

Golden Queen Mining Co. Ltd.
Condensed Consolidated Interim Financial Statements
September 30, 2017

(US dollars – Unaudited)

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

	<u>September 30, 2017</u>	<u>December 31, 2016</u>
Assets		
Current assets:		
Cash	\$ 4,683	\$ 13,301
Inventories (Note 5)	11,952	10,941
Prepaid expenses and other current assets	344	611
Total current assets	16,979	24,853
Property, plant, equipment and mineral interests (Note 6)	141,194	134,550
Advance minimum royalties	304	303
Total Assets	\$ 158,477	\$ 159,706
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 5,960	\$ 4,265
Interest payable	651	296
Current portion of note payable (Note 9 (ii))	9,061	-
Current portion of loan payable (Note 16)	6,998	5,656
Derivative liability – Related party warrants (Note 10)	3,129	5,458
Derivative liability – Warrants (Note 10)	268	972
Total current liabilities	26,067	16,647
Note payable (Note 9 (ii))	20,096	26,347
Loan payable (Note 16)	9,398	9,494
Asset retirement obligation (Note 8)	1,719	1,366
Deferred tax liability	12,922	12,922
Total liabilities	70,202	66,776
Temporary Equity		
Redeemable portion of non-controlling interest (Note 9 (iv))	25,621	26,219
Shareholders' Equity		
Common shares, no par value, unlimited shares authorized (2016 - unlimited); 111,148,683 (2016 – 111,048,683) shares issued and outstanding (Note 7)	71,126	71,067
Additional paid-in capital	43,785	43,652
Deficit accumulated	(90,687)	(87,335)
Total shareholders' equity attributable to GQM Ltd.	24,224	27,384
Non-controlling interest (Note 9 (iv))	38,430	39,327
Total Shareholders' Equity	62,654	66,711
Total Liabilities, Temporary Equity and Shareholders' Equity	\$ 158,477	\$ 159,706

Ability to Continue as a Going Concern (Note 2)

Commitments and Contingencies (Note 12)

Subsequent Events (Note 17)

Approved by the Directors:

"Thomas M. Clay"

Thomas M. Clay, Director

"Bryan A. Coates"

Bryan A. Coates, Director

See Accompanying Notes to Condensed Consolidated Interim Financial Statements

GOLDEN QUEEN MINING CO. LTD.
Condensed Consolidated Interim Statements of Income (Loss) and Comprehensive Income (Loss)
(amounts expressed in thousands of US dollars, except shares amounts - Unaudited)

	Three Months Ended September 30, 2017	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016
Revenues				
Metal Sales	\$ 16,496	\$ 13,451	\$ 48,182	\$ 16,915
Cost of Sales				
Direct mining costs	(15,404)	(9,111)	(40,333)	(12,674)
Depreciation and depletion (Note 6)	(2,931)	(2,232)	(8,429)	(4,081)
Income (loss) from mine operations	(1,839)	2,108	(580)	160
General and administrative expenses (Note 14)	(1,171)	(657)	(3,297)	(3,167)
Operating income (loss)	(3,010)	1,451	(3,877)	(3,007)
Other income (expenses)				
Gain (loss) on derivative instruments (Note 10)	1,139	3,944	3,033	(1,952)
Interest expense (Note 9 (iii))	(1,295)	(1,814)	(3,592)	(4,369)
Interest income	14	33	77	116
Other expenses	(72)	(23)	(488)	(45)
Total other income (expenses)	(214)	2,140	(970)	(6,250)
Net and comprehensive income (loss) for the period	\$ (3,224)	\$ 3,591	\$ (4,847)	\$ (9,257)
Less: Net and comprehensive loss (income) attributable to the non-controlling interest for the period (Note 9 (iv))	1,335	(853)	1,495	961
Net and comprehensive income (loss) attributable to Golden Queen Mining Co Ltd. for the period	\$ (1,889)	\$ 2,738	\$ (3,352)	\$ (8,296)
Income (loss) per share – basic (Note 15)	\$ (0.02)	\$ 0.03	\$ (0.03)	\$ (0.08)
Income (loss) per share – diluted (Note 15)	\$ (0.02)	\$ 0.03	\$ (0.03)	\$ (0.08)
Weighted average number of common shares outstanding -basic				
	111,148,683	108,026,944	111,137,694	102,657,767
Weighted average number of common shares outstanding - diluted				
	111,148,683	108,402,626	111,137,694	102,657,767

See Accompanying Notes to Condensed Consolidated Interim Financial Statements

GOLDEN QUEEN MINING CO. LTD.

Condensed Consolidated Interim Statements of Shareholders' Equity, Non-controlling Interest and Redeemable Portion of Non-Controlling Interest
(amounts expressed in thousands of US dollars, except shares amounts- Unaudited)

	Common shares	Amount	Additional Paid-in Capital	Deficit Accumulated	Total Shareholders' Equity attributable to GQM Ltd	Non- controlling Interest	Total Shareholders' Equity	Redeemable Portion of Non- controlling Interest
Balance, December 31, 2015	99,928,683	\$ 62,860	\$ 43,628	\$ (79,906)	\$ 26,582	\$ 40,686	\$ 67,268	\$ 27,124
Issuance of common shares, private placement net of share issuance cost (Note 4)	11,120,000	8,207	-	-	8,207	-	8,207	-
Stock-based compensation	-	-	11	-	11	-	11	-
Net loss for the period	-	-	-	(8,296)	(8,296)	(577)	(8,873)	(384)
Balance, September 30, 2016	111,048,683	\$ 71,067	\$ 43,639	\$ (88,202)	\$ 26,504	\$ 40,109	\$ 66,613	\$ 26,740
Balance, December 31, 2016	111,048,683	\$ 71,067	\$ 43,652	\$ (87,335)	\$ 27,384	\$ 39,327	\$ 66,711	\$ 26,220
Issuance of common shares (Note 7)	100,000	59	-	-	59	-	59	-
Stock-based compensation	-	-	133	-	133	-	133	-
Net loss for the period	-	-	-	(3,352)	(3,352)	(897)	(4,249)	(599)
Balance, September 30, 2017	111,148,683	\$ 71,126	\$ 43,785	\$ (90,687)	\$ 24,224	\$ 38,430	\$ 62,654	\$ 25,621

