Golden Queen Mining Co. Ltd.
Condensed Consolidated Interim Financial Statements
March 31, 2018

(US dollars – Unaudited)

GOLDEN QUEEN MINING CO. LTD.
Condensed Consolidated Interim Balance Sheets
(amounts expressed in thousands of US dollars - Unaudited)

	March 31, 2018	December 31, 2017
Assets		
Current assets:		
Cash	$ 18,230	$ 2,937
Prepaid expenses and other current assets	685	699
Inventories (Note 4)	9,928	9,028
Total current assets	28,843	12,664
Property, plant, equipment and mineral interests (Note 5)	141,641	141,848
Advance minimum royalties	304	304
Total Assets	$ 170,788	$ 154,816
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 5,894	$ 6,984
Credit facility (Note 12 (v))	-	3,000
Current portion of note payable (Note 12 (ii))	4,000	7,712
Current portion of loan payable (Note 6)	7,709	7,629
Derivative liability – Related party warrants (Note 7)	303	441
Total current liabilities	17,906	25,766
Note payable (Note 12 (ii))	21,942	22,387
Loan payable (Note 6)	8,150	9,614
Asset retirement obligation (Note 8)	2,229	1,838
Deferred tax liability	8,197	8,197
Total liabilities	58,424	67,802
Temporary Equity		
Redeemable portion of non-controlling interest (Note 12 (iv))	22,756	24,214
Shareholders' Equity		
Common shares, no par value, unlimited shares authorized (2017 - unlimited); 300,101,444 (2017 – 111,148,683) shares issued and outstanding (Note 9)	95,494	71,126
Additional paid-in capital	43,898	43,853
Deficit accumulated	(93,917)	(88,500)
Total shareholders' equity attributable to GQM Ltd.	45,475	26,479
Non-controlling interest (Note 12 (iv))	44,133	36,321
Total Shareholders' Equity	89,608	62,800
Total Liabilities, Temporary Equity and Shareholders' Equity	$ 170,788	$ 154,816

Going Concern (Note 2)
Commitments and Contingencies (Note 13)

Approved by the Directors:

"Thomas M. Clay"
Thomas M. Clay, Director

"Bryan A. Coates"
Bryan A. Coates, Director

See Accompanying Notes to Condensed Consolidated Interim Financial Statements

GOLDEN QUEEN MINING CO. LTD.
Condensed Consolidated Interim Statements of Income (Loss) and Comprehensive Income (Loss)
(amounts expressed in thousands of US dollars, except shares amounts - Unaudited)

	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017
Revenues		
Metal Sales	$ 9,585	$ 14,804
Cost of Sales		
Direct mining costs	(13,016)	(11,561)
Depreciation and depletion (Note 5)	(2,976)	(2,756)
Accretion expense	(42)	(30)
Income (loss) from mine operations	(6,449)	457
General and administrative expenses (Note 10)	(1,254)	(1,416)
Operating loss	(7,703)	(959)
Other income (expenses)		
Gain (loss) on derivative instruments (Note 7)	138	(481)
Finance expense (Notes 12 (iii) and 12 (v)))	(1,533)	(1,047)
Interest income	35	25
Other expenses	-	(354)
Net and comprehensive loss for the period	$ (9,063)	(2,816)
Less: Net and comprehensive loss attributable to the non-controlling interest for the period (Note 12 (iv))	3,646	390
Net and comprehensive loss attributable to Golden Queen Mining Co Ltd. for the period	$ (5,417)	$ (2,426)
Loss per share – basic (Note 11)	$ (0.03)	$ (0.02)
Loss per share – diluted (Note 11)	$ (0.03)	$ (0.02)
Weighted average number of common shares outstanding -basic	188,829,263	111,080,008
Weighted average number of common shares outstanding - diluted	188,829,263	111,080,008

