

**Golden Queen Mining Consolidated Ltd.
(formerly “Golden Queen Mining Co. Ltd.”)
Condensed Consolidated Interim Financial Statements
June 30, 2019**

(US dollars – Unaudited)

GOLDEN QUEEN MINING CONSOLIDATED LTD.
(formerly “Golden Queen Mining Co. Ltd.”)
Condensed Consolidated Interim Balance Sheets
(amounts expressed in thousands of US dollars - Unaudited)

| | June 30, 2019 | December 31, 2018 |
|--|------------------|----------------------|
| Assets | | |
| Current assets: | | |
| Cash | \$ 4,711 | \$ 5,725 |
| Inventories (Note 5) | - | 25,031 |
| Prepaid expenses and other current assets | 190 | 467 |
| Total current assets | 4,901 | 31,223 |
| Restricted cash (Note 6) | - | 1,005 |
| Deferred financing cost | - | 3,314 |
| Property, plant, equipment and mineral interests (Note 7) | - | 135,818 |
| Advance minimum royalties | - | 497 |
| Inventories (Note 5) | - | 6,913 |
| Total Assets | \$ 4,901 | \$ 178,770 |
| Liabilities and Shareholders’ Equity | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | \$ 306 | \$ 6,899 |
| Interest payable | - | 773 |
| Current portion of note payable (Note 14(ii)) | - | 24,690 |
| Current portion of loan payable (Note 8) | - | 6,578 |
| Derivative liabilities (Note 8) | 3 | 3,390 |
| Total current liabilities | 309 | 42,330 |
| Credit facility | - | 5,000 |
| Loan payable (Note 8) | - | 5,622 |
| Asset retirement obligation (Note 10) | - | 2,497 |
| Deferred tax liability | - | 8,588 |
| Total liabilities | 309 | 64,037 |
| Temporary Equity | | |
| Redeemable portion of non-controlling interest (Note 14(iv)) | - | 24,286 |
| Shareholders’ Equity | | |
| Common shares, no par value, unlimited shares authorized (2018 - unlimited); 12,192,573 (2018 – 30,010,146) shares issued and outstanding (Note 11) | 38,830 | 95,575 |
| Additional paid-in capital | 97,521 | 44,002 |
| Commitment to issue shares (Notes 4 and 16) | 250 | - |
| Deficit accumulated | (132,009) | (95,559) |
| Total shareholders’ equity attributable to GQM Ltd. | 4,592 | 44,018 |
| Non-controlling interest (Note 14(iv)) | - | 46,429 |
| Total Shareholders’ Equity | 4,592 | 90,447 |
| Total Liabilities, Temporary Equity and Shareholders’ Equity | \$ 4,901 | \$ 178,770 |

Subsequent Events (Note 16)

Approved by the Directors:

“Paul M. Blythe”

Paul M. Blythe, Director

“Bryan A. Coates”

Bryan A. Coates, Director

See Accompanying Notes to the Condensed Consolidated Interim Financial Statements

GOLDEN QUEEN MINING CONSOLIDATED LTD.
(formerly “Golden Queen Mining Co. Ltd.”)
Condensed Consolidated Interim Statements of Loss and Comprehensive Loss
(amounts expressed in thousands of US dollars, except shares amounts - Unaudited)