See Accompanying Notes to Condensed Consolidated Interim Financial Statements

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

	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016
Operating Activities		
Net loss for the period	\$ (4,847)	\$ (9,257)
Adjustment to reconcile net loss to cash used in operating activities:		
Depreciation and depletion	8,429	4,081
Amortization of debt discount and interest accrual	1,250	4,071
Accretion expense	93	45
Change in fair value of derivative liabilities (Note 10)	(3,033)	1,952
Stock based compensation	133	11
Unrealized foreign exchange	(48)	(273)
Non-cash finder fees	59	-
Changes in non-cash working capital items:		
Prepaid expenses & other current assets	267	154
Inventory	(1,011)	(7,326)
Accounts payable & accrued liabilities	2,390	3,454
Interest payable	1,915	(18)
Cash generated from (used in) operating activities	5,597	(3,106)
Investment activities:		
Additions to property, plant, equipment and mineral interests	(9,566)	(11,401)
Release (purchase) of reclamation financial assurance deposit	-	902
Cash used in investing activities	(9,566)	(10,499)
Financing activity:		
Issuance of common shares and warrants, net of share issue costs (Note 7)	-	10,909
Repayments of loan payable (Note 16)	(4,649)	(3,736)
Cash used in financing activities	(4,649)	7,173
Net change in cash and cash equivalents	(8,618)	(6,432)
Cash and cash equivalents, beginning balance	13,301	37,587
Cash and cash equivalents, ending balance	\$ 4,683	\$ 31,155

Supplementary Disclosures of Cash Flow Information (Note 11)

See Accompanying Notes to Condensed Consolidated Interim Financial Statements

GOLDEN QUEEN MINING CO. LTD.
Notes to Condensed Consolidated Interim Financial Statements
For the Three and Nine Months Ended September 30, 2017 and 2016
(amounts expressed in thousands of US dollars - Unaudited)

1. Nature of Business

Golden Queen Mining Co. Ltd. (“Golden Queen”, “GQM Ltd.” or the “Company”) is engaged in the operation of the Soledad Mountain Mine (“the Mine”), located in the Mojave Mining District, Kern County, California. The Company owns 50% of Golden Queen Mining Company, LLC (“GQM LLC”), the operator of the Mine. The remaining 50% is owned by Gauss LLC (“Gauss”).

2. Ability to Continue as a Going Concern

The unaudited condensed consolidated interim financial statements of Golden Queen Mining Co Ltd. have been prepared using accounting principles generally accepted in the United States (“US GAAP”) applicable to a going concern.

The Company generated \$6.0 million in cash from operating activities during the nine months ended September 30, 2017. The Company had a working capital deficit of \$9.1 million at September 30, 2017.

The Company is required to pay the following to the Clay Group on the following dates: \$5.4 million of accrued interest and principal on January 1, 2018; \$3.1 million of interest and principal on April 1, 2018; \$3.0 million of interest and principal on July 1, 2018; \$3.0 million of interest and principal on and October 1, 2018. The Company will need to receive cash distributions from GQM LLC to service its debt and such distributions are contingent on GQM LLC’s ability to generate positive cash flows. The Company reviewed the mine plan in light of the nine months ended September 30, 2017 results and has determined it is unlikely it will receive sufficient distributions from GQM LLC during this fiscal year to service its debt in early 2018. This situation raises substantial doubt about the Company’s ability to continue as a going concern. Consequently, discussions with the Clay Group to restructure the reimbursement schedule have been initiated. While the Company has been successful in re-negotiating the debt reimbursement schedule with the Clay Group on previous occasions, there can be no assurance that will be achieved going forward.

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 unaudited condensed consolidated interim financial statements do not reflect adjustments to the carrying values of the assets and liabilities, the reported revenues and expenses, and the balance sheet classifications used, that would be necessary if the company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

3. Basis of Presentation

The unaudited condensed consolidated interim financial statements have been prepared in accordance with US GAAP. The accounting policies followed in preparing these condensed consolidated interim financial statements are those used by the Company as set out in the audited consolidated financial statements for the year ended December 31, 2016.

Certain information and note disclosures normally included for annual consolidated financial statements prepared in accordance with US GAAP have been omitted. These unaudited condensed consolidated interim financial statements should be read together with the audited consolidated financial statements of the Company for the year ended December 31, 2016.

In the opinion of management, all adjustments considered necessary (including reclassifications and normal recurring adjustments) to present fairly the financial position, results of operations and cash flows at September 30, 2017 and for all periods presented, have been included in these financial statements. The interim results are not necessarily indicative of results for the full year ending December 31, 2017, or future operating periods. For further information, see the Company’s annual consolidated financial statements, including the accounting policies and notes thereto.

GOLDEN QUEEN MINING CO. LTD.
Notes to Condensed Consolidated Interim Financial Statements
For the Three and Nine Months Ended September 30, 2017 and 2016
(amounts expressed in thousands of US dollars - Unaudited)

3. Basis of Presentation (continued)

The Company consolidates all entities in which it can vote a majority of the outstanding voting stock. In addition, it consolidates entities which meet the definition of a variable interest entity for which it is the primary beneficiary. The primary beneficiary is the party who has the power to direct the activities of a variable interest entity that most significantly impact the entity's economic performance and who has an obligation to absorb losses of the entity or a right to receive benefits from the entity that could potentially be significant to the entity. We consider special allocations of cash flows and preferences, if any, to determine amounts allocable to non-controlling interests. All intercompany transactions and balances are eliminated on consolidation.

These unaudited condensed consolidated interim financial statements include the accounts of Golden Queen, a limited liability Canadian corporation (Province of British Columbia), its wholly-owned subsidiary, GQM Holdings, a US (State of California) corporation, and GQM LLC, a limited liability company in which Golden Queen has a 50% interest, through GQM Canada's ownership of GQM Holdings. GQM LLC meets the definition of a Variable Interest Entity ("VIE"). Golden Queen 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.

4. Summary of Accounting Policies and Estimates and Judgements

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates and judgements have been made by Management in several areas including the accounting for the joint venture transaction and determination of the temporary and permanent non-controlling interest, the recoverability of mineral properties interests, royalty obligations, inventory valuation, asset retirement obligations, and derivative liability – warrants. Actual results could differ from those estimates.

