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

Form 10-Q

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

For the quarterly period ended **September 30, 2014**

[ ] 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	**Not Applicable**
(State or other jurisdiction of incorporation)	(IRS Employer Identification) No.)

6411 Imperial Avenue
West Vancouver, British Columbia
V7W 2J5 Canada
(Address of principal executive offices)

Issuer's telephone number, including area code: **(604) 921-7570**

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 [**X**] 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 [**X**] 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 [**X**] Non-accelerated filer [ ] Smaller reporting company [ ]

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

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: As of November 10, 2014 the registrant's outstanding common stock consisted of 99,778,683 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" or the "Company") is as at November 10, 2014 and should be read in conjunction with the unaudited condensed consolidated interim financial statements of the Company for the quarter ended September 30, 2014 and the notes thereto.

The information in this Management's Discussion and Analysis of Financial Condition and Results of Operations is prepared in accordance with U.S. generally accepted accounting principles and all amounts herein are in U.S. dollars unless otherwise noted.

The Soledad Mountain Project

Overview

The Company is developing a gold-silver, open pit, heap leach operation on its fully-permitted Soledad Mountain property, located just outside the town of Mojave in Kern County in southern California. The Soledad Mountain Project (the "Project") will use conventional open pit mining methods and the cyanide heap leach and Merrill-Crowe processes to recover gold and silver from crushed, agglomerated ore.

Please refer to the Company's news release of October 25, 2012 and the Form 10-K dated March 17, 2014 for information on the Project.

The Company started construction of infrastructure-related items during the third quarter of 2013.

Construction of Infrastructure and Project Facilities

Construction continued on site and proceeded smoothly with no incidents to report during the third quarter. Construction proceeded at a much-reduced rate as all major projects that were committed earlier in 2014 had been completed.

Phase I Construction

The construction of the basic water supply for the Project is under way. Our contractor started work on the water line from production well PW-1 through the bored crossing on July 28 and the first phase of this project was completed in September. The water storage tanks that had been used by our contractor during construction were also moved to site in September. The trucks that are being used for dust control now no longer need to leave the site to pick up a load of water with some cost savings. A 50hp electric pump was installed in PW-1 and this is now part of the permanent installation. Pressure tests were conducted on the first section of pipe line and this portion of the pipe line is now in use. Work is proceeding on the second leg of the pipe line that will end at the pad from where water will be distributed to all points of use on site. Considerable progress was also made with the electrical infrastructure required for this project. An order has been placed for five water storage tanks with delivery scheduled in December. Construction of the basic water supply is the second of a number of turn-key projects for the Project.

The access road and site preparation of the area where the downwind environmental monitoring station will be located was completed. Erection of the equipment was under way at the end of September and the station will be commissioned in October. The station must be in operation when pre-production mining starts.

Phase II Construction

The workshop – warehouse was completed in July. The workshop – warehouse septic system and leach field will be constructed in October.

A project is under way to equip the workshop with lubrication equipment and a compressed air system and the warehouse with shelving. We are also completing designs and cost estimates for the construction of four offices on the floor above the warehouse. These offices will be used by the engineering staff.

The construction of the fuel storage facility was completed in September. The fuel storage facility is a self-contained facility with 20,000 gallon diesel fuel and 1,000 gallon gasoline storage tanks and the necessary dispensing pumps, hoses and fittings.

The Company placed an order for a high-pressure grinding roll ("HPGR") with ThyssenKrupp Industrial Solutions (USA), Inc. (formerly Polysius Corporation) and a deposit of ~$1 million was made in July. The Company also made the first progress payment of $1.3 million in late August as well as progress payments totaling $1.9 million subsequent to September 30, 2014. The vendor has now placed orders for all the key components and these are scheduled for delivery to the machining facilities in Germany before the end of 2014.

Detailed designs and cost estimates were completed for the assay laboratory, and a contract for the construction of the assay laboratory building was signed in the third quarter. The contractor has ordered the building and construction materials with delivery scheduled for early November. Construction is scheduled for completion in March 2015. This is the third of a number of turn-key projects for the Project.

Site grading of the area where the Merrill-Crowe plant will be constructed was under way at the end of September and this project was completed in October. The next project to be constructed in this area is a lined pump box for receiving pregnant solution from the heap leach facility.

Phase III Construction

The excavation of the overflow pond, which is part of the heap leach facilities, was completed in September with only final touch-up such as safety berms remaining in October.

The excavation of the base of the Hilfiker retaining wall was under way at the end of September. This project was completed in October. The next project in this area is the construction of the Hilfiker retaining wall which must be completed before the construction of the primary crusher station can proceed.

The test program to determine the parameters for the clay-tailings mixture that will be used to construct the lower, low-permeability liner of the Phase 1, Stage 1 heap leach pad was completed in July. The results of the field permeability tests indicated that two alternative test mixes both achieved the necessary low permeability. Based on these test results, the proposed materials and the necessary construction methods were approved for use in the full-scale construction of the Phase 1, Stage I heap leach pad. These test results confirmed that locally available materials can be used for this project.

Detailed engineering for the conveying and stacking system was completed and final cost estimates were received and approved by management in the third quarter. We signed a contract for the conveying and stacking system as a turn-key project in September.

A number of smaller, miscellaneous projects were also completed.

Key Changes in Costs from the Feasibility Study

One of the Company's priorities in the first quarter of 2014 was to do more detailed engineering for construction and update cost estimates for the major turn-key projects. The feasibility study capital cost estimates were prepared in 2012 and were therefore out of date by around 18 months by the end of 2013. These detailed designs are either well under way or have essentially been completed, and the Company has received updated cost estimates for all of the turn-key projects.

The current designs and updated cost estimates have raised the total estimated capital cost to build the Project to $114 million. This includes a contingency of 15% or approximately $15 million. The 2012 feasibility study cost estimate was $79 million with unallocated costs of $12 million for a total of $91 million.

In addition to the $114 million required to build the Project, the Company estimates that $10.5 million will be required for working capital and approximately $17 million for mobile mining equipment. These estimates have not changed from the feasibility study. The Company's new estimate for the total capital required to bring the Project to production is $141 million (from $119 million in the feasibility study), of which approximately $18 million has been spent to date.

Approximately 50% of capital expenditures are comprised of turn-key projects that will be awarded as fixed-price contracts. These contracts will therefore provide price protection during the construction. The Company has selected and is working with contractors with significant experience and excellent reputations for its turn-key projects.

The time that has passed between the time the feasibility study was released in October 2012 and the first quarter of 2014, when the Company updated its capital costs, has provided the Company with the opportunity to re-evaluate the designs and we have made numerous improvements which we believe will enhance the efficiency and reliability of the processing operations.

Workshop-Warehouse: The Company received a proposal for the construction of the workshop-warehouse and wash slab from a local contractor in November 2013 and the proposed cost for the project was in line with the feasibility study cost estimate.

Crushing-Screening Plant: Our contractor has completed the design for the crushing-screening plant as a turn-key project with numerous improvements to the feasibility-level design, to improve the functionality of the plant, both from an operating and a maintenance point of view. The plant now includes an agglomeration drum and provision has been made for a possible future increase in plant throughput and this has increased the cost estimate for the plant by $2.7 million.

The Company has confirmed an order for the HPGR with ThyssenKrupp Industrial Solutions (USA), Inc. (formerly Polysius Corporation). The cost of the HPGR is in line with the feasibility study cost estimate.