See Accompanying Notes to Condensed Consolidated Interim Financial Statements

GOLDEN QUEEN MINING CO. LTD.
Condensed Consolidated Interim Statements of Shareholders' Equity, Non-controlling Interest and Redeemable Portion of Non-Controlling Interest
(amounts expressed in thousands of US dollars, except shares amounts)

	Common shares	Amount	Additional Paid-in Capital	Deficit Accumulated	Total Shareholders' Equity attributable to GQM Ltd	Non-controlling Interest	Total Shareholders' Equity	Redeemable Portion of Non-controlling Interest
Balance, December 31, 2016	**111,048,683**	**$ 71,067**	**$ 43,652**	**$ (87,335)**	**$ 27,384**	**$ 39,327**	**$ 66,711**	**$ 26,220**
Issuance of common shares (Note 9)	100,000	59	-	-	59	-	59	-
Stock-based compensation	-	-	34	-	34	-	34	-
Net loss for the period	-	-	-	(2,426)	(2,426)	(234)	(2,660)	(156)
Balance, March 31, 2017	**111,148,683**	**$ 71,126**	**$ 43,686**	**$ (89,761)**	**$ 25,051**	**$ 39,093**	**$ 64,144**	**$ 26,064**
Balance, December 31, 2017	**111,148,683**	**$ 71,126**	**$ 43,853**	**$ (88,500)**	**$ 26,479**	**$ 36,321**	**$ 62,800**	**$ 24,214**
Issuance of common shares, net of share issue costs (Note 9)	188,952,761	24,368	-	-	24,368	-	24,368	-
Capital contribution from non-controlling interest	-	-	-	-	-	10,000	10,000	-
Stock-based compensation	-	-	45	-	45	-	45	-
Net loss for the period	-	-	-	(5,417)	(5,417)	(2,188)	(7,605)	(1,458)
Balance, March 31, 2018	**300,101,444**	**$ 95,494**	**$ 43,898**	**$ (93,917)**	**$ 45,475**	**$ 44,133**	**$ 89,608**	**$ 22,756**

See Accompanying Notes to Condensed Consolidated Interim Financial Statements

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

	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017
Operating Activities		
Net loss for the year	$ (9,063)	$ (2,816)
Adjustment to reconcile net loss to cash used in operating activities:		
Depreciation and depletion	2,976	2,756
Amortization of debt discount and interest accrual	555	286
Accretion expense	42	30
Change in fair value of derivative liabilities (Note 7)	(138)	481
Stock based compensation	45	34
Unrealized foreign exchange	(43)	(5)
Non-cash finder's fee	-	59
Changes in non-cash working capital items:		
Prepaid expenses & other current assets	14	(88)
Inventory	(900)	(873)
Accounts payable & accrued liabilities	(1,595)	2,301
Interest payable	713	626
Cash generated from (used in) operating activities	(7,394)	2,791
Investing activities:		
Additions to property, plant, equipment and mineral interests	(2,071)	(5,236)
Cash used in investing activities	(2,071)	(5,236)
Financing activities:		
Issuance of common shares, net of share issue costs (Note 9)	24,368	-
Repayment of credit facility	(3,000)	-
Repayments of loan payable (Note 6)	(1,898)	(1,405)
Repayments of note payable and accrued interest	(4,712)	-
Capital contribution from non-controlling interest	10,000	-
Cash generated from (used in) financing activities	24,758	(1,405)
Net change in cash and cash equivalents	15,293	(3,850)
Cash and cash equivalents, beginning balance	2,937	13,301
Cash and cash equivalents, ending balance	$ 18,230	$ 9,451

Supplementary Disclosures of Cash Flow Information

	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017
Cash paid during the period for:		
Interest on loan payable	$ 235	$ 135
Non-cash financing and investing activities:		
Asset retirement costs charged to mineral property interests	$ 349	$ 87
Mining equipment acquired through issuance of debt	$ 514	$ 2,481
Mineral property expenditures included in accounts payable	$ 165	$ 1,524
Non-cash finders' fee	$ -	$ 59
Non-cash amortization of discount and interest expense	$ 555	$ 286
Interest payable converted to principal balance	$ -	$ 296

See Accompanying Notes to Condensed Consolidated Interim Financial Statements

1. Nature of Business

Golden Queen Mining Co. Ltd. ("Golden Queen", "GQM Ltd." or 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").

