

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

Form 10-Q

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

For the quarterly period ended March 31, 2019

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 every Interactive Data File required to be submitted 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 such files). Yes No

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

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

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: As at May 6, 2019, the registrant's outstanding common stock consisted of 300,101,444 shares.

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class:</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered:</u>
NONE	OTCQX: GQMN	NONE

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

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

The following discussion of the operating results and financial condition of Golden Queen Mining Co. Ltd. (“Golden Queen”, “GQM Ltd.”, “Company”, “we”, “our” or “us”) is as at May 6, 2019 and should be read in conjunction with the unaudited condensed consolidated interim financial statements of the Company for the three months ended March 31, 2019 and the notes thereto.

The financial information in this Management’s Discussion and Analysis of Financial Condition and Results of Operations is derived from the audited consolidated financial statements and the unaudited condensed consolidated interim financial statements of the Company which have been prepared in accordance with US generally accepted accounting principles (“US GAAP”), where appropriate as applicable to interim financial reporting. 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 Company’s future prospects if the Transaction is not approved, 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.

Recent Developments

The Transaction

Pursuant to a share purchase agreement dated February 7, 2019, the Company agreed to sell 100% of the shares of its subsidiary Golden Queen Mining Holdings Inc. (the “Transaction”), which currently owns 50% of the outstanding units of Golden Queen Mining, LLC, to a group of purchasers including Thomas M. Clay and certain members of the Clay family and associated entities (collectively, the “Purchasers”). Golden Queen Mining, LLC owns and operates the Soledad Mountain Project located in Kern County, California.

The consideration from the Purchasers is comprised of (i) US\$4.25 million in cash; (ii) the extinguishment of all amounts owing to the Purchasers by the Company under a loan agreement (US\$27.0 million as of March 31, 2019); and (iii) the cancellation of all of the Purchasers’ ownership interest in the Company (consisting of 177,701,229 Shares, 457,500 options and 18,000,000 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 consideration offered by the Purchasers totals approximately US\$37.2 million (excluding the contingent payment), based on the volume-weighted average price of the Company’s Shares on the OTCQX Best Market for the 20 trading days ended February 7, 2019, and including the principal and accrued interest payable to the Purchasers pursuant to the loans to be extinguished.

The Company is currently unable to repay the interest and principal payments due on the Clay Group Loan, which will be extinguished upon completion of the proposed Transaction. If the shareholders do not approve the Transaction, then the Clay Group Loan principal and accrued interest will be due immediately. Under this scenario, should the Company be unable to negotiate an extension to the Clay Group Loan, the Company will have no alternative but to pursue a reorganization or, at worst, bankruptcy, where the likely outcome for shareholders is the total loss of equity value.

Golden Queen Mining Co. Ltd. has been looking for alternatives to refinance and/or reschedule its debt without success and now faces a significant insolvency risk. The proposed transaction has many benefits, including the elimination of this risk. Proxy Advisors, Glass Lewis and Institutional Shareholder Services have both recommended shareholders vote for the transaction.

On May 13, 2019, the Company will hold an Annual General and Special Meeting of Shareholders to vote on the Transaction. Refer to the proxy statement and management information circular dated April 10, 2019 for additional information.

