Golden Queen Mining Co. Ltd.
Condensed Consolidated Interim Financial Statements
September 30, 2018

(US dollars – Unaudited)

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

	September 30, 2018	December 31, 2017
Assets		
Current assets:		
Cash	$ 8,417	$ 2,937
Inventories (Note 4)	20,327	9,028
Prepaid expenses and other current assets	309	699
Total current assets	29,053	12,664
Property, plant, equipment and mineral interests (Note 5)	137,981	141,848
Advance minimum royalties	471	304
Total Assets	$ 167,505	$ 154,816
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 6,888	$ 6,320
Interest payable	677	664
Credit facility (Note 12 (v))	-	3,000
Current portion of note payable (Note 12 (ii))	25,096	7,712
Current portion of loan payable (Note 6)	7,534	7,629
Derivative liability – Warrants (Note 7)	236	441
Total current liabilities	40,431	25,766
Note payable (Note 12 (ii))	-	22,387
Loan payable (Note 6)	6,743	9,614
Asset retirement obligation (Note 8)	2,455	1,838
Deferred tax liability	8,197	8,197
Total liabilities	57,826	67,802
Temporary Equity		
Redeemable portion of non-controlling interest (Note 12 (iv))	22,868	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	43,966	43,853
Deficit accumulated	(96,952)	(88,500)
Total shareholders' equity attributable to GQM Ltd.	42,508	26,479
Non-controlling interest (Note 9 (iv))	44,303	36,321
Total Shareholders' Equity	86,811	62,800
Total Liabilities, Temporary Equity and Shareholders' Equity	$ 167,505	$ 154,816

Going Concern (Note 2)
Commitments and Contingencies (Note 13)
Subsequent Event (Note 15)

Approved by the Directors:

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

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

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 September 30, 2018	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Revenues				
Sales	$ 16,855	$ 16,496	$ 40,925	$ 48,182
Cost of Sales				
Direct mining costs	(14,469)	(15,404)	(35,615)	(40,333)
Depreciation and depletion (Note 5)	(3,615)	(2,931)	(9,955)	(8,429)
Loss from mine operations	(1,229)	(1,839)	(4,645)	(580)
General and administrative expenses (Note 10)	(839)	(1,171)	(2,972)	(3,297)
Operating loss	(2,068)	(3,010)	(7,617)	(3,877)
Other income (expenses)				
Gain on derivative instruments (Note 7)	136	1,139	204	3,033
Finance expense (Note 12 (iii) and 12 (v))	(1,409)	(1,295)	(4,383)	(3,592)
Interest income	26	14	98	77
Other expenses	(42)	(72)	(118)	(488)
Total other income (expenses)	(1,289)	(214)	(4,199)	(970)
Net and comprehensive loss for the period	$ (3,357)	$ (3,224)	$ (11,816)	$ (4,847)
Less: Net and comprehensive loss attributable to the non-controlling interest for the period (Note 12 (iv))	954	1,335	3,364	1,495
Net and comprehensive loss attributable to Golden Queen Mining Co Ltd. for the period	$ (2,403)	$ (1,889)	$ (8,452)	$ (3,352)
Income (loss) per share – basic (Note 11)	$ (0.01)	$ (0.02)	$ (0.03)	$ (0.03)
Income (loss) per share – diluted (Note 11)	$ (0.01)	$ (0.02)	$ (0.03)	$ (0.03)
Weighted average number of common shares outstanding – basic	300,101,444	111,148,683	263,418,307	111,137,694
Weighted average number of common shares outstanding - diluted	300,101,444	111,148,683	263,418,307	111,137,694

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	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	-	-	133	-	133	-	133	-
Net loss for the period	-	-	-	(3,352)	(3,352)	(897)	(4,249)	(599)
Balance, September 30, 2017	**111,148,683**	**$ 71,126**	**$ 43,785**	**$ (90,687)**	**$ 24,224**	**$ 38,430**	**$ 62,654**	**$ 25,621**
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 (Note 9)	188,952,761	24,368	-	-	24,368	-	24,368	-
Capital contribution from non-controlling interest	-	-	-	-	-	10,000	10,000	-
Stock-based compensation	-	-	113	-	113	-	113	-
Net loss for the period	-	-	-	(8,452)	(8,452)	(2,018)	(10,470)	(1,346)
Balance, September 30, 2018	**300,101,444**	**$ 95,494**	**$ 43,966**	**$ (96,952)**	**$ 42,508**	**$ 44,303**	**$ 86,811**	**$ 22,868**