| | Three Months Ended June 30, 2019 | Three Months Ended June 30, 2018 | Six Months Ended June 30, 2019 | Six Months Ended June 30, 2018 |
|--|--|--|---|---|
| Revenues | | | | |
| Sales | \$ 9,542 | \$ 14,485 | \$ 26,521 | \$ 24,070 |
| Cost of Sales | | | | |
| Direct mining costs | (7,309) | (8,130) | (19,593) | (21,146) |
| Depreciation and depletion (Note 7) | <u>(1,522)</u> | <u>(3,364)</u> | <u>(4,140)</u> | <u>(6,340)</u> |
| Income (loss) from mine operations | 711 | 2,991 | 2,788 | (3,416) |
| General and administrative expenses (Note 12) | <u>(2,430)</u> | <u>(879)</u> | <u>(4,262)</u> | <u>(2,133)</u> |
| Operating (loss) income | <u>(1,719)</u> | <u>2,112</u> | <u>(1,474)</u> | <u>(5,549)</u> |
| Other income (expenses) | | | | |
| Gain (loss) on derivative instruments (Note 9) | (127) | (70) | (277) | 68 |
| Finance expense (Note 14 (iii)) | (1,349) | (1,441) | (3,769) | (2,974) |
| Loss on sale of subsidiaries (Note 4) | (31,354) | - | (31,354) | - |
| Interest income | 38 | 37 | 111 | 72 |
| Other expenses | <u>-</u> | <u>(34)</u> | <u>-</u> | <u>(76)</u> |
| Total other income (expenses) | <u>(32,792)</u> | <u>(1,508)</u> | <u>(35,289)</u> | <u>(2,910)</u> |
| Net and comprehensive (loss) income for the period | \$ (34,511) | \$ 604 | \$ (36,763) | \$ (8,459) |
| Less: Net and comprehensive (income) loss attributable to the non-controlling interest for the period (Note 14 (iv)) | <u>361</u> | <u>(1,236)</u> | <u>313</u> | <u>2,410</u> |
| Net and comprehensive loss attributable to Golden Queen Mining Co Ltd. for the period | <u>\$ (34,150)</u> | <u>\$ (632)</u> | <u>\$ (36,450)</u> | <u>\$ (6,049)</u> |
| Loss per share – basic and diluted (Note 13) | <u>\$ (1.54)</u> | <u>\$ (0.02)</u> | <u>\$ (1.40)</u> | <u>\$ (0.25)</u> |
| Weighted average number of common shares outstanding – basic and diluted | <u>22,178,244</u> | <u>30,010,144</u> | <u>26,072,559</u> | <u>24,477,273</u> |

See Accompanying Notes to the Condensed Consolidated Interim Financial Statements

GOLDEN QUEEN MINING CONSOLIDATED LTD.
(formerly “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 - Unaudited)

| | Common shares | Amount | Additional Paid-in Capital | Commitment to Issue Shares | Deficit Accumulated | Total Shareholders ' Equity attributable to GQM Ltd | Non- controlling Interest | Total Shareholders ' Equity | Redeemable Portion of Non- controlling Interest |
|--|-------------------|------------------|----------------------------------|----------------------------------|------------------------|---|---------------------------------|-----------------------------------|---|
| Balance, December 31, 2017 | 11,114,870 | \$ 71,126 | \$ 43,853 | \$ - | \$ (88,500) | \$ 26,479 | \$ 36,321 | \$ 62,800 | \$ 24,214 |
| Issuance of common shares (Note 11) | 18,895,276 | 24,368 | - | - | - | 24,368 | - | 24,368 | - |
| Capital contribution from non-controlling interest | - | - | - | - | - | - | 10,000 | 10,000 | - |
| Stock-based compensation | - | - | 80 | - | - | 80 | - | 80 | - |
| Net loss for the period | - | - | - | - | (6,049) | (6,049) | (1,446) | (7,495) | (964) |
| Balance, June 30, 2018 | 30,010,146 | \$ 95,494 | \$ 43,933 | \$ - | \$ (94,549) | \$ 44,878 | \$ 44,875 | \$ 89,753 | \$ 23,250 |
| Balance, December 31, 2018 | 30,010,146 | \$ 95,575 | \$ 44,002 | \$ - | \$ (95,559) | \$ 44,018 | \$ 46,429 | \$ 90,447 | \$ 24,286 |
| Sale of subsidiaries (Note 4) | - | - | - | - | - | - | (46,241) | (46,241) | (24,161) |
| Return to treasury (Note 4) | (17,817,573) | (56,745) | 53,423 | - | - | (3,322) | - | (3,322) | - |
| Commitment to issue shares (Notes 4 and 16) | - | - | - | 250 | - | 250 | - | 250 | - |
| Stock-based compensation | - | - | 96 | - | - | 96 | - | 96 | - |
| Net loss for the period | - | - | - | - | (36,450) | (36,450) | (188) | (36,638) | (125) |
| Balance, June 30, 2019 | 12,192,573 | \$ 38,830 | \$ 97,521 | \$ 250 | \$ (132,009) | \$ 4,592 | \$ - | \$ 4,592 | \$ - |