The Soledad Mountain Mine

Overview

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

First Quarter Highlights

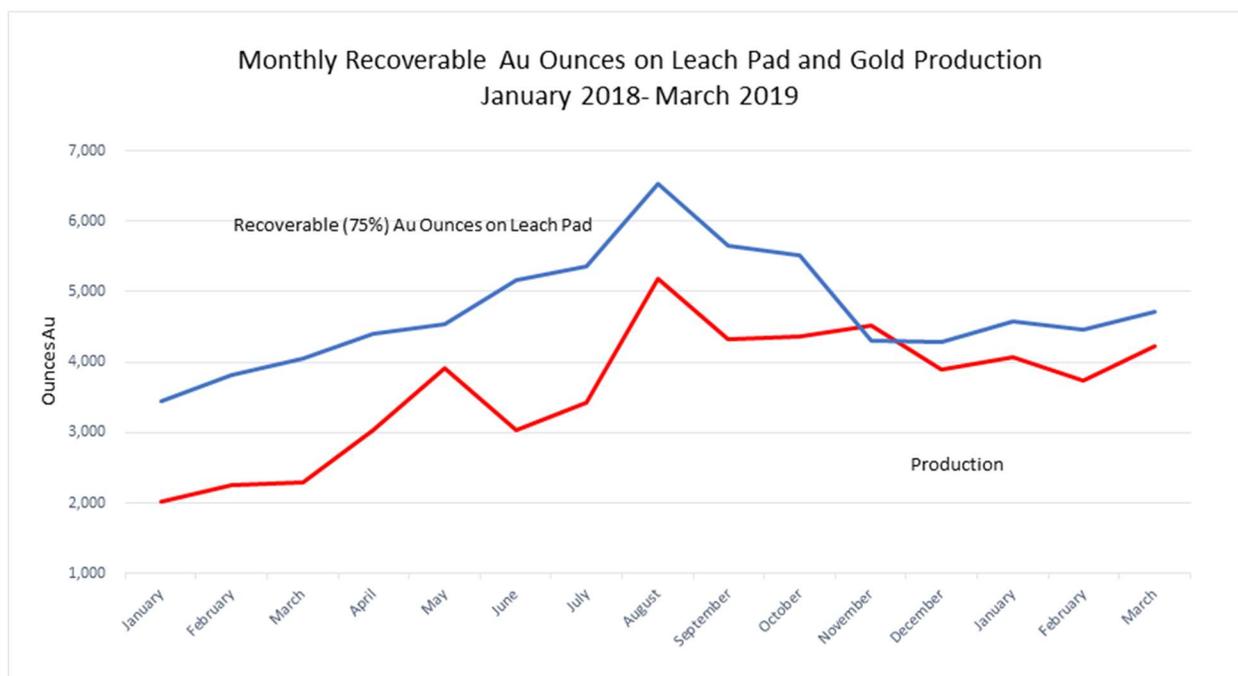
- Total of 5.4 million tons of ore and waste were mined including 989 kilotons of ore;
- Plant processed a total of 853 kilotons of ore at an average grade of 0.022 ounces per ton; and
- 12,032 ounces of gold and 95,615 ounces of silver were produced.

Project Update

In the first quarter of 2019, the Company continued stripping the East Pit phase 2. Total material mined was up slightly from the previous quarter, while processed ore and gold production were at similar levels. Since the first quarter of 2018, almost all of the Mine’s production was sourced from the East Pit. Mining results from the East Pit have shown positive reconciliation for both tons and grade with the mine plan. Operations during the first quarter of 2019 showed stabilization in gold ounces loaded on the pad after the decline in the fourth quarter of 2018 (Figure #1). The peak production shown for the third quarter 2018 was the result of higher productivity in the crushing/stacking process and monthly average grade as high as 0.028 oz/ton.

Mechanical availability remained below plan in the first quarter of 2019, although downtime included time required for the installation of a larger secondary crusher and two major conveyer belts. The monthly tonnage on pad progressed during the quarter, but lower grade mitigated the total recoverable ounces on leach pad.

Figure #1:



Leaching performance resulted in total apparent gold recovery to March 31, 2019 of 67.4%. The quarterly reduction in apparent gold recovery during the first quarter of 2019 was caused in part by limits on the amount of leach solution that can be placed on the leach pad, as a result of pad geometry. Management has designed a potential solution that will be implemented when all permits are obtained. In addition, East Pit ore has exhibited slower leach dynamics than previously processed ore. The final recovery is expected to remain unchanged, although a longer leach time will be required.

During the quarter, Management prepared a new draft of the life of mine plan. While it has the potential to extend mine life, the cost structure has been reset at a higher level. The Company is considering applying for an addendum to the major permit to allow more flexibility for gold and silver mining as well as aggregate operations on Soledad.

For the three months ended March 31, 2019, the Company recorded aggregate sales of \$9K. 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 were 242 employees on site at the end of the first quarter 2019.

Results of Operations

The following are the results of operations for the three months ended March 31, 2019 and 2018:

		Three months ended:	
		March 31, 2019	March 31, 2018
Mining - Key Metrics			
Ore mined	k ton	989	1,135
Waste mined: ore mined ratio	ore mined ratio	4.4:1	2.3:1
Gold grade placed	oz/ton	0.022	0.019
Silver grade placed	oz/ton	0.365	0.313
Gold sold	oz	11,919	6,529
Silver sold	oz	92,668	53,612
Apparent cumulative recovery - gold ⁽¹⁾	%	67.4%	71.5%
Apparent cumulative recovery - silver ⁽¹⁾	%	29.3%	27.1%