Recently Adopted Accounting Pronouncements

- (i) In July 2015, ASU No. 2015-11 was issued related to the inventory, simplifying the subsequent measurement of inventories by replacing the lower of cost or market test with a lower of cost and net realizable value test. The update was effective in fiscal years, including interim periods beginning after December 15, 2016. The Company records inventory at the lower of cost or net realizable value and the adoption of this guidance effective January 1, 2017 had no impact on the consolidated financial statements.
- (ii) In March 2016, ASU No. 2016-09 was issued related to stock-based compensation. The new guidance simplifies the accounting for stock-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. This update was effective for the Company's fiscal year and interim periods beginning after December 15, 2016. The adoption of this guidance as of January 1, 2017 had no impact on the consolidated financial statements.

New Accounting Policies

- (i) In May 2014, ASU 2014-09 was issued related to revenue from contracts with customers. The ASU was further amended in August 2015, March 2016, April 2016, and May 2016 by ASU 2015-14, 2016-08, 2016-10 and 2016-12. The new standard provides a five-step approach to be applied to all contracts with customers and also requires expanded disclosures about revenue recognition.

In August 2015, the effective date was deferred to reporting periods, including interim periods, beginning after December 31, 2017, and will be applied retrospectively. Early adoption is not permitted.

GOLDEN QUEEN MINING CO. LTD.
Notes to Condensed Consolidated Interim Financial Statements
For the Three and Nine Months Ended September 30, 2017 and 2016
(amounts expressed in thousands of US dollars - Unaudited)

4. Summary of Accounting Policies and Estimates and Judgements (continued)

New Accounting Policies (continued)

We are currently assessing the impact of implementation of ASU No. 2014-09, however, management does not believe it will change the point of revenue recognition or amount of revenue recognized compared to how we recognize revenue under our current policies. Our revenues involve a relatively limited number of types of contracts and customers. In addition, our revenue contracts do not involve multiple types of performance obligations. Revenues from doré are recognized, and the transaction price is known, at the time the metals sold are delivered to the customer. We will finalize our assessment of the impact of ASU No. 201-09 on our revenue recognition during 2017 and assess the additional disclosure requirements under the guidance.

- (ii) In February 2016, FASB issued ASC 842 that requires lessees to recognize lease assets and corresponding lease liabilities on the balance sheet for all leases with terms of more than 12 months. The update, which supersedes existing lease guidance, will continue to classify leases as either finance or operating, with the classification determining the pattern of expense recognition in the income statement.

The ASU will be effective for annual and interim periods beginning January 1, 2019, with early adoption permitted, and is applicable on a modified retrospective basis with various optional practical expedients. The Company is assessing the impact of this standard.

- (iii) In August 2016, ASC guidance was issued to amend the classification of certain cash receipts and cash payments in the statement of cash flows. The new guidance is effective for the Company's fiscal year and interim periods beginning December 1, 2018. Early adoption is permitted, including adoption in an interim period. If an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. An entity that elects early adoption must adopt all of the amendments in the same period. The Company is currently evaluating this guidance and the impact on its consolidated financial statements.

5. Inventories

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

	<u>September 30, 2017</u>	<u>December 31, 2016</u>
Stockpile inventory	\$ 50	\$ 318
In-process inventory	9,425	9,491
Dore inventory	414	76
Supplies and spare parts	2,063	1,056
	<u>\$ 11,952</u>	<u>\$ 10,941</u>

The amounts above are net of allowances of \$804 (2016 - \$nil), the provision of which has been recognized within cost of sales.

GOLDEN QUEEN MINING CO. LTD.
Notes to Condensed Consolidated Interim Financial Statements
For the Three and Nine Months Ended September 30, 2017 and 2016
(amounts expressed in thousands of US dollars - Unaudited)

6. Property, Plant, Equipment and Mineral Interests

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

	Land	Mineral property interest and claims	Mine development	Machinery and equipment	Buildings and infrastructure	Construction in progress	Interest capitalized	Total
Cost								
At December 31, 2015	\$ 110	\$ 4,459	\$ 84,798	\$ 28,085	\$ 8,565	\$ -	\$ -	\$126,017
Additions	3,777				9,391	542	5,674	19,384
Transfers	6	(6)	(42,765)	32,117	10,648	-	-	-
Disposals	-	-	-	-	-	-	-	-
At December 31, 2016	\$3,893	\$ 4,453	\$ 42,033	\$ 60,202	\$ 28,604	\$ 542	\$ 5,674	\$145,401
Additions	69	547	8,511	8,051	-	8,488	-	25,666
Transfers	-	(58)	--	-	(36)	(8,867)	-	(8,961)
Disposals	(23)	-	-	(1,344)	(171)	-	-	(1,538)
At September 30, 2017	\$3,939	\$ 4,942	\$ 50,544	\$ 66,909	\$ 28,397	\$ 163	\$ 5,674	\$160,568
Accumulated depreciation and depletion								
At December 31, 2015	\$ -	\$ -	\$ 654	\$ 1,462	\$ 350	\$ -	\$ -	\$ 2,466
Additions	-	72	317	5,666	2,330	-	-	8,385
Disposals	-	-	-	-	-	-	-	-
At December 31, 2016	\$ -	\$ 72	\$ 971	\$ 7,128	\$ 2,680	\$ -	\$ -	\$ 10,851
Additions	-	211	1,805	4,676	1,765	-	348	8,779
Disposals	-	-	-	(256)	(26)	-	-	(282)
At September 30, 2017	\$ -	\$ 283	\$ 2,776	\$ 11,548	\$ 4,419	\$ -	\$ 348	\$ 19,374
Carrying values								
At December 31, 2016	\$3,893	\$ 4,381	\$ 41,062	\$ 53,074	\$ 25,924	\$ 542	\$ 5,674	\$134,550
At September 30, 2017	\$3,939	\$ 4,659	\$ 47,768	\$ 55,361	\$ 23,978	\$ 163	\$ 5,326	\$141,194

During the nine months ended September 30, 2017, the Company acquired 4 pieces of mining equipment (2016 – 1) from Komatsu through financing agreements and disposed of 2 pieces of mining equipment (2016 – nil). See Note 16 for further details.

