Management's Discussion and Analysis

General

This Management's Discussion and Analysis ("MD&A") of Golden Queen Mining Co. Ltd. ("Golden Queen", "Company", "we", "our" or "us") is dated August 9, 2017 and provides an analysis of our unaudited interim financial results for the three and six months ended June 30, 2017 and the notes thereto.

The following information should be read in conjunction with our June 30, 2017 unaudited interim consolidated financial statements and related notes, which were prepared in accordance with United States generally accepted accounting principles ("US GAAP"). The MD&A should also be read in conjunction with our audited consolidated financial statements and related notes for the year ended December 31, 2016. A summary of the US GAAP accounting policies are outlined in note 4 of the audited consolidated financial statements. All amounts are in United States dollars unless otherwise stated. References to "Canadian dollars" and "C$" and "CDN" are to the currency of Canada and references to "US dollars, "$" or "US$" are the currency of the United States.

Peter A. Herrera, CPG, an employee of Golden Queen, is a qualified person under National Instrument 43-101 – *Standards of Disclosure for Mineral Projects ("NI 43-101")* and has reviewed and approved the scientific and technical information contained within this MD&A.

Golden Queen's shares are listed on the Toronto Stock Exchange ("TSX") under the symbol GQM and the OTCQX under the symbol GQMNF. Additional information related to Golden Queen, including our annual report on Form 10-K, is available on SEDAR at www.sedar.com and on EDGAR at www.sec.gov.

Description of business

Golden Queen is engaged in the operation of the Soledad Mountain Mine ("the Mine"), located in the Mojave Mining District, Kern County, California. The Company originally used its wholly owned subsidiary, Golden Queen Mining Company, Inc. ("GQM Inc."), to explore and develop the Mine. On September 10, 2014, GQM Inc. was converted to a limited liability company, Golden Queen Mining Company, LLC ("GQM LLC"). The Company entered into a Joint Venture (the "JV") agreement with Gauss LLC ("Gauss") through its newly formed, wholly owned subsidiary, Golden Queen Mining Holdings, Inc. ("GQM Holdings"). The JV was completed on September 15, 2014. Upon completion of the JV, both the Company, through GQM Holdings, and Gauss each owned, and continue to own, 50% of GQM LLC. In February 2015, the Company incorporated Golden Queen Mining Canada Ltd. ("GQM Canada"), a wholly-owned British Columbia subsidiary, to hold the Company's interest in GQM Holdings. The Mine is located just outside the town of Mojave in southern California. The Mine utilizes conventional open pit mining methods and the cyanide heap leach and Merrill-Crowe processes to recover gold and silver from crushed, agglomerated ore.

Mine update

The Mine produced a total of 12,632 ounces of gold and 51,920 ounces of silver during the second quarter of 2017. GQM LLC recorded revenue of $16.9 million during this period. Operating costs were at $13.48 per ton processed, which is lower than the previous quarter, which was $16.08 per ton processed. The reduction in costs is a result of an improved utilization rate and increased tonnage from the mine in addition to the reduced downtime and increased efficiency.

A total of 4.7 million tons of ore and waste were mined within the second quarter, including 1.0 million tons of ore; tracking in-line with the budgeted projection. Mining continues in the Northwest pit and Main pit, phase 1. Mining of waste from the East pit is ongoing in an effort to prepare the area for ore mining later in 2017.

A total of 1.03 million tons were processed and stacked on the leach pad. The quarter's daily average was 11,273 tons, improving from the previous quarter average of 10,200 tons. The phase 2 leach pad was completed and placed in service in late July.

The cash balance as at June 30, 2017 was $6.3 million. Currently there are a total of 202 employees on site.

Results of operations

The following are the results of operations for the three and six months ended June 30, 2017, and the corresponding periods ended June 30, 2016.