2. Basis of Presentation and Going Concern

These unaudited condensed consolidated interim financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("US GAAP"). The accounting policies followed in preparing these condensed consolidated interim financial statements are those used by the Company as set out in the audited consolidated financial statements for the year ended December 31, 2017.

Certain information and note disclosures normally included for annual consolidated financial statements prepared in accordance with US GAAP have been omitted. These unaudited condensed consolidated interim financial statements should be read together with the audited consolidated financial statements of the Company for the year ended December 31, 2017.

In the opinion of Management, all adjustments considered necessary (including reclassifications and normal recurring adjustments) to present fairly the financial position, results of operations and cash flows as at March 31, 2018 and for all periods presented, have been included in these unaudited condensed consolidated interim financial statements. The interim results are not necessarily indicative of results for the full year ending December 31, 2018, or future operating periods. For further information, see the Company's annual consolidated financial statements, including the accounting policies and notes thereto.

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

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

The Company is required to pay the following to the Clay Group on the following dates: : $1.7 million of interest and principal on April 1, 2017 (paid); $1.7 million of interest and principal on July 1, 2018; $1.7 million of interest and principal on and October 1, 2018, $1.7 million of interest and principal on January 1, 2019, $3.9 million of interest and principal on April 1, 2019 and $21.7 million of interest and principal on May 21, 2019. Management believes the Company will meet its financial obligations for the 12 months period following the date of these financial statements. However, it is currently unlikely the Company can reimburse the final payment on May 21, 2019. The Company will need to receive cash distributions from GQM LLC to service its debt and such distributions are contingent on GQM LLC's ability to generate positive cash flows. The Company reviewed the mine plan in light of the three months ended March 31, 2018 results and has determined it is unlikely it will receive sufficient distributions from GQM LLC during this fiscal year to service its debt in early 2019. This situation raises substantial doubt about the Company's ability to continue as a going concern. Consequently, later in 2018, discussions with the Clay Group to restructure the reimbursement of the last debt payment will be initiated. While the Company has been successful in re-negotiating the debt repayment terms with the Clay Group in the past, there can be no assurance that will be achieved going forward.

2. Basis of Presentation and Going Concern (continued)

The Company's access to the net assets of GQM LLC is determined by the Board of Managers of GQM LLC. The Board of Managers is not controlled by the Company and therefore there is no guarantee that any access to the net assets of GQM LLC would be provided to the Company in order to continue as a going concern. The Board of Managers of GQM LLC determine when and if distributions from GQM LLC are made to the holders of its membership units at their sole discretion.

The unaudited condensed consolidated interim financial statements do not reflect adjustments to the carrying values of the assets and liabilities, the reported revenues and expenses, and the balance sheet classifications used, that would be necessary if the company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

3. Summary of Accounting Policies and Estimates and Judgements

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates and judgements have been made by Management in several areas including the accounting for the joint venture transaction and determination of the temporary and permanent non-controlling interest, the recoverability of mineral properties interests, royalty obligations, inventory valuation, asset retirement obligations, and derivative liability – warrants. Actual results could differ from those estimates.

New Accounting Pronouncements

(i) In May 2014, ASU 2014-09 was issued related to revenue from contracts with customers. The ASU was further amended in August 2015, March 2016, April 2016, and May 2016 by ASU 2015-14, 2016-08, 2016-10 and 2016-12. The new standard provides a five-step approach to be applied to all contracts with customers and also requires expanded disclosures about revenue recognition.

