GOLDEN QUEEN MINING CO LTD
Form 10-K
March 25, 2019

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2018

.. TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _______________ to _______________

Commission File Number: 000-21777

GOLDEN QUEEN MINING CO. LTD.

(Exact Name of Registrant as Specified in its Charter)

British Columbia (State or Other Jurisdiction of Incorporation or Organization)	**Not Applicable** (IRS Employer Identification No.)
2300 – 1066 West Hastings Street **Vancouver, British Columbia, Canada** (Address of Principal Executive Offices)	**V6E 3X2** (Zip Code)

(778) 373-1557

(Registrant’s Telephone Number, Including Area Code)

Securities registered under Section 12(b) of the Exchange Act: None

Securities registered under section 12(g) of the Exchange Act: Common shares without par value

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ¨ No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No x

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes x No ¨

Indicate by check mark if disclosure of delinquent filers in response to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant’s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company” and “emerging growth company” in Rule 12b-2 of the Exchange Act:

Large accelerated filer ¨ Accelerated filer ¨ Non-accelerated filer x Smaller reporting company ¨

Emerging growth company ¨

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

Based on the last sale price on the OTCQX of the registrant's common shares on June 29, 2018 (the last business day of the Registrant's most recently completed second fiscal quarter) of $0.17 per share, the aggregate market value of the voting and non-voting common equity of the Registrant held by non-affiliates was approximately $37,103,864.10

As of March 25, 2019, the registrant had 300,101,441 common shares, no par value, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

To the extent herein specifically referenced in Part III, portions of the Registrant's Definitive Proxy Statement on Schedule 14A for the 2019 Annual General Meeting of Shareholders are incorporated herein. See Part III.

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References to the “Company”, “Golden Queen”, “we”, “us”, “our” and words of similar meaning refer to Golden Queen Minin Co. Ltd. The amounts herein are in thousand (000’s) US dollar (“$”) is used in this Form 10-K and quantities are reported in Imperial units with Metric units in brackets.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This annual report on Form 10-K and the documents incorporated by reference herein constitute contain forward-looking information and “forward-looking statements” within the meaning section 27A of the Securities Act of 1933 (as amended), section 21E of the Securities Exchange Act of 1934 (as amended), the United States Private Securities Litigation Reform Act of 1995, releases made by the United States Securities and Exchange Commission (the “SEC”) and applicable Canadian securities legislation, all as may be amended from time to time, concerning the business, operations and financial performance and condition of the Company (collectively “forward-looking statements”). Generally, these forward-looking statements can be identified by the use of words such as “plans”, “anticipates”, “continues”, “estimates”, “is expected”, “projected”, “propose”, “believes”, “intends”, “subject to”, “budget”, “s variations or comparable language of such word and phrases or statements that certain actions, events or results “may”, “could”, “would”, “should”, “might”, or “will”, “occur” or “be achieved” or the negative connotation thereof.

Forward-looking statements are necessarily based upon a number of factors and assumptions that, if untrue, could cause the actual results, performances or achievements of the Company to be materially different from future results, performances or achievements expressed or implied by such statements. Although the Company believes its expectations are based upon reasonable assumptions and has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements included in this Form 10-K and the documents incorporated by reference herein. References in this Form 10-K are to December 31, 2018, unless another date is stated, or in the case of documents incorporated herein by reference, are as of the dates of such documents.

In particular, this Form 10-K and the documents incorporated by reference herein contain forward-looking statements pertaining to the following:

- business strategy, strength and focus;

- results of operations relative to estimates based on the prior feasibility study;
- geological estimates in respect of mineral resources and reserves on the Mine;
- the realization of mineral reserve estimates;
- projections of market prices and costs and the related sensitivity of distributions;
- supply and demand for precious metals;
- expectations regarding the ability to generate income through operations;
- expectations with respect to the Company's future working capital position;
- treatment under government regulatory regimes and tax laws;
- anticipated gold and silver revenues;
- the timing and amount of estimated future production;
- estimated costs of anticipated production, sales and costs of sales;
- anticipated mining operations proceeding as planned; and
- the Company's and GQM LLC's capital expenditure programs.