7. Share Capital

The Company's common shares outstanding are no par value, voting shares with no preferences or rights attached to them.

Common shares – 2016

In July 2016, the Company completed a financing for gross proceeds of \$12.2 million (C\$16.1 million) consisting of 11,120,000 units at a price of \$1.10 (C\$1.45) per unit. Each unit consisted of one common share of the Company and one-half of one common share purchase warrant. Each whole warrant entitles the holder to acquire one additional common share of the Company at a price of C\$2.00 per common share until July 25, 2019. The aggregate fair value of the common share purchase warrants at the time of issuance was \$2.4 million, which was recorded as a derivative liability and the Company allocated the remaining proceeds of \$9.8 million to the common shares (See Note 10).

GOLDEN QUEEN MINING CO. LTD.
Notes to Condensed Consolidated Interim Financial Statements
For the Three and Nine Months Ended September 30, 2017 and 2016
(amounts expressed in thousands of US dollars - Unaudited)

7. Share Capital (continued)

The Company also issued 757,700 common share purchase warrants to brokers with the same terms as the common share purchase warrants issued with the financing units. The aggregate fair value of the common share purchase warrants issued to the brokers at the time of issuance was \$0.3 million which was recorded as a derivative liability (See Note 10).

In addition, the Company incurred cash share issue costs totalling \$1.3 million, which consisted of legal fees, commission and other direct financing costs.

Stock options

The Company's current stock option plan (the "Plan") was adopted by the Company in 2013 and approved by shareholders of the Company in 2013. The Plan provides a fixed number of 7,200,000 common shares of the Company that may be issued pursuant to the grant of stock options. The exercise price of stock options granted under the Plan shall be determined by the Company's Board of Directors (the "Board"), but shall not be less than the volume-weighted, average trading price of the Company's shares on the Toronto Stock Exchange ("TSX") for the five (5) trading days immediately prior to the date of the grant. The expiry date of a stock option shall be the date so fixed by the Board subject to a maximum term of five (5) years. The Plan provides that the expiry date of the vested portion of a stock option will be the earlier of the date so fixed by the Board at the time the stock option is awarded and the early termination date (the "Early Termination Date").

The Early Termination Date will be the date the vested portion of a stock option expires following the option holder ceasing to be a director, employee or consultant, as determined by the Board at the time of grant, or in the absence thereof at any time prior to the time the option holder ceases to be a director, employee or consultant, in accordance with and subject to the provisions of the Plan. All options granted under the 2013 Plan will be subject to such vesting requirements as may be prescribed by the TSX, if applicable, or as may be imposed by the Board. A total of 1,395,002 (December 31, 2016 – 1,555,000) common shares were issuable pursuant to such stock options as at September 30, 2017.

The Company has elected to use the Black-Scholes option pricing model to determine the fair value of stock options granted. The compensation expense is amortized on a straight-line basis over the requisite service period, which approximates the vesting period.

The following is a summary of stock option activity during the nine months ended September 30, 2017 and 2016:

	Shares	Weighted Average Exercise Price per Share
Options outstanding, December 31, 2015	1,070,000	\$ 0.94
Options granted	485,000	\$ 0.66
Options outstanding, December 31, 2016	1,555,000	\$ 0.85
Options granted	400,002	\$ 0.65
Options forfeited	(166,667)	\$ 0.64
Options expired	(393,333)	\$ 1.10
Options outstanding, September 30, 2017	1,395,002	\$ 0.75

On March 20, 2017, the Company granted 400,002 options to the Company's Chief Financial Officer ("CFO") which are exercisable at a price of \$0.65 for a period of five years from the date of grant. 133,334 options vest on March 20, 2018, 133,334 options vest on March 20, 2019 and 133,334 options on March 20, 2020.

On March 14, 2017, the former CFO of the Company resigned. 146,667 stock options were forfeited on this date as they did not meet the vesting conditions. Accordingly, the share-based compensation associated with the unvested stock options was reversed. The expiry date of 393,333 stock options that had vested was modified to June 14, 2017 pursuant to the terms of the employment agreement.

GOLDEN QUEEN MINING CO. LTD.
Notes to Condensed Consolidated Interim Financial Statements
For the Three and Nine Months Ended September 30, 2017 and 2016
(amounts expressed in thousands of US dollars - Unaudited)

7. Share Capital (continued)

Stock options (continued)

These stock options were not exercised, thus expired during the nine months ended September 30, 2017.

The fair value of stock options granted as above was calculated using the following weighted average assumptions:

	2017	2016
Expected life (years)	5.00	4.92
Interest rate	1.18%	1.00%
Volatility	77.29%	81.27%
Dividend yield	0.00%	0.00%

During the three and nine months ended September 30, 2017, the Company recognized \$0.05 million and \$0.1 million (three and nine months ended September 30, 2016 - \$0.01 million) in stock-based compensation relating to employee stock options that were issued and/or had vesting terms.

The following table summarizes information about stock options outstanding and exercisable at September 30, 2017:

Expiry Date	Number Outstanding	Number Exercisable	Remaining Contractual Life (years)	Weighted Average Exercise Price
June 3, 2018	50,000	50,000	0.67	\$ 1.16
September 3, 2018	150,000	150,000	0.93	\$ 1.59
September 8, 2020	430,000	430,000	2.94	\$ 0.58
November 30, 2021	365,000	-	4.17	\$ 0.66
March 20, 2022	400,002	-	4.47	\$ 0.65
Balance, September 30, 2017	<u>1,395,002</u>	<u>630,000</u>	<u>3.40</u>	<u>\$ 0.75</u>

As at September 30, 2017, the aggregate intrinsic value of the outstanding exercisable options was \$nil (December 31, 2016 - \$0.4 million).

Warrants

The following is a summary of common share purchase warrants activity:

	September 30, 2017	December 31, 2016
Balance, beginning of the period	24,317,700	10,000,000
Issued - financing units	-	5,560,000
Issued - financing brokers ⁽¹⁾	-	757,700
Issued - debt restructuring ⁽¹⁾	-	8,000,000
Balance, end of the period	<u>24,317,700</u>	<u>24,317,700</u>

⁽¹⁾ Non-tradable share purchase warrants.