The Company has completed its assessment of the impact of the new revenue standard on the Company's consolidated financial statements and disclosures. The Company has completed the review of all contracts and determined that the adoption of this guidance will not materially impact amounts and timing of revenue recognition. The Company's revenue arises from contracts with customers in which the delivery of doré is the single performance obligation under the customer contract. Product pricing is determined at the point when contract is created by reference to active and freely traded commodity markets, for example, the London Bullion Market for both gold and silver. The Company enters into the contracts with parties who have an ability and intention to meet its obligations with respect to consideration payment, thus ensuring the collectability of such consideration. These contracts are not modified and contain no variable consideration.

(ii) In February 2016, FASB issued ASC 842 that requires lessees to recognize lease assets and corresponding lease liabilities on the balance sheet for all leases with terms of more than 12 months. The update, which supersedes existing lease guidance, will continue to classify leases as either finance or operating, with the classification determining the pattern of expense recognition in the income statement.

The ASU will be effective for annual and interim periods beginning January 1, 2019, with early adoption permitted, and is applicable on a modified retrospective basis with various optional practical expedients. The Company is assessing the impact of this standard.

(iii) In August 2016, ASC guidance was issued to amend the classification of certain cash receipts and cash payments in the statement of cash flows. The new guidance is effective for the Company's fiscal year and interim periods beginning after December 15, 2017. The Company adopted the guidance effective January 1, 2018 and has retrospectively applied this guidance for all periods presented. There is no material impact from adoption of this guidance.

(amounts expressed in thousands of US dollars, except shares amounts - Unaudited)

4. *Inventories*

Inventories consist primarily of production from the Company's operation, in varying stages of the production process and supplies and spare parts, all of which are presented at the lower of cost or net realizable value. For the three months ended March 31, 2018, the Company directly expensed $4.5 million of costs to ensure inventory was recognized at net realizable value. Inventories of the Company are comprised of:

	March 31, 2018	December 31, 2017
Stockpile inventory	$ 251	$ 201
In-process inventory	7,123	6,495
Dore inventory	461	320
Supplies and spare parts	2,093	2,012
	$ 9,928	$ 9,028

5. *Property, Plant, Equipment and Mineral Interests*

	Land	Mineral property interest and claims	Mine development	Machinery and equipment	Buildings and infrastructure	Construction in progress	Interest capitalized	Total
Cost								
At December 31, 2016	**$3,893**	**$ 4,241**	**$ 42,033**	**$ 60,201**	**$ 28,604**	**$ 543**	**$ 5,886**	**$145,401**
Additions	98	817	354	17	-	19,597	-	20,883
Transfers	-	222	8,625	11,239	-	(20,086)	-	-
Disposals	(22)	-	(239)	(1,391)	(207)	-	-	(1,859)
At December 31, 2017	**$3,969**	**$ 5,280**	**$ 50,773**	**$ 70,066**	**$ 28,397**	**$ 54**	**$ 5,886**	**$164,425**
Additions	39	-	350	-	-	2,380	-	2,769
Transfers	-	-	-	1,190	-	(1,190)	-	-
Disposals	-	-	-	-	-	-	-	-
At March 31, 2018	**$4,008**	**$ 5,280**	**$ 51,123**	**$ 71,256**	**$ 28,397**	**$ 1,244**	**$ 5,886**	**$167,194**
Accumulated depreciation and depletion								
At December 31, 2016	**$ -**	**$ 67**	**$ 971**	**$ 7,129**	**$ 2,679**	**$ -**	**$ 5**	**$ 10,851**
Additions	-	261	2,444	6,489	2,358	-	466	12,018
Disposals	-	-	-	(265)	(27)	-	-	(292)
At December 31, 2017	**$ -**	**$ 328**	**$ 3,415**	**$ 13,353**	**$ 5,010**	**$ -**	**$ 471**	**$ 22,577**
Additions	-	42	407	1,847	582	-	98	2,976
Disposals	-	-	-	-	-	-	-	-
At March 31, 2018	**$ -**	**$ 370**	**$ 3,822**	**$ 15,200**	**$ 5,592**	**$ -**	**$ 569**	**$ 25,553**
Carrying values								
At December 31, 2017	**$3,969**	**$ 4,952**	**$ 47,358**	**$ 56,713**	**$ 23,387**	**$ 54**	**$ 5,415**	**$141,848**
At March 31, 2018	**$4,008**	**$ 4,910**	**$ 47,301**	**$ 56,056**	**$ 22,805**	**$ 1,244**	**$ 5,317**	**$141,641**