Stacking and Conveying System: The feasibility study design for the stacking and conveying system was done in 2005. The current design has evolved substantially over the past few years to a fully-automated system with a significant increase in the reliability of the overall system. The power distribution along the system has evolved with a separate transformer and motor control package for each unit of the system. Each of the grass hopper conveyors now includes a dust control cover and all functions of the stacker are now controlled by radio remote control. As a result of the changes, the estimated costs of the conveying and stacking system as a turn-key project have increased by $3.9 million.

Phase 1 Heap Leach Pad: The Phase 1 heap leach pad has been designed as a permanent, single-use pad with external solution collection systems. Crushed and agglomerated ore will be conveyed to the heap and stacked with a radial stacker. The Company has received an updated cost estimate for the construction of the Phase 1, Stage 1 pad and this cost estimate, after allowance for the construction of the overland conveyor route and peripheral roads in 2013, is lower than the feasibility study cost estimate by $1 million.

Merrill-Crowe Plant: The current design includes an increase in solution flow rates of 50% and this was decided upon as part of an overall design review of the Project. The increase in solution flow rates has been accommodated in the original Merrill-Crowe plant footprint. Costs have however increased by $1.8 million due to the required changes to the plant design.

Assay Laboratory: The assay laboratory has been changed from a laboratory assembled from three pre-fabricated modules to a laboratory constructed on site. Costs have increased by $0.8 million as a result of these changes.

Water Supply (Supply from two groundwater production wells and distribution on site): Both the design and the cost estimates for the water supply from two production wells were re-done by a consulting engineering firm based in Bakersfield. The original design done for the water supply feasibility study was inadequate resulting in a higher cost estimate than was originally anticipated by approximately $2.3 million.

Project Financing - Joint Venture Transaction

At Golden Queen's special meeting of shareholders held on September 9, 2014, the Company's shareholders voted overwhelmingly in support of the resolution approving the joint venture (the "Joint Venture Transaction") with Gauss LLC ("Gauss"). Of the 28,416,591 shares voted at the meeting, approximately 99.6% voted in favour of the resolution. The number of shares voted at the meeting and the voting results exclude any shares held by Clay family members having an interest in the transaction. Details of the voting results were filed on SEDAR (www.sedar.com). The Joint Venture Transaction subsequently closed on September 15, 2014.

Pursuant to the Joint Venture Transaction, Golden Queen converted its wholly-owned subsidiary, Golden Queen Mining Co., Inc. ("GQ Inc."), that is developing the Project into a California limited liability company named Golden

Queen Mining Company, LLC ("GQ California"). On closing of the Joint Venture Transaction, Gauss acquired 50% of GQ California in exchange for its $110 million investment. Golden Queen Mining Holdings, Inc. ("GQ Holdco"), a newly incorporated subsidiary of Golden Queen, holds the other 50% of GQ California.

Gauss and GQ Holdco have entered into a joint venture agreement (the "JV Agreement") that provides, inter alia, details of how GQ California will be managed and the obligations of each of the parties in connection with further funding requirements. GQ California is managed by a board of managers comprising an equal number of representatives of each of Gauss and GQ Holdco. The initial officers of GQ California are Lutz Klingmann as Chief Executive Officer, and Andrée St-Germain as Chief Financial Officer.

On closing of the Joint Venture Transaction, GQ California applied part of the investment of $110 million to repayment of principal and accrued interest on the $10,000,000 bridge loan advanced by Leucadia National Corporation ("Leucadia") and Auvergne, LLC ("Auvergne") in July 2014. The repayment was for a total of $10,209,607. GQ California will apply the remainder of the investment to the continued development of the Project and additional fees related to the Joint Venture Transaction as described under the heading ***Transactions with Related Parties***. Golden Queen is currently evaluating financing alternatives to fund its capital contribution to GQ California that is required pursuant to the terms of the JV Agreement (see ***Transactions with Related Parties*** below).

Gauss is a funding vehicle owned by entities controlled by Leucadia and certain members of the Clay family, a shareholder group which collectively owned approximately 27%, at the time of the transaction, of the issued and outstanding shares of Golden Queen (the "Clay Group"). Gauss is owned 67.5% by Gauss Holdings LLC (Leucadia's investment entity) and 32.5% by Auvergne LLC (the Clay Group's investment entity). Pursuant to the JV Agreement, GQ Holdco will have the right to make a single capital contribution to GQ California of between $15 million and $25 million, with each such threshold to be reduced by 50% of the amount of any proceeds received by GQ California from any debt financing transaction (the "Top-Up Contribution"). Pursuant to the JV Agreement, if Golden Queen (through GQ Holdco) makes the Top-Up Contribution, Gauss is committed to fund an amount equal to the Top-Up Contribution to GQ California, and the aggregate amount of such contributions are anticipated to provide GQ California with the necessary funds to fully develop the Project. If GQ Holdco does not make the Top-Up Contribution, Gauss will be obligated to make up to a $40 million capital contribution to GQ California, in which case GQ Holdco's ownership interest in GQ California will be diluted and GQ Holdco will surrender one of its board seats at GQ California.

Please refer to the transaction documents filed on EDGAR on June 12, 2014 and July 31, 2014 for further details on the Joint Venture Transaction.

Standby Commitment

Golden Queen also entered into a backstop guarantee agreement with Gauss (the "Backstop Agreement") whereby, if the Company conducts a rights offering, Gauss has agreed to purchase, upon the terms set forth in the Backstop Agreement, any common shares which have not been acquired pursuant to the exercise of rights under the rights offering at a price to be determined but not to exceed $1.10 per common share, up to a maximum amount of $45 million in the aggregate. In consideration for entering into the Backstop Agreement, on closing of the Joint Venture Transaction, the Company paid Leucadia and Auvergne a standby guarantee fee of $2,250,000.

The Transaction Agreement and Backstop Agreement contemplated that the Company would file a registration statement in connection with the rights offering by October 15, 2014, however the Company is conducting a full review of available financing alternatives, and as a result, whether or not the Company will proceed with the rights offering (if any), and the size of any such rights offering, is not known at this time. The use of proceeds of any financing is expected to include funding the Company's additional investment in GQ California in order to maintain its 50% joint venture interest. The Company will not be subject to additional fees or expenses as a result of not filing a registration statement in connection with a rights offering.

The Center for Biodiversity Petition to List the Mojave Shoulderband Snail as an Endangered Species

The Center for Biological Diversity filed an Emergency Petition (the "Petition") with the United States Fish and Wildlife Service ("USFWS") to list the Mojave Shoulderband snail as threatened or endangered under the Endangered Species Act on January 31, 2014

The Company worked with its environmental and legal advisors to prepare a detailed and complete response to the Petition, which was filed with the USFWS on March 31, 2014. The Company's response is available on the Company's website at www.goldenqueen.com, in the "Notices & Other Filings" section.

In reviewing the Petition, the Company found that the Center's assumptions, arguments, and conclusions lacked scientific support. In the terminology of the USFWS, the Petition did not present substantial scientific information sufficient to convince a reasonable person that action by the USFWS might be warranted. The Petition relied on incorrect and incomplete information with respect both to the science and to the Project. Most of the biological information presented in the Petition was generic or pertained to other snail species. To the extent the Petition discussed the Mojave Shoulderband snail in particular, the discussion relied on a 500 word, 80-year old academic journal note that did not meet modern academic standards, and unpublished data gathered by the Petitioners but withheld from the USFWS and the public.

The Company learned in April 2014 that the USFWS had determined that there was no emergency to justify listing the Mojave Shoulderband snail as threatened or endangered under the Endangered Species Act of 1973, as amended. The USFWS has reviewed the Petition and concluded that there was no imminent threat to the snail that would cause them to believe an emergency listing was required. The USFWS indicated that it would not be able to address the Petition at this time but might do so in future, subject to funding.