See Accompanying Notes to the Condensed Consolidated Interim Financial Statements

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

| | Six Months Ended June 30, 2019 | Six Months Ended June 30, 2018 |
|---|---|---|
| Operating Activities | | |
| Net loss for the period | \$ (36,763) | \$ (8,459) |
| Adjustment to reconcile net loss to cash used in operating activities: | | |
| Depreciation and depletion | 4,071 | 6,340 |
| Amortization of debt discount and interest accrual | 2,165 | 1,124 |
| Accretion expense | 69 | 83 |
| Change in fair value of derivative liabilities (Note 9) | 277 | (68) |
| Stock based compensation | 96 | 80 |
| Unrealized foreign exchange gain | 43 | (37) |
| Transaction fee paid in shares (Note 4) | 250 | - |
| Loss on sale of subsidiaries (Note 4) | 31,354 | - |
| Changes in non-cash working capital items: | | |
| Prepaid expenses & other current assets | (423) | (93) |
| Inventory | (8,196) | (8,080) |
| Accounts payable & accrued liabilities | 1,368 | (1,598) |
| Interest payable | 900 | - |
| Cash used in operating activities | (4,789) | (10,708) |
| Investment activities: | | |
| Additions to property, plant, equipment and mineral interests | (2,919) | (2,394) |
| Cash disposed of on sale of subsidiaries, net of cash received (Note 4) | (1,115) | - |
| Cash used in investing activities | (4,034) | (2,394) |
| Financing activity: | | |
| Issuance of common shares (Note 11) | - | 24,368 |
| Proceeds from credit facility | 10,000 | - |
| Repayment of credit facility | - | (3,000) |
| Repayments of loan payable (Note 8) | (3,196) | (3,954) |
| Repayments of note payable and accrued interest (Note 14(ii)) | - | (6,711) |
| Capital contribution from non-controlling interest | - | 10,000 |
| Cash generated from financing activities | 6,804 | 20,703 |
| Net change in cash, cash equivalents and restricted cash | (2,019) | 7,601 |
| Cash, cash equivalents and restricted cash, beginning balance | 6,730 | 2,937 |
| Cash, cash equivalents and restricted cash, ending balance | \$ 4,711 | \$ 10,538 |

Supplementary Disclosure of Cash Flow Information

| | Six Months Ended June 30, 2019 | Six Months Ended June 30, 2018 |
|--|---|---|
| Cash paid during the period for: | | |
| Interest on loan and note payable | \$ 221 | \$ 401 |
| Non-cash financing and investing activities: | | |
| Asset retirement costs charged to mineral property interests | \$ 417 | \$ 575 |
| Mining equipment acquired through issuance of debt | \$ - | \$ 3,113 |
| Mineral property expenditures included in accounts payable | \$ - | \$ 100 |
| Extension fee added to principal balance | \$ 75 | \$ - |
| Non-cash amortization of discount and interest expense | \$ 2,165 | \$ 1,124 |

See Accompanying Notes to the Condensed Consolidated Interim Financial Statements

GOLDEN QUEEN MINING CONSOLIDATED LTD.
(formerly “Golden Queen Mining Co. Ltd.”)
Notes to the Condensed Consolidated Interim Financial Statements
For the Six Months Ended June 30, 2019 and 2018
(amounts expressed in thousands of US dollars, except share amounts - Unaudited)

1. Nature of Business

Golden Queen Mining Consolidated Ltd. (“Golden Queen”, “GQM Ltd.” or the “Company”) was engaged in the operation of the Soledad Mountain Mine (“the Mine”), located in the Mojave Mining District, Kern County, California. The Company owned 50% of Golden Queen Mining Company, LLC (“GQM LLC”), the operator of the Mine. The remaining 50% was owned by Gauss LLC (“Gauss”). On May 22, 2019, the Company completed the sale of its subsidiaries including its interest in GQM LLC (Note 4). On July 26, 2019, the Company changed its name from “Golden Queen Mining Co. Ltd.” to “Golden Queen Mining Consolidated Ltd.”.