With respect to forward-looking statements contained in this Form 10-K and the documents incorporated by reference herein, assumptions have been made regarding, among other things:

- present and future business strategies and the environment in which the Company will operate in the future;
- recovery rates from gold and silver production;
- the impact of environmental regulations on our operations;
- future gold and silver prices;

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- the Company's and GQM LLC's ability to retain qualified staff;
- the impact of any changes in the laws of the United States or California;
- the ability of GQM LLC to maintain its existing and future permits in good standing;
- the ability of GQM LLC to retain its mining rights under existing and future agreements with landholders;
- the regulatory framework governing royalties, taxes and environmental matters in the United States;
- future capital expenditures, if any, required to be made by the Company and GQM LLC and the Company's ability to fund its pro rata capital commitments to the GQM LLC joint venture;
- the Company's ability to repay or refinance current debt; and
- the ability of the Company to maintain its current ownership level in GQM LLC.

Actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and elsewhere in this Form 10-K and in the documents incorporated by reference herein:

- uncertainties in access to future funding for repayment of debt or any future capital requirements of the Mine or future acquisitions;
- unexpected liabilities or changes in the cost of operations, including costs of extracting and delivering gold and silver doré to a refinery, that affect potential profitability of the Mine;
- operating hazards and risks inherent in mineral exploration and mining;
- volatility in global equities, commodities, foreign exchange, market price of gold and silver and a lack of market liquidity;
- changes to the political environment, laws or regulations, or more stringent enforcement of current laws or regulations in the United States or California;
- ability of GQM LLC to obtain and maintain licenses, access rights or permits, required for current and future planned operations;
- unexpected and uninsurable risks that may arise;
- risks associated with any future hedging activities; and,
- the other factors discussed under *Item 1A. Risk Factors*.

Readers are cautioned that the foregoing lists of factors are not exhaustive. The forward-looking statements contained in this Form 10-K and documents incorporated by reference herein are expressly qualified by this cautionary statement. Forward-looking statements are provided for the purpose of providing information about management's current expectations and plans and allowing investors and others to get a better understanding of the Company's operating environment. Except as required under applicable securities laws, the Company does not undertake or assume any obligation to public ally update or revise any forward-looking statements that are included in this document, whether as a result of new information, future events or otherwise.

CAUTIONARY NOTE REGARDING ESTIMATES OF MEASURED, INDICATED AND INFERRED RESOURCES AND PROVEN AND PROBABLE RESERVES

The Company uses Canadian Institute of Mining, Metallurgy and Petroleum (the “CIM”) definitions for the terms “proven reserves”, “probable reserves”, “measured resources”, “indicated resources” and “inferred resources”. The terms “min reserve”, “proven mineral reserve” and “probable mineral reserve” are Canadian mining terms defined in Canadian National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* (“NI 43-101”) and the CIM – *CIM Definition Standards on Mineral Resources and Mineral Reserves*, adopted by the CIM Council, as amended (the “CIM Definition Standards”). These definitions differ from the definitions in the United States Securities and Exchange Commission (“SEC”) Industry Guide 7 (“SEC Industry Guide 7”) under the United States Securities Act of 1933, as amended (the “Securities Act”). Under SEC Industry Guide 7 standards, a “final” or “bankable” feasibility study is required to report reserves, the three-year historical average metal price is used in any reserve or cash flow analysis to designate reserves, and the primary environmental analysis or report must be filed with the appropriate governmental authority.

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In addition, the terms “mineral resource”, “measured mineral resource”, “indicated mineral resource” and “inferred mineral resource” are defined in and required to be disclosed by NI 43-101; however, these terms are not defined terms under SEC Industry Guide 7 and are normally not permitted to be used in reports and registration statements filed with the SEC. Investors are cautioned not to assume that all or any part of a mineral deposit in these categories will ever be converted into reserves. “Inferred mineral resources” have a great amount of uncertainty as to their existence, and great uncertainty as to their economic, technical and legal feasibility. It cannot be assumed that all, or any part, of an inferred mineral resource will ever be upgraded to a higher category. Under Canadian rules, estimates of inferred mineral resources may not form the basis of feasibility or pre-feasibility studies, except in rare cases. Investors are cautioned not to assume that all or any part of an inferred mineral resource exists or is economically, technically or legally mineable. Disclosure of “contained ounces” in a resource is permitted disclosure under Canadian regulations; however, the SEC normally only permits issuers to report mineralization that does not constitute “reserves” by SEC standards as in place tonnage and grade without reference to unit measures.