		Three months ended		Six months ended	
		30-Jun-17	**30-Jun-16**	**30-Jun-17**	**30-Jun-16**
Mining - Key Metrics (1)					
Ore mined	k ton	1,010	660	1,862	951
Waste mined: ore mined ratio	ore mined ratio	3.7:1	1.8:1	3.7:1	2.3:1
Gold grade placed	oz/ton	0.016	0.013	0.017	0.010
Silver grade placed	oz/ton	0.201	0.040	0.215	0.311
Gold sold	oz	12,653	2,362	23,813	2,482
Silver sold	oz	53,514	26,500	115,609	27,500
EBITDA margin (2)	%	19.81%	nm	18.06%	nm
Off-site costs (2)	$/t placed	0.71	0.19	0.77	0.17
Total cash costs	$/t placed	13.48	12.13	14.61	13.61
Apparent cumulative recovery - gold (2)	%	68.0%	37.5%	68.0%	37.5%
Apparent cumulative recovery - silver (2)	%	25.3%	13.4%	25.3%	13.4%
Financial (1)					
Revenue	$	16,882	3,464	31,686	3,464
Income from mine operations	$	773	(1,942)	1,259	(1,942)
General and administrative expenses	$	(712)	(989)	(2,128)	(2,517)
Total other income (expenses)	$	1,131	(637)	(755)	(8,389)
Net and comprehensive income (loss)	$	1,192	(3,568)	(1,624)	(12,848)
Net and comprehensive income (loss) attributable to Golden Queen Mining Co Ltd.	$	962	(2,109)	(1,465)	(11,034)
Average realized gold price (2)	$/oz sold	1,262	1,276	1,246	1,214
Average realized silver price (2)	$/oz sold	17.10	17.02	17.37	16.40
Total cash costs - net of by product credits (2)	$/Au oz produced	1,038	1,580	1,016	1,580
All-in sustaining costs - net of by product credits (2)	$/Au oz produced	1,427	1,921	1,552	1,921

(1) For accounting purposes, the transition to the production phase commenced on April 1, 2016. As such, comparative figures for certain measures or data are not available or are not meaningful.

(2) Total cash costs, all-in sustaining costs, EBITDA margin, apparent cumulative recovery and off-site costs are financial performance measures with no standard meaning under General Accounting Accepted Principles in the US ("US GAAP"). Refer to "**Non-GAAP Financial Performance Measures**" for further information. As transition to the production phase commenced April 1, 2016, year-to-date amounts for these measures only include data starting April 1, 2016.

The Company placed 1.02 million of ore on the pad in three months ended June 30, 2017 compared to 0.79 million of ore in three months ended March 31, 2017. The cash costs did not increase at the same rate as ore mined, therefore the cash costs per ton decreased. See the Non-GAAP financial performance measures section below.

Strip ratio and gold grade for three and six months ended June 30, 2016 were not representative of the life-of-mine averages due to the commencement of production on April 1, 2016 and the limited equipment and crew available during these periods compared with the periods of 2017. Notwithstanding the higher strip ratio in the three and six months ended June 30, 2017, contributing to the slightly higher total cost per ton placed, the higher gold ounces produced and sold have contributed to lower costs per ounce of gold produced.

Financial results

The Company had revenues from operations during the three and six months ended June 30, 2017 in the amount of $16.9 million from the sales of 12,653 ounces of gold and 53,514 ounces of silver and $31.7 million from the sales of 23,813 ounces of gold and 115,609 ounces of silver, respectively. The Company generated revenues of $3.5 million from the sales of 2,362 ounces of gold and 26,500 ounces of silver during the three and six months ended June 30, 2016. Production commenced on April 1, 2016 and therefore the Company did not generate any revenues during the first fiscal quarter of 2016.

The Company generated more revenues from operations during three months ended June 30, 2017 by selling more ounces of gold and silver. In comparison, the Company generated $14.8 million from the sales of 11,406 ounces of gold and 64,581 ounces of silver during three months ended March 31, 2017.

The costs, excluding depreciation and depletion, applicable to sales incurred during the three and six months ended June 30, 2017 were $13.4 million and $24.9 million (three and six months ended June 2016 - $3.6 million), respectively. The cost of sales, excluding depreciation and depletion, increased due to higher sales of gold and silver compared to the prior quarter (three months ended March 31, 2017 - $11.6 million). Costs of sales include mining, processing, maintenance and site support costs. Also, included in the costs of sales are refining, transportation costs, royalties and personal property taxes.

Depreciation and depletion expenses during the three and six months ended June 30, 2017 were $2.7 million and $5.5 million (three and six months ended June 30, 2016 - $1.8 million), respectively. Production commenced on April 1, 2016 and therefore the Company did not record significant depreciation and depletion until after this date. The depreciation and depletion expenses for three months ended June 30, 2017 were little changed from the prior quarter (three months ended March 31, 2017 - $2.8 million).