2. Basis of Presentation

These unaudited condensed consolidated interim financial statements have been prepared in accordance with accounting principles generally accepted in the United States (“US GAAP”) applicable to going concern. 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, 2018 other than noted below.

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, 2018.

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 June 30, 2019 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, 2019, or future operating periods.

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 derivative liability – warrants. Actual results could differ from those estimates.

New Accounting Pronouncements

Adopted

- (i) 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 was effective for annual and interim periods beginning January 1, 2019 and is applicable on a modified retrospective basis. The Company adopted the guidance effective January 1, 2019 and has applied the guidance on a modified retrospective basis. There was an immaterial impact on the financial statements from the adoption of this guidance.

4. Sale of Subsidiaries

On February 7, 2019, the Company entered into a binding share purchase agreement with a group of purchasers including Thomas M. Clay and certain members of the Clay family and associated entities (the “Purchaser”), whereby the Purchaser would acquire 100% of the Company’s 50% ownership interest in the Soledad Mountain Project (the “Transaction”).

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4. Sale of Subsidiaries (continued)

The Transaction was subject to the approval of the shareholders of the Company. The shareholders voted for the Transaction at the Annual General and Special meeting held on May 13, 2019. On May 22, 2019, the Transaction closed.

The consideration from the Purchasers was comprised of (1) \$4.25 million in cash; (2) the extinguishment of all amounts owing to the Purchasers by the Company under Clay Group Loan (Note 14(ii)); and (3) the cancellation of all of the Purchasers’ ownership interest in the Company (consisting of 17,817,573 Shares, 45,750 options and 1,800,000 share purchase warrants). In addition, the Purchasers may pay a contingent payment to the Company if the Soledad Mountain Project is subsequently sold or transferred to a third party in certain circumstances.

The Company incurred \$977 of costs relating to the Transaction during the six months ended June 30, 2019, including 1,339,694 common shares issued as a financial advisory fee. The common shares were recorded at the fair value of \$250 and included in commitment to issue shares as at June 30, 2019. Subsequent to June 30, 2019, the Company issued the 1,339,694 common shares to the financial advisor.

Proceeds:

| | | |
|---|----|-----------------|
| Cash | \$ | 4,250 |
| 17,817,573 shares returned to treasury at the fair value of C\$0.25 per share | | 3,322 |
| Clay Group Loan principal (Note 14 (ii)) | | 25,700 |
| Clay Group Loan interest payable (Note 14 (ii)) | | 1,700 |
| Clay Group Share Purchase Warrants (Note 9) | | 79 |
| | | <u>35,051</u> |
| Book value of net assets disposed of | | 136,807 |
| Redeemable portion of non-controlling interest | | (24,161) |
| Non-controlling interest | | <u>(46,241)</u> |
| | | 66,405 |
| Loss on sale of subsidiaries | \$ | <u>(31,354)</u> |

The excess book value of the shares over the fair market value of the shares on May 22, 2019 of \$53,423 was allocated to additional paid-in capital.

5. Inventories

Inventories consisted primarily of production from the Company’s operation, in varying stages of the production process and supplies and spare parts, all of which were presented at the lower of cost or net realizable value. Inventories of the Company were comprised of:

| | June 30, 2019 | December 31, 2018 |
|--------------------------|------------------|----------------------|
| Stockpile inventory | \$ - | \$ 6,913 |
| In-process inventory | - | 21,607 |
| Dore inventory | - | 761 |
| Supplies and spare parts | - | 2,663 |
| | <u>\$ -</u> | <u>\$ 31,944</u> |
| Current portion | \$ - | \$ 25,031 |
| Non-current portion | <u>\$ -</u> | <u>\$ 6,913</u> |