The following table summarizes information about share purchase warrants outstanding and exercisable at September 30, 2017:

Expiry Date	Number Outstanding	Remaining Contractual Life (periods)	Exercise Price
June 8, 2020	10,000,000	2.69	\$ 0.95
July 25, 2019	6,317,700	1.82	C\$ 2.00
November 18, 2021	8,000,000	4.15	\$ 0.85

GOLDEN QUEEN MINING CO. LTD.
Notes to Condensed Consolidated Interim Financial Statements
For the Three and Nine Months Ended September 30, 2017 and 2016
(amounts expressed in thousands of US dollars - Unaudited)

8. Asset Retirement Obligation and Financial Reclamation Assurance

Asset Retirement Obligation

The total asset retirement obligation as of September 30, 2017, was \$1.7 million (December 31, 2016 - \$1.4 million).

The Company estimated its asset retirement obligation based on its requirements to reclaim and remediate its property based on its activities to date. As at September 30, 2017, the Company estimates the primary cash outflow related to these reclamation activities will commence in 2028. Reclamation provisions are measured at the expected value of future cash flows discounted to their present value using a discount rate based on a credit adjusted risk-free interest rate of 8.7% and an inflation rate of 2.45%.

The following is a summary of asset retirement obligations:

	September 30, 2017	December 31, 2016
Balance, beginning of the period	\$ 1,366	\$ 978
Accretion	92	90
Changes in cash flow estimates	261	298
Balance, end of the period	<u>\$ 1,719</u>	<u>\$ 1,366</u>

Reclamation Financial Assurance

The Company is required to provide the Bureau of Land Management, the State Office of Mine Reclamation and Kern County, California with a revised reclamation cost estimate annually. The financial assurance is adjusted once the cost estimate is approved. 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 of reclamation financial assurance. The reclamation assurance provided as at September 30, 2017 is \$1.5 million (December 31, 2016 - \$1.5 million).

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 heap leach pad, the overflow pond, and the solution collection channel. The reclamation financial assurance estimate as of September 30, 2017 is \$1.2 million (December 31, 2016 - \$1.2 million).

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 Mine's waste management units as required by the Regional Board. The reclamation financial assurance estimate as of September 30, 2017, is \$0.3 million (December 31, 2016 - \$0.3 million).

During 2016, the Company entered into \$3.0 million in surety bond agreements to maintain the necessary financial assurance as required by the relevant regulatory bodies, as described in the paragraphs above, and in order to release its reclamation deposits. The Company pays a yearly premium of \$0.1 million. Golden Queen Mining Co. Ltd. has provided a corporate guaranty on the surety bonds (See Note 12).

GOLDEN QUEEN MINING CO. LTD.
Notes to Condensed Consolidated Interim Financial Statements
For the Three and Nine Months Ended September 30, 2017 and 2016
(amounts expressed in thousands of US dollars - Unaudited)

9. Related Party Transactions

Except as noted elsewhere in these condensed consolidated interim financial statements, related party transactions are disclosed as follows:

(i) Management Agreement

During the three and nine months ended September 30, 2017, the Company paid a total of \$0.03 million and \$0.09 million (three and nine months ended September 30, 2016 - \$0.02 million and \$0.08 million respectively), respectively, to the three independent directors of the Company. Additionally, the Company paid \$0.02 million (2016 - \$Nil) for consulting services to Behre Dolbear, a company of which a director of Golden Queen serves in the capacity of an executive officer.

(ii) Note Payable

On December 31, 2014, the Company entered into a loan (the “December 2014 Loan”) with the Clay Group for \$12.5 million, due on July 1, 2015. On June 8, 2015, the Company amended the December 2014 Loan to extend the maturity to December 8, 2016 and increased the principal amount from \$12.5 million to \$37.5 million (the “June 2015 Loan”). On November 18, 2016, the Company repaid \$12.2 million of the June 2015 Loan and accrued interest with cash on hand and net proceeds of \$10.1 million from an equity financing. The Company restructured the remaining debt with a new loan with a principal amount of \$31.0 million (the “November 2016 Loan”). The November 2016 Loan has a thirty-month term and an annual interest rate of 8%, payable on a quarterly basis commencing during the first quarter of 2017. Quarterly principal payments of \$2.5 million commence during the first quarter of 2018, with a payment of the remaining balance at the maturity date. Under terms of the November 2016 loan, at the Company’s option, the payment of the first three quarterly interest payments due have been deferred to January 1, 2018. On November 10, 2017, the Company amended the terms of the November 2016 Loan (see Note 17).

In connection with the November 2016 Loan the Company issued 8,000,000 common share purchase warrants exercisable for a period of five years expiring November 21, 2021. The common share purchase warrants have an exercise price of \$0.85. The Company also incurred a financing fee to secure the loan in the amount of \$0.9 million, all of which was paid on November 18, 2016.

The table below summarizes the activity on the November 2016 Loan:

	September 30, 2017	December 31, 2016
Balance, beginning of the period	\$ 26,347	\$ 36,053
Interest payable transferred to principal balance	1,560	2,977
Accretion of discount on loans	1,250	1,996
Capitalized financing fee and legal fees	-	(930)
Reduction of debt upon issuance of warrants	-	(3,090)
Repayment of loans and interest	-	(10,659)
Balance, end of the period	<u>\$ 29,157</u>	<u>\$ 26,347</u>
Current portion	<u>\$ 9,061</u>	<u>\$ -</u>
Non-current portion	<u>\$ 20,096</u>	<u>\$ 26,347</u>

GOLDEN QUEEN MINING CO. LTD.
Notes to Condensed Consolidated Interim Financial Statements
For the Three and Nine Months Ended September 30, 2017 and 2016
(amounts expressed in thousands of US dollars - Unaudited)

9. Related Party Transactions (continued)

(iii) Amortization of Discounts and Interest Expense

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

	Three Months Ended September 30, 2017	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016
Accretion of the November 2016 Loan discount	\$ 510	\$ -	\$ 1,250	\$ -
Interest expense related to the November 2016 Loan	642	-	1,914	-
Interest expense related to Komatsu financial loans ⁽¹⁾	143	144	428	464
Accretion of the June 2015 Loan discount	-	621	-	1,853
Interest expense related to the June 2015 Loan	-	1,050	-	3,057
Accretion of discount and interest on loan	<u>\$ 1,295</u>	<u>\$ 1,815</u>	<u>\$ 3,592</u>	<u>\$ 5,374</u>

	Three Months Ended September 30, 2017	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016
Accretion of discounts and interest on loan ⁽¹⁾	\$ 1,295	\$ 1,815	\$ 3,592	\$ 5,374
Less: Interest costs capitalized ⁽²⁾	-	-	-	(1,005)
Interest expense	<u>\$ 1,295</u>	<u>\$ 1,815</u>	<u>\$ 3,592</u>	<u>\$ 4,369</u>

⁽¹⁾ Komatsu is not a related party and has only been included in the above table to reconcile the total interest expense incurred for the period to the amounts capitalized and expensed.