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)

	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Operating Activities		
Net loss for the period	$ (11,816)	$ (4,847)
Adjustment to reconcile net loss to cash used in operating activities:		
Depreciation and depletion	9,955	8,429
Amortization of debt discount and interest accrual	1,708	1,250
Accretion expense	125	93
Change in fair value of derivative liabilities (Note 7)	(205)	(3,033)
Stock based compensation	113	133
Unrealized foreign exchange	(37)	(48)
Non-cash finder fees	-	59
Changes in non-cash working capital items:		
Prepaid expenses & other current assets	390	267
Inventory	(11,299)	(1,011)
Accounts payable & accrued liabilities	(124)	2,390
Interest payable	677	1,915
Cash generated from (used in) operating activities	(10,513)	5,597
Investment activities:		
Additions to property, plant, equipment and mineral interests	(2,585)	(9,566)
Cash used in investing activities	(2,585)	(9,566)
Financing activity:		
Issuance of common shares (Note 9)	24,368	-
Repayment of credit facility	(3,000)	-
Repayments of loan payable (Note 6)	(6,079)	(4,649)
Repayments of note payable and accrued interest (Note 12 (ii))	(6,711)	-
Capital contribution from non-controlling interest	10,000	-
Cash generated from (used in) financing activities	18,578	(4,649)
Net change in cash and cash equivalents	5,480	(8,618)
Cash and cash equivalents, beginning balance	2,937	13,301
Cash and cash equivalents, ending balance	$ 8,417	$ 4,683

Supplementary Disclosure of Cash Flow Information

	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Cash paid during the period for:		
Interest on loan and note payable	$ 2,037	$ 428
Non-cash financing and investing activities:		
Asset retirement costs charged to mineral property interests	$ 617	$ 260
Mining equipment acquired through issuance of debt	$ 3,113	$ 5,895
Mineral property expenditures included in accounts payable	$ 102	$ 1,081
Non-cash finders' fee	$ -	$ 59
Non-cash amortization of discount and interest expense	$ 1,708	$ 1,250
Interest payable converted to principal balance	$ -	$ 1,560

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") 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, 2017 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, 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 September 30, 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.

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 Company is required to pay the following amounts to the Clay Group on the following dates: $1.7 million of interest and principal on and October 1, 2018 (paid on 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. In the nine months ended September 30, 2018, the cash used in operating activities was $10.5 million, however, management believes the Company will be able to meet its financial obligations for the 12 months period following the date of these financial statements except that it is currently unlikely the Company will be able to reimburse the final two payments of $3.9 million and $21.7 million on April 1, 2019 and May 21, 2019 respectively. 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 results for the nine months ended September 30, 2018 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, in the third quarter of 2018, the Company initiated discussions with the Clay Group to restructure the reimbursement of the last debt payment. 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.

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

<u>Adopted</u>

(i) In May 2014, the FASB issued Accounting Standards Update ("ASU") 2014-09, "Revenue from Contracts with Customers (Topic 606)." The amendments in ASU 2014-09 affect any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards (e.g., insurance contracts or lease contracts). This ASU superseded the revenue recognition requirements in Topic 605, Revenue Recognition, and most industry-specific guidance, and creates a Topic 606, Revenue from Contracts with Customers. 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 has no material impact on 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 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 was 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 was no material impact from adoption of this guidance.

<u>Not Yet Adopted</u>

(iii) 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 currently assessing the impact of this standard.

(amounts expressed in thousands of US dollars - 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. Inventories of the Company are comprised of:

	September 30, 2018	December 31, 2017
Stockpile inventory	$ 2,603	$ 201
In-process inventory	14,473	6,495
Dore inventory	841	320
Supplies and spare parts	2,410	2,012
	$ 20,327	$ 9,028

During the nine months ended September 30, 2018, the Company recorded a charge of $122 to bring the Dore inventory down to net realizable value.

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

Property, plant and equipment and mineral interests, are depreciated and depleted using either the units-of-production or straight-line method over the shorter of the estimated useful life of the asset or the expected life of mine. Assets under construction in progress are recorded at cost and re-allocated to its corresponding category when they become available for use.