Other Legal Matters

During the second quarter of 2014, the Company filed a complaint with the National Labor Relations Board (the "NLRB") against the Building and Construction Trades Council of Kern, Inyo, and Mono Counties (the "Union"). The complaint was in response to action taken by the Union related to a 1997 project labor agreement that the Company believes is not applicable to the current Project and, in any event, unenforceable under federal labor law.

The NLRB informed the Company that the NLRB's General Counsel had found in favor of the Company in the above matter in early October. The NLRB next informed the Company that the Union had decided not to sign the Settlement Agreement offered by the NLRB. The NLRB is now expected to issue a Complaint against the Union within thirty days with the NLRB in the role of prosecutor. In this case the NLRB, Region 31, will be acting as a representative of the NLRB General Counsel and will be prosecuting this unfair labor practice charge against the Union.

The Company will assess its options related to this matter when the Complaint has been filed and the Union has responded.

Results of Operations

The following are the results of operations for the three and nine months ended September 30, 2014, and the corresponding period ended September 30, 2013.

The Company had no revenue from operations.

The Company incurred general and administrative expenses of $1,119,216 and $4,266,435 during the three and nine months ended September 30, 2014 as compared to $766,108 and $1,668,610 for the same periods in 2013. Costs were higher by $353,108 and $2,597,825 for the three and nine months ended September 30, 2014 when compared with the same periods in 2013. The reasons for the higher costs are highlighted below.

The following significant general and administrative expenses were incurred during the nine months ended September 30, 2014 with a comparison to costs incurred during the same period in 2013:

- $1,214,603 (2013 – $301,061) for legal expenses. The increase is the result of the work required for financing activities, a general increase in overall corporate activity and other corporate matters such as the Company's response to the Petition (refer to ***The Center for Biodiversity Petition to List the Mojave Shoulderband Snail as an Endangered Species*** above). In addition, there were significant legal fees related to the Joint Venture Transaction that were incurred mostly in the three months ended September 30, 2014 (refer to ***Project Financing - Joint Venture Transaction*** above).

- $452,097 (2013 - $192,540) for audit, tax and accounting fees. The current period increase is the result of higher costs associated with the 2013 year-end audit completed in first quarter of 2014. With the increase in overall corporate activity, changes and improvements to our control environment and processes and a move from the exploration stage to the development stage, the amount of work required to complete the financial statement audit and the internal control over financial reporting audit increased as compared to the prior period. Finally, there were significant accounting fees related to the Joint Venture Transaction due to the complexity of the agreement, including the hiring of an independent accounting firm to assist with complex accounting matters (refer to ***Project Financing - Joint Venture Transaction*** above).

- $677,081 (2013 – $49,004) for corporate expenses. The increase is due to the costs associated with the Company's financing activities and a general increase in overall corporate activity. Additional fees had to be paid in connection with the Joint Venture Transaction (refer to ***Project Financing - Joint Venture Transaction*** above). The Company opened an administrative office in Mojave in July 2013 and has been hiring new employees, hence increasing overall corporate expenses at the project level as well as costs related to recruiting and relocating new hires.

- $787,453 (2013 - $88,756) for corporate salary. The increase is the result of the Company having eleven full-time staff at the Vancouver and Mojave offices.. Most of the staff was hired in 2014. The nine month period ended September 30, 2014 for corporate salary includes a bonus payable, not issued in prior periods.

- $119,583 (2013 - $30,508) for public relations and promotions. The increase is due to the increase in overall corporate activity, the Company's financing efforts and a move from the exploration stage to the development stage.

- $393,893 (2013 - $117,660) for office expense. The significant increase in the office expenses is directly related to the increased activity at the Mojave office including items such as office supplies, computers and software, utilities, telephone, internet, vehicle expense and advertising.

- $74,111 (2013 - $42,689) for travel and accommodation. The increase in travel and accommodation is related to management's travels to site given the increased construction activity on site. The increase is also due to travels related to the financing activities of the Company.

- $56,342 (2013 - $Nil) for repairs and maintenance. The repairs and maintenance expenses are related to work done on the Company-owned houses located in Mojave, as well as work done on the Mojave office.

- $78,614 (2013 - $44,066) for insurance expenses. The insurance expenses increase are related to the general increase in corporate and site activities.

The following significant general and administrative expenses were incurred during the three months ended September 30, 2014 with a comparison to costs incurred during the same quarter in 2013:

- $285,836 (2013 – $71,046) for legal expenses. The increase is the result of the work required for financing activities. Also included in the third quarter costs were a significant portion of the legal fees related to the Joint Venture Transaction (refer to ***Project Financing - Joint Venture Transaction*** above).

- $187,576 (2013 - $59,322) for audit, tax and accounting fees. The increase is the result of the work required for tax discussion and analyses with experts in the subject matter related to the Joint Venture Transaction and other general corporate matters. Finally, there was significant accounting fees related to the joint venture agreement due to the complexity of the agreement, including the hiring of an independent accounting firm to assist with complex accounting matters during the third quarter of 2014 (refer to ***Project Financing - Joint Venture Transaction*** above).

- $399,698 (2013 - $68,898) for corporate salary. The increase is the result of the Company having eleven full-time staff at the Vancouver and Mojave offices. The three month period ended September 30, 2014 for corporate salary includes a bonus payable, not issued in prior periods..

- $78,765 (2013 - $25,452) for public relations and promotions. The increase is due to the increase in overall corporate activity, the Company's financing efforts and the costs associated with the shareholder vote on the joint venture agreement.

- $39,391 (2013 - $18,250) for travel and accommodation. The increase in travel and accommodation is related to management's travels to site given the increased construction activity on site. The increase is also due to travels related to the financing activities of the Company.

- $56,342 (2013 - $Nil) for repairs and maintenance. The repairs and maintenance expenses are related to work done on the Company-owned houses located in Mojave, as well as work done on the Mojave office.

- $87,769 (2013 – $311,870) in stock-based compensation expense. There were no stock options issued in 2014. The stock-based compensation expense in the third quarter of 2014 is related to the amortization of costs associated with unvested stock options issued in the third quarter of 2013.

The Company incurred $208,126 and $1,163,543 for interest expense during the three and nine months ended September 30, 2014 as compared with $349,586 and $349,586 for the same period in 2013. The Company received C$10,000,000 by issuing convertible debentures in July 2013, received $10,000,000 from a loan in January 2014 and received $10,000,000 from an advance in July 2014. This resulted in interest expenses for the period.

The Company capitalizes a portion of the interest expenses as the Company's loans and advances were contracted to fund significant exploration and development costs. As such, the Company capitalized a portion of the above interest expense as it related to funds borrowed to complete development activities at the Project site. The following summarizes interest expense as at September 30, 2014 and December 31, 2013.

	September 30, 2014	December 31, 2013
Amortization of discount and interest on loan and convertible debenture	$ 2,993,083	$ 888,026
Less: Interest cost capitalized	(1,829,540)	-
Amortization of discount and interest expense	$ 1,163,543	$ -

The total amount of interest capitalized during the three and nine months ended September 30, 2014 was $838,727 and $1,829,540 (2013 - $Nil and $Nil).