⁽²⁾ Interest capitalization ended on March 31, 2016 because the mine went into production on April 1, 2016.

(iv) Joint Venture Transaction

The Company has presented Gauss' ownership in GQM LLC as a non-controlling interest amount on the balance sheet within the equity section. However, there are terms in the agreement that provide for the exit from the investment in GQM LLC for an initial member whose interest in GQM LLC becomes less than 20%.

If a member becomes less than a 20% interest holder, its remaining unit interest will (ultimately) be terminated through one of 3 events at the non-diluted member's option:

- a. Through conversion to a net smelter royalty ("NSR");
- b. Through a buy-out (at fair value) by the non-diluted member; or
- c. Through a sale process by which the diluted member's interest is sold.

The net assets of GQM LLC as of September 30, 2017, and December 31, 2016 are as follows:

	September 30, 2017	December 31, 2016
Assets, GQM LLC	\$ 152,193	\$ 151,802
Liabilities, GQM LLC	(24,092)	(20,710)
Net assets, GQM LLC	<u>\$ 128,101</u>	<u>\$ 131,092</u>

GOLDEN QUEEN MINING CO. LTD.
Notes to Condensed Consolidated Interim Financial Statements
For the Three and Nine Months Ended September 30, 2017 and 2016
(amounts expressed in thousands of US dollars - Unaudited)

9. Related Party Transactions (continued)

(iv) Joint Venture Transaction (continued)

Included in the assets above, is \$3.8 million (December 31, 2016 - \$11.1 million) in cash held as at September 30, 2017. The cash in GQM LLC 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 \$2.2 million for 2 mining drill loans and \$3.0 million in surety bond agreements.

Non-Controlling Interest

The carrying value of the non-controlling interest is adjusted for net income and loss, distributions and contributions pursuant to ASC 810-10 based on the same percentage allocation used to calculate the initial book value of temporary equity.

	Three Months Ended September 30, 2017	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016
Net and comprehensive income (loss) in GQM LLC	\$ (2,674)	\$ 1,706	\$ (2,991)	\$ (1,922)
Non-controlling interest percentage	50%	50%	50%	50%
Net and comprehensive loss attributable to non-controlling interest	\$ (1,335)	\$ 853	\$ (1,495)	\$ (961)
Net and comprehensive loss attributable to permanent non-controlling interest	\$ (801)	\$ 512	\$ (897)	\$ (577)
Net and comprehensive loss attributable to temporary non-controlling interest	\$ (534)	\$ 341	\$ (598)	\$ (384)
			Permanent Non-Controlling Interest	Temporary Non-Controlling Interest
Carrying value of non-controlling interest, December 31, 2016			\$ 39,327	\$ 26,219
Net and comprehensive loss for the period			(897)	(598)
Carrying value of non-controlling interest, September 30, 2017			\$ 38,430	\$ 25,621

(v) Revolving credit

On May 23, 2017, GQM LLC entered into a revolving credit facility of \$5 million with Gauss Holdings and Auvergne LLC. The revolving credit is available until May 23, 2018 and bears a 12% simple annual interest. GQM LLC paid a closing fee of \$0.1 million which was classified as prepaid expenses and other current assets. \$0.02 million and \$0.04 million of the closing fee was amortized during the three and nine months ended September 30, 2017, respectively. As at September 30, 2017, no amounts had been drawn under this facility.

GOLDEN QUEEN MINING CO. LTD.
Notes to Condensed Consolidated Interim Financial Statements
For the Three and Nine Months Ended September 30, 2017 and 2016
(amounts expressed in thousands of US dollars - Unaudited)

10. Derivative Liabilities

Share Purchase Warrants – Clay loans (Related Party)

On June 8, 2015, the Company issued 10,000,000 share purchase warrants to the Clay Group in connection with the June 2015 Loan. The share purchase warrants are exercisable until June 8, 2020 at an exercise price of \$0.95. Included in the June 2015 Loan agreement was an anti-dilution provision. If the Company were to complete a financing at a share price lower than the exercise price of the share purchase warrants, the exercise price of the share purchase warrants would be adjusted to match the price at which the financing was completed.

On November 18, 2016, the Company issued 8,000,000 share purchase warrants to the Clay Group in connection with the November 2016 Loan. The share purchase warrants are exercisable until November 18, 2021 at an exercise price of \$0.85. Included in the November 2016 Loan agreement was an anti-dilution provision. If the Company were to complete a financing at a share price lower than the exercise price of the share purchase warrants, the exercise price of the share purchase warrants would be adjusted to match the price at which the financing was completed.

The share purchase warrants meet the definition of a derivative liability instrument as the exercise price is not a fixed price as described above. Therefore, the settlement feature does not meet the “fixed-for-fixed” criteria outlined in ASC 815-40-15.