	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	163	5	499	9	-	5,412	-	6,088
Transfers	-	-	711	4,520	-	(5,231)	-	-
Disposals	-	-	-	(8)	(7)	-	-	(15)
At September 30, 2018	**$ 4,132**	**$ 5,285**	**$ 51,983**	**$ 74,587**	**$ 28,390**	**$ 235**	**$ 5,886**	**$ 170,498**
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	-	191	1,882	5,798	1,769	-	315	9,955
Disposals	-	-	-	(8)	(7)	-	-	(15)
At September 30, 2018	**$ -**	**$ 519**	**$ 5,297**	**$ 19,143**	**$ 6,772**	**$ -**	**$ 786**	**$ 32,517**
Carrying values								
At December 31, 2017	**$ 3,969**	**$ 4,952**	**$ 47,358**	**$ 56,713**	**$ 23,387**	**$ 54**	**$ 5,415**	**$ 141,848**
At September 30, 2018	**$ 4,132**	**$ 4,766**	**$ 46,686**	**$ 55,444**	**$ 21,618**	**$ 235**	**$ 5,100**	**$ 137,981**

(amounts expressed in thousands of US dollars - Unaudited)

6. *Loan Payable*

As at September 30, 2018 and December 31, 2017, equipment financing balances are as follows:

	September 30, 2018	December 31, 2017
Balance, beginning of the period	$ 17,243	$ 15,150
Additions	3,751	10,727
Down payments and taxes	(638)	(1,839)
Settlements	-	(603)
Principal repayments	(6,079)	(6,192)
Balance, end of the period	$ 14,277	$ 17,243
Current portion	$ 7,534	$ 7,629
Non-current portion	$ 6,743	$ 9,614

The terms of the equipment financing agreements are as follows:

	September 30, 2018	December 31, 2017
Total acquisition costs	$ 39,443	$ 35,692
Interest rates	0.00% ~ 4.50%	0.00% ~ 4.50%
Monthly payments	$ 5 ~ 74	$ 5 ~ 74
Average remaining life (years)	2.25	2.13

For the nine months ended September 30, 2018, the Company made total down payments of $638 (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
2018 and 2019	$ 8,417
2020	3,307
2021	2,119
2022	434
Total	$ 14,277

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.

(amounts expressed in thousands of US dollars - Unaudited)

7. *Derivative Liabilities (continued)*

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 September 30, 2018 was $235 (December 31, 2017 – $439). The derivative liabilities were calculated using the Black-Scholes pricing valuation model with the following assumptions:

Warrants related to June 2015 Loan	September 30, 2018	December 31, 2017
Risk-free interest rate	1.08%	1.73%
Expected life of derivative liability	1.69 years	2.44 years
Expected volatility	80.84%	78.59 %
Dividend rate	0.00%	0.00 %

Warrants related to November 2016 Loan	September 30, 2018	December 31, 2017
Risk-free interest rate	1.40%	1.73%
Expected life of derivative liability	3.15 years	3.89 years
Expected volatility	79.52%	75.69%
Dividend rate	0.00%	0.00%

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

	September 30, 2018	December 31, 2017
Balance, beginning of the period	$ 439	$ 5,458
Change in fair value	(204)	(5,019)
Balance, end of the period	$ 235	$ 439

Share Purchase Warrants

On July 25, 2016, the Company issued 6,317,700 share purchase warrants with an exercise price of C$2.00 and an expiry date of July 25, 2019. As at September 30, 2018, the Company re-measured the share purchase warrants and determined the fair value of the derivative liability to be $1 (December 31, 2017 - $2).

8. *Asset Retirement Obligations*

Reclamation Financial Assurance

GQM LLC 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 September 30, 2018 was $1,749 (December 31, 2017 – $1,465).

GQM LLC 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 September 30, 2018 was $2,450 (December 31, 2017 – $1,869).

In addition to the above, GQM LLC 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 September 30, 2018 is $278 (December 31, 2017 – $278).

(amounts expressed in thousands of US dollars - Unaudited)

8. Asset Retirement Obligations (continued)

GQM LLC entered into $4,921 (2017 – $3,612) in surety bond agreements in order to release its reclamation deposits and a bond for power of $444. GQM LLC pays a yearly premium of $101 (2017 – $90). Golden Queen Ltd. has provided a corporate guarantee on the surety bonds.

