

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

Form 10-Q

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

For the quarterly period ended September 30, 2018

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

For the transition period from _____ to _____

000-21777

(Commission File Number)

GOLDEN QUEEN MINING CO. LTD.

(Exact name of registrant as specified in its charter)

British Columbia, Canada

(State or other jurisdiction of incorporation)

Not Applicable

(IRS Employer Identification No.)

2300 – 1066 West Hastings Street
Vancouver, British Columbia
V6E 3X2 Canada

(Address of principal executive offices)

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

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

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

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

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

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

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: As at November 8, 2018, the registrant's outstanding common stock consisted of 300,101,444 shares.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operation

The following discussion of the operating results and financial condition of Golden Queen Mining Co. Ltd. ("Golden Queen", "GQM Ltd.", "Company", "we", "our" or "us") is as at November 8, 2018 and should be read in conjunction with the unaudited condensed consolidated interim financial statements of the Company for the three and nine months ended September 30, 2018 and the notes thereto.

All amounts herein are presented in thousands of US dollars, except per share amounts, or unless otherwise noted.

Cautionary Note Regarding Forward-looking Statements

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

Cautionary Note to US Investors

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

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

The Soledad Mountain Mine

Overview

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

Highlights: Third Quarter Highlights

- Total of 4,837 kt of ore and waste (previous quarter 3,912 kt) were mined including 916 kt of ore (previous quarter 1,473 kt);
- Plant processed a total of 931 kt of ore at an average grade of 0.025 oz/t (previous quarter 943 kt at an average grade of 0.020 oz/t);
- Merrill-Crowe recovery was 95% in September, the highest recovery achieved since commencement; and
- 12,943 ounces of gold and 121,843 ounces of silver were produced (previous quarter was 9,976 and 99,846 ounces, respectively).