General and administrative expenses decreased by $0.29 million to $0.7 million during the three months ended June 30, 2017, when compared to $0.99 million for the same period in 2016 primarily as a result of a decrease in corporate salaries. General and administrative expenses decreased by $0.4 million to $2.1 million during the six months ended June 30, 2017, when compared to $2.5 million for the same period in 2016 primarily due to a decrease in legal costs of $0.5 million. The decrease in legal costs was offset by increase in corporate expenditures by $0.1 million between two periods. General and administrative expenses for three months ended June 30, 2017 were lower than the prior quarter (three months ended March 31, 2017 – $1.4 million) mainly because of decrease in corporate administration costs and audit, legal and professional fees.

For the three and six months ended June 30, 2017, the Company incurred a total interest expense of $1.3 million and $2.3 million (three and six months ended June 30, 2016 - $1.8 million and $2.6 million, respectively), respectively, related to its various loans. The decrease was mainly due to the fact the June 2015 Loan was replaced by a new loan in November 2016 with a lower principal and a reduction of 2% on the interest rate. Please refer to Note 9(ii) and 9(iii) of the unaudited condensed consolidated interim financial statements. Also, during the three and six months ended June 30, 2017 there were no interest capitalized to mineral properties, compared to $1.0 million in the same periods of 2016. The interest expense of $1.0 million for three months ended March 31, 2017 was lower than the interest for the current quarter because of the greater balance of loan due to interest accretion in the prior quarter and interest payable balance transfer to principal balance.

The Company's derivative liability as at June 30, 2017 and for the six months then ended includes the warrants issued in conjunction with the November 2016 Clay Loan, the June 2015 Loan and the July 2016 Financing. During the three and six months ended June 30, 2017, the Company recorded a decrease in the derivative liability of $2.4 million and $1.8 million (three and six months ended June 30, 2016 – a decrease of $1.1 million and an increase of $5.9 million, respectively), respectively. The significant increase during the six months ended June 30, 2016 was due to increase in the Company's share price. Refer to Note 10 of the unaudited condensed consolidated interim financial statements for a detailed analysis of the changes in fair value of the derivative liability. During the first quarter of 2017, the Company recorded an increase in the derivative liability of $0.5 million due to a slight increase in the Company's share price.

Summary of quarterly results

Results for the eight most recent quarters in thousands of US dollars, except per share are set out in the table below:

	Results for the quarter ended on:			
	30-Jun-17	31-Mar-17	31-Dec-16	30-Sep-16
Revenue	$ 16,882	$ 14,804	$ 10,278	$ 13,451
Net and comprehensive income (loss)	$ 1,192	$ (2,816)	$ (434)	$ 3,590
Net and comprehensive income (loss) attributable to Golden Queen Mining Co Ltd.	$ 962	$ (2,426)	$ 868	2,738
Basic net income (loss) per share	$ 0.01	$ (0.02)	$ 0.01	$ 0.03
Diluted net income (loss) per share	$ 0.01	$ (0.02)	$ 0.01	$ 0.03

	Results for the quarter ended on:			
	30-Jun-16	31-Mar-16	31-Dec-15	30-Sep-15
Revenue	$ 3,464	$ Nil	$ Nil	$ Nil
Net and comprehensive loss	(3,568)	$ (9,280)	$ (1,217)	$ (2,203)
Net and comprehensive loss attributable to Golden Queen Mining Co Ltd.	$ (2,109)	(8,926)	(722)	(1,924)
Basic net loss per share	$ (0.02)	$ (0.09)	$ (0.01)	$ (0.02)
Diluted net loss per share	$ (0.02)	$ (0.09)	$ (0.01)	$ (0.02)

During the second quarter of 2017 net and comprehensive income was $1.2 million compared to net and comprehensive loss of $2.8 million in the quarter ended March 31, 2017. This change is primarily due to the movement in the value of the Company's derivative liability (discussed above).

For fiscal 2016, although the Company generated revenues starting in the second quarter of 2016, the main reasons for the significant fluctuations in net (loss) income between quarterly periods are the fluctuations in the Company's derivative liability and interest expense.

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 and six months ended June 30, 2017.

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 reclamation cost estimate on an annual basis. An independent consulting engineer provides this estimate. This cost estimate, once approved by state and county authorities, forms the basis for a surety bond for reclamation financial assurance. The reclamation assurance provided as at June 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 and Stage 2 heap leach pad, the overflow pond, and the solution collection channel. The reclamation financial assurance estimate for as of June 30, 2017 is $1.9 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 for as of June 30, 2017, is $0.3 million (December 31, 2016 - $0.3 million).

The Company entered into $3.0 million in surety bond agreements in order to release its reclamation deposits. The Company pays a yearly premium of $0.1 million. Golden Queen has provided a corporate guaranty on the surety bonds (see Note 12 to the of the unaudited condensed consolidated interim financial statements).