The total interest cost, inclusive of the capitalized interest, includes an amortization of the discounted convertible debentures of $665,676 and $1,779,294 during the three and nine months ended September 30, 2014 (2013 - $319,622 and $319,622); includes $45,543 and $137,059 related to the stated interest on the July 2013 convertible debentures during the three and nine months ended September 30, 2014 (2013 - $29,964 and $29,964), includes $126,027 and $867,123 related to the January 2014 loan during the three and nine months ended September 30, 2014 (2013 - $Nil and $Nil) and includes $209,607 and $209,607 related to the July 2014 advance during the three and nine months ended September 30, 2014 (2013 - $Nil and $Nil). Included in the interest cost for the January 2014 loan is a finance charge of $500,000 (2013 - $Nil). This charge represents the premium payable to the lender. The finance charge became due once management concluded that the loan would be repaid with less than 183 days remaining before maturity. The Company paid $186,180 in interest during the third quarter on the July 2013 convertible debentures (2013 - $Nil). In addition, GQ California paid $209,607 in interest during the third quarter on the July 2014 advance (2013 - $Nil).

GQ California incurred transaction fees for $2,275,000 (2013 – $Nil) during the third quarter of 2014. The transaction fees were paid to Leucadia and Auvergne when the Joint Venture Transaction closed on September 15. Golden Queen incurred commitment fees of $2,250,000 (2013 – $Nil) and these commitment fees were also paid to Leucadia and Auvergne when the Joint Venture Transaction closed on September 15. The commitment fees were paid as a result of the Standby Commitment (refer to ***Project Financing - Joint Venture Transaction*** above).

The Company recorded a decrease in the derivative liability including foreign exchange of $2,861,314 as a result of a decrease in the Company's share price during the three months ended September 30, 2014 from the previous quarter compared to a decrease of $475,862 for the same quarter in 2013. For the nine months ended September 30, 2014, the Company recorded an increase in the derivative liability including foreign exchange of $1,251,381 (2013 – decrease of $2,760,672) as a result of the addition of a derivative liability related to the July 2013 convertible debentures and an increase in the Company's share price from December 31, 2013 as compared to the same period in 2013. The derivative liability as of September 30, 2014 is the result of the convertible debenture having a conversion price denominated in Canadian dollars as well as the fact that the final conversion price is not fixed, whereas at September 30, 2013, the derivative liability was the result of both the convertible debenture (for the reasons stated above) and the stock options having exercise prices in Canadian Dollars, which is not the Company's functional currency. In both cases, the conversion/exercise prices were denominated in a currency that was not the functional currency of the Company, US Dollars. These derivative liability changes are a non-cash item and were recorded in accordance with accounting pronouncement ASC 850-40-15. Refer to Notes 6 and 8 of the unaudited condensed consolidated interim financial statements for a detailed analysis of the changes in fair value of the derivative liability.

Interest income of $18,940 (2013 - $2,088) was higher during the three months ended September 30, 2014 as compared with the same period in 2013 due to higher cash balances in 2014. For the nine month period ended September 30, 2014, interest income was $33,778 (2013 - $13,864), significantly higher than the same period in 2013 due to higher cash balances during the nine month period ended September 30, 2014. Interest rates remained low during the quarter and are projected to remain low for the remainder of 2014 at least.

The Company recorded a net and comprehensive loss of $1,811,843* and $10,012,335* (or $0.02 and $0.10 basic loss per share) during the three and nine months ended September 30, 2014 as compared to net and comprehensive loss of $637,744 and net income of $756,340 (or $0.01 basic loss and $0.01 basic income per share) during the same period of 2013. The difference between the three months ended September 30, 2014 and 2013 is mainly due to the transaction and commitments fees of $2,275,000 (2013 – $Nil) and $2,250,000 (2013 - $Nil) respectively, related to the Joint Venture Transaction. These fees were partially offset by a decrease of the derivative liability of $2,861,314 (2013 - $475,862). The difference between the nine month periods ended September 30, 2014 and 2013 was the result of the transaction fees and commitment fees of $2,275,000 and $2,250,000 respectively, related to the Joint Venture Transaction, increased administrative expense of $2,597,823, increased interest expense of $813,957, a cost that was minimal in 2013, and a difference of $4,012,053 in the change in fair value of the derivative liability.

* - Net income (loss) for the period attributable to the Company.

Summary of Quarterly Results

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

Results for the quarter ended on:	**Sept. 30, 2014**	**June 30,2014**	**March 31, 2014**	**Dec. 31, 2013**
Item		**$**	**$**	**$**
Revenue	Nil	Nil	Nil	Nil
Net income (loss) for the quarter	(1,811,843)*	(705,843)	(7,494,638)	1,221,564
Basic net income (loss) per share	(0.02)	(0.01)	(0.08)	0.02
Diluted net income (loss) per share	(0.02)	(0.01)	(0.08)	(0.01)

Results for the quarter ended on:	**Sept. 30, 2013**	**June 30, 2013**	**March 31, 2013**	**Dec. 31, 2012**
Item	**$**	**$**	**$**	**$**
Revenue	Nil	Nil	Nil	Nil
Net income (loss) for the quarter	(637,744)	1,226,780	167,304	803,716
Basic net income (loss) per share	(0.01)	0.01	0.00	0.01
Diluted net income (loss) per share	(0.01)	(0.00)	(0.00)	0.01

* - Net income (loss) for the period attributable to the Company.

For the quarters above, the main reason for the significant fluctuations in the net income (loss) has been the result of the fluctuations Company's derivative liabilities. For fiscal 2014, the Company experienced a significant loss related to its derivative liabilities in the amount of $5,747,376 (2013 – Gain of $611,949) in the first quarter whereas the second and third quarters of 2014 resulted in gains of $1,634,681 (2013 – Gain of $1,672,861) and $2,861,314 (2013 – Gain of $475,862). In the fourth quarter of 2013, the Company saw a rise in the Company's stock price resulting in an increase in the derivative liabilities of $2,624,988. The Company's derivative liabilities are a function of the Company's stock price. As the stock price rises, the derivative liabilities increase resulting in the Company recognizing losses and when the stock price drops, the Company recognizes gains.

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

Please refer to the ***Results of Operations*** section above for the results of operations for the three month and nine month period ended on September 30, 2014.

Reclamation Financial Assurance

The Company provided reclamation financial assurance to the Bureau of Land Management, the State and Kern County of $478,742 for the year ended December 31, 2013 ($339,076 for the year ended December 31, 2012). This amount increased to $563,105 during the nine months ended September 30, 2014. The deposit earns interest at 0.1% per annum and is not available for working capital purposes. The increase in the deposit was to ensure the amount of the reclamation financial assurance covers the asset retirement obligation from the previous year. The deposit is held within GQ California.

The reclamation financial assurance increased to $552,250 in 2014 based upon the anticipated work done on site in 2014 and the Company recorded this obligation as at September 30, 2014. The estimate was submitted to the State Office of Mine Reclamation for review and was subsequently approved by the Kern County Engineering, Surveying & Permit Services Department.

The Company estimated its asset retirement obligations based on its understanding of the requirements to reclaim and clean-up its property based on its activities to date. During the three and nine months ended September 30, 2014, there were no changes to the retirement obligations as compared with the year ended December 31, 2013, where $76,312 was capitalized to mineral property interests as the asset portion of the retirement obligation. The amount was capitalized as the Company is in the development stage and is capitalizing all of its development costs pursuant to our policy. The total asset retirement obligation as of September 30, 2014 is $552,250 (December 31, 2013 - $552,250). Prior to 2013, the asset retirement obligation was expensed. The Company will be reassessing the retirement obligation if and when a production decision has been made or there are further site disturbances during the phased construction.

Property Rent Payments

The Company continues to make property rent payments to landholders and paid $116,436 in cash and $24,480 in common shares of the Company for the nine month period ended September 30, 2014, as compared to $94,020 during the same period in 2013. The overall payments during the year are expected to increase from approximately $161,000 in 2013 to approximately $184,000 in 2014. The Company is in ongoing discussions with landholders and has made offers to buy back royalty interests.