Financial ⁽¹⁾			
Revenue	\$	16,979	9,585
Income (loss) from mine operations	\$	2,077	(6,449)
General and administrative expenses	\$	(1,832)	(1,254)
Total other expenses	\$	(2,497)	(1,360)
Net and comprehensive loss	\$	(2,252)	(9,063)
Net and comprehensive loss attributable to GQM Ltd.	\$	(2,300)	(5,417)
Average realized gold price ⁽¹⁾	\$/oz sold	1,302	1,330
Average realized silver price ⁽¹⁾	\$/oz sold	15.61	16.70
Total cash costs - net of by-product credits ⁽¹⁾	\$/Au oz produced	985	1,954
All-in sustaining costs - net of by-product credits ⁽¹⁾	\$/Au oz produced	1,226	2,406
Total cash costs ⁽¹⁾	\$/t placed	21.55	18.06
Off-site costs ⁽¹⁾	\$/t placed	0.63	0.61

⁽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.

Financial Results

For the three months ended March 31, 2019, the Company generated revenues from operations of \$16,979 from the sale of 11,919 ounces of gold and 92,668 ounces of silver compared to revenues of \$9,585 from the sale of 6,529 ounces of gold and 53,612 ounces of silver during the comparable period in 2018, an increase in revenue of \$7,394.

The increase in revenue in the first quarter of 2019 compared to the same quarter in 2018 is explained by the poor performance in the first quarter of 2018; as the mine was slowly pulling out of a period of very low ore grade placed on the leach pad.

The costs, excluding depreciation and depletion, applicable to sales incurred during the three months ended March 31, 2019 were \$12.2 million (three months ended March 31, 2018 - \$13.0 million). The cost of sales, excluding depreciation and depletion, in the current quarter were relatively consistent with the comparable prior quarter. The unit costs per ton placed has increased by 19.3% over the comparable quarter due mainly to the higher stripping ratio.

Depreciation and depletion expenses during the three months ended March 31, 2019 were \$2,566 compared to \$2,976 for the same period in 2018, a decrease of \$410. The decrease in 2019 compared to 2018 was due to depreciation and depletion being allocated to stockpile inventory.

General and administrative expenses for the three months ended March 31, 2019 were \$1,832 compared to \$1,254 for the three months ended March 31, 2018, an increase of \$578. The increase in 2019 compared to 2018 was mainly a result of transaction costs of \$466 relating to a proposed transaction as well as an increase in salaries and benefits and directors’ fees from \$503 in 2018 to \$799 in 2019 as a result of increased compensation to key management.

For the three months ended March 31, 2019, the Company incurred finance expenses of \$2,420 compared to \$1,533 for the three months ended March 31, 2018, an increase of \$887. The increase in finance expenses was mainly due to the amortization of deferred financing fees relating to LLC warrants and interest expense on the LLC line of credit.

For the three months ended March 31, 2019, the Company recorded a gain on derivative instruments of \$150 compared to a loss on derivative instruments of \$138 for the three months ended March 31, 2018. The gain in 2019 was due to a decrease in the Company’s share price and remaining life of derivatives whereas the loss in 2018 was due to an increase in the Company’s share price.

Summary of Quarterly Results

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

	Results for the quarter ended:			
	31-Mar-19	31-Dec-18	30-Sep-18	30-Jun-18
Revenue	\$ 16,979	\$ 17,478	\$ 16,855	\$ 14,485
Net and comprehensive income (loss)	\$ (2,252)	\$ 4,937	\$ (3,357)	\$ 604
Net and comprehensive income (loss) attributable to GQM Ltd.	\$ (2,300)	\$ 1,393	\$ (2,403)	(632)
Basic net income (loss) per share	\$ (0.01)	\$ 0.01	\$ (0.01)	\$ (0.00)
Diluted net income (loss) per share	\$ (0.01)	\$ 0.01	\$ (0.01)	\$ (0.00)

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

During the three months ended March 31, 2019, net and comprehensive loss was \$2,252 mainly as a result of G&A and finance expense of \$4,252 which was offset by income from mine operations of \$2,077.

During the three months ended December 31, 2018, net and comprehensive income of \$4,937 was mainly due to a reclassifying depreciation and depletion from the cost of sales to inventory as the inventory stock piles were increasing throughout the year.

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 \$604 mainly as a result of income generated from mine operations of \$2,991 and inventory reallocation into stockpile inventory.

