b>	<b><u>Manner of Filing</u></b>
10.1	First Amendment to Second Amended and Restated Term Loan Agreement dated February 22, 2018 among the Company, the Landon T. Clay 2009 Irrevocable Trust Dated March 6, 2009, EHT, LLC, and the Clay Family 2009 Irrevocable Trust Dated April 14, 2009	Filed herewith
10.2	First Amendment to Amended and Restated Registration Rights Agreement dated February 22, 2018 among the Company, the Landon T. Clay 2009 Irrevocable Trust Dated March 6, 2009, EHT, LLC, and the Clay Family 2009 Irrevocable Trust Dated April 14, 2009	Filed herewith
31.1	Certification of the Principal Executive Officer Pursuant to Rule 13a-14(a) or 15d-14(a) of the US Securities Exchange Act of 1934	Filed herewith
31.2	Certification of the Principal Financial Officer Pursuant to Rule 13a-14(a) or 15d-14(a) of the US Securities Exchange Act of 1934	Filed herewith
32.1	Section 1350 Certification of the Principal Executive Officer	Filed herewith
32.2	Section 1350 Certification of the Principal Financial Officer	Filed herewith
95.1	Mine Safety Disclosure	Filed herewith
101	Financial Statements from the Quarterly Report on Form 10-Q of the Company for the three months ended March 31, 2018, formatted in XBRL	Filed herewith

## SIGNATURES

Pursuant to the requirements 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.

Date: May 10, 2018

**GOLDEN QUEEN MINING CO. LTD.**  
(Registrant)

By:       /s/ Thomas M. Clay        
**Thomas M. Clay**  
Principal Executive Officer

By:       /s/ Guy Le Bel        
**Guy Le Bel**  
Principal Financial Officer