The fair value of the derivative liabilities related to the share purchase warrants as at September 30, 2017 is \$3.1 million (December 31, 2016 - \$5.5 million). The derivative liabilities were calculated using the binomial and the Black-Scholes pricing valuation models with the following assumptions:

Warrants related to June 2015 Loan	<u>September 30, 2017</u>	<u>December 31, 2016</u>
Risk-free interest rate	1.58%	0.84%
Expected life of derivative liability	2.69 years	3.44 years
Expected volatility	76.50%	78.79%
Dividend rate	<u>0.00%</u>	<u>0.00%</u>
Warrants related to November 2016 Loan	<u>September 30, 2017</u>	<u>December 31, 2016</u>
Risk-free interest rate	1.58%	1.11%
Expected life of derivative liability	4.15 years	4.89 years
Expected volatility	75.21%	77.21%
Dividend rate	<u>0.00%</u>	<u>0.00%</u>

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

	<u>September 30, 2017</u>	<u>December 31, 2016</u>
Balance, beginning of the period	\$ 5,458	\$ 2,498
Fair value at inception	-	3,090
Change in fair value	<u>(2,329)</u>	<u>(130)</u>
Balance, end of the period	<u>\$ 3,129</u>	<u>\$ 5,458</u>

GOLDEN QUEEN MINING CO. LTD.
Notes to Condensed Consolidated Interim Financial Statements
For the Three and Nine Months Ended September 30, 2017 and 2016
(amounts expressed in thousands of US dollars - Unaudited)

10. Derivative Liabilities (continued)

Share Purchase Warrants – July 2016 financing

On July 25, 2016, the Company issued a total of 6,317,700 share purchase warrants in connection with the July 2016 financing with an exercise price of C\$2.00 and expiry date of July 25, 2019. In accordance with the guidance in ASC 815-40-15, the share purchase warrants met the criteria of a derivative instrument liability because they were exercisable in a currency other than the functional currency of the Company and thus did not meet the “fixed-for-fixed” criteria of that guidance. As a result, the Company was required to separately account for the share purchase warrants as derivative liabilities recorded at fair value and marked-to-market each period with the changes in the fair value each period charged or credited to income.

As at September 30, 2017, the Company had re-measured the share purchase warrants and determined the fair value of the derivative liability to be \$0.3 million (December 31, 2016 - \$1.0 million) using the Black-Scholes option pricing model with the following assumptions:

	September 30, 2017	December 31, 2016
Risk-free interest rate	1.52%	0.84%
Expected life of derivative liability in years	1.82 years	2.56 years
Expected volatility	74.89%	79.40%
Dividend rate	0.00%	0.00%

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

	September 30, 2017	December 31, 2016
Fair value of warrants issued	\$ 972	\$ 2,701
Change in fair value of warrants	(704)	(1,729)
Balance, end of the period	<u>\$ 268</u>	<u>\$ 972</u>

11. Supplementary Disclosures of Cash Flow Information

	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016
Cash paid during the period for:		
Interest on loan payable	\$ 428	\$ 468
Non-cash financing and investing activities:		
Asset retirement costs charged to mineral property interests	\$ 260	\$ 245
Mining equipment acquired through issuance of debt	\$ 5,895	\$ 295
Mineral property expenditures included in accounts payable	\$ 1,081	\$ 318
Interest cost capitalized to mineral property interests	\$ -	\$ 839
Non-cash finder fess	\$ 59	\$ -
Non-cash amortization of discount and interest expense	\$ 1,250	\$ 1,853
Interest payable converted to principal balance	\$ 1,560	\$ 2,977

GOLDEN QUEEN MINING CO. LTD.
Notes to Condensed Consolidated Interim Financial Statements
For the Three and Nine Months Ended September 30, 2017 and 2016
(amounts expressed in thousands of US dollars - Unaudited)

12. Commitments and Contingencies

Royalties

The Company has acquired a number of mineral properties outright. It has acquired exclusive rights to explore, develop and mine other portions of the Mine under various mining lease agreements with landowners. Royalty amount due to each landholder over the life of the Mine varies with each property.

Compliance with Environmental Regulations

The Company's exploration and development activities are subject to laws and regulations controlling not only the exploration and mining of mineral properties, but also the effect of such activities on the environment. Compliance with such laws and regulations may necessitate additional capital outlays or affect the economics of a mine, and cause changes or delays in the Company's activities.

Corporate Guaranties

The Company has provided corporate guaranties for 2 of GQM LLC's mining drill loans. The Company has also provided a corporate guaranty for GQM LLC's surety bonds.

13. Financial Instruments

Fair Value Measurements

All financial assets and financial liabilities are recorded at fair value on initial recognition. Transaction costs are expensed when they are incurred, unless they are directly attributable to the acquisition of qualifying assets, in which case they are added to the costs of those assets until such time as the assets are substantially ready for their intended use or sale.

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

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

GOLDEN QUEEN MINING CO. LTD.
Notes to Condensed Consolidated Interim Financial Statements
For the Three and Nine Months Ended September 30, 2017 and 2016
(amounts expressed in thousands of US dollars - Unaudited)

13. Financial Instruments (continued)

Fair Value Measurements (continued)

	September 30, 2017			
	Total	Level 1	Level 2	Level 3
Liabilities:				
Share purchase warrants – Related Party (Note 10)	\$ 3,129	\$ -	\$ 3,129	\$ -
Share purchase warrants – (Note 10)	268	-	268	-
	<u>\$ 3,397</u>	<u>\$ -</u>	<u>\$ 3,397</u>	<u>\$ -</u>
	December 31, 2016			
	Total	Level 1	Level 2	Level 3
Liabilities:				
Share purchase warrants – Related Party (Note 10)	\$ 5,458	\$ -	\$ 5,458	\$ -
Share purchase warrants – (Note 10)	972	-	972	-
	<u>\$ 6,430</u>	<u>\$ -</u>	<u>\$ 6,430</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 use observable inputs in option price models such as the binomial and the Black-Scholes valuation models.

Credit Risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss for the Company by failing to discharge its obligations. To mitigate exposure to credit risk on financial assets the Company has established policies to ensure liquidity of funds and ensure counterparties demonstrate minimum acceptable credit worthiness.

The Company maintains its US Dollar and Canadian Dollar cash in bank accounts with major financial institutions with high credit standings. Cash deposits held in the United States are insured by the Federal Deposit Insurance Corporation (“FDIC”) for up to \$0.3 million and Canadian Dollar cash deposits held in Canada are insured by the Canada Deposit Insurance Corporation (“CDIC”) for up to C\$0.1 million.