Asset Retirement Obligation

The total asset retirement obligation as at September 30, 2018, was $2,455 (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 September 30, 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:

	September 30, 2018	December 31, 2017
Balance, beginning of the period	$ 1,838	$ 1,366
Accretion	125	126
Changes in cash flow estimates	492	346
Balance, end of the period	$ 2,455	$ 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 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 - Unaudited)

9. *Share Capital (continued)*

Stock options (continued)

The following is a summary of stock option activity during the nine months ended September 30, 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	2,600,001	$	0.54
Options forfeited	(75,000)	$	0.29
Options expired	(200,000)	$	1.48
Options outstanding, September 30, 2018	2,325,001	$	0.46

During the three and nine months ended September 30, 2018, the Company recognized $34 and $113 (the three and nine months ended September 30, 2017 - $48 and $133) 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 September 30, 2018:

Expiry Date	Number Outstanding	Number Exercisable	Remaining Contractual Life (years)		Exercise Price
September 8, 2020	430,000	430,000	1.94	$	0.58
November 30, 2021	365,000	121,666	3.17	$	0.66
March 20, 2022	400,002	133,334	3.47	$	0.65
October 20, 2022	1,129,999	-	4.06	$	0.29
	2,325,001	685,000	3.43		

As at September 30, 2018, the aggregate intrinsic value of the outstanding exercisable options was $nil (December 31, 2017 – $nil).

Warrants

As at September 30, 2018, 24,317,700 warrants were outstanding (December 31, 2017 – 24,317,700).

The following table summarizes information about share purchase warrants outstanding as at September 30, 2018:

Expiry Date	Number Outstanding	Remaining Contractual Life (years)		Exercise Price
June 8, 2020	10,000,000	1.69	$	0.7831
July 25, 2019 [(1)]	6,317,700	0.82	C$	2.0000
November 18, 2021	8,000,000	3.14	$	0.6650
	24,317,700	1.94		

[(1)] Non-tradable share purchase warrants.

(amounts expressed in thousands of US dollars - Unaudited)

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 September 30, 2018	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Audit, legal and professional fees	$ 115	$ 165	$ 524	$ 561
Salaries and benefits and director fees	297	431	980	1,131
Regulatory fees and licenses	28	15	153	85
Insurance	163	122	446	369
Corporate administration	236	438	869	1,151
	$ 839	$ 1,171	$ 2,972	$ 3,297

11. Loss Per Share

	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Numerator:				
Net loss attributable to the shareholders of the Company - numerator for basic and diluted	$ (2,403)	$ (1,889)	$ (8,452)	$ (3,252)
Denominator:				
Weighted average number of common shares outstanding -basic and diluted	300,101,444	111,148,683	263,418,307	111,137,694
Loss per share – basic and diluted	$ (0.01)	$ (0.02)	$ (0.03)	$ (0.03)

Weighted average number of shares for the three and nine months ended September 30, 2018 excludes 2,325,001 options (December 31, 2017 – 2,600,001) and 24,317,700 warrants (December 31, 2017 – 24,317,700) that were antidilutive.

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 and nine months ended September 30, 2018, the Company recognized $125 and $424 (for the three and nine months ended September 30, 2017 – $163 and $490) salaries and fees for Officers and Directors.

As at September 30, 2018, $nil (December 31, 2017 – $38) was included in prepaid expenses and other current assets for closing fees paid to related parties.

As at September 30, 2018, $nil (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 with 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. See Note 7.

(amounts expressed in thousands of US dollars - Unaudited)

12. *Related Party Transactions (continued)*

(ii) Note Payable (continued)

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:

	September 30, 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	1,512	1,940
Capitalized financing and legal fees	-	(400)
Accretion of capitalized financing and legal fees	196	-
Repayment of loans and interest	(6,711)	-
Balance, end of the period	$ 25,096	$ 30,099
Current portion	$ 25,096	$ 7,712
Non-current portion	$ -	$ 22,387

(iii) Amortization of Discounts and Interest Expense

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

	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Accretion of the Nov 2017 Loan discount	$ 518	$ 510	$ 1,512	$ 1,250
Accretion of capitalized financing and legal fees	66	-	196	-
Interest expense related to the Nov 2017 Loan	678	642	2,087	1,914
Closing and commitment fees related to the Credit Facility	-	-	40	-
Interest expense related to Komatsu financial loans [1]	147	143	548	428
Accretion of discount and interest on loan	$ 1,409	$ 1,295	$ 4,383	$ 3,592

[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%.