Asset retirement obligation

The total asset retirement obligation as of June 30, 2017, was $1.6 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 June 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%.

Property rent and production royalty expenses

The Company has acquired a number of mineral properties outright and has acquired exclusive rights to explore, develop and mine other portions of the Mine under various mining lease agreements with landowners. As a result, the Company is required to make property rent payments related to its mining lease agreements with landholders, in the form of advance minimum royalties or production royalties. The total property rent and production royalty expenses for the three and six months ended June 30, 2017 were $0.4 million and $0.7 million, respectively (the three and six months ended June 30, 2016 - $Nil million and $0.01 million, respectively). There are multiple third party landholders and the royalty amount due to each landholder over the life of the Mine varies with each property.

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 Company also adopted a house keeping amendment to the plan on April 27, 2015 to clarify the procedure for fixing the early termination date of stock options. 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 (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 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.

There is a total of 1,395,002 options outstanding of which 630,000 options are currently exercisable (December 31, 2016 – 1,555,000 outstanding of which 1,023,334 are exercisable) common shares were issuable pursuant to such stock options as at June 30, 2017.

Transactions with related parties

Except as noted elsewhere in this MD&A, related party transactions are disclosed as follows:

(i) Management agreement

During the three and six months ended June 30, 2017, the Company paid a total of $0.03 million and $0.06 million (the three and six months ended June 30, 2016 - $0.03 million and $0.06 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 and bore an annual interest rate of 10%. The December 2014 Loan was guaranteed by GQM Holdings, and secured by a pledge of the Company's interests in GQM Canada, GQM Canada's interest in GQM Holdings and GQM Holdings' 50% interest in GQM LLC. The Company also incurred a financing fee to secure the loan in the amount of $1.0 million, of which, $0.8 million was paid on December 31, 2014 and the remaining $0.2 million was paid on January 5, 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"). The Company also issued to the lenders 10,000,000 common share purchase warrants exercisable for a period of five years expiring June 8, 2020. The common share purchase warrants have an exercise price of $0.95. All other terms remained the same as the December 2014 Loan. The Company also incurred financing fees to secure the loan in the amount of $1.5 million. The Company agreed to pay the legal fees incurred by the lenders relating to this debt instrument in the amount of $0.04 million. The total legal fees were expensed as the transaction met the definition of a debt extinguishment.

On November 18, 2016, the Company repaid $12.2 million of the June 2015 Loan and accrued interest with cash on hand and the 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 Clay Loan"). The new 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. The first four quarterly interest payments under the November 2016 Clay Loan can be added to the loan principal balance rather than paid in cash, at the Company's option. The Company exercised this option on January 1, 2017 and April 1, 2017 and transferred $0.3 million and $0.6 million of interest to the principal, respectively.

In connection with the November 2016 Clay 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 note payable:

		June 30, 2017		December 31, 2016
Balance, beginning of the period	$	26,347	$	36,053
Interest payable transferred to principal balance		922		2,977
Accretion of discount on loans		740		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	$	28,009	$	26,347
Current portion	$	5,922	$	-
Non-current portion	$	22,087	$	26,347

Share purchase warrants – Clay loans

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.

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The fair value of the derivative liabilities related to the share purchase warrants at June 30, 2017 is $4.0 million (December 31, 2016 - $5.5 million). The derivative liabilities are calculated using the binomial and the Black-Scholes pricing valuation models with the following assumptions:

Warrants related to June 2015 Loan	June 30, 2017	December 31, 2016
Risk-free interest rate	1.17%	0.84%.
Expected life of derivative liability	2.94 years	3.44 years
Expected volatility	76.60%	78.79%
Dividend rate	0.00%	0.00%

Warrants related to November 2016 Loan	June 30, 2017	December 31, 2016
Risk-free interest rate	1.38%	1.11%
Expected life of derivative liability	4.40 years	4.89 years
Expected volatility	79.58%	77.21%
Dividend rate	0.00%	0.00%

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

	June 30, 2017	December 31, 2016
Balance, beginning of the period	$ 5,458	$ 2,498
Fair value at inception	-	3,090
Change in fair value	(1,452)	(130)
Balance, end of the period	$ 4,006	$ 5,458

(iii) Amortization of discounts and interest expense

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

	Three Months Ended June 30, 2017	Three Months Ended June 30, 2016	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
Accretion of the Nov 2016 Loan discount	$ 454	$ -	$ 740	$ -
Interest expense related to the Nov 2016 Loan	646	-	1,272	-
Interest expense related to Komatsu financial loans [1]	150	154	285	320
Accretion of the June 2015 Loan discount	-	626	-	1,232
Interest expense related to the June 2015 Loan	-	1,013	-	2,008
Accretion of discount and interest on loan	$ 1,250	$ 1,793	$ 2,297	$ 3,560

The Company's loans were contracted to fund significant development costs at the Mine. As such, the Company capitalizes a portion of the interest expense as it related to funds borrowed to complete development activities at the site.