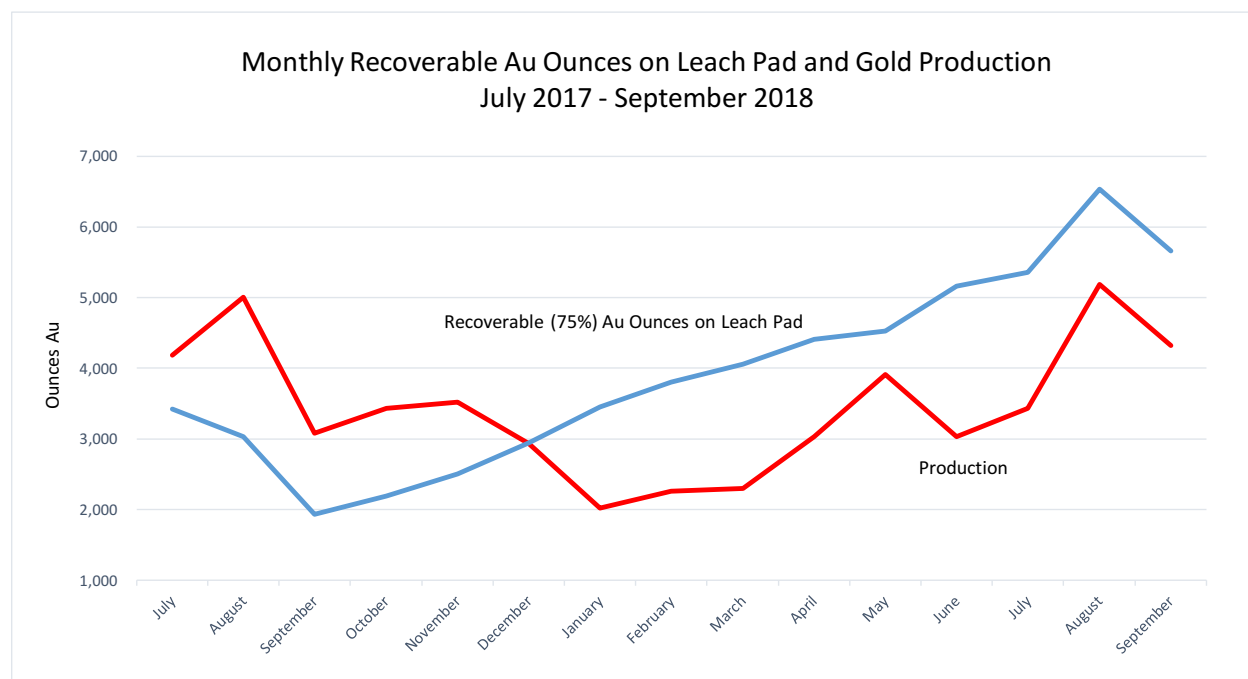
Project Update

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

improvement in gold ounces loaded on the pad. As a result of the drill program completed during first quarter of the year, a new life of mine plan is currently being prepared.

During the third quarter of 2018, Soledad Mountain recorded a mined gold grade of 0.026 ounces per ton, the highest quarterly result since the beginning of mine operations. It is anticipated that higher grade ore mined and processed during the third quarter of 2018 will benefit gold production in the fourth quarter of 2018 and the first quarter of 2019. Production in the third quarter was 12,943 ounces of gold and 121,843 ounces of silver. The improved result compared to preceding quarters was driven by the higher-grade ore placed on the pad since the beginning of the year.

Through the first 13 benches mined in the East Pit, ore production has encountered almost 35% more gold ounces than indicated in the mine plan based on the geological model. The strip ratio in the East Pit has been near expectation and there has been an increase in waste stripping at the top of the mountain during the quarter to facilitate ore mining in 2019 and 2020. This advanced stripping negatively impacts current operating costs.



For the third quarter, ore mining rate has been roughly matched to pad-loading production (little stockpile movement). The amount of tons mined increased due to increased stripping in the East Pit phase 2. During the period, there was significant unplanned downtime associated with the jaw and secondary crushers. In addition, the maintenance crew replaced the rolls on the HPGR during the third quarter, a year later than forecast. Merrill-Crowe plant performance improved greatly in the third Quarter. The recovery of gold from solution averaged over 90% in the quarter from the low 80s in previous quarters. Better clarifier performance as well as a change in the procedure for restarting filter presses after cleaning were responsible for the improvement.

Column testing of monthly sample composites show that leaching is generally in line with the feasibility study predictions. Actual leach results from the heap show good recovery that ties well with the projected recovery curves in the feasibility study for ultimate gold recovery. However, East Pit ore leaching exhibits slightly slower leach kinetics than the Northwest/Main Pit phase 1 ore. In addition, recently stacked ore has not been leached for a full cycle yet. It is expected that full-cycle leaching will produce results close to feasibility study ultimate recovery. Currently, less than half the pad is under leach due to the stacking configuration and this significantly delays the recovery of gold and silver from the latter parts of the leach cycle.

The Company has initiated the process of permitting additional infrastructure for ongoing operations and planned activities that are expected to extend the mine life of Soledad Mountain beyond the initial 11 years contemplated in the 2015 Feasibility Study. The process is ongoing and it is anticipated to take approximately one to two years.

For the three months ended September 30, 2018, the Company recorded aggregate sales of \$3.6. The Company was added to the California AB 3098 list last year which allows the Company to sell its aggregate to state and municipal agencies. The Company will not include the sale of aggregate in cash flow projections until such time as a long-term contract for the sale of products has been secured.

There are currently a total of 218 persons employed on site.