Mine Development Commitments

GQ California has entered into contracts for construction totaling approximately $3.6 million as of September 30, 2014, of which $0.7 million had been paid as of September 30, 2014. The major commitments relate to the construction of the assay laboratory for $1.2 million and work related to the water supply and water storage for $1.3 million. The commitments are expected to be paid out as $2.5 million in 2014 and $0.4 million in 2015.

GQ California also had a commitment of $4.2 million for the HPGR as of September 30, 2014. Subsequent to September 30, 2014, the GQ California made two payments totaling approximately $1.9 million. GQ California expects to make another payment of approximately $0.7 million in 2014 and the remaining payments will be made in 2015.

In addition, GQ California committed, as of September 30, 2014, to approximately $1.1 million for a water truck and a motor grader. The final terms of the mobile equipment financing were not known as of September 30, 2014. Subsequent to the end of the third quarter, the water truck was delivered to site. Shortly after receiving the water truck, GQ California paid $0.1 million, which represents the sales tax and a 10% deposit. The remaining $0.7 million will be financed over 48 months at an interest rate of 2.99%.

GQ California made approximately $1.8 million in additional construction commitments subsequent to September 30, 2014.

Off-balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Stock Option Plan

The Company's current stock option plan (the "Plan") was adopted by the Company in 2013 and approved by shareholders of the Company in 2013. The Plan provides a fixed number of 7,200,000 common shares of the Company that may be issued pursuant to the grant of stock options. The exercise price of stock options granted under the Plan shall be determined by the Company's board of directors (the "Board"), but shall not be less than the volume-weighted, average trading price of the Company's shares on the TSX for the five trading days immediately prior to the date of the grant. The expiry date of a stock option shall be the date so fixed by the Board subject to a maximum term of five years. The Plan provides that stock options will terminate on the earlier of the expiry of the term and (i) 12 months from the date an option holder dies, (ii) 12 months from the date from the date the option holder ceases to act as a director or officer of the Company, or (iii) 12 months from the date the option holder ceases to be employed, or engaged as a consultant, by the Company. All options granted under the 2013 Plan will be subject to such vesting requirements as may be prescribed by the Exchange, if applicable, or as may be imposed by the Board.

During the quarter ended June 30, 2013, the Company granted 300,000 options to Mr. Laurence Morris, the Company's new Chief Operating Officer. The options are exercisable at a price of $1.16 for a period of five years from the date of grant and vest over a period of 18 months with 100,000 vesting in 6, 12 and 18 months respectively. The Company also granted 50,000 stock options to a consultant of the Company on June 3, 2013. The options are exercisable at a price of $1.16 for a period of five years from the date of grant and vest immediately.

During the quarter ended September 30, 2013, the Company granted 300,000 options to Ms. Andrée St-Germain, the Company's new Chief Financial Officer. The options are exercisable at a price of $1.26 for a period of five years from the date of grant and vest over a period of 12 months with 100,000 vesting on the date of grant, and 100,000 vesting in 6 and 12 months respectively. The Company also granted 150,000 stock options to the Company's independent directors on September 4, 2013. The options are exercisable at a price of $1.59 for a period of five years from the date of grant and vest immediately.

The Company did not grant options during the quarters ended December 31, 2013, March 31, 2014, June 30, 2014 and September 30, 2014.

A total of 850,000 (750,000 exercisable) (December 31, 2013 – 1,380,000 (880,000 exercisable); September 30, 2013 – 2,280,000 (1,780,000 exercisable)) common shares were issuable pursuant to such stock options as at September 30, 2014.

Transactions with Related Parties

Consulting Fees

For the three and nine months ended September 30, 2014, the Company paid $42,417 and $126,476 (2013 - $40,047 and $114,570) to Mr. H. Lutz Klingmann for services as President of the Company of which $13,811 (December 31, 2013 - $47,967; September 30, 2013 - $14,763) is payable as at September 30, 2014.

During the three and nine months ended September 30, 2014, the Company paid a total of $11,640 and $35,079 (2013 - $12,172 and $19,505) to its three independent directors. The two non-independent directors, H. Lutz Klingmann and Thomas M. Clay, do not receive directors' fees for the three and nine months ended September 30, 2014 or for the same periods in 2013.

Convertible Debentures

On July 26, 2013, the Company entered into agreements to issue convertible debentures for aggregate proceeds of C$10,000,000. The convertible debentures are unsecured and bear interest at 2% per annum, calculated on the outstanding principal balance, payable annually. The principal amounts of the debentures are convertible into shares of the Company at a price of C$1.03 per share for a period of two years. If the debentures have not been converted by the holder prior to the maturity date, then the Company may convert them at the lower of C$1.03 or the market price as at the maturity date. The market price on the maturity date will be determined based on the volume- weighted average price of the shares traded on the TSX for the five trading days preceding the maturity date. A total of

C$7,500,000 of the offering was subscribed for by an investment vehicle managed by Thomas M. Clay, a Director and insider of the Company.

The conversion feature of the convertible debentures meets the definition of a derivative liability instrument because the conversion feature is denominated in a currency other than the Company's functional currency and therefore does not meet the "fixed-for-fixed" criteria outlined in ASC 815-40-15. As a result, the conversion feature of the debentures is required to be recorded as a derivative liability recorded at fair value and marked-to-market each period with the changes in fair value each period being charged or credited to income.

The Company paid $186,180 in interest during the third quarter related to this convertible debenture.

See also Note 6 of the unaudited condensed consolidated interim financial statements for more details on the convertible debentures.

Loan

In January 2014, the Company entered into an agreement to secure a $10,000,000 loan (the "Loan"). The Loan was provided by members of the Clay family including $7,500,000 provided by an investment vehicle managed by Thomas M. Clay, a Director and insider of the Company. The Loan has a twelve-month term and bears an annual interest rate of 5%, payable on the maturity date. If the Loan is repaid on a date that is less than 183 days before the maturity date, the Company will pay the Lenders 105% of the principal amount, plus interest on the principal amount at the rate of 5% per annum accrued to the date the Loan is repaid. In addition, the outstanding balance will be immediately due and payable on the earlier of the maturity date, the first date during the term on which a financing over $15,000,000 is completed and the occurrence of an event of default. As at September 30, 2014, the value of the prepayment option has been recognized as an interest cost as management assessed its ability to prepay the Loan and concluded that the Company would not be able to prepay the Loan within the terms outlined above.

See also Note 6 of the unaudited condensed consolidated interim financial statements for more details on this Loan.

Advance

In July 2014, GQ Inc. (the predecessor of GQ California) entered into an agreement for a $10,000,000 short-term loan (the "Advance") with Leucadia and Auvergne (together the "Lenders"), with the Company as guarantor. Leucadia provided $6,500,000 and Auvergne provided $3,500,000 of the Advance respectively. The Advance had an interest rate of 10.0% per annum, compounded monthly. Auvergne is an investment vehicle managed by Thomas M. Clay, a Director and insider of the Company. On closing of the joint venture transaction on September 15, 2014, GQ California applied part of the investment of $110,000,000 to repayment of principal and accrued interest on the Advance. GQ California paid $209,607 in interest payment, including $73,632 paid to Auvergne on the July 2014 Advance, of which $45,264 was capitalized to mineral property interests.

See also Note 6 of the unaudited condensed consolidated interim financial statements for more details on this Advance.

Joint Venture Transaction

The Company closed the Joint Venture Transaction with Leucadia and Auvergne on September 15 (see ***Project Financing - Joint Venture Transaction*** above and Note 6(vi) of the unaudited condensed consolidated interim financial statements for more details). Auvergne is managed by Thomas M. Clay, a Director and insider of the Company.