	Three Months Ended June 30, 2017	Three Months Ended June 30, 2016	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
Accretion of discounts and interest on loan [1]	$ 1,250	$ 1,793	$ 2,297	$ 3,560
Less: Interest costs capitalized [2]	-	-	-	(1,006)
Interest expense	$ 1,250	$ 1,793	$ 2,297	$ 2,554

(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 given that the mine went into production on April 1, 2016.

(iv) Joint venture transaction

The Company completed the Joint Venture Transaction with Gauss in September 2014 resulting in both parties owning a 50% interest in the Mine. Pursuant to the Joint Venture Transaction, Golden Queen converted its wholly-owned subsidiary GQM Inc., the entity developing the Mine, into a California limited liability company named GQM LLC. Upon closing, Gauss acquired 50% of GQM LLC by investing $110 million cash in exchange for newly issued membership units of GQM LLC. GQM Holdings, a newly incorporated subsidiary of the Company, holds the other 50% of GQM LLC.

Gauss is a funding vehicle owned by entities controlled by Leucadia and the Clay Group. Gauss is owned 70.51% by Gauss Holdings and 29.49% by Auvergne, the Clay Group's investment entity. Pursuant to the transaction, Leucadia was paid a transaction fee of $2.0 million and $0.3 million was paid to Auvergne through GQM LLC in 2014. The Company has adopted an accounting policy of expensing these transaction costs.

Variable Interest Entity

In accordance with ASC 810-10-30, the Company has determined that GQM LLC meets the definition of a Variable Interest Entity ("VIE") and that the Company is part of a related party group that, in its entirety, would meet the definition of a primary beneficiary. Although no individual variable interest holder individually meets the definition of a primary beneficiary in the absence of the related party group, Golden Queen has determined it is considered the member of the related party group most closely associated with GQM LLC. As a result, the Company has condensed consolidated interim 100% of the accounts of GQM LLC in these condensed consolidated interim financial statements, while presenting a non-controlling interest portion representing the 50% interest of Gauss in GQM LLC on its balance sheet. A portion of the non-controlling interest is presented as temporary equity on the Company's balance sheet representing the initial value of the non-controlling interest that could potentially be redeemable by Gauss in the future.

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

	June 30, 2017	December 31, 2016
Assets, GQM LLC	$ 152,934	$ 151,802
Liabilities, GQM LLC	(22,157)	(20,710)
Net assets, GQM LLC	$ 130,777	$ 131,092

Included in the assets above is $5.0 million (December 31, 2016 - $11.1 million) in cash held as at June 30, 2017. The cash in GQM LLC is directed specifically to fund capital expenditures required to continue with production and settle GQM LLC's obligations. The liabilities of GQM LLC do not have recourse to the general credit of the primary beneficiary except for two 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.

	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
Net and comprehensive income (loss) in GQM LLC	$ (317)	$ (3,628)
Non-controlling interest percentage	50%	50%
Net and comprehensive loss attributable to non-controlling interest	$ (159)	$ (1,814)
Net and comprehensive loss attributable to permanent non-controlling interest	$ (95)	$ (1,088)
Net and comprehensive loss attributable to temporary non-controlling interest	$ (64)	$ (726)

		Permanent Non-Controlling Interest	Temporary Non-Controlling Interest
Carrying value of non-controlling interest, December 31, 2016	$	39,327 $	26,220
Net and comprehensive loss for the period		(95)	(64)
Carrying value of non-controlling interest, June 30, 2017	$	39,232 $	26,156

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 of the closing fee was amortized during three and six months ended June 30, 2017. As at June 30, 2017 and August 9, 2017 ("the reporting date"), no amounts had been drawn under this facility.

Fair value of financial instruments

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.