Results of Operations

The following are the results of operations for the three and nine months ended September 30, 2018 and 2017:

		Three months ended		Nine months ended	
		30-Sep-18	30-Sep-17	30-Sep-18	30-Sep-17
Mining - Key Metrics					
Ore mined	k ton ore mined	916	928	3,524	2,790
Waste mined: ore mined ratio	ratio	4.3:1	4.3:1	2.6:1	3.9:1
Gold grade placed	oz/ton	0.025	0.013	0.021	0.016
Silver grade placed	oz/ton	0.399	0.180	0.355	0.203
Gold sold	oz	12,798	12,255	29,219	36,068
Silver sold	oz	100,408	47,977	250,147	163,856
Apparent cumulative recovery - gold ⁽¹⁾	%	67.1%	73.0%	67.1%	73.0%
Apparent cumulative recovery - silver ⁽¹⁾	%	28.5%	25.8%	28.5%	25.8%
Financial ⁽¹⁾					
Revenue	\$	16,855	16,496	40,925	48,182
Cost of sales, excluding depreciation and depletion (or Direct mining costs)	\$	14,469	15,404	35,615	40,333
Depreciation and depletion	\$	3,615	2,931	9,955	8,429
Loss from mine operations	\$	(1,229)	(1,839)	(4,645)	(580)
General and administrative expenses	\$	(839)	(1,171)	(2,972)	(3,297)
Total other income (expenses)	\$	(1,289)	(214)	(4,199)	(970)
Net and comprehensive loss	\$	(3,357)	(3,224)	(11,816)	(4,847)
Net and comprehensive income (loss) attributable to Golden Queen Mining Co Ltd.	\$	(2,403)	(1,889)	(8,452)	(3,352)
Average realized gold price ⁽¹⁾	\$/oz sold	1,201	1,280	1,264	1,257
Average realized silver price ⁽¹⁾	\$/oz sold	14.77	16.89	15.90	17.23
Total cash costs - net of by-product credits ⁽¹⁾⁽²⁾	\$/Au oz produced	1,047	1,177	1,503	1,074
All-in sustaining costs - net of by-product credits ⁽¹⁾	\$/Au oz produced	1,086	1,502	1,692	1,517
Total cash costs ⁽³⁾	\$/t placed	19.47	16.99	18.02	15.40
Off-site costs ⁽¹⁾	\$/t placed	0.53	0.78	0.59	0.77

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

⁽²⁾ Total cash costs – net of by-product credits figure incorporates inventory changes and others adjustment, refer to total cash costs reconciliation in “**Non-US GAAP Financial Performance Measures**” for details.

⁽³⁾ Total cash costs figure does not incorporate inventory changes and others adjustment.

Financial Results

For the three and nine months ended September 30, 2018, the Company generated revenues from operations of \$16,855 from the sale of 12,798 ounces of gold and 100,408 ounces of silver and \$40,925 from the sale of 29,219 ounces of gold and 250,147 ounces of silver, respectively. In comparison, for the same periods of 2017 the Company

generated revenues from operations of \$16,496 from the sale of 12,255 ounces of gold and 47,977 ounces of silver and \$48,182 from the sale of 36,068 ounces of gold and 163,586 ounces of silver. The decrease in revenue was caused by the lower gold price and, for the nine months, lower ounces sold.

The costs, excluding depreciation and depletion, applicable to sales incurred during the three and nine months ended September 30, 2018 were \$14,469 and \$35,615 (three and nine months ended September 30, 2017 - \$15,404 and \$40,333), respectively. The cost of sales, excluding depreciation and depletion, in the current period decreased in comparison with the prior period due to decreased revenues offset by increased stripping in preparation for East Pit phase 2. Costs of sales include mining, processing, maintenance and site support costs. Also, included in the costs of sales are refining, transportation costs, royalties and property taxes.

Depreciation and depletion expenses during the three and nine months ended September 30, 2018 were \$3,615 and \$9,955 (three and nine months ended September 30, 2017 – \$2,931 and \$8,429), respectively. The increase in 2018 compared to 2017 was mainly due to the addition of depreciable fixed assets of \$19,409 in the third and fourth quarters of 2017 and the addition of depreciable fixed assets of \$6,088 in the first three quarters of 2018. These new depreciable fixed assets consist primarily of mobile mining equipment.