Accordingly, information contained in this report and the documents incorporated by reference herein contain descriptions of our mineral deposits that may not be comparable to similar information made public by U.S. companies subject to the reporting and disclosure requirements under the United States federal securities laws and the rules and regulations thereunder.

PART I

Item 1. Business

Overview

The Company holds a 50% interest in a gold and silver mine and was incorporated in 1985 under the laws of the Province of British Columbia, Canada. The Soledad Mountain Mine (the “Mine”) is located south of Mojave in Kern County in southern California.

The Company acquired its initial interest in the Mine in 1985 and has since added to its landholdings and interests in the area. Exploration and evaluation work on the Mine was done by Golden Queen Mining Company, LLC (“GQM LLC”), formerly Golden Queen Mining Co., Inc. (“GQM Inc.”) a California corporation that was wholly-owned by the

Company until September 2014.

Golden Queen accounts for GQM LLC in its financial statements as a variable interest entity ("VIE"), with Golden Queen considered to be the primary beneficiary. A VIE is an entity in which the investor, Golden Queen, holds a controlling interest, or in this case, is a primary beneficiary, that is not based on the majority of the voting rights. As a result, Golden Queen continues to reflect 100% of the financial results of GQM LLC in its consolidated financial statements, along with a non-controlling interest representing the 50% interest in GQM LLC held by Gauss LLC.

The registered office of the Company is located at 1200 - 750 West Pender Street, Vancouver, BC, Canada V6C 2T8 and its executive offices are located at 2300 – 1066 West Hastings Street, Vancouver, BC, Canada, V6E 3X2. The California office of GQM LLC is located at 2818 Silver Queen Road, Mojave, California, 93501.

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Corporate Structure

The following chart depicts the corporate structure of the Company of each of our material subsidiaries and related holding companies. All ownership is 100% unless otherwise indicated.

Employees

On December 31, 2018, we had two (2) full-time employees. GQM LLC had 221 full-time employees. We also engage various consultants and contractors with specific skills to assist with various aspects of the Mine.

Recent Developments

Commercial production was announced on December 19, 2016 and 2017 was the first full year of production at the Mine occurred in 2017. Please refer to *Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations* for the 2018 operational update.

On February 20, 2018, the Company completed a rights offering resulting in gross proceeds of approximately $25,000, of which $10,000 was contributed into GQM LLC. In addition, Gauss LLC, the Company's joint venture partner, also contributed $10,000 into GQM LLC. The funding contributed into GQM LLC was used be available to settle accounts payable, equipment finance obligations and the credit facility relating to the Soledad Mountain mine in the normal course of business. The rights offering was backstopped by the Clay Group, which provided certainty of the amount raised, and allowed for shareholder participation. The Company issued the full allotment of 188,952,761 common shares pursuant to the rights offering.

Despite the extensive efforts of our management and the Board, operations at the Soledad Mountain Project have not generated a profit and require significant additional cash to continue. Golden Queen has been unable to attract sufficient capital, other than through loans and investment from members of the Clay family and associated entities (the “Clay Group”). Members of the Clay Group have been involved with Golden Queen for many years. Thomas M. Clay was a director of Golden Queen since January 2009, Chairman of the Board since May 2013 and Chief Executive Officer since August 2015, and resigned prior to the signing of the Share Purchase Agreement. Members of the Clay Group have made significant investments in, and provided multiple loans to, Golden Queen in the past. In addition, 50% of GQM LLC is owned by Gauss LLC. 75.46% of Gauss LLC is owned by Gauss Holdings LLC (wholly-owned by Jefferies Financial Group), and the remaining 24.54% is owned by Auvergne LLC, an investment entity of the Clay Group.

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Recent financing by members of the Clay Group included the Second Amended and Restated Term Loan Agreement dated as of November 21, 2016, as amended (the “GQM Loan”). The GQM Loan for was a principal amount of US$31 million, due on May 21, 2019 with an annual interest rate of 8%, payable quarterly. In connection with the GQM Loan, Golden Queen issued 8,000,000 common share purchase warrants exercisable for a period of five years expiring November 21, 2021. In November 2017, Golden Queen and the Clay Group agreed to amend the GQM Loan by reducing the 2018 quarterly and 2019 first quarter principal payments from US$2.5 million to US$1 million, adding the reduction of such payments pro-rata to the remaining 2019 payments, and increasing the annual interest rate from 8% to 10% effective January 1, 2018. A payment of $1.7 million under the GQM Loan was due on January 1, 2019 but was extended to February 1, 2019 and then further extended to February 8, 2019 to allow Golden Queen to avoid making any payments in the context of the eventual Transaction. Any payments under the GQM Loan have been further waived and postponed until after the Meeting in exchange for a fee of $0.125 million with such fee to be added to the outstanding balance under the GQM Loan such that Golden Queen will make no further payments under the GQM Loan if the Shareholders approve the Transaction at the Meeting and all other conditions to closing as set forth in the Share Purchase Agreement are met.