Fair value measurements

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

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

	June 30, 2017			
	Total	Level 1	Level 2	Level 3
Liabilities:				
Share purchase warrants – Related Party (Note 10)	$ 4,006	$ -	$ 4,006	$ -
Share purchase warrants – (Note 10)	530	-	530	-
	$ 4,536	$ -	$ 4,536	$ -

	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	-
	$ 6,430	$ -	$ 6,430	$ -

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

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

Select non-consolidated figures

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

The following table shows figures attributable to the Company only as of June 30, 2017 and for six months then ended:

	GQM LLC 100%	GQM LLC 50% Attributable to LTD (1)	**LTD on a Non-Consolidated Basis * (2)**	**LTD Attributable (1) + (2)**
Cash	$4,992	$2,496	**$1,292**	**$3,789**
Short Term Debt	$6,194	$3,097	**$5,922**	**$9,019**
Long Term Debt	$8,519	$4,260	**$22,087**	**$26,347**
Working Capital / (Deficit)	$5,873	$2,937	**($9,771)**	**($6,835)**

	GQM LLC 100%	GQM LLC 50% Attributable to LTD (1)	**LTD on a Non-Consolidated Basis * (2)**	**LTD Attributable (1) + (2)**
Revenue	$31,686	$15,843	**$0**	**$15,843**
Cost of sales including depreciation and depletion	($30,207)	($15,103)	**($221)**	**($15,324)**
Accretion expense	($63)	($31)	**$0**	**($31)**
G&A Expenses	($1,151)	($575)	**($899)**	**($1,474)**
Share based payments	$0	$0	**($84)**	**($84)**
Foreign exchange gain (loss)	$0	$0	**$7**	**$8**
(Increase) / Decrease in fair value of derivative liability	$0	$0	**$1,894**	**$1,894**
Interest Expense	($286)	($143)	**($2,011)**	**($2,154)**
Interest Income	$56	$28	**$7**	**$35**
Others	($353)	($176)	**$0**	**($176)**
Net Loss	($317)	($158)	**($1,306)**	**($1,464)**

* Includes GQM Holdings

Liquidity and capital resources

The Company has generated $58.9 million in revenues from operations since inception and as at June 30, 2017 had an accumulated deficit of $88.8 million and a working capital deficit of $3.9 million. Cash generated from operations for the three and six month periods ended June 30, 2017 was $2.8 million and $5.5 million respectively.

On November 18, 2016, the Company repaid $12.2 million of the June 2015 Loan and accrued interest with cash on hand and the net proceeds of $10.1 million from an equity financing. The Company restructured the remaining debt with the November 2016 Clay Loan with a principal amount of $31.0 million. The November 2016 Clay Loan has a 30-month term and an annual interest rate of 8%, payable on a quarterly basis commencing first quarter of 2017, a repayment of $2.5 million on a quarterly basis commencing first quarter of 2018 and repayment of balance at maturity date. The first four quarterly interest payments on the November 2016 Clay Loan can be added to the loan principal balance rather than paid in cash, at the Company's option. The Company exercised this option on January 1, 2017 and April 1, 2017, and transferred $0.3 million and $0.6 million interest to the principal, respectively.

The Company is required to pay $3.2 and $8.4 million of accrued interest and debt principal, in total, on the three following dates: January 1, 2018, April 1, 2018 and July 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 revised the mine plan in light of the six months ended June 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, discussion with the Clay Group to restructure the reimbursement schedule has 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.

Cash generated from (used in) operating activities:

Cash generated by operating activities was $5.5 million (used in the six months ended June 30, 2016 - $7.1 million) for the six months ended June 30, 2017. The increase in cash utilized in operating activities is primarily due to the increase in revenues since the Company started production in the second quarter of 2016, improvements in working capital and operating cost.

Cash used in investing activities:

Cash used in investing activities totaled $9.5 million during the six months ended June 30, 2017 (the six months ended June 30, 2016 - $9.4 million). Construction of the second stage of the leach pad commenced in the first quarter of 2017. The significant development costs related to the heap leach pad incurred during the six months ended June 30, 2017 were $8.6 million and included the solution collection piping and drain cover placement, drain cover crushing, subgrade and liner. The significant development costs incurred during the six months ended June 30, 2016 included the completion of the crushing-screening plant facilities, the conveying and stacking system, the Merrill-Crowe plant and the water and power supply.

Cash from financing activities:

Cash used in financing activities totaled $3.0 million during the six months ended June 30, 2017 (the six months ended June 30, 2016 – cash used of $2.5 million). The main financing activities of the Company during the six months ended June 30, 2017 included:

- The Company made principal payments of $3.0 million (six-month period ended June 2016 - $2.5 million) related to the loans payable on the mining equipment and machinery.