General and administrative expenses for the three and nine months ended September 30, 2018 were \$839 and \$2,972 (three and nine months ended September 30, 2017 - \$1,171 and \$3,297), respectively. The decrease in 2018 compared to 2017 was mainly a result of lower legal and professional fees, salaries and benefits offset by higher insurance and regulatory fees. General and administrative expenses are being reduced in an effort to lower costs and improve liquidity.

For the three and nine months ended September 30, 2018, the Company incurred finance expenses of \$1,409 and \$4,383 compared to \$1,295 and \$3,592 for the three and nine months ended September 30, 2017. The increase in finance expenses was mainly due to an increase of 2% in the interest rate on the Clay Loan resulting in additional interest payable and increased accretion on the Clay Loan.

For the three and nine months ended September 30, 2018, the Company recorded gains of \$136 and \$204 on derivative instruments compared to gains of \$1,139 and \$3,033 on derivative instruments for the three and nine months ended September 30, 2017, respectively. The gain for the nine months ended September 30, 2018 was smaller due to insignificant downward movement of the Company's share price compared to the same period of 2017.

Summary of Quarterly Results

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

	Results for the quarter ended:			
	<u>30-Sep-18</u>	<u>30-Jun-18</u>	<u>31-Mar-18</u>	<u>31-Dec-17</u>
Revenue	\$ 16,855	\$ 14,485	\$ 9,585	\$ 13,939
Net and comprehensive income (loss)	\$ (3,357)	\$ 604	\$ (9,063)	\$ (1,327)
Net and comprehensive loss attributable to GQM Ltd.	\$ (2,403)	\$ (632)	\$ (5,417)	\$ (2,188)
Basic net loss per share	\$ (0.01)	\$ (0.00)	\$ (0.03)	\$ (0.02)
Diluted net loss per share	\$ (0.01)	\$ (0.00)	\$ (0.03)	\$ (0.02)

	Results for the quarter ended:			
	<u>30-Sep-17</u>	<u>30-Jun-17</u>	<u>31-Mar-17</u>	<u>31-Dec-16</u>
Revenue	\$ 16,496	\$ 16,882	\$ 14,804	\$ 10,278
Net and comprehensive income (loss)	\$ (3,224)	\$ 1,192	\$ (2,815)	\$ (434)
Net and comprehensive income (loss) attributable to GQM Ltd.	\$ (1,889)	\$ 962	\$ (2,425)	\$ 868
Basic net income (loss) per share	\$ (0.01)	\$ 0.01	\$ (0.02)	\$ (0.01)
Diluted net income (loss) per share	\$ (0.01)	\$ 0.01	\$ (0.02)	\$ (0.01)

During the three months ended September 30, 2018, net and comprehensive loss of \$3,357 was mainly due to the loss generated from mine operations of \$1,229. Mine operations improvements and higher grade were offset by additional cost for East Pit phase 2 stripping, equipment overhauls and the lower gold price.

During the three months ended June 30, 2018, net and comprehensive income was \$602 mainly as a result of income generated from mine operations of \$2,112.

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

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

Reclamation Financial Assurance and Asset Retirement Obligation

Reclamation Financial Assurance

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).

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%.

Off-balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Transactions with Related Parties

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

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

For the three 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 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. 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.