The Clay Group has also provided loans to GQM LLC, through Gauss LLC, to fund operation and development of the Soledad Mountain Project. In October 2018, GQM LLC entered into an agreement with Gauss Holdings LLC and Auvergne LLC (the “Lenders”) whereby the Lenders extended a revolving credit loan facility to GQM LLC (the “Facility”) in the amount of US$20 million. Under the terms of the agreement, the maturity date of the Facility is March 31, 2020 and the annual interest rate on drawn amounts is 8%. GQM LLC has made an initial US$5 million draw on the Facility. In connection with the Facility, the Lenders were issued 21,486 warrants (the “GQM LLC Warrants”), with each warrant entitling the holder to purchase a unit of GQM LLC for a period of five years at an exercise price of $475.384 per unit. The GQM LLC Warrants represent a fully-diluted 7.5% interest in the equity of GQM LLC. If the GQM LLC warrants are exercised, Golden Queen’s interest in GQM LLC will be diluted to 46.25% from the current 50%. The Facility is secured by a pledge of Golden Queen’s equity interest in GQM LLC.

The Board has from time to time separately engaged with the management of the Company in reviews and discussions of potential strategic alternatives for the Company, and has constantly been considering ways to enhance its performance and prospects. These reviews and discussions have focused on, among other things, the business environment facing the industry generally and the Company and its current and future liabilities in particular. These reviews have also included periodic discussions with respect to potential transactions that would further its strategic objectives and enhance shareholder value, and the potential benefits and risks of those transactions. The Company has been working with Maxit Capital LP (“Maxit”) since 2015 to explore alternative transactions to generate value and identify alternative financing or merger and acquisition opportunities for the Company.

During the period between September 2018 and January 4, 2019, Thomas M. Clay first engaged in discussions with the Board and the management of the Company regarding the existing indebtedness of the Company to the Clay

Group and the impending debt payment deadlines under the GQM Loan. Mr. Clay informed the Board and the management of the Company that the Clay Group and its related entities would no longer extend the GQM Loan or provide further financing to the Company.

On January 4, 2019, Mr. Clay on behalf of the Purchasers, delivered a preliminary, non-binding proposal letter (the “Non-Binding Term Sheet”) to the Company detailing a proposal to acquire all of the Company’s interests in GQM LLC for a purchase price consisting mainly of the extinguishment of all indebtedness owing to the Purchasers under the GQM Loan, the surrender of all Shares, warrants and options of the Company held by the Purchasers for cancellation and a cash payment of $3 million. The Non-Binding Term Sheet also included a 30-day go-shop period among other terms. The Non-Binding Term Sheet was subsequently filed on EDGAR on January 7, 2019 and a corresponding news release and early warning report were filed on SEDAR on January 7, 2019 by the Purchasers.

On January 11, 2019, the Board formed the Special Committee along with a special committee mandate and appointed Paul Blythe, Bryan Coates and Bernard Guarnera, all being independent directors of the Company, and retained independent legal counsel to advise the Company and the Special Committee of its rights and obligations in connection with the Non-Binding Term Sheet.

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Following the initial meeting the Special Committee outlined a counter proposal to the Purchasers providing for a significant increase in the cash component of the purchase price as well as a number of other provisions for the benefit of the Company post-transaction. At the same time, the Special Committee directed management of the Company to engage with Maxit on specific steps to be taken to identify alternatives to the proposal from the Purchasers and alternative avenues of financing that could be pursued to replace the indebtedness held by the Purchasers. The Purchasers rejected the Company's counter proposal, but discussions continued between representatives of the two (2) groups. Over the course of the following four (4) weeks, the Special Committee met a total of eight (8)] times.