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8. Loan Payable

As at June 30, 2019 and December 31, 2018, equipment financing balances are as follows:

| | June 30, 2019 | December 31, 2018 |
|----------------------------------|------------------|----------------------|
| Balance, beginning of the period | \$ 12,200 | \$ 17,243 |
| Additions | - | 3,751 |
| Principal repayments | (3,196) | (8,156) |
| Down payments and taxes | - | (638) |
| Sale of subsidiaries | (9,004) | - |
| Balance, end of the period | <u>\$ -</u> | <u>\$ 12,200</u> |
| Current portion | \$ - | \$ 6,578 |
| Non-current portion | <u>\$ -</u> | <u>\$ 5,622</u> |

9. Derivative Liabilities

Share Purchase Warrants

The Company had 1,000,000 share purchase warrants outstanding exercisable at \$7.831 per share and 800,000 share purchase warrants outstanding exercisable at \$6.65 per share (the “Clay Group share purchase warrants”). As part of the sale of subsidiaries, the Clay Group share purchase warrants were cancelled (Note 4).

The Company has an additional 631,770 share purchase warrants outstanding with an exercise price of C\$20.00 per share. 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 share purchase warrants as at June 30, 2019 was \$3 (December 31, 2018 – \$76). The derivative liabilities were calculated using the Black-Scholes pricing valuation model with the following weighted average assumptions:

| Warrants derivative liabilities | June 30, 2019 | December 31, 2018 |
|--|------------------|----------------------|
| Risk-free interest rate | 1.30% | 1.37% |
| Expected life of derivative liability | 0.07 years | 1.69 years |
| Expected volatility | 173.18% | 93.96 % |
| Dividend rate | <u>0.00%</u> | <u>0.00 %</u> |

GQM LLC Warrants

In connection with the 2018 Credit Facility, GQM LLC issued 21,486 warrants (the “GQM LLC Warrants”), with each warrant entitling the holder to purchase a unit of GQM LLC for a period of five (5) years at an exercise price of \$475.384 per unit. The warrants were classified as a derivative liability due to a clause in the warrant agreement that offers the warrant holders price protection. As part of the sale of subsidiaries, the GQM LLC Warrants were disposed of. The fair value of the derivative liabilities related to the warrants as at the date of sale of subsidiaries, May 22, 2019 was \$3,585 (December 31, 2018 - \$3,314). The derivative liability was calculated using the Black-Scholes pricing valuation model.

| GQM LLC Warrants derivative liability | May 22, 2019 | December 31, 2018 |
|--|-----------------|----------------------|
| Risk-free interest rate | 2.23% | 2.65% |
| Expected life of derivative liability | 4.60 years | 4.89 years |
| Expected volatility | 20.00% | 20.00 % |
| Dividend rate | <u>0.00%</u> | <u>0.00 %</u> |

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9. Derivative Liabilities (continued)

The change in the derivative liabilities is as follows:

| | June 30, 2019 | December 31, 2018 |
|----------------------------------|------------------|----------------------|
| Balance, beginning of the period | \$ 3,390 | \$ 441 |
| GQM LLC Warrants | - | 3,314 |
| Change in fair value | 195 | (365) |
| Sale of subsidiaries (Note 4) | (3,585) | - |
| Balance, end of the period | <u>\$ -</u> | <u>\$ 3,390</u> |

10. Asset Retirement Obligations

The following is a summary of asset retirement obligations:

| | June 30, 2019 | December 31, 2018 |
|----------------------------------|------------------|----------------------|
| Balance, beginning of the period | \$ 2,497 | \$ 1,838 |
| Accretion | 69 | 167 |
| Changes in cash flow estimates | 417 | 492 |
| Sale of subsidiaries (Note 4) | (2,983) | - |
| Balance, end of the period | <u>\$ -</u> | <u>\$ 2,497</u> |

11. 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 February 22, 2018, the Company closed a rights offering and issued 18,895,276 shares for total gross proceeds of \$25,036. The Company paid associated fees of \$587 which were classified as share issue costs.