6. *Loan Payable*

As at March 31, 2018 and December 31, 2017, equipment financing balances are as follows:

	March 31, 2018	December 31, 2017
Balance, beginning of the year	$ 17,243	$ 15,150
Additions	654	10,727
Principal repayments	(1,898)	(6,192)
Down payments and taxes	(140)	(1,839)
Settlements	-	(603)
Balance, end of the year	$ 15,859	$ 17,243
Current portion	$ 7,709	$ 7,629
Non-current portion	$ 8,150	$ 9,614

(amounts expressed in thousands of US dollars, except shares amounts - Unaudited)

6. *Loan Payable (continued)*

The terms of the equipment financing agreements are as follows:

	March 31, 2018	December 31, 2017
Total acquisition costs	$ 37,690	$ 35,692
Interest rates	0.00% ~ 4.50%	0.00% ~ 4.50%
Monthly payments	$ 5 ~ 74	$ 5 ~ 74
Average remaining life (years)	1.91	2.13

For the three months ended March 31, 2018, the Company made total down payments of $140 (December 31, 2017 – $1,839). The down payments consist of the sales tax on the assets and a 10% payment of the pre-tax purchase price. All of the loan agreements are for a term of four years, except two which are for three years, and are secured by the underlying asset.

The following table outlines the principal payments to be made for each of the remaining years:

Years	Principal Payments
2019	$ 7,709
2020	4,748
2021	2,523
2022	879
Total	$ 15,859

7. *Derivative Liabilities*

Share Purchase Warrants – Clay loans (Related Party (see Note 12 (ii))

On June 8, 2015, the Company issued 10,000,000 share purchase warrants to the Clay Group (the “June 2015 Warrants”) in connection with the June 2015 Loan. On February 22, 2018, the Company completed a rights offering at a share price lower than the original exercise price of $0.95 of the June 2015 Warrants. As per an anti-dilution provision included in the June 2015 Loan agreement, the exercise price of the June 2015 Warrants was revised to $0.7831 on the rights offering completion date. The expiry date of June 8, 2020 of the June 2015 Warrants remains unchanged.

On November 18, 2016, the Company issued 8,000,000 share purchase warrants to the Clay Group (the “November 2016 Warrants”) in connection with the November 2016 Loan. On February 22, 2018, the Company completed a rights offering at a share price lower than the original exercise price of $0.85 of the November 2016 Warrants. As per an anti-dilution provision included in the November 2016 Loan agreement, the exercise price of the November 2016 Warrants was revised to $0.6650 on the rights offering completion date. The expiry date of November 18, 2021 of the November 2016 Warrants remains unchanged.

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

The fair value of the derivative liabilities related to the Clay Group share purchase warrants as at March 31, 2018 is $303 (December 31, 2017 – $441). The derivative liabilities were calculated using the binomial and the Black-Scholes pricing valuation models with the following assumptions:

Warrants related to June 2015 Loan	March 31, 2018	December 31, 2017
Risk-free interest rate	1.88%	1.73%
Expected life of derivative liability	2.19 years	2.44 years
Expected volatility	69.63%	78.59 %
Dividend rate	0.00%	0.00 %

(amounts expressed in thousands of US dollars, except shares amounts - Unaudited)

7. *Derivative Liabilities (continued)*

Warrants related to November 2016 Loan	March 31, 2018	December 31, 2017
Risk-free interest rate	1.88%	1.73%
Expected life of derivative liability	3.65 years	3.89 years
Expected volatility	75.16%	75.69%
Dividend rate	0.00%	0.00%

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

		March 31, 2018		December 31, 2017
Balance, beginning of the period	$	439	$	5,458
Change in fair value		(137)		(5,019)
Balance, end of the period	$	302	$	439

Share Purchase Warrants

On July 25, 2016, the Company issued a total of 6,317,700 share purchase warrants with an exercise price of C$2.00 and an expiry date of July 25, 2019. As at March 31, 2018, the Company re-measured the share purchase warrants and determined the fair value of the derivative liability to be $1.