During the course of the Special Committee meetings, Mr. Blythe was appointed chair of the committee and the members discussed all available alternatives and the results of the ongoing discussions between the Company and the Purchasers. Independent legal counsel was asked to advise on the legal considerations relevant to the discussions with input from regular company counsel as well as US counsel to the Company. The Special Committee received advice on the avenues available to the Company if it were to pursue a proceeding under either Canadian or US insolvency protections in order to secure further time to identify alternative transactions. During this period of time, Maxit worked with the Company to reach out to entities that had historically shown interest in transacting with the Company, and fielded numerous inbound inquiries from parties that had become aware of the public announcement of the proposal from the Purchasers. During this period contact was made with a number of interested parties by the Company or its advisors. In parallel to these discussions, the Company retained EY on January 18, 2019 to commence work in support of an eventual Formal Valuation and Fairness Opinion in the event that an alternative transaction was not identified.

On January 30, 2019, the Special Committee met with Canadian and US legal counsel to the Company, independent counsel to the Special Committee, Maxit and EY to review the status of negotiations with the Purchasers, to receive an update on Maxit's work to identify alternatives to the proposal from the Purchasers and to hear EY's Preliminary Valuation and Fairness Opinion. At the conclusion of this discussion the Special Committee determined that a formal proposal to the Purchasers should be made. The formal proposal was delivered to counsel to the Purchasers and was not accepted, as a result of which discussions continued for several more days until on February 5 an agreement was reached on the material terms of the transaction to be pursued including a longer go shop period, a lower break fee payable by the Company in the event of a Superior Proposal during the go shop period, the addition of the contingent payment and an increase in the cash component payable to the Company by the Purchasers. The agreed upon material terms were reflected in a final letter of intent (the "Final Letter of Intent").

Mr. Clay resigned as Golden Queen's Chief Executive Officer and from the board of directors and all managerial positions with Golden Queen, Golden Queen Mining Canada Ltd. ("GQM Canada") and GQM US, as applicable, prior to entering into the Share Purchase Agreement. As such, the members of the Special Committee constituted all of the directors of the Company and the recommendation and approval of the members of the Special Committee represented the recommendation and approval of the Board.

Having undertaken a thorough review of, and carefully considered, information concerning the Transaction and the Preliminary Valuation and Fairness Opinion from EY and after consulting with its financial and legal advisors, the Special Committee unanimously determined that the Transaction is advisable and is in the best interests of, the Company, and adopted and declared advisable the Transaction, authorized the entering into of the Final Letter of Intent and the Share Purchase Agreement to be settled based on the Final Letter of Intent, and recommended that the Shareholders vote FOR the Transaction Resolution.

On February 5, 2019, the Final Letter of Intent was filed on EDGAR and a corresponding news release was disseminated on the same day.

Through and until February 7, 2019, the Company, the Purchasers and their legal counsels worked to finalize the Share Purchase Agreement and related documents based on the Final Letter of Intent. The Share Purchase Agreement was executed by the Purchasers and the Company later that day and a news release relating thereto was disseminated.

Following execution of the Share Purchase Agreement, the Company worked with Maxit to ensure that all interested parties that could be considered alternatives to the Transaction were again contacted and made aware of the specific terms of the transaction. Paul Blythe, as chair of the Special Committee met weekly with management and Maxit to monitor progress and provide input.

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There are a number of risks associated with the Mine and readers are urged to consider these risks and possible other risks, in order to obtain an understanding of the Mine (see *Item 1A. Risk Factors* below).

Competitive Conditions

The Company and GQM LLC compete with other mining companies in the recruitment and retention of qualified managerial and technical employees, for supplies and equipment, as well as for capital. As a result of this competition in the mining industry, some of which is with large established mining companies holding substantial capabilities and with greater financial and technical resources than ours, we may be unable to effectively develop and operate the Mine or obtain financing on terms we consider acceptable.

Government and Environmental Regulation

Our current and planned operations are subject to state and federal environmental laws and regulations. Those laws and regulations provide strict standards for compliance, and potentially significant fines and penalties for non-compliance. These laws address emissions, waste discharge requirements, management of hazardous substances, protection of endangered species and reclamation of lands disturbed by mining. Compliance with environmental laws and regulations requires significant time and expense, and future changes to these laws and regulations may cause material changes or delays in the development of our Mine or our future activities on site.

See Environmental Issues, Permits & Approvals below for a detailed description of the effects of federal, state and local environmental regulations and permitting on the Company, GQM LLC and the Mine, as well as *Item 1A. Risk Factors* for a discussion of the related risks.