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.

Although the primary driver of quarterly results above is the performance of the mine, significant fluctuations in net (loss) income between periods are the fluctuations in the Company's derivative liabilities from warrants and interest expense also impacted results. The Company's derivative liabilities are a function of the Company's stock price as compared to the instruments' strike price and the exchange rate between the Canadian dollar and the US dollar. As the stock price rises, the derivative liabilities increase resulting in the Company recognizing losses. When the stock price decreases, the Company recognizes gains.

In addition to the fluctuations in derivative liabilities described above, results for the second half of 2017 were impacted by the lower gold produced due to significant reduction in ore grade in Nord-West Pit and Main Pit Ph-1. Although the operations moved to East Pit in the middle of November 2017, higher cost of production was experienced during this period. Finally, The Tax Cuts and Jobs Act ("TCJA") was enacted on December 22, 2017, which significantly changed U.S. income tax law, including a reduction of the Federal corporate income tax rate from 35% to 21%. The \$4,725 income tax recovery was recognized in fourth quarter of 2017.

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

Reclamation Financial Assurance and Asset Retirement Obligation

Reclamation Financial Assurance

The Company is required to provide the Bureau of Land Management, the State Office of Mine Reclamation and Kern County with a revised reclamation cost estimate annually. The financial assurance is adjusted once the cost estimate is approved.

This estimate, once approved by state and county authorities, forms the basis of reclamation financial assurance. The reclamation assurance provided as at March 31, 2019 was \$1,749 (December 31, 2018 – \$1,749).

The Company is also required to provide financial assurance with the Lahontan Regional Water Quality Control Board (the “Regional Board”) for closure and reclamation costs related to the lined impoundments, which are defined as the Stage 1 and Stage 2 heap leach pads, the overflow pond, and the solution collection channel. The reclamation financial assurance estimate as at March 31, 2019 is \$2,450 (December 31, 2018 – \$2,450).

In addition to the above, the Company is required to obtain and maintain financial assurance for initiating and completing corrective action and remediation of a reasonably foreseeable release from the Project’s waste management units as required by the Regional Board. The reclamation financial assurance estimate as at March 31, 2019 is \$320 (December 31, 2018 – \$278).

As at March 31, 2019 GQM LLC had entered into \$5,507 (December 31, 2018 – \$4,921) in surety bond agreements in order to release its reclamation deposits and a bond for power of \$443 (December 31, 2018 - \$443). GQM LLC pays a yearly premium of \$100 (2018 – \$100). Golden Queen Ltd. has provided a corporate guarantee on the surety bonds. In addition, a certificate of deposit for \$1,000 was posted as collateral to reclamation bonding in 2018.

Asset Retirement Obligation

The total asset retirement obligation as at March 31, 2019, was \$2,966 (December 31, 2018 – \$2,497).

The Company estimated its asset retirement obligations based on its understanding of the requirements to reclaim and remediate its property based on its activities to date. As at March 31, 2019, the Company estimates the cash outflow related to these reclamation activities will be incurred in 2029. 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 7.9% and an inflation rate of 2.4%.

The following is a summary of asset retirement obligations:

	March 31, 2019	December 31, 2018
Balance, beginning of the period	\$ 2,497	\$ 1,838
Accretion	52	167
Changes in cash flow estimates	417	492
Balance, end of the period	\$ 2,966	\$ 2,497

Off-balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Transactions with Related Parties

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

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

For the three months ended March 31, 2019, the Company recognized \$361 (2018 – \$195) salaries and fees for Officers and Directors.

(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 proposed transaction between the Clay Group and the Company. The amendments were accounted for as debt modifications.

The following table summarizes activity on the notes payable:

	March 31, 2019	December 31, 2018
Balance, beginning of the period	\$ 24,690	\$ 30,099
Accretion of discount on loans	526	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	265	262
Repayment of loans and interest	-	(7,711)
Balance, end of the year	\$ 25,481	\$ 24,690
Current portion	\$ 25,481	\$ 24,690
Non-current portion	\$ -	\$ -

(iii) Amortization of Discounts and Interest Expense

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

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
Accretion of the Clay Group Loan discount	\$ 526	\$ 490
Accretion of capitalized financing and legal fees	265	65
Amortization of deferred financing fees	655	-
Interest expense related to the Clay Group Loan	658	713
Interest expense related to the 2018 Credit Facility	180	-
Closing and commitment fees related to credit facilities	27	30
Interest expense related to Komatsu financial loans ⁽¹⁾	109	235
Accretion of discount and interest on loan	\$ 2,420	\$ 1,533

⁽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

The net assets of GQM LLC as at March 31, 2019 and December 31, 2018 are as follows:

	March 31, 2019	December 31, 2018
Assets, GQM LLC	176,635	171,334
Liabilities, GQM LLC	(24,782)	(29,904)
Net assets, GQM LLC	151,853	141,430

Included in the assets above, is \$4,713 (December 31, 2018 – \$4,149) 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 \$349 for a mining drill loan and \$5,507 in surety bond agreements.