On May 22, 2019, as part of the sale of subsidiaries (Note 4), 17,817,573 common shares were returned to treasury and cancelled.

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 720,000 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 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.

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11. Share Capital (continued)

Stock options (continued)

The following is a summary of stock option activity during the six months ended June 30, 2019 and the year ended December 31, 2018:

| | Shares | Weighted Average Exercise Price per Share |
|---|----------|---|
| Options outstanding, December 31, 2017 | 260,000 | \$ 5.37 |
| Options forfeited | (7,500) | \$ 2.90 |
| Options expired | (20,000) | \$ 14.83 |
| Options outstanding, December 31, 2018 | 232,500 | \$ 4.64 |
| Options cancelled on sale of subsidiaries | (45,750) | 4.39 |
| Options outstanding, June 30, 2019 | 186,750 | \$ 4.70 |

During the six months ended June 30, 2019, the Company recognized \$96 (2018 - \$80) in stock-based compensation relating to the vesting of employee stock options.

The following table summarizes information about stock options outstanding and exercisable as at June 30, 2019:

| Expiry Date | Number Outstanding | Number Exercisable | Remaining Contractual Life (years) | Exercise Price |
|-------------------|-----------------------|-----------------------|--|-------------------|
| September 8, 2020 | 32,250 | 32,250 | 1.19 | \$ 5.80 |
| November 30, 2021 | 26,500 | 17,666 | 2.42 | \$ 6.60 |
| March 20, 2022 | 40,000 | 26,667 | 2.72 | \$ 6.50 |
| October 20, 2022 | 88,000 | 29,333 | 3.31 | \$ 2.90 |
| | <u>186,750</u> | <u>105,916</u> | <u>2.69</u> | |

As at June 30, 2019, the aggregate intrinsic value of the outstanding exercisable options was \$nil (December 31, 2018 – \$nil).

Warrants

As at June 30, 2019, 631,770 warrants were outstanding (December 31, 2018 – 2,431,770). As part of the sale of subsidiaries, 1,800,000 Clay Group share purchase warrants were cancelled (Note 4).

The following table summarizes information about share purchase warrants outstanding as at June 30, 2019:

| Expiry Date | Number Outstanding | Remaining Contractual Life (years) | Exercise Price |
|------------------------------|-----------------------|--|-------------------|
| July 25, 2019 ⁽¹⁾ | 631,770 | 0.07 | C\$ 20.00 |

⁽¹⁾ Non-tradable share purchase warrants. Subsequent to June 30, 2019, these share purchase warrants expired unexercised.

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12. 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 June 30, 2019 | Three Months Ended June 30, 2018 | Six Months Ended June 30, 2019 | Six Months Ended June 30, 2018 |
|---|---|---|---|---|
| Audit, legal and professional fees | \$ 285 | \$ 169 | \$ 388 | \$ 409 |
| Salaries and benefits and director fees | 1,206 | 180 | 2,005 | 683 |
| Regulatory fees and licenses | 9 | 46 | 34 | 125 |
| Insurance | 99 | 144 | 270 | 283 |
| Transaction expenses (Note 4) | 524 | - | 990 | - |
| Corporate administration | 307 | 340 | 575 | 633 |
| | <u>\$ 2,430</u> | <u>\$ 879</u> | <u>\$ 4,262</u> | <u>\$ 2,133</u> |

13. Loss Per Share

| | Three Months Ended June 30, 2018 | Three Months Ended June 30, 2017 | Six Months Ended June 30, 2018 | Six Months Ended June 30, 2017 |
|--|---|---|---|---|
| Numerator: | | | | |
| Net loss attributable to the shareholders of the Company - numerator for basic and diluted | \$ (34,150) | \$ (632) | \$ (36,450) | \$ (6,049) |
| Denominator: | | | | |
| Weighted average number of common shares outstanding -basic and diluted | <u>22,178,244</u> | <u>30,010,144</u> | <u>26,072,559</u> | <u>24,477,273</u> |
| Loss per share – basic and diluted | <u>\$ (1.54)</u> | <u>\$ (0.02)</u> | <u>\$ (1.40)</u> | <u>\$ (0.25)</u> |

Weighted average number of shares for the six months ended June 30, 2019 excludes 1,867,501 options (December 31, 2018 – 2,325,001) and 6,317,700 warrants (December 31, 2018 – 24,317,700) that were antidilutive.