Gold and Silver Price History

The price of gold and silver are volatile and are affected by numerous factors, all of which are beyond our control, such as the sale or purchase of gold and silver by various central banks and financial institutions, inflation, recession, fluctuation in the relative values of the US dollar and foreign currencies, changes in global gold and silver demand

and political and economic conditions.

The following table presents the high, low and average afternoon fixed prices in US dollars for an ounce of gold on the London Market over the past five years:

Year	High	Low	Average
2014	1,385	1,142	1,266
2015	1,296	1,049	1,160
2016	1,366	1,077	1,251
2017	1,346	1,151	1,257
2018	1,355	1,178	1,268
2019 (to March 22, 2019)	1,343	1,279	1,303

Data Source: www.kitco.com

The following table presents the high, low and average afternoon fixed prices in US dollars for an ounce of silver on the London Market over the past five years:

Year	High	Low	Average
2014	22.05	15.28	19.08
2015	18.23	13.71	15.68
2016	20.71	13.58	17.14
2017	18.56	15.22	17.04
2018	17.52	13.97	15.71
2019 (to March 22, 2019)	16.07	15.07	15.59

Data Source: www.kitco.com

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Available Information

We make available, free of charge, our annual report on Form 10-K, our quarterly reports on Form 10-Q and any amendments to those reports, on our website at www.goldenqueen.com. Our current reports on Form 8-K are available at the SEC's website at www.sec.gov; otherwise we will provide electronic copies of these filings free of charge upon request. Information contained on our website is not intended to be included as part of, or incorporated by reference into this Form 10-K. Additional information and filings related to the Company can be found at www.sec.gov and www.sedar.com.

Item 1A. Risk Factors

The following is a discussion of distinctive or special characteristics of our operations and the industry in which we operate, which may have a material impact on, or constitute risk factors in respect of, our future financial performance and investment in the Company. These risk factors should be carefully considered and read in conjunction with disclosure on business and risks appearing in this Form 10-K. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also affect our business. This Annual Report on Form 10-K contains forward-looking statements that involve risks and uncertainties. Our actual result may differ materially from those anticipated in the forward-looking statements as a result of a number of factors, including the risks described below. See the above "Cautionary Note Regarding Forward-Looking Statements".

Mineral resource and reserve estimates are based on interpretation and assumptions, and the Mine may yield lower production of gold and silver under actual operating conditions than current estimates. A material decrease in the quantity or grade of mineral resource or reserves from those estimates, will affect the economic viability of the Mine or the Mine's return on capital

Unless otherwise indicated, mineral resource and reserve figures presented in our filings with securities regulatory authorities, press releases and other public statements that may be made from time to time, are based upon estimates made by independent consulting geologists and mining engineers. Estimates can be imprecise and depend upon geological interpretation and statistical inferences drawn from drilling and sampling, which may prove to be unreliable. We cannot assure that the estimates are accurate or that mineralized materials from the Mine can be mined or processed profitably.

Assumptions about gold and silver market prices are subject to great uncertainty as those prices have fluctuated widely in the past. Declines in the market prices of gold and silver may render reserves containing relatively lower grades of ore uneconomic to exploit, and the Company may be required to reduce reserve estimates, discontinue development or mining at one or more of its properties or write down assets as impaired. Should GQM LLC encounter mineralization or geologic formations at the Mine different from those predicted, it may adjust its reserve estimates and alter its mining plans. Either of these alternatives may adversely affect the Company's actual production and financial condition, results of operations and cash flow.

As production at the Mine proceeds, mineral resources and reserves may require adjustments or downward revisions. In addition, the grade of mineralized material ultimately mined, if any, may differ from that indicated by our feasibility study conducted in 2015 (the "2015 Feasibility Study"). Gold and silver recovered in small scale tests may not be duplicated on a production scale.

The mineral resource and reserve estimates contained in this Form 10-K have been determined and valued based on assumed future prices for gold and silver, cut-off grades and operating costs that may prove to be different than actual prices, grades and costs. Extended declines in prices for gold or silver may render such estimates uneconomic and result in reduced reported mineralization or adversely affect current determinations of commercial viability. Any material reductions in estimates of mineralization, or of the ability of GQM LLC to profitably extract gold and silver, could have a material adverse effect on our share price and the value of the Mine.