Pursuant to the transaction, GQ California paid transaction fees to Leucadia and Auvergne of $2,000,000 and $275,000, respectively. The Company paid commitment fees to Leucadia and Auvergne of $1,518,750 and $731,250, respectively.

There were no other transactions with related parties during the quarter ended September 30, 2014.

Fair Value of Financial Instruments

The carrying amounts reported in the balance sheets for cash, receivables, accounts payable and accrued liabilities and loans payable approximate fair values because of the immediate or short-term maturity of these financial instruments. The carrying amount of the convertible debenture is being recorded at amortized cost using the effective interest rate method. As at September 30, 2014, the estimated fair value of the convertible debenture using a discounted cash flow analysis based on an interest rate for a similar type of instrument without a conversion feature was $8,518,170. The fair value of the reclamation financial assurance approximates the carrying value because the stated interest rates reflect recent market conditions or because the rates are variable in nature. The value of the embedded derivative is being recorded at its fair value using an acceptable valuation model at each reporting period.

It is the opinion of management that the Company is not exposed to significant interest, currency or credit risk arising from the use of these financial instruments.

Refer also to the note on fair value of derivative liability change under ***Results of Operations*** above.

Liquidity and Capital Resources

The Company and GQ Holdco (100%-owned by the Company) held $5,442,546 in cash on September 30, 2014 as compared to $8,089,943 during the same period in 2013. The decrease in cash is due to corporate and project-related expenditures, payment of the commitment fees to Leucadia and Auvergne (see ***Transactions with Related Parties*** above), mostly off-set by an early distribution of $5,000,000 from GQ California to GQ Holdco. It is expected that the cash held by the Company will fund the Company's corporate expenses until production start in late 2015 or early 2016. The only near term commitment of the Company, other than $404,720 in accounts payable as of September 2014, is the January 2014 $10,000,000 loan, which will mature in January, 2015.

The Company's 50%-owned subsidiary, GQ California, held $92,034,560 in cash as of September 30, 2014. The cash will be used to fund capital expenditures required to take the Project to production. GQ California had, as of September 30, 2014, approximately $8.9 million in construction and equipment related commitments, which will be covered, for the most part, by the cash on hand. The capital expenditures are expected to significantly increase in the fourth quarter of 2014 as the Company starts full construction. The trend will continue until the Company reaches the commissioning phase in late 2015 or early 2016. It is expected that the current cash on hand will fund capital expenditures until the third quarter of 2015. The remaining capital expenditures, estimated to be between $30 million and $40 million will be shared by the joint venture partners. The Company is evaluating various financing options to fund its attributable remaining capital expenditures, including debt and equity.

Cash used in Operating Activities:

Cash was used to fund the general and administrative work on the Project and for legal, accounting, consulting and regulatory fees of the Company.

Cash from Financing Activities:

The Company formed a joint venture with Gauss in September 2014 (refer to ***Project Financing - Joint Venture Transaction*** above). Gauss acquired 50% of GQ California in exchange for a $110,000,000 investment. On closing of the joint venture transaction, GQ California applied part of the investment of $110,000,000 to repayment of principal and accrued interest on the $10,000,000 July 2014 Advance provided by Leucadia and Auvergne (see ***Transactions with Related Parties*** above). GQ California also made a $5,000,000 early distribution to each Gauss and GQ Holdco, for a total early distribution of $10,000,000.

During the nine months ended on September 30, 2014, options were exercised by former directors as follows:

- In May 2014, 300,000 stock options were exercised by a former director and the Company issued 300,000 shares at $0.21 per share for proceeds of $63,000. The total transferred to share capital from additional paid-in capital upon exercise of stock options was $160,592.

- In April 2014, 170,000 stock options were exercised by two former directors and the Company issued 170,000 shares at $0.21 per share for proceeds of $35,700. The total transferred to share capital from additional paid-in capital upon exercise of stock options was $91,002.

- In February 2014, the Company issued 15,300 shares for mineral property interests with a total fair value of $24,480. The fair value was based on the market price on the date of issuance.

- In February 2014, 60,000 stock options were exercised by a former director and the Company issued 60,000 shares at $0.21 per share for proceeds of $12,721. The total transferred to share capital from additional paid-in capital upon exercise of stock options was $32,118.

Cash used in Investing Activities:

The Company began capitalizing all development expenditures directly related to the Project in July 2012. Prior to July 2012, all Project-related expenditures were written off due to uncertainties around obtaining the necessary approvals for proceeding with the Project.

Cash used in investing activities totaled $13,317,102 during the nine months ended September 30, 2014 (2013 - $4,587,450).

The Company continued its work on the Project with the main work being completed in the third quarter of 2014 as described in ***Construction of Infrastructure and Project Facilities*** above.

Workshop-Warehouse: The Company awarded a contract for the construction of the workshop-warehouse and wash slab to a contractor based in Lancaster in November 2013. This project was completed in July with a final payment made in August.

Water Supply & Water Storage: The construction of the basic water supply for the Project is under way. Considerable progress was also made with the electrical infrastructure required for this project.

Fuel Storage Facility: Construction of the fuel storage facility was completed in September.

Site Preparation: Site preparation of the area where the crushing-screening plant will be constructed was completed with a final progress payment in July. The excavation of the overflow pond was completed and site grading was started in the area where the Merrill-Crowe plant will be constructed, both in September.

Crushing-Screening Plant: The Company placed an order for a high-pressure grinding roll with ThyssenKrupp Industrial Solutions (USA), Inc. and we made a down-payment and a first progress payment totaling approximately $2.3 million in the third quarter.

EPCM (Engineering, Procurement and Construction Management): Detailed engineering work and construction management continued during the third quarter of 2014. Significant costs were incurred in detailed engineering for the crushing-screening plant, the stacking and conveying system and the Merrill-Crowe plant.

Working Capital:

As at September 30, 2014, the Company had current assets of $97,695,965 (December 31, 2013 - $5,107,259; September 30, 2013 - $8,184,884) and current liabilities of $22,586,126 (December 31, 2013 - $1,521,954; September 30, 2013 - $2,625,871) or working capital of $75,109,839 (December 31, 2013 – working capital of $3,585,305; September 30, 2013 – working capital of $5,559,013). The increase in working capital is the result of the Joint Venture Transaction (refer to ***Liquidity and Capital Resources*** above).

The Company will use its cash on hand for ongoing work on site (refer to ***Construction of Infrastructure and Project Facilities*** above), for detailed engineering of facilities for the Project, for buying back royalty interests, for additional land purchases, and for legal, accounting and regulatory fees.

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 on June 30, 2014	**99,778,683**		
Shares issued for mineral properties	Nil		
Shares issued pursuant to the exercise of stock options	Nil		
Shares issued and outstanding on September 30, 2014	**99,778,683**	**Exercise Price**	**Expiry Date**
Director and consultants stock options	850,000	US$1.16 to US$1.59	From 04/19/15 to 09/18/18
Shares to be issued as a finder's fee	100,000	Not Applicable	Not Applicable

Bonus shares to H.L. Klingmann	600,000	Not Applicable	Not Applicable
Fully diluted on September 30, 2014	**101,328,683**		
Shares to be issued on conversion of convertible debentures*****	9,708,737	Lower of C$1.03 or market price on maturity date*	07/25/15
Fully diluted on November 10, 2014	**111,037,420**		
The company has an unlimited authorized share capital			

*The principal amounts of the convertible debentures, being an aggregate of C$10,000,000, are convertible into shares of the Company at a price of C$1.03 per share for a period of two years. If the convertible debentures have not been converted by the holder prior to the maturity date, then either the Company or the holder may convert them at the lower of C$1.03 or the market price as at the maturity date. The market price on the maturity date will be determined based on the volume weighted average price of the shares as traded on the TSX for the five trading days preceding the maturity date.