Certain United States and Canadian bank accounts held by the Company exceed these federally insured limits or are uninsured as they relate to US Dollar deposits held in Canadian financial institutions. As of September 30, 2017, the Company’s cash balances held in United States and Canadian financial institutions include \$4.7 million, which are not fully insured by the FDIC or CDIC. The Company has not experienced any losses on such accounts and management believes that using major financial institutions with high credit ratings mitigates the credit risk in cash.

Interest Rate Risk

The Company holds 98% of its cash in bank deposit accounts with a single major financial institution. The interest rates received on these balances may fluctuate with changes in economic conditions. Based on the average cash balances during the nine months ended September 30, 2017 a 1% decrease in interest rates would have reduced the interest income for 2017 by an immaterial amount.

Foreign Currency Exchange Risk

Certain purchases of corporate overhead items are denominated in Canadian Dollar. As a result, currency exchange fluctuations may impact the costs of our operations. Specifically, the appreciation of the Canadian Dollar against the US Dollar may result in an increase in the Canadian operating expenses in US dollar terms. As of September 30, 2017, the Company maintained the majority of its cash balance in US Dollar. The Company currently does not engage in any currency hedging activities.

GOLDEN QUEEN MINING CO. LTD.
Notes to Condensed Consolidated Interim Financial Statements
For the Three and Nine Months Ended September 30, 2017 and 2016
(amounts expressed in thousands of US dollars - Unaudited)

14. General and Administrative Expenses

General and administrative expenses are incurred to support the administration of the business that are not directly related to production. Significant components of general and administrative expenses are comprised of the following:

	Three Months Ended September 30, 2017	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016
Audit, legal and professional fees	\$ 165	\$ 125	\$ 561	\$ 1,097
Salaries and benefits and director fees	431	437	1,131	1,176
Regulatory fees and licenses	15	(15)	85	68
Insurance	122	116	369	356
Corporate administration	438	(6)	1,151	470
	<u>\$ 1,171</u>	<u>\$ 657</u>	<u>\$ 3,297</u>	<u>\$ 3,167</u>

15. Income (Loss) Per Share

	Three Months Ended September 30, 2017	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016
Numerator:				
Net gain (loss) attributable to the shareholders of the Company - numerator for basic and diluted LPS	\$ (1,889)	\$ 2,738	\$ (3,352)	\$ (8,296)
Denominator:				
Weighted average number of common shares outstanding -basic and diluted	<u>111,148,683</u>	<u>108,026,944</u>	<u>111,137,694</u>	<u>102,657,767</u>
Loss per share – basic and diluted	<u>\$ (0.02)</u>	<u>\$ 0.03</u>	<u>\$ (0.03)</u>	<u>\$ (0.08)</u>

Weighted average number of shares for the nine months ended September 30, 2017 excludes 1,395,002 options (September 30, 2016 - 1,070,000) and 24,317,700 warrants (September 30, 2016 – 10,000,000) that were antidilutive.

16. Loan Payable

During the nine months ended September 30, 2016, the Company sold 2 (December 31, 2016 – nil) pieces of equipment with a net book value of \$1.0 million in consideration for settlement of 2 loans by \$0.6 million plus \$0.1 million in cash. The Company also recorded \$0.3 million as a loss in disposition of fixed assets.

During the nine months ended September 30, 2017, the Company entered into 4 new loan agreements for a total of \$7.6 million for the acquisition of 4 (December 31, 2016 – 2) pieces of mining equipment from Komatsu.

As at September 30, 2017 and December 31, 2016, the finance agreement balances are as follows:

	September 30, 2017	December 31, 2016
Balance, beginning of the period	\$ 15,150	\$ 18,373
Additions	7,646	2,047
Down payments and taxes	(1,338)	(264)
Settlements	(414)	-
Principal repayments	(4,648)	(5,006)
Balance, end of the period	<u>\$ 16,396</u>	<u>\$ 15,150</u>
Current portion	\$ 6,998	\$ 5,656
Non-current portion	<u>\$ 9,398</u>	<u>\$ 9,494</u>

GOLDEN QUEEN MINING CO. LTD.
Notes to Condensed Consolidated Interim Financial Statements
For the Three and Nine Months Ended September 30, 2017 and 2016
(amounts expressed in thousands of US dollars - Unaudited)

16. Loan Payable (continued)

For the nine months ended September 30, 2017, the Company made total down payments of \$1.3 million (2016 - \$0.3 million). The down payments consist of the sales tax on the assets and a 10% payment of the pre-tax purchase price. All of the loan agreements are for a term of 4 years, except 2 which are for 3 years, and are secured by the underlying asset except for 2 mining drill loans for which GQM Ltd. has provided a corporate guarantee. Interest rates range from 0.00% to 4.50% with monthly payments in the range of \$0.005 to \$0.03 million.

The following table outlines the principal payments to be made for each of the remaining years:

Years	Principal Payments
2017	\$ 6,998
2018	6,146
2019	2,060
2020	1,191
Total	\$ 16,395

17. Subsequent Events

On October 20, 2017, the Company granted 1,204,999 options to certain directors and employees of Golden Queen. The options are exercisable at a price of \$0.29 for a period of five years from the date of grant. 401,666 options vest on October 20, 2018; 401,666 options vest on October 20, 2019; and 401,667 options vest on October 20, 2020.

On November 10, 2017, the Company and the Clay Group agreed to amend the November 2016 Loan by reducing the quarterly principal payments that commence the first quarter of 2018 from \$2.5 million to \$1.0 million and increasing the annual interest rate from 8% to 10% effective January 1, 2018. As well, all interest payments in 2017 that were deferred at the Company's option along with a \$2.5 million principal payment and a \$0.40 amendment fee are payable on January 1, 2018. At the Company's option, interest and principal payments due on January 1, 2018 can be delayed until February 15, 2018 to accommodate delays in the Offering process.

On November 13, 2017, the Company filed a preliminary prospectus with the securities regulatory authorities in each of the provinces and territories of Canada in connection with qualifying an offering of the Company (the "Offering"), in connection with a marketed offering of common shares in the capital of the Company for aggregate gross proceeds of \$25 million. Closing of the Offering is subject to receipt of applicable regulatory approvals including approval of the Toronto Stock Exchange. The net proceeds of the Offering will be used to reduce the corporate debt, purchase additional equipment for the mine and general corporate and working capital purposes.