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The estimates of production rates, costs and financial results contained in the 2015 Feasibility Study and any current or future guidance of production rates offered by the Company depend on subjective factors and may not be realized in actual production and such estimates speak only as of their respective dates

The 2015 Feasibility Study provides estimates and projections of future production, costs and financial results of the Mine. In addition, the Company may from time to time provide guidance on projected production rates of the Mine. Any such information is forward-looking and depend on numerous assumptions, including assumptions about the availability, accessibility, sufficiency and quality of ore, the costs of production, the market prices of gold and silver, the ability to sustain and increase production levels, the sufficiency of its infrastructure, the performance of its personnel and equipment, its ability to maintain and obtain mining interests and permits and its compliance with existing and future laws and regulations. Actual results and experience may differ materially from these assumptions. Any such production cost, or financial results estimates speak only as of the date on which they are made, and the Company disclaims any intent or obligation to update such estimates, whether as a result of new information, future events or otherwise.

There are significant financial and operational risks associated with an operating mine such as the mine operated by GQM LLC

The financial results of GQM LLC are subject to risks associated with operating and maintaining mining operations on the property of the Mine (the "Property"), including:

- increases in our projected costs due to differences in grade of mineralized material, metallurgical performance or revisions to mine plans in response to the physical shape and location of mineralized materials as compared to our 2015 Feasibility Study estimates;
- increases in the costs of commodities such as fuel and electricity, and other materials and supplies which would increase Mine development and operating costs;
- the ability to extract sufficient gold and silver from resources and reserves to support a profitable mining operation on the Property;
- decreases in gold and silver prices;
- compliance with approvals and permits for the Mine;
- potential opposition from environmental groups, other non-governmental organizations or local residents which may delay or prevent development of the Mine or affect our future operations;
- difficult surface conditions, unusual or unexpected geologic formations or failure of open pit slopes;
- mechanical or equipment problems, industrial accidents or personal injury resulting in unanticipated cost and delays;
- environmental hazards or pollution;

- fire, flooding, earthquakes, cave-ins or periodic interruptions due to inclement weather; and
- labor disputes.

Any of these hazards and risks can materially and adversely affect, among other things, production quantities and rates, costs and expenditures, potential revenues and production dates. They may also result in damage to, or destruction of, production facilities, environmental damage, monetary losses and legal liability. The value of our interest in GQM LLC may decrease as a result, which would be expected to reduce the value of our common shares.

There are operational risks for which insurance coverage is not available at affordable rates or at all, and the occurrence of any material adverse event for which there is no insurance coverage may decrease financial performance of GQM LLC, or may impede or prevent ongoing operations

GQM LLC currently maintains insurance within ranges of coverage consistent with industry practice in relation to some of these risks, but there are certain risks against which GQM LLC cannot insure, or against which GQM LLC cannot maintain insurance at affordable premiums. Insurance against environmental risks (including pollution or other hazards resulting from the disposal of waste products generated from production activities) is not generally available to GQM LLC. If subjected to environmental liabilities, the costs incurred would reduce funds available for other purposes, and GQM LLC may have to suspend operations or undertake costly interim compliance measures to address environmental issues. Any such events would be expected to have a significant detrimental impact on the value of our interest in GQM LLC and our common stock.

GOLDEN QUEEN MINING CO. LTD.

Gold and silver mining involves significant production and operational risks

Gold and silver mining involves significant production and operational risks, including those related to uncertain mineral exploration success, unexpected geological or mining conditions, the difficulty of development of new deposits, unfavorable climate conditions, equipment or service failures, unavailability of or delays in installing and commissioning plants and equipment, import or customs delays and other general operating risks.

Commencement of mining can reveal mineralization or geologic formations, including higher than expected content of other minerals that can be difficult to separate from gold or silver, which can result in unexpectedly low recovery rates. Problems may also arise due to the quality or failure of locally obtained equipment or interruptions to services (such as power, water, fuel or transport or processing capacity) or technical capital expenditure to achieve expected recoveries. Many of these production and operational risks are beyond the Company's control. Delays in commencing successful mining activities at new or expanded mines, disruptions in production and low recovery rates could have adverse effects on the Company's financial condition, results of operations and cash flows.

Land reclamation requirements for our properties may be burdensome and expensive

Reclamation requirements are imposed on GQM LLC in order to minimize long term effects of land disturbance, and this includes a requirement to re-establish pre-disturbance land forms.