14. 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 and six months ended June 30, 2019, the Company recognized \$916 and \$1,277 (for the three and six months ended June 30, 2018 –\$104 and \$299) salaries and fees for Officers and Directors. Included in this compensation was \$758 of termination payments made to the CEO and the Corporate Secretary on completion of the Transaction.

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14. Related Party Transactions (continued)

(ii) Note Payable

As at December 31, 2018, The Company had a loan with the Clay Group with a principal balance of \$25,625 (the “Clay Group Loan”). The Clay Group Loan had principal and accrued interest due as follows: \$1.7 million of principal and accrued interest on January 1, 2019; \$3.9 million of principal and accrued interest on April 1, 2019; and the balance due on May 21, 2019. On December 27, 2018, the Company and the Clay Group agreed to amend the Clay Group Loan, extending the due date of \$1.7 million of principal as well as interest from the original due date of January 1, 2019 to February 1, 2019. An extension fee of \$125 was added to the principal amount owing. On February 1, 2019, the due date was extended to February 8, 2019 for an extension fee of \$75 that was added to the principal amount owing. On February 8, 2019, the due dates of principal and interest on the Clay Group Loan were extended until completion of the Transaction (Note 4). The amendments were accounted for as debt modifications. The Loan was settled as part of the Transaction (Note 4).

The following table summarizes activity on the notes payable:

| | June 30, 2019 | December 31, 2018 |
|--|------------------|----------------------|
| Balance, beginning of the year | \$ 24,690 | \$ 30,099 |
| Accretion of discount on loans | 568 | 2,040 |
| Capitalized financing, extension and legal fees | (75) | (125) |
| Extension fee added to principal | 75 | 125 |
| Accretion of capitalized financing, extension and legal fees | 442 | 262 |
| Repayment of loans and interest | - | (7,711) |
| Settled on sale of subsidiaries | (25,700) | - |
| Balance, end of the year | <u>\$ -</u> | <u>\$ 24,690</u> |

(iii) Amortization of Discounts and Interest Expense

The following table summarizes the amortization of discount and interest on loans:

| | Three Months Ended June 30, 2019 | Three Months Ended June 30, 2018 | Six Months Ended June 30, 2019 | Six Months Ended June 30, 2018 |
|--|--|--|---|---|
| Accretion of the Clay Group Loan discount | \$ 42 | \$ 504 | \$ 568 | \$ 994 |
| Accretion of capitalized financing and legal fees | 177 | 66 | 442 | 130 |
| Amortization of deferred financing fees | 473 | - | 1,128 | - |
| Interest expense related to the Clay Group Loan | 390 | 695 | 1,048 | 1,409 |
| Interest expense related to the 2018 Credit Facility | 142 | - | 322 | - |
| Closing and commitment fees related to the Credit Facility | 13 | 10 | 40 | 40 |
| Interest expense related to Komatsu financial loans ⁽¹⁾ | 112 | 166 | 221 | 401 |
| Accretion of discount and interest on loan | <u>\$ 1,349</u> | <u>\$ 1,441</u> | <u>\$ 3,769</u> | <u>\$ 2,974</u> |

⁽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 was presented Gauss’ ownership in GQM LLC as a non-controlling interest amount on the balance sheet within the equity section. However, there were terms in the agreement that provided for the exit from the investment in GQM LLC for an initial member whose interest in GQM LLC becomes less than 20%.