(amounts expressed in thousands of US dollars - Unaudited)

12. Related Party Transactions (continued)

(iv) Joint Venture Transaction (continued)

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 September 30, 2018 and December 31, 2017 are as follows:

	September 30, 2018	December 31, 2017
Assets, GQM LLC	$ 158,087	$ 149,095
Liabilities, GQM LLC	(23,746)	(28,024)
Net assets, GQM LLC	$ 134,341	$ 121,071

Included in the assets above, is $3,980 (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 $460 for two mining drill loans and $4,921 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 September 30, 2018	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Net and comprehensive income (loss) in GQM LLC	$ (1,909)	$ (2,674)	$ (6,728)	$ (2,991)
Non-controlling interest percentage	50%	50%	50%	50%
Net and comprehensive income (loss) attributable to non-controlling interest	$ (954)	$ (1,335)	$ (3,364)	$ (1,495)
Net and comprehensive income (loss) attributable to permanent non-controlling interest	$ (572)	$ (801)	$ (2,018)	$ (897)
Net and comprehensive income (loss) attributable to temporary non-controlling interest	$ (382)	$ (534)	$ (1,346)	$ (598)

	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 loss for the period	(2,018)	(1,346)
Carrying value of non-controlling interest, September 30, 2018	$ 44,303	$ 22,868

(amounts expressed in thousands of US dollars - Unaudited)

12. Related Party Transactions (continued)

(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 and nine months ended September 30, 2018, GQM LLC paid commitment fees of $40 (2017 – $20 and $40, respectively). The balance of the Credit Facility was $3,000 as at December 31, 2017. The Credit Facility expired on May 22, 2018 and the balance of $5 million was repaid in cash.

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).

	September 30, 2018			
	Total	Level 1	Level 2	Level 3
Liabilities:				
Share purchase warrants – Related Party (see Note 7)	$ 235	$ -	$ 235	$ -
Share purchase warrants – (see Note 7)	1	-	1	-
	$ 236	$ -	$ 236	$ -

(amounts expressed in thousands of US dollars - Unaudited)

14. *Financial Instruments (continued)*

Fair Value Measurements (continued)

	December 31, 2017			
	Total	Level 1	Level 2	Level 3
Liabilities:				
Share purchase warrants – Related Party (see Note 7)	$ 439	$ -	$ 439	$ -
Share purchase warrants – (see Note 7)	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 September 30, 2018, the Company’s cash balances held in United States and Canadian financial institutions include $8,417, 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 and nine months ended September 30, 2018, a 1% decrease in interest rates would have reduced the interest income for the three and nine months ended September 30, 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 September 30, 2018, the Company maintained the majority of its cash balance in US Dollars. The Company currently does not engage in any currency hedging activities.

15. Subsequent Events

On October 12, 2018, GQM LLC entered into an agreement with Gauss Holdings LLC and Auvergne LLC (the "Lenders") where by the Lenders are providing GQM LLC a revolving credit loan facility (the "Facility") in the amount of $20 million. Through Gauss LLC, the Lenders are the other 50% owners of GQM LLC. Gauss Holdings LLC is wholly owned by Jefferies Financial Group, and Auvergne LLC is wholly owned by members of the Clay family.

Under the terms of the agreement, the maturity date of the Facility is March 31, 2020 and the annual interest rate on drawn amounts is 8%. The Company may prepay all or part of the Facility at any time prior to the maturity date, and amounts prepaid will not be subject to penalty.

GQM LLC has made an initial $5 million draw on the Facility.

In connection with the Facility, the Lenders were 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 GQM LLC Warrants represent a fully-diluted 7.5% interest in the equity of GQM LLC. If the GQM LLC warrants are exercised, the Company's interest in GQM LLC will be diluted to 46.25%. The Company's current interest in GQM LLC is 50%.

The Facility is secured by a pledge of the Company's equity interest in GQM LLC.