On November 10, 2017, the Company and the Clay Group entered into a letter agreement (the “Letter Agreement”) pursuant to which they agreed to amend the November 2016 Loan by reducing the 2018 quarterly and 2019 Q1 principal payments from \$2,500 to \$1,000, adding the reduction of such payments pro-rata to the remaining 2019 payments, and increasing the annual interest rate from 8% to 10% effective January 1, 2018 (the “November 2017 Loan”). On February 22, 2018, the Company and the Clay Group entered into definitive agreements to amend the terms of the November 2016 Loan and the registration rights agreement in accordance with the Letter Agreement. 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	<u>\$ 25,096</u>	<u>\$ 30,099</u>
Current portion	<u>\$ 25,096</u>	<u>\$ 7,712</u>
Non-current portion	<u>\$ -</u>	<u>\$ 22,387</u>

(iii) Amortization of Discounts and Interest Expense

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

	Three Months Ended 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	<u>\$ 1,409</u>	<u>\$ 1,295</u>	<u>\$ 4,383</u>	<u>\$ 3,592</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 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 three 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	<u>134,341</u>	<u>121,071</u>

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	<u>\$ (954)</u>	<u>\$ (1,335)</u>	<u>\$ (3,364)</u>	<u>\$ (1,495)</u>
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	<u>\$ (382)</u>	<u>\$ (534)</u>	<u>\$ (1,346)</u>	<u>\$ (598)</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 loss for the period	(2,018)	(1,346)
Carrying value of non-controlling interest, September 30, 2018	<u>\$ 44,303</u>	<u>\$ 22,868</u>

(v) Credit Facilities

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 2017 Credit Facility commenced on July 1, 2017, bore interest at a rate of 12% per annum and was 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 \$0 and \$40, respectively (2017 – \$20 and \$40, respectively). The 2017 Credit Facility expired on May 22, 2018. The balance of the Credit Facility was \$3,000 as at December 31, 2017, and the balance of \$5,000 was repaid during the first quarter of 2018.

On October 12, 2018, the Company’s wholly-owned subsidiary, Golden Queen Mining Holdings, Inc., as a pledgor (“GQM Holdings” or “Borrower”), entered into a revolving credit agreement by and among GQM Holdings, Golden Queen Mining Company, LLC, as borrower, Gauss LLC, as a pledgor (“Gauss” and together with GQM Holdings, the “Pledgors”), Gauss Holdings LLC (“Gauss Holdings”) and Auvergne, LLC (“Auvergne” and together with Gauss Holdings, the “Lenders”), dated October 12, 2018 (the “Credit Agreement”).

Under the terms of the Credit Agreement, the Lenders have agreed to loan GQM LLC up to \$20,000,000 (the “Commitment”) under a revolving credit facility (the “Facility”), which matures on March 31, 2020. GQM LLC may pre-pay all or part of the Facility at any time prior to the maturity date, and amounts prepaid will not be subject to penalty. Annual interest rate on drawn amounts under the Facility is 8% (plus an additional 2% upon an Event of Default (as defined in the Credit Agreement)), and GQM LLC agreed to pay the Lenders a commitment fee (the “Commitment Fee”) computed on a daily basis, equal to one percent (1%) per annum of the excess of (i) the Commitment, over (ii) the average daily amount of outstanding Facility balance for each fiscal quarter of the Borrower (increasing to 3% upon an Event of Default).

Under the terms of the Credit Agreement, 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 GQM LLC Warrants represent a fully-diluted 7.5% interest in the equity of GQM LLC. If the GQM LLC warrants are exercised, the Registrant’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.

Fair Value of Financial Instruments

Fair Value Measurements

The three levels of the fair value hierarchy are as follows:

Level 1	Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
Level 2	Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability;
Level 3	Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

	September 30, 2018			
	Total	Level 1	Level 2	Level 3
Liabilities:				
Share purchase warrants – Related Party	\$ 235	\$ -	\$ 235	\$ -
Share purchase warrants	1	-	1	-
	<u>\$ 236</u>	<u>\$ -</u>	<u>\$ 236</u>	<u>\$ -</u>

	December 31, 2017			
	Total	Level 1	Level 2	Level 3
Liabilities:				
Share purchase warrants – Related Party	\$ 439	\$ -	\$ 439	\$ -
Share purchase warrants	2	-	2	-
	<u>\$ 441</u>	<u>\$ -</u>	<u>\$ 441</u>	<u>\$ -</u>

Under fair value accounting, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The fair value measurement of the financial instruments above uses observable inputs in option price models such as the binomial and the Black-Scholes valuation models.