8. *Asset Retirement Obligations*

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 (2017 – $90). Golden Queen 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%.

(amounts expressed in thousands of US dollars, except shares amounts - Unaudited)

8. Asset Retirement Obligations (continued)

Asset Retirement Obligation (continued)

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

9. Share Capital

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

Common shares

On January 17, 2017, the Company issued 100,000 shares for a total of $59 as finder fees which were recognized in general and administrative expenses in connection with the declaration of commercial production in December 2016.

On February 22, 2018, the Company closed a rights offering and issued 188,952,761 shares for total gross proceeds of $25,036. The Company paid associated fees of $668 which were classified as share issue costs.

Stock options

The Company's current stock option plan (the "Plan") was adopted by the Company in 2013 and approved by shareholders of the Company in 2013. The Plan provides a fixed number of 7,200,000 common shares of the Company that may be issued pursuant to the grant of stock options. The exercise price of stock options granted under the Plan shall be determined by the Company's Board of Directors (the "Board") but shall not be less than the volume-weighted, average trading price of the Company's shares on the Toronto Stock Exchange ("TSX") for the five (5) 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 (5) years. The Plan provides that the expiry date of the vested portion of a stock option will be the earlier of the date so fixed by the Board at the time the stock option is awarded and the early termination date (the "Early Termination Date").

The Early Termination Date will be the date the vested portion of a stock option expires following the option holder ceasing to be a director, employee or consultant, as determined by the Board at the time of grant, or in the absence thereof at any time prior to the time the option holder ceases to be a director, employee or consultant, in accordance with and subject to the provisions of the Plan. All options granted under the 2013 Plan will be subject to such vesting requirements as may be prescribed by the TSX, if applicable, or as may be imposed by the Board.

The Company has elected to use the Black-Scholes option pricing model to determine the fair value of stock options granted. The compensation expense is amortized on a straight-line basis over the requisite service period, which approximates the vesting period.

(amounts expressed in thousands of US dollars, except shares amounts - Unaudited)

9. *Share Capital (continued)*

Stock options (continued)

The following is a summary of stock option activity during the three months ended March 31, 2018:

	Shares		Weighted Average Exercise Price per Share
Options outstanding, December 31, 2016	1,555,000	$	0.85
Options granted	1,605,001	$	0.38
Options forfeited	(166,667)	$	0.64
Options expired	(393,333)	$	1.13
Options outstanding, December 31, 2017 and March 31, 2018	2,600,001	$	0.54

On March 14, 2017, the former CFO of the Company resigned. 146,667 stock options were forfeited on this date as they did not meet the vesting conditions. Accordingly, the share-based compensation associated with the unvested stock options was reversed. The expiry date of 393,333 stock options that had vested was modified to June 14, 2017 pursuant to the terms of the employment agreement. These stock options were not exercised, thus expired during the year ended December 31, 2017.

On March 20, 2017, the Company granted 400,002 options to the Company's Chief Financial Officer ("CFO") which are exercisable at a price of $0.65 for a period of five years from the date of grant. 133,334 options vest on March 20, 2018, 133,334 options vest on March 20, 2019 and 133,334 options on March 20, 2020.

The fair value of stock options granted as above was calculated using the following weighted average assumptions:

	2017
Expected life (years)	5.00
Interest rate	1.18% ~ 1.70%
Volatility	77.29% ~ 79.17%
Dividend yield	0.00%

During the three months ended March 31, 2018, the Company recognized $45 (2017 – $34) in stock-based compensation relating to employee stock options that were issued and/or had vesting terms.