(v) Credit Facility

On October 12, 2018, GQM LLC entered into an agreement with Gauss Holdings LLC and Auvergne LLC (the “Lenders”) whereby the Lenders are providing GQM LLC a revolving credit loan facility (the “2018 Credit Facility”) in the amount of \$20 million. The 2018 Credit Facility bears interest at a rate of 8% per annum and in addition, is subject to a commitment fee of 1% per annum on available loan balance. As per terms of the agreement, GQM LLC accrued commitment fees of \$45 for the year ended December 31, 2018. The loan matures March 31, 2020. As at March 31, 2019, GQM LLC had drawn \$10,000 (December 31, 2018 - \$5,000) from the 2018 Credit Facility and accrued interest of \$327 (December 31, 2018 - \$121). Subsequent to the period end GQM LLC drew an additional \$5,000 from the 2018 Credit Facility.

In connection with the 2018 Credit 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 warrants are classified as a derivative liability due to a clause in the warrant agreement that offers the warrant holders price protection. The fair value of GQM LLC Warrants at the issuance date of \$3,314 is amortized to the statement of loss over the expected life of the warrants. During the three months ended March 31, 2019, the Company recorded amortization expense of \$655.

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 2018 Credit 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).

	March 31, 2019			
	Total	Level 1	Level 2	Level 3
Liabilities:				
Share purchase warrants – Related Party	\$ 63	\$ -	\$ 63	\$ -
GQM LLC Warrants – Related Party	3,477	-	3,477	-
	<u>\$ 3,540</u>	<u>\$ -</u>	<u>\$ 3,540</u>	<u>\$ -</u>
	December 31, 2018			
	Total	Level 1	Level 2	Level 3
Liabilities:				
Share purchase warrants – Related Party	\$ 76	\$ -	\$ 76	\$ -
GQM LLC Warrants – Related Party	3,314	-	3,314	-
	<u>\$ 3,390</u>	<u>\$ -</u>	<u>\$ 3,390</u>	<u>\$ -</u>

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

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

Select Non-Consolidated Figures

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

The following table shows figures attributable to the Company only as at March 31, 2019:

	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 and restricted cash	\$ 4,713	\$ 2,357	\$ 1,971	\$ 4,328
Short Term Debt	\$ 5,708	\$ 2,854	\$ 26,791	\$ 29,645
Long Term Debt	\$ 4,810	\$ 2,405	\$ -	\$ 2,405
Working Capital	\$ 19,785	\$ 9,893	\$ (25,126)	\$ (15,233)

* includes GQM Holdings

The following table shows figures attributable to the Company only for the three months ended March 31, 2019:

	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	\$ 16,979	\$ 8,490	\$ -	\$ 8,490
Cost of sales including depreciation and depletion	\$ (14,742)	\$ (7,371)	\$ (108)	\$ (7,479)
Accretion expense	\$ (52)	\$ (26)	\$ -	\$ (26)
G&A Expenses	\$ (1,022)	\$ (511)	\$ (784)	\$ (1,295)
Share based payments	\$ -	\$ -	\$ (27)	\$ (27)
Decrease in fair value of derivative liability	\$ (163)	\$ (82)	\$ 13	\$ (69)
Interest Expense	\$ (970)	\$ (485)	\$ (1,450)	\$ (1,935)
Interest Income	\$ 66	\$ 33	\$ 8	\$ 41
Net Loss	\$ 96	\$ 48	\$ (2,348)	\$ (2,300)

* includes GQM Holdings

Liquidity and Capital Resources

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 was required to pay the following amounts to the Clay Group on the following dates: \$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. On December 27, 2018, the Company and the Clay Group agreed to postpone the January 1, 2019 \$1.7 million of interest and principal payment until February 1, 2019 for a restructuring fee of

\$125. On January 31, 2019, the Company and the Clay Group agreed to an additional extension to February 8, 2019 for an extension fee of \$75. On February 9, 2019, the parties agreed to defer payments of principal and interest until completion of the proposed Transaction involving the sale of our 50% ownership in Soledad Mountain.