Working capital:

	LTD on a Non-Consolidated Basis *	**LTD on a Consolidated Basis ****
Current Assets	$1,371	$19,264
Current Liabilities	($11,143)	($23,163)
Working Capital / (Deficit)	($9,771)	($3,899)

* Includes GQM Holdings

** Includes GQM Holdings and GQM LLC

Golden Queen and GQM Holdings

As at June 30, 2017, Golden Queen and GQM Holdings had current assets of $1.4 million (December 31, 2016 - $2.3 million) and current liabilities of $11.1 million (December 31, 2016 - $6.9 million) or a working capital deficit of $9.8 million (December 31, 2016 – $4.6 million). The decrease in current assets from December 31, 2016 is the result of general corporate expenditures such as corporate salary expenses, legal fees, audit fees, financing fees and interest expenses. The increase in current liabilities is the result of the principal payments of the November 2016 Clay Loan now being included in our current liabilities.

Golden Queen will use its cash for general corporate expenditures such as accounting fees, legal fees and corporate salary expenses. Interest expenses on the November 2016 Clay Loan due during 2017 may be added to the loan principal balance rather than paid in cash, at the Company's option.

GQM LLC

As at June 30, 2017, GQM LLC had current assets of $17.9 million (December 31, 2016 - $22.7 million) and current liabilities of $12.0 million (December 31, 2016 - $9.9 million) or a working capital surplus of $5.9 million (December 31, 2016 – $12.8 million). The decrease in current assets from December 31, 2016 is resulting from the cash spent on project-related expenditures and working capital. The increase in current liabilities is due to an increase in accounts payable and an increase of the short-term portion of the mobile equipment loans.

GQM LLC will use its cash on hand for sustaining capital expenditures and for working capital needs.

Outstanding shares 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 December 31, 2016	111,048,683		
Shares issued as the result of a purchase agreement	100,000		
Shares issued pursuant to the exercise of stock options	Nil		
Shares issued and outstanding on June 30, 2017	**111,148,683**	**Exercise Price**	**Expiry Date**
Shares to be issued on exercise of directors and employees stock options	1,395,002	$0.58 to $1.59	From 06/03/18 to 03/16/22
Shares to be issued on exercise of warrants	24,317,700	$0.95	06/08/20
Fully diluted June 30, 2017	**136,861,385**		

The company has an unlimited authorized share capital.

Subsequent events

On July 1, 2017, the Company was scheduled to make a quarterly interest payment on the November 2016 Clay Loan. In accordance with the terms of the November 2016 Clay Loan agreement, the Company chose to exercise its right to add the interest owed on July 1, 2017 to the principal balance; thereby increasing the principal balance of the loan by $0.6 million.

Non-GAAP financial performance measures

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

Total cash costs

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

The table below shows a reconciliation of total cash costs per gold ounce and cash costs per gold ounce on a by-product basis (expressed in thousands of US dollars except ounce and per ounce amounts):

	Three Months Ended		
	June 30, 2017	March 31, 2017	December 31, 2016
Total cash costs			
Mining	$ 6,583	$ 5,624	$ 4,933
Processing	4,797	4,379	4,243
Indirect mining cost	1,795	1,880	1,901
Inventory changes and others	192	(322)	(2,181)
Cost of sales	13,367	11,561	8,896
Site general and administrative	658	838	776
Cash costs before by-product credits	14,025	12,399	9,672
Divided by gold produced (oz)	12,632	11,406	7,779
Cash costs per ounce of gold produced ($/oz)	**1,110**	**1,087**	**1,243**
Less: By-product silver credits per ounce ($/oz)	(72)	(98)	(148)
Total cash cost per ounce of gold produced on a by-product basis ($/oz)	**$ 1,038**	**$ 989**	**$ 1,096**
Ore placed (tons)	1,026,332	791,232	894,754
Total Cash Costs ($/t placed)	13.48	16.08	13.25
Crusher mechanical availability (%)	81%	63%	70%
Apparent cumulative recovery (1) - gold (%)	68.0%	64.2%	59.7%
Apparent cumulative recovery (1) - silver (%)	25.3%	25.3%	24.0%

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

All-in sustaining costs

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

The table below shows a reconciliation of cash costs per gold ounce on a by-product basis and all-in sustaining costs per ounce (expressed in thousands of US dollars except ounce and per ounce amounts):