The following table summarizes information about stock options outstanding and exercisable as at March 31, 2018:

Expiry Date	Number Outstanding	Number Exercisable	Remaining Contractual Life (years)		Weighted Average Exercise Price
June 3, 2018	50,000	50,000	0.18	$	1.16
September 3, 2018	150,000	150,000	0.43	$	1.59
September 8, 2020	430,000	430,000	2.44	$	0.58
November 30, 2021	365,000	121,666	3.67	$	0.66
March 20, 2022	400,002	133,334	3.97	$	0.65
October 20, 2022	1,204,999	-	4.56	$	0.29
Balance, March 31, 2018	2,600,001	885,000	3.67	$	0.54

As at March 31, 2018, the aggregate intrinsic value of the outstanding exercisable options was $nil (December, 31, 2017 – $nil).

(amounts expressed in thousands of US dollars, except shares amounts - Unaudited)

9. *Share Capital (continued)*

Warrants

As at March 31, 2018, 24,317,700 warrants were outstanding (December 31, 2017 – 24,317,700).

The following table summarizes information about share purchase warrants outstanding:

Expiry Date	Number Outstanding	Remaining Contractual Life (years)		Exercise Price
June 8, 2020	10,000,000	2.19	$	0.7831
July 25, 2019 [(1)]	6,317,700	1.32	C$	2.0000
November 18, 2021	8,000,000	3.64	$	0.6650
Balance, March 31, 2018	24,317,700	2.44		

(1) Non-tradable share purchase warrants.

10. *General and Administrative Expenses*

General and administrative expenses are incurred to support the administration of the business that are not directly related to production. Significant components of general and administrative expenses are comprised of the following:

		Three Months Ended March 31, 2018		Three Months Ended March 31, 2017
Audit, legal and professional fees	$	240	$	288
Salaries and benefits and director fees		503		560
Regulatory fees and licenses		79		53
Insurance		139		133
Corporate administration		293		382
	$	1,254	$	1,416

11. *Loss Per Share*

		Three Months Ended March 31, 2018		Three Months Ended March 31, 2017
Numerator:				
Net loss attributable to the shareholders of the Company - numerator for basic and diluted loss per share	$	(6,050)	$	(2,426)
Denominator:				
Weighted average number of common shares outstanding -basic and diluted		188,829,263		111,080,008
Loss per share – basic and diluted	$	(0.03)	$	(0.02)

Weighted average number of shares for the three months ended March 31, 2018 excludes 2,600,001 options (December 31, 2017 – 2,600,001) and 24,317,700 warrants (December 31, 2017 – 24,317,700) that were antidilutive.

(amounts expressed in thousands of US dollars, except shares amounts - Unaudited)

12. Related Party Transactions

Except as noted elsewhere in these consolidated financial statements, 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 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"). This amendment was accounted for as a debt modification.

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	$ 25,942	$ 30,099
Current portion	$ 4,000	$ 7,712
Non-current portion	$ 21,942	$ 22,387

(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 (1)	235	135

(amounts expressed in thousands of US dollars, except shares amounts - Unaudited)

12. Related Party Transactions (continued)

(iii) Amortization of Discounts and Interest Expense (continued)

Accretion of discount and interest on loan	$	1,533	$	1,047

(1) 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 Transaction

The Company has presented Gauss' ownership in GQM LLC as a non-controlling interest amount on the balance sheet within the equity section. However, there are terms in the agreement that provide for the exit from the investment in GQM LLC for an initial member whose interest in GQM LLC becomes less than 20%.

If a member becomes less than a 20% interest holder, its remaining interest will (ultimately) be terminated through one of 3 events at the non-diluted member's option:

a. Through conversion to a net smelter royalty ("NSR");
b. Through a buy-out (at fair value) by the non-diluted member; or
c. Through a sale process by which the diluted member's interest is sold.