As at March 31, 2019, the Company had a working capital deficit of \$15.3 million and during the three months ended March 31, 2019, the cash used in operating activities was \$1.0 million. The Company is currently unable to repay the interest and principal payments due on the November 2017 Loan. The Company relies on 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 2019 budget and the draft Life of Mine Plan and the results for the three months ended March 31, 2019 and has determined it is unlikely it will receive sufficient distributions from GQM LLC to service its debt in early 2019. This situation raises substantial doubt about the Company's ability to continue as a going concern. Consequently, since the third quarter of 2018, the Company had pursued discussions with the Clay Group to restructure the reimbursement of the debt payments. The discussions terminated with the February 9, 2019 proposed Transaction.

See the "Recent Developments" section of this Form 10-Q for details of the proposed Transaction.

Cash from operating activities:

For the three months ended March 31, 2019, \$1,007 of cash was used in operating activities compared to \$7,394 of cash used in operating activities for the three months ended March 31, 2018. The decreased use of cash in 2019 was primarily due to increased revenue in 2019 compared to 2018.

Cash used in investing activities:

For the three months ended March 31, 2019, \$2,031 of cash was used in investing activities compared to \$2,071 of cash used in investing activities for the three months ended March 31, 2018. The major use of cash in 2019 was the purchase and installation of a replacement secondary cone crusher.

Cash from financing activities:

For the three months ended March 31, 2019, \$2,991 of cash was generated from financing activities compared to \$24,758 of cash generated from financing activities for the three months ended March 31, 2018. In the 2019 period, the company received \$5,000 from a credit facility. In the 2018 period, the Company completed a rights offering raising gross proceeds of \$25,036.

Working capital:

The following table shows working capital as at March 31, 2019:

	GQM LLC 100%	GQM Ltd. on a Non- Consolidated Basis *	GQM Ltd. on a Consolidated Basis **
Current assets	\$ 37,119	\$ 2,071	\$ 39,190
Current liabilities	(27,333)	(27,197)	(54,530)
Working capital	\$ 9,786	\$ (25,126)	\$ (15,340)

* includes GQM Holdings

** includes GQM Holdings and GQM LLC

Golden Queen and GQM Holdings

As at March 31, 2019, Golden Queen and GQM Holdings had current assets of \$2,071 (December 31, 2018 – \$2,693) and current liabilities of \$27,197 (December 31, 2018 – \$32,181) for a working capital deficit of \$25,126 (December 31, 2018 – working capital deficit of \$29,488). The increase in current liabilities is primarily the result of interest expense on the Clay Group Loan during the three months ended March 31, 2019.

GQM LLC

As at March 31, 2019, GQM LLC had current assets of \$37,119 (December 31, 2018 – \$28,591) and current liabilities of \$27,333 (December 31, 2018 – \$16,786) for working capital of \$9,786 (December 31, 2018 – working capital deficit of \$11,805). The increase in current liabilities is due to the \$10,000 credit line due March 31, 2020 becoming a current liability.

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, 2018	300,101,444		
Shares issued during the period up to May 6, 2019	-		
Shares issued and outstanding as at May 6, 2019	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 09/08/20 to 10/20/22
Shares to be issued on exercise of warrants	24,317,700	\$0.67 to \$0.78 and CAD \$2.00	From 06/08/20 to 11/18/21
Fully diluted May 6, 2019	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	
	March 31, 2019	March 31, 2018
Total Cash Costs		
Mining	\$ 11,051	\$ 7,376
Processing	4,821	4,488
Indirect mining cost	1,525	1,972
Inventory changes and others	(5,113)	(820)
Direct mining costs	12,284	13,016
Site general and administrative expenses	1,009	732
Cash costs before by-product credits	13,293	13,748
Divided by gold produced (oz)	12,032	6,579
Cash costs per ounce of gold produced (\$/oz)	1,105	2,090
Less: By-product silver credits per ounce (\$/oz)	(120)	(136)
Total cash cost per ounce of gold produced on a by-product basis (\$/oz)	\$ 985	\$ 1,954