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

Select Non-Consolidated Figures

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

The following table shows figures attributable to the Company only as at September 30, 2018:

	GQM LLC 100%	GQM LLC 50% Attributable to GQM Ltd. (1)	GQM Ltd. on a Non- Consolidated Basis * (2)	GQM Ltd. Attributable (1) + (2)
Cash	\$ 3,980	\$ 1,990	\$ 4,437	\$ 6,427
Short Term Debt	\$ 7,534	\$ 3,767	\$ 25,096	\$ 28,863
Long Term Debt	\$ 6,743	\$ 3,372	\$ 0	\$ 3,372
Working Capital/(Deficit)	\$ 17,536	\$ 8,768	\$ (21,383)	\$ (12,615)

* includes GQM Holdings

The following table shows figures attributable to the Company only for the nine months ended September 30, 2018:

	GQM LLC 100%	GQM LLC 50% Attributable to GQM Ltd. (1)	GQM Ltd. on a Non- Consolidated Basis * (2)	GQM Ltd. Attributable (1) + (2)
Revenue	\$ 40,925	\$ 20,463	\$ -	\$ 20,463
Cost of sales including depreciation and depletion	\$ (45,258)	\$ (22,629)	\$ (312)	\$ (22,941)
Accretion expense	\$ (126)	\$ (63)	\$ -	\$ (63)
G&A Expenses	\$ (1,738)	\$ (869)	\$ (1,122)	\$ (1,991)
Share based payments	\$ -	\$ -	\$ (114)	\$ (114)
Decrease in fair value of derivative liability	\$ -	\$ -	\$ 204	\$ 204
Finance Expense	\$ (588)	\$ (294)	\$ (3,795)	\$ (4,089)
Interest Income	\$ 52	\$ 26	\$ 49	\$ 75
Other	\$ 8	\$ 4	\$ -	\$ 4
Net Loss	\$ (6,725)	\$ (3,362)	\$ (5,090)	\$ (8,452)

* includes GQM Holdings

Liquidity and Capital Resources

The Company has generated \$130,239 in revenues from operations since inception and as at September 30, 2018, had an accumulated deficit of \$96,952 and working capital deficit of \$11,378.

Cash from operating activities:

For the nine months ended September 30, 2018, \$10,513 of cash was used in operating activities compared to \$5,597 of cash generated from operating activities for the nine months ended September 30, 2017. The increased use of cash in 2018 was primarily due to increased direct mining costs and reduced revenue arising from lower production in 2018 compared to 2017.

Cash used in investing activities:

For the nine months ended September 30, 2018, \$2,585 of cash was used in investing activities compared to \$9,566 of cash used in investing activities for the nine months ended September 30, 2017. The significant construction costs from the 2017 period related construction of the second phase of the heap leach pad. Since the second phase of the heap leach pad was completed in September 2017, no significant costs were incurred in that regard in the nine months ended September 30, 2018.

Cash from financing activities:

For the nine months ended September 30, 2018, \$18,578 of cash was generated from financing activities compared to \$4,649 of cash used in financing activities for the nine months ended September 30, 2017.

Working capital:

The following table shows working capital as at September 30, 2018:

	GQM LLC 100%	GQM Ltd. on a Non- Consolidated Basis *	GQM Ltd. on a Consolidated Basis **
Current assets	\$ 24,550	\$ 4,615	\$ 29,053
Current liabilities	(7,014)	(25,999)	(40,431)
Working capital/(deficit)	<u>\$ 17,536</u>	<u>\$ (21,383)</u>	<u>\$ (11,378)</u>

* includes GQM Holdings

** includes GQM Holdings and GQM LLC

Golden Queen and GQM Holdings

As at September 30, 2018, Golden Queen and GQM Holdings had current assets of \$4,615 (December 31, 2017 – \$502) and current liabilities of \$25,999 (December 31, 2017 – \$9,194) for a working capital deficit of \$21,383 (December 31, 2017 – working capital deficit of \$8,692).