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14. Related Party Transactions (continued)

(iv) Joint Venture Transaction (continued)

If a member became less than a 20% interest holder, its remaining interest would (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 May 22, 2019 (the date of sale of subsidiaries – Note 4) and December 31, 2018 were as follows:

| | May 22, 2019 | December 31, 2018 |
|----------------------|-------------------|----------------------|
| Assets, GQM LLC | \$ 179,353 | \$ 171,334 |
| Liabilities, GQM LLC | (38,547) | (29,904) |
| Net assets, GQM LLC | <u>\$ 140,806</u> | <u>\$ 141,430</u> |

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 June 30, 2019 | Three Months Ended June 30, 2018 | Six Months Ended June 30, 2019 | Six Months Ended June 30, 2018 |
|--|---|---|---|---|
| Net and comprehensive income (loss) in GQM LLC | \$ (721) | \$ 2,475 | \$ (626) | \$ (4,819) |
| Non-controlling interest percentage | <u>50%</u> | <u>50%</u> | <u>50%</u> | <u>50%</u> |
| Net and comprehensive income (loss) attributable to non-controlling interest | <u>\$ (361)</u> | <u>\$ 1,238</u> | <u>\$ (313)</u> | <u>\$ (2,410)</u> |
| Net and comprehensive income (loss) attributable to permanent non-controlling interest | \$ (217) | \$ 743 | \$ (188) | \$ (1,446) |
| Net and comprehensive income (loss) attributable to temporary non-controlling interest | <u>\$ (144)</u> | <u>\$ 495</u> | <u>\$ (125)</u> | <u>\$ (964)</u> |

| | Permanent Non-Controlling Interest | Temporary Non-Controlling Interest |
|---|--|--|
| Carrying value of non-controlling interest, December 31, 2017 | \$ 36,321 | \$ 24,214 |
| Capital contribution | 10,000 | - |
| Net and comprehensive income for the year | 108 | 72 |
| Carrying value of non-controlling interest, December 31, 2018 | \$ 46,429 | \$ 24,286 |
| Net and comprehensive income for the period | (188) | (125) |
| Sale of subsidiaries (Note 4) | <u>(46,241)</u> | <u>(24,161)</u> |
| Carrying value of non-controlling interest, June 30, 2019 | <u>\$ -</u> | <u>\$ -</u> |

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15. 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). |

| | June 30, 2019 | | | |
|---|-------------------|---------|----------|---------|
| | Total | Level 1 | Level 2 | Level 3 |
| Liabilities: | | | | |
| Share purchase warrants – derivative liabilities (Note 9) | \$ 3 | \$ - | \$ 3 | \$ - |
| | \$ 3 | \$ - | \$ 3 | \$ - |
| | | | | |
| | December 31, 2018 | | | |
| | Total | Level 1 | Level 2 | Level 3 |
| Liabilities: | | | | |
| Share purchase warrants – derivative liabilities (Note 9) | \$ 76 | \$ - | \$ 76 | \$ - |
| GQM LLC Warrants (Note 9) | 3,314 | - | 3,314 | - |
| | \$ 3,390 | \$ - | \$ 3,390 | \$ - |

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. 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 its cash 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 balances during the six months ended June 30, 2019, a 1% decrease in interest rates would have reduced the interest income for the six months ended June 30, 2019, by an immaterial amount.

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15. Financial Instruments (continued)

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 June 30, 2019, the Company maintained the majority of its cash balance in Canadian Dollars. The Company currently does not engage in any currency hedging activities.

16. Subsequent Events

Subsequent to June 30, 2019, the Company issued 1,339,694 common shares as a financial advisory fee (Note 4). The common shares were included in commitment to issue shares as at June 30, 2019.

On July 25, 2019, 631,770 warrants exercisable at C\$20.00 per share expired unexercised.

On July 26, 2019, the Company changed its name from “Golden Queen Mining Co. Ltd.” to “Golden Queen Mining Consolidated Ltd.”.

Effective July 26, 2019, the Company consolidated its common shares on the basis of one new common share for every ten old common shares issued and outstanding at that time. All references to share and per share amounts in these financial statements have been retroactively restated to reflect the share consolidation.

On July 26, 2019, the Company’s common shares were delisted from the Toronto Stock Exchange and were listed on the NEX board of the TSX Venture Exchange under the symbol “GQM”.