Outlook

The Project is fully permitted.

The revised estimated capital costs, including working capital and assuming purchase of the mining equipment, are $141 million.

The Company estimates that construction can be completed in approximately 15 to 18 months.

The net proceeds from the JV Transaction will be applied to the continued development of the Project. It is expected that the current cash on hand will fund capital expenditures until the third quarter of 2015. The remaining capital expenditures, estimated to be between $30 million and $40 million will be shared by the joint venture partners.

The Company is evaluating various financing options, including debt and equity, to fund its attributable remaining capital expenditures. The January $10,000,000 loan will also mature in January 2015 and the company will need to raise the capital required to retire the loan, the premium charge and accrued interest.

It is not expected that the Company will hedge any of its gold or silver production.

The ability of the Company to develop a mine on the property is subject to numerous risks, certain of which are disclosed in the Company's latest Form 10-K filing with the SEC, dated March 17, 2014. Readers should evaluate the Company's prospects in light of these and other risk factors.

Mineral Properties

The Company received notice that it had met all remaining major conditions of the conditional use permits for the Project in July 2012. As a result, management of the Company made the decision to begin capitalizing all expenditures related to Project. Refer also to Note 2 Mineral Properties of the unaudited condensed consolidated interim financial statements for a more detailed discussion.

Application of Critical Accounting Estimates

The financial statements of the Company have been prepared in accordance with generally accepted accounting principles in the United States. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates which have been made using careful judgment. Significant estimates have been made by Management in several areas including the recoverability of mineral properties, reclamation reserves and valuation of stock options, convertible debenture and derivative liabilities. Actual results could differ from those estimates.

The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below.

Mineral Property and Exploration Costs

Costs related to the development of our mineral reserves are capitalized when it has been determined an ore body can be economically developed. The development stage begins when an ore body is determined to be economically recoverable based on proven and probable reserves and appropriate permits are in place, and ends when the production stage or exploitation of reserves begins. Major mine development expenditures are capitalized, including primary development costs such as costs of building access ways, heap leach pads, ramps and infrastructure developments.

Costs for exploration, pre-development, if and when applicable, and maintenance and repairs on capitalized property, plant and equipment are charged to operations as incurred. Exploration costs include those relating to activities carried out: (a) in search of previously unidentified mineral deposits, or (b) at undeveloped concessions. Pre-development activities involve costs incurred in the exploration stage that may ultimately benefit production that are expensed due to the lack of evidence of economic development, which is necessary to demonstrate future recoverability of these expenses. Secondary development costs are incurred for preparation of an ore body for production in a specific ore block, stope or work area, providing a relatively short-lived benefit only to the mine area they relate to, and not to the ore body as a whole.

Drilling and related costs are either classified as exploration or secondary development, as defined above, and charged to operations as incurred, or capitalized, based on the following criteria:

- Whether or not the costs are incurred to further define mineralization at and adjacent to existing reserve areas or intended to assist with mine planning within a reserve area;
- Whether or not the drilling costs relate to an ore body that has been determined to be commercially mineable, and a decision has been made to put the ore body into commercial production; and
- Whether or not, at the time that the cost is incurred, the expenditure: (a) embodies a probable future benefit that involves a capacity, singly or in combination, with other assets to contribute directly or indirectly to future net cash inflows, (b) we can obtain the benefit and control others' access to it, and (c) the transaction or event giving rise to our right to or control of the benefit has already occurred.

If all of these criteria are met, drilling and related costs are capitalized. Drilling and related costs not meeting all of these criteria are expensed as incurred. The following factors are considered in determining whether or not the criteria listed above have been met, and capitalization of drilling costs is appropriate:

- Completion of a favorable economic study and mine plan for the ore body targeted;
- Authorization of development of the ore body by management and/or the Board of Directors; and
- All permitting and/or contractual requirements necessary for us to have the right to or control of the future benefit from the targeted ore body have been met.

Once production has commenced, capitalized costs will be depleted using the units-of-production method over the estimated life of the proven and probable reserves. If mineral properties are subsequently abandoned or impaired, any capitalized costs will be charged to the Consolidated Statements of Loss and Comprehensive Loss for that period.

We assess the carrying cost of our mineral properties for impairment whenever information or circumstances indicate the potential for impairment. Such evaluations compare estimated future net cash flows with our carrying costs and future obligations on an undiscounted basis. If it is determined that the future undiscounted cash flows are less than the carrying value of the property, a write down to the estimated fair value is charged to the Consolidated Statements of Loss and Comprehensive Loss for the period. Where estimates of future net cash flows are not available and where other conditions suggest impairment, management assesses if the carrying value can be recovered.

Proceeds received under option agreements and/or earn-in agreements are recorded as a cost recovery against the carrying value of the underlying project until the carrying value is reduced to zero. Any proceeds received in excess of the carrying value of the project are recorded as a realized gain in the Consolidated Statements of Income and Comprehensive Income.

Non-controlling Interest

Non-controlling interest consists of equity in GQ California not attributable, directly or indirectly, to Golden Queen. The non-controlling interest has been classified into two categories; permanent equity and temporary equity.

Non-controlling interests in temporary equity represent the estimated portion of non-controlling interest that could potentially be convertible through either a conversion of the non-controlling interest into a net smelter royalty obligation of GQ California or a buy-out of the non-controlling interest at fair value by the Company. The convertible portion of non-controlling interest recorded in temporary equity is initially recorded at the carrying value and then adjusted for net income or loss and distributions attributable to the temporary equity.

The non-controlling interest in permanent equity represents the portion of the non-controlling interest that is not convertible. Please refer to Note 6(vi) for complete details of how the transaction has been accounted for.

Asset Retirement Obligations

The Company's provision for reclamation of the property is estimated each year by an independent consulting engineer. This estimate, once approved by state and county authorities, forms the basis for a cash deposit to support the reclamation financial assurance mechanism. The Company estimated its asset retirement obligations based on its understanding of the requirements to reclaim and clean-up its property based on its activities to date. As a result, the Company has recorded an asset retirement obligation of $552,250.

The Company has provided reclamation financial assurance to the Bureau of Land Management, the State of California and Kern County totaling $563,105.

Derivative Liabilities

If the Company's convertible debentures have not been converted by the holder prior to the maturity date, then either the Company or the holder may convert them at the lower of C$1.03 or the market price as at the maturity date. The convertible debentures were required to be accounted for as separate derivative liabilities due to this possible variability in conversion price. These liabilities were required to be measured at fair value. These instruments were adjusted to reflect fair value at each period end. Any increase or decrease in the fair value was recorded in results of operations as change in fair value of derivative liabilities. In determining the appropriate fair value, we used the Binomial pricing model.

New Accounting Policies

Effective June 2014, FASB issued Accounting Standards update ("ASU") 2014-10, Development Stage Entities (Topic 915): Elimination of Certain Financial Reporting Requirements, Including an Amendment to Variable Interest Entities Guidance in Topic 810, Consolidation - The amendments in this Update eliminate the concept of a development state entity (DSE) from U.S. GAAP.

The amendments also eliminate an exception previously provided to development stage entities in Topic 810, Consolidation, for determining whether an entity is a variable interest entity on the basis of the amount of investment equity at risk. The amendments in this Update remove the definition of a development stage entity from the Master Glossary of the Accounting Standards Codification, thereby removing the financial reporting distinction between development stage entities and other reporting entities from U.S. GAAP. In addition, the amendments eliminate the requirements for development stage entities to:

- Present inception-to-date information in the statements of income, cash flows, and shareholder equity;
- Label the financial statements as those of a development stage entity;
- Disclose a description of the development stage activities in which the entity is engaged; and
- Disclose in the first year in which the entity is no longer a development stage entity that in prior years it had been in the development stage.