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	$	133,777	$	121,071

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.

Non-Controlling Interest

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

		Three Months Ended March 31, 2018		Three Months Ended March 31, 2017
Net and comprehensive loss in GQM LLC	$	(7,294)	$	(779)
Non-controlling interest percentage		50%		50%
Net and comprehensive loss attributable to non-controlling interest	$	(3,646)	$	(390)
Net and comprehensive loss attributable to permanent non-controlling interest	$	(2,188)	$	(234)
Net and comprehensive loss attributable to temporary non-controlling interest	$	(1,458)	$	(156)

		Permanent Non-Controlling Interest		Temporary Non-Controlling Interest
Carrying value of non-controlling interest, December 31, 2016	$	39,326	$	26,219
Net and comprehensive loss for the year		(3,005)		(2,005)

(amounts expressed in thousands of US dollars, except shares amounts - Unaudited)

12. Related Party Transactions (continued)

Non-Controlling Interest (continued)

Carrying value of non-controlling interest, December 31, 2017	$	36,321	$	24,214
Capital contribution		10,000		-
Net and comprehensive loss for the period		(2,188)		(1,458)
Carrying value of non-controlling interest, March 31, 2018	$	44,133	$	22,756

(v) Credit Facility

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.

13. Commitments and Contingencies

Royalties

The Company has acquired a number of mineral property interests outright. It has acquired exclusive rights to explore, develop and mine other portions of the Mine under various mining lease agreements with landowners. Royalty amounts due to each landholder over the life of the Mine vary with each property.

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 mine, and cause changes or delays in the Company's activities.

Corporate Guaranties

The Company has provided corporate guaranties for two of GQM LLC's mining drill loans. The Company has also provided a corporate guaranty for GQM LLC's surety bonds.

14. 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).

(amounts expressed in thousands of US dollars, except shares amounts - Unaudited)

14. Financial Instruments (continued)

Fair Value Measurements (continued)

	March 31, 2018			
	Total	Level 1	Level 2	Level 3
Liabilities:				
Share purchase warrants – Related Party (see Note 8)	$ 302	$ -	$ 302	$ -
Share purchase warrants – (see Note 8)	1	-	1	-
	$ 303	$ -	$ 303	$ -

	December 31, 2017			
	Total	Level 1	Level 2	Level 3
Liabilities:				
Share purchase warrants – Related Party (see Note 8)	$ 439	$ -	$ 439	$ -
Share purchase warrants – (see Note 8)	2	-	2	-
	$ 441	$ -	$ 441	$ -

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 use observable inputs in option price models such as the binomial and the Black-Scholes valuation models.

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 in bank accounts with major financial institutions with high credit standings. Cash deposits held in the United States are insured by the Federal Deposit Insurance Corporation ("FDIC") for up to $250 and Canadian Dollar cash deposits held in Canada are insured by the Canada Deposit Insurance Corporation ("CDIC") for up to C$100.

Certain United States and Canadian bank accounts held by the Company exceed these federally insured limits or are uninsured as they relate to US Dollar deposits held in Canadian financial institutions. As at March 31, 2018, the Company's cash balances held in United States and Canadian financial institutions include $17,880, which are not fully 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 approximately 55% of its cash in bank deposit accounts with a single major financial institution. The interest rates received on these balances may fluctuate with changes in economic conditions. Based on the average cash balances during the three months ended March 31, 2018, a 1% decrease in interest rates would have reduced the interest income for the three months ended March 31, 2018, by an immaterial amount.

Foreign Currency Exchange Risk

Certain purchases of corporate overhead items are denominated in Canadian Dollar. As a result, currency exchange fluctuations may impact the costs of operations. Specifically, the appreciation of the Canadian Dollar against the US Dollar may result in an increase in the Canadian operating expenses in US dollar terms. As at March 31, 2018, the Company maintained the majority of its cash balance in US Dollars. The Company currently does not engage in any currency hedging activities.