	Three Months Ended June 30, 2017	Three Months Ended March 31, 2017	Three Months Ended December 31, 2016
All-in sustaining costs			
Cash costs before by-product credits	$ 14,025	$ 12,399	$ 9,672
Silver by-product	(915)	(1,092)	(1,150)
Total cash cost after by-product	**13,110**	**11,307**	**8,522**
Corporate general and administrative expenses	54	578	311
Share based payments	51	34	17
Accretion expense	32	31	23
Sustaining capital	4,781	7,288	2,648
All-in sustaining costs	**18,028**	**19,237**	**11,521**
Divided by gold produced (oz)	12,632	11,406	7,779
All-in sustaining costs per gold ounce on a by-product basis	**$ 1,427**	**$ 1,724**	**$ 1,481**

Summary of significant accounting policies and estimates

Full disclosure of the Company's significant accounting policies and estimates in accordance with US GAAP can be found in notes of its audited consolidated financial statements as at December 31, 2016.

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 is 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 is 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

(iii) 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.

We are currently assessing the impact of implementation of ASU No. 201-09, however, management does not believe it will change the point of revenue recognition or amounts 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.

(iv) 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 are applicable on a modified retrospective basis with various optional practical expedients. The Company is assessing the impact of this standard.

(v) 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.

The Center for Biodiversity petition to list the Mohave Shoulderband snail as an endangered species

As a result of a petition filed by the Center for Biological Diversity ("CBD") to list the Mohave Shoulderband snail as an endangered species under the Endangered Species Act, the United States Fish and Wildlife Service ("USFWS") is required to issue a 12-Month Finding on the species by November 30, 2017. The Company, the USFWS, and the CBD have jointly surveyed for the presence of the snail on and around Soledad Mountain. The Company believes that conservation of the snail can be accomplished without material adjustments to the Mine plan, but if the USFWS ultimately finds that the snail is 'endangered' or 'threatened' and no agreed conservation plan is established, material adjustments to the Mine plan may be required.

Disclosures about market risk

Credit risk

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

The Company maintains its US Dollar and Canadian Dollar cash in bank accounts with major financial institutions with high credit standings. Cash deposits held in the United States are insured by the Federal Deposit Insurance Corporation ("FDIC") for up to $250,000 and Canadian Dollar cash deposits held in Canada are insured by the Canada Deposit Insurance Corporation ("CDIC") for up to C$100,000.

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 June 30, 2017, the Company's cash balances held in United States and Canadian financial institutions include $9.5 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 interest rates received on these balances may fluctuate with changes in economic conditions. Based on the average cash balances during the three and six months ended June 30, 2017, a 1% decrease in interest rates would have reduced the interest income a trivial amount.

Foreign currency exchange risk

Certain purchases of labour are denominated in Canadian dollars. 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 June 30, 2017, the Company maintained the majority of its cash balance in US currency.

Commodity price risk

The Company's primary business activity is the development of the open pit, gold and silver, heap leach project on the Property. Decreases in the price of either of these metals from current levels have the potential to negatively impact the future viability of the Mine. A 10% change in the gold spot price would have a trivial impact on the change in the fair value of the derivative contracts held by the Company. The Company may enter into hedging contracts from time to time to protect the cash flows from commodity price volatility.

Controls and Procedures

Disclosure controls and procedures

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

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

Management's report on internal control over financial reporting

Changes in internal control

There were no changes in our internal control over financial reporting (as defined in Rule 13a-15(e) and Rule 15d-15(e) under the Exchange Act) during the three and six months ended June 30, 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting, other than the Company is in the process of implementing a remediation plan to address the deficiency previously noted in the areas of personnel and controls including the engagement of an external consultant to assist in the documentation and review of its internal controls.

Fraud analysis

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

1. Developing and maintaining effective controls to prevent fraud;
2. Ensuring that if fraud occurs a vigorous and prompt investigation takes place;
3. Taking appropriate disciplinary and legal actions;
4. Reviewing systems and procedures to prevent similar frauds;

5. Investigating whether there has been a failure in supervision and take appropriate disciplinary action if supervisory failures occurred; and
6. Recording and reporting all discovered cases fraud.

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

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

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

For the three and six months ended June 30, 2017 and year ended December 31, 2016, there were no reported instances of fraud.

Risk factors

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

Additional information

Additional information regarding the Company, including our annual report on Form 10-K, is available on SEDAR at www.sedar.com and EDGAR at www.sec.gov and on our website at www.goldenqueen.com.

Cautionary notes

Forward-looking statements

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

Cautionary note to US investors

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