GQM LLC

As at September 30, 2018, GQM LLC had current assets of \$24,550 (December 31, 2017 – \$12,162) and current liabilities of \$7,014 (December 31, 2017 – \$16,572) for working capital of \$17,536 (December 31, 2017 – working capital deficit of \$4,410).

Outstanding Share Data

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

Item	No. of Shares		
Shares issued and outstanding as at December 31, 2017	111,148,683		
Shares issued as the result of a rights offering	188,952,761		
Shares issued and outstanding as at September 30, 2018	300,101,444	Exercise Price	Expiry Date
Shares to be issued on exercise of directors and employees stock options	2,325,001	\$0.29 to \$0.66	From 11/30/21 to 10/20/22
Shares to be issued on exercise of warrants	24,317,700	\$0.665 to \$0.95 and CAD \$2.00	From 06/08/20 to 11/18/21
Fully diluted November 8, 2018	326,744,145		

The Company has unlimited authorized share capital.

Non-US GAAP Financial Performance Measures

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

Total Cash Costs

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

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

	Three Months Ended			
	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017
Total cash costs				
Mining	\$ 9,311	\$ 8,087	\$ 7,376	\$ 7,174
Processing	5,940	4,707	4,488	4,346
Indirect mining cost	1,553	2,029	1,972	2,308
Inventory changes and others	(2,335)	(6,693)	(820)	1,970
Cost of sales	14,469	8,130	13,016	15,798
Site general and administrative	576	416	732	897
Cash costs before by-product credits	15,045	8,546	13,748	16,695
Divided by gold produced (oz)	12,943	9,976	6,579	9,886
Cash costs per ounce of gold produced (\$/oz)	1,162	857	2,090	1,689
Less: By-product silver credits per ounce (\$/oz)	(115)	(160)	(136)	(123)
Total cash cost per ounce of gold produced on a by-product basis (\$/oz)	\$ 1,047	\$ 697	\$ 1,954	\$ 1,566

Ore placed (tons)	930,776	943,148	806,450	837,779
Total Cash Costs (\$/t placed)	19.47	16.56	18.06	17.52
Crusher mechanical availability (%)	67 %	73%	65%	69%
Apparent cumulative recovery ⁽¹⁾ - gold (%)	67.1 %	69.1%	71.5%	75.5%
Apparent cumulative recovery ⁽¹⁾ - silver (%)	28.5 %	27.7%	27.1%	27.4%

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

All-in Sustaining Costs

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

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

	Three Months Ended			
	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017
All-in sustaining costs				
Cash costs before by-product credits	\$ 15,045	\$ 8,546	\$ 13,748	\$ 16,695
Silver by-product	(1,483)	(1,598)	(895)	(1,221)
Total cash cost after by-product	13,562	6,948	12,853	15,474
Corporate general and administrative expenses	230	428	477	549
Share based payments	33	35	45	68
Accretion expense	42	42	42	32
Sustaining capital	190	2,974	2,412	3,303
All-in sustaining costs	14,057	10,427	15,829	19,426

Divided by gold produced (oz)	12,943	9,976	6,579	9,886
All-in sustaining costs per gold ounce on a by-product basis	\$ 1,086	\$ 1,045	\$ 2,406	\$ 1,965

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

	Three Months Ended			
	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017
Cost of goods sold	\$ 18,084	\$ 11,494	\$ 16,034	\$ 19,450
Less: depreciation and depletion	(3,615)	(3,364)	(2,976)	(3,526)
Less: accretion expense	(42)	(42)	(42)	(126)
Direct mining costs	14,427	8,088	13,016	15,798
Add: site general and administrative expenses	576	416	732	897
Cash costs before by-product credits	\$ 15,003	\$ 8,504	\$ 13,748	\$ 16,695

Summary of Significant Accounting Policies and Estimates

Full disclosure of the Company's significant accounting policies and estimates in accordance with US GAAP can be found in notes of its audited consolidated financial statements for the year ended December 31, 2017 and unaudited condensed consolidated interim financial statements for the nine months ended September 30, 2018.