Ore placed (tons)	852,893	806,450
Total cash costs (\$/t placed)	21.55	18.06
Crusher mechanical availability (%)	62%	65%
Apparent cumulative recovery ⁽¹⁾ – gold	67.4%	71.5%
Apparent cumulative recovery ⁽¹⁾ - silver	29.3%	27.1%

⁽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	
	March 31, 2019	March 31, 2018
All-in sustaining costs		
Cash costs before by-product credits*	\$ 13,293	\$ 13,748
Silver by-product	(1,447)	(895)
Total cash cost after by-product	11,846	12,853
Corporate general and administrative expenses	796	477
Stock based compensation	27	45
Accretion expense	52	42
Sustaining capital	2,032	2,412
All-in sustaining costs	14,753	15,829
Divided by gold produced (oz)	12,032	6,579
All-in sustaining costs per gold ounce on a by-product basis	\$ 1,226	\$ 2,406

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

	Three months ended	
	March 31, 2019	March 31, 2018
Cost of goods sold	14,902	16,034
Less: depreciation and depletion	\$ (2,566)	\$ (2,976)
Less: accretion expense	(52)	(42)
Direct mining costs	12,284	13,016
Add: site general and administrative expenses	1,009	732
Cash costs before by-product credits	\$ 13,293	\$ 13,748

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 the notes to its audited consolidated financial statements for the year ended December 31, 2018 and unaudited condensed consolidated interim financial statements for the three months ended March 31, 2019.

Adopted

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 retrospectively basis. There was an immaterial impact on the financial statements from adoption of this guidance.

Additional Information

Further information on Golden Queen Mining Co. Ltd. is available on the SEDAR web site 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 March 31, 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting, other than the Company has implemented a remediation plan and has addressed the deficiency previously noted with regards to inventory 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 three months ended March 31, 2019 and the year ended December 31, 2018, there were no reported instances of fraud.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

Golden Queen and its future business, operations and financial condition are subject to various risks and uncertainties due to the nature of its business and the present stage of development of the Mine. Certain of these risks and uncertainties are under the heading "Risk Factors" under Golden Queen's Form 10-K dated March 15, 2017 which is available on SEDAR at www.sedar.com, EDGAR at www.sec.gov and on our website at www.goldenqueen.com.

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

Not applicable.

Item 3. Defaults Upon Senior Securities.

Not applicable.

Item 4. Mine Safety Disclosures

GQM LLC is the operator of the Project, which is located in Mojave in Kern County, California. The mine safety disclosures required by section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 104 of Regulation S-K are included in Exhibit 95.1 of this Quarterly Report. There was one lost-time accident at GQM LLC during the three months ended March 31, 2019.

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,	Incorporated by reference to Exhibit 10.2 to the Form 10-Q of the Company, filed with the SEC on May 10, 2018

	the Landon T. Clay 2009 Irrevocable Trust Dated March 6, 2009, EHT, LLC, and the Clay Family 2009 Irrevocable Trust dated April 14, 2009	
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	Incorporated by reference to Exhibit 10.3 to the Form 10-Q of the Company, filed with the SEC on November 8, 2018
10.4	Share Purchase Agreement dated February 7, 2019 among the Company, and Estate of Landon Thomas Clay, Thomas M. Clay, Lavinia D. Clay, Cassius M.C. Clay, Landon H. Clay, Richard T. Clay, Jonathan Clay, James Clay, Clay Family 2009 Irrevocable Trust, LTC 2009 Irrevocable Trust, EHT, LLC, Monadnock Charitable Lead Annuity Trust dated May 31, 1996, Arctic Coast Petroleum, Ltd., and 933 Milledge, LLC	Incorporated by reference to Exhibit 10.1 to the Form 8-K of the Company, filed with the SEC on February 11, 2019
31.1	Certification of the Principal Executive Officer Pursuant to Rule 13a-14(a) or 15d-14(a) of the US Securities Exchange Act of 1934	Filed herewith
31.2	Certification of the Principal Financial Officer Pursuant to Rule 13a-14(a) or 15d-14(a) of the US Securities Exchange Act of 1934	Filed herewith
32.1	Section 1350 Certification of the Principal Executive Officer	Filed herewith
32.2	Section 1350 Certification of the Principal Financial Officer	Filed herewith
95.1	Mine Safety Disclosure	Filed herewith
101	Financial Statements from the Quarterly Report on Form 10-Q of the Company for the three months ended March 31, 2019, formatted in XBRL	Filed herewith