The amendments also clarify that the guidance in Topic 275, Risks and Uncertainties, is applicable to entities that have not commenced planned principal operations. The amendments related to the elimination of inception-to-date information and the other remaining disclosure requirements of Topic 915 should be applied retrospectively except for the clarification to Topic 275, which shall be applied prospectively. For public business entities, those amendments are effective for annual reporting periods beginning after December 15, 2014, and interim periods therein. The Company early adopted the new reporting requirements of ASU No. 2014-10 in its financial reporting for its interim period beginning April 1, 2014.

In July 2013, FASB issued ASU 2013-11, "Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or Tax Credit Carryforward Exits." The FASB's objective in issuing this ASU is to eliminate diversity in practice resulting from a lack of guidance on this topic in current U.S. GAAP. This ASU became effective for the Company on January 1, 2014. The ASU did not have a significant impact on the Company's financial statements.

Qualified Person and Caution With Respect to Forward-looking Statements

Mr. H.L. Klingmann, P.Eng., the President of the Company, is a qualified person for the purposes of NI 43-101 and has reviewed and approved the technical information in this Form 10-Q.

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, the costs of and availability of sufficient capital to fund the projects to be undertaken by the Company and commodity prices. In addition, projected mining results, including quantity of ore, grade, production rates, 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.

Caution to U.S. Investors

Management advises U.S. investors that while the terms "measured resources", "indicated resources" and "inferred resources" are recognized and required by Canadian regulations, the SEC does not recognize these terms. U.S. investors are cautioned not to assume that any part or all of the material in the mineral resource categories will be converted into mineral reserves. References to such terms are contained in the Company's Form 10-K and other publicly available filings. We further advise U.S. 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. Accordingly, information concerning mineral resources and reserves set forth herein may not be comparable with information presented by companies using only U.S. standards in their public disclosure.

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.

Interest Rate Risk

We hold 96.2% of our cash in bank deposit accounts with a single major financial institution. The interest rates received on these balances may fluctuate with changes in economic conditions. The interest rates received on these balances may fluctuate with changes in economic conditions. Based on the average cash balances during the quarter ended September 30, 2014, a 1% decrease in interest rates would have reduced the interest income for the quarter ended September 30, 2014 to a trivial amount.

Foreign Currency Exchange Risk

Foreign currency exchange rates can fluctuate widely due to numerous factors, such as supply and demand for foreign and U.S. currencies and U.S. and foreign country economic conditions. Currency exchange fluctuations may impact the costs of our operations and may affect our profitability and cash flows. Specifically, the appreciation of the U.S. dollar against the Canadian dollar may result in an increase in our operating costs in Canadian dollar terms. The Company now holds approximately 99.7% of its funds in U.S. dollar deposit accounts with a Canadian financial institution and a U.S. financial institution to eliminate currency exchange risks.

We currently do not engage in any currency hedging activities.

Commodity Price Risk

Our primary business activity is the development of a gold-silver, open pit, heap leach operation on the Soledad Mountain property. Decreases in the price of either gold or silver from current levels has the potential to negatively impact our ability to secure the significant additional financing required to develop the Project into an operating mine. Gold and silver prices may fluctuate widely from time to time and are affected by numerous factors, including expectations with respect to the rate of inflation, exchange rates, interest rates, global and regional political and economic circumstances and government policies. Additionally, hedging activities by producers, consumers, financial institutions and individuals can affect gold and silver supply and demand.

We do not currently engage in hedging transactions and we have no hedged mineral resources.

Item 4. Controls and Procedures.

Timely Disclosure

The term "disclosure controls and procedures" is defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, or the "Exchange Act." These rules refer to the controls and other procedures of a company that are designed to ensure that the information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the required time periods. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our Exchange Act reports is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. It is management's responsibility to establish and maintain adequate internal control over financial reporting for the Company.

As of September 30, 2014, our Chief Executive Officer and Chief Financial Officer, and our external Sarbanes-Oxley consultants carried out an evaluation of the effectiveness of our disclosure controls and procedures. Based upon this evaluation our Chief Executive Officer and our Chief Financial Officer concluded that our disclosure controls and procedures were effective to ensure that information we are required to disclose in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining effective internal control over financial reporting. Under the supervision of our Chief Executive Officer and Chief Financial Officer, the Company conducted an evaluation of the effectiveness of our internal control over financial reporting as of September 30, 2014 using the criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) issued in 1992. In 2013, COSO released an updated framework that becomes effective for year-ends beginning on December 15, 2014. Management is working to be compliant with the new framework by its annual assessment for the year ended December 31, 2014.

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis. In its assessment of the effectiveness of internal control over financial reporting as of September 30, 2014, the Company determined that there were no deficiencies that constituted material weaknesses.

As a result, management has concluded that the Company did maintain effective internal control over financial reporting as of September 30, 2014 based on criteria established in Internal Control—Integrated Framework issued by COSO as issued in 1992.

Changes in Internal Control

There were no material 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 three month period ended September 30, 2014.

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 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 period ended September 30, 2014 and year ended December 31, 2013, there were no reported instances of fraud.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

See “The Center for Biodiversity Petition to List the Mojave Shoulderband Snail as an Endangered Species” and “Other Legal Matters” contained in Part I - Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations of this Form 10-Q.

Item 1A. Risk Factors

Material changes from risk factors previously disclosed in our Form 10-K for the fiscal period ended December 31, 2013 which may have a material impact on, or constitute risk factors in respect of, our future financial performance and in respect of an investment in the Company are hereby incorporated by reference to the “Risk Related to the Joint Venture” on pages 25-27 of the Proxy Statement of the Company, filed with the SEC on July 31, 2014 and attached to this Form 10-Q as Exhibit 99.1 These risk factors should be read in conjunction with disclosure on business and risks in Part I - Item 2. Management’s Discussion and Analysis of Financial Condition of this Form 10-Q.

Item 6. Exhibits

10.6 Senior Secured Promissory Note among the Company, Golden Queen Mining Company, Inc., Leucadia National Corporation and Auvergne, LLC dated July 2, 2014 is incorporated by reference to Exhibit 10.6 to the Form 8-K of the Company, filed with the SEC on July 2, 2014.

10.7 Subordination Agreement among the Company, Golden Queen Mining Company, Inc., the Clay Family 2009 Irrevocable Trust Dated April 14, 2009 and Harris Clay dated July 2, 2014 is incorporated by reference to Exhibit 10.7 to the Form 8-K of the Company, filed with the SEC on July 2, 2014.

31.1 Certification of the Principal Executive Officer Pursuant to Rule 13a-14(a) or 15d-14(a) of the U.S. Securities Exchange Act of 1934.

31.2 Certification of the Principal Financial Officer Pursuant to Rule 13a-14(a) or 15d-14(a) of the U.S. Securities Exchange Act of 1934.

32.1 Section 1350 Certification of the Principal Executive Officer.

32.2 Section 1350 Certification of the Principal Financial Officer.

99.1 Risks Related to the Joint Venture is incorporated by reference to Exhibit 99.1 to the Form 10-Q of the Company, filed with the SEC on August 11, 2014.

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 10, 2014

GOLDEN QUEEN MINING CO. LTD.
(Registrant)

By: /s/ H. Lutz Klingmann
H. Lutz Klingmann
Principal Executive Officer

By: /s/ Andree St-Germain
Andree St-Germain
Principal Financial Officer