Additional Information

Further information on Golden Queen Mining Co. Ltd. is available on the SEDAR website at www.sedar.com and on the Company's web site at www.goldenqueen.com.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Not applicable.

Item 4. Controls and Procedures.

Disclosure controls and procedures

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

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

Management's report on internal control over financial reporting

Changes in Internal Control

There were no changes in our internal control over financial reporting (as defined in Rule 13a-15(e) and Rule 15d-15(e) under the Exchange Act) during the quarter ended September 30, 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting, other than the Company has implemented a remediation plan and has addressed the deficiencies previously noted in the areas of personnel and controls and has engaged an external consultant to assist in the documentation and review of its internal controls.

Fraud Analysis

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

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

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

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

All policies can be viewed in full on the Company's website at www.goldenqueen.com

For the nine months ended September 30, 2018 and the year ended December 31, 2017, there were no reported instances of fraud.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

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

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

Not applicable.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

GQM LLC is the operator of the Soledad Mountain mine (the "Project"), which is located in Mojave in Kern County, California. The mine safety disclosures required by section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 104 of Regulation S-K are included in Exhibit 95.1 of this Quarterly Report. There were no reportable incidents at GQM LLC during the three months ended September 30, 2018.

Item 5. Other Information

Not applicable.

Item 6. Exhibits

<u>Exhibit No.</u>	<u>Description of Exhibit</u>	<u>Manner of Filing</u>
10.1	First Amendment to Second Amended and Restated Term Loan Agreement dated February 22, 2018 among the Company, the Landon T. Clay 2009 Irrevocable Trust Dated March 6, 2009, EHT, LLC, and the Clay Family 2009 Irrevocable Trust Dated April 14, 2009	Incorporated by reference to Exhibit 10.1 to the Form 10-Q of the Company, filed with the SEC on May 10, 2018
10.2	First Amendment to Amended and Restated Registration Rights Agreement dated February 22, 2018 among the Company, the Landon T. Clay 2009 Irrevocable Trust Dated March 6, 2009, EHT, LLC, and the Clay Family 2009 Irrevocable Trust Dated April 14, 2009	Incorporated by reference to Exhibit 10.1 to the Form 10-Q of the Company, filed with the SEC on May 10, 2018
10.3*	Revolving Credit Agreement dated October 12, 2018 among Golden Queen Mining Company, LLC, Golden Queen Mining Holdings, Inc., Gauss LLC, Gauss Holdings LLC and Auvergne LLC	Filed herewith
31.1	Certification of the Principal Executive Officer Pursuant to Rule 13a-14(a) or 15d-14(a) of the US Securities Exchange Act of 1934	Filed herewith
31.2	Certification of the Principal Financial Officer Pursuant to Rule 13a-14(a) or 15d-14(a) of the US Securities Exchange Act of 1934	Filed herewith
32.1	Section 1350 Certification of the Principal Executive Officer	Filed herewith
32.2	Section 1350 Certification of the Principal Financial Officer	Filed herewith
95.1	Mine Safety Disclosure	Filed herewith
101	Financial Statements from the Quarterly Report on Form 10-Q of the Company for the three and nine months ended September 30, 2018, formatted in XBRL	Filed herewith

* Application has been made with the Securities and Exchange Commission to seek confidential treatment of certain provisions. Omitted materials for which confidential treatment has been requested has been filed separately with the Securities and Exchange Commission.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: November 8, 2018

GOLDEN QUEEN MINING CO. LTD.
(Registrant)

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

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