In order to carry out reclamation obligations imposed on GQM LLC in connection with development activities, GQM LLC must allocate financial resources that might otherwise be spent on further exploration and development. GQM LLC plans to set up a provision for our reclamation obligations on the Mine, as appropriate, but this provision may not be adequate. If GQM LLC is required to carry out unanticipated reclamation work, our financial position could be adversely affected.

Sale of aggregate

We have not included contributions from the sale of aggregate in the 2015 Feasibility Study cash flow projections. However, aggregate sales over a period of thirty years are important for the Mine as they will permit GQM LLC to meet its closure and reclamation requirements. GQM LLC began selling small quantities of waste rock in 2017. If no sale of waste rock as aggregate is ever achieved, the initial mine life is expected to be reduced.

The mining industry is intensely competitive

The mining industry is competitive in all of its phases. We compete with other mining companies in the recruitment and retention of qualified managerial and technical employees. If we are unable to successfully compete for qualified employees, GQM LLC's production of minerals from the Mine may be slowed down or suspended. We also compete with other mining companies for capital. If we are unable to raise sufficient capital, our interest in GQM LLC may be diluted.

As a result of such competition, some of which is with large established mining companies with substantial capabilities and with greater financial and technical resources than ours, GQM LLC may be unable to effectively develop the Mine or obtain financing on terms we consider acceptable.

We are subject to significant governmental regulations, which affect our operations and costs of conducting our business

GQM LLC's current and future operations are and will be governed by laws and regulations, including, among others, those relating to:

mineral property production and reclamation;
taxes and fees;
labor standards, and occupational health and safety; and
environmental standards for waste disposal, treatment and use of toxic substances, land use and environmental protection.

GOLDEN QUEEN MINING CO. LTD.

Companies engaged in production activities often experience increased costs and delays as a result of the need to comply with applicable laws, regulations, and permits. Failure to comply with these may result in enforcement actions, orders issued by regulatory or judicial authorities requiring operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or costly remedial actions. GQM LLC may be required to compensate those suffering loss or damage by reason of our activities and may have civil or criminal fines or penalties imposed for violations of such laws, regulations and permits.

Existing and possible future laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation, could have a material adverse impact on GQM LLC’s business and cause increases in capital expenditures or require abandonment or delays in development of the Mine, all of which would be expected to reduce the value of our interest in the GQM LLC.

GQM LLC’s activities are subject to California state and federal environmental laws and regulations that may increase the costs of doing business and restrict operations

GQM LLC’s current and planned operations are subject to state and federal environmental laws and regulations. Those laws and regulations provide strict standards for compliance, and potentially significant fines and penalties for non-compliance. These laws address air emissions, waste discharge requirements, management of hazardous substances, protection of endangered species and reclamation of lands disturbed by mining. Compliance with environmental laws and regulations requires significant time and expense, and future changes to these laws and regulations may cause material changes or delays in the production of minerals from the Mine or future activities.

US Federal Laws: The Comprehensive Environmental, Response, Compensation, and Liability Act (CERCLA), and comparable state statutes, impose strict, joint and several liabilities on current and former owners and operators of sites and on persons who disposed of or arranged for the disposal of hazardous substances found at such sites. It is not uncommon for the government to file claims requiring cleanup actions, demands for reimbursement for government incurred cleanup costs, or natural resource damages, or for neighbouring landowners and other third parties to file claims for personal injury and property damage allegedly caused by hazardous substances released into the environment. The Federal Resource Conservation and Recovery Act (RCRA), and comparable state statutes, govern the disposal of solid waste and hazardous waste and authorize the imposition of substantial fines and penalties for noncompliance, as well as requirements for corrective actions. CERCLA, RCRA and comparable state statutes can impose liability for clean-up of sites and disposal of substances found on exploration, mining and processing sites long after activities on such sites have been completed.

The Clean Air Act, as amended, and comparable state statutes, restrict the emission of air pollutants from many sources, including mining and processing activities. GQM LLC's mining operations may produce air emissions, including fugitive dust and other air pollutants from stationary equipment, storage facilities and the use of mobile sources such as trucks and heavy construction equipment, which are subject to review, monitoring and/or control requirements under the Clean Air Act and comparable state air quality laws. New facilities may be required to obtain permits before work can begin, and existing facilities may be required to incur capital costs in order to remain in compliance. In addition, permitting rules may impose limitations on GQM LLC's production levels or result in additional capital expenditures in order to comply with the rules. The Clean Air Act and comparable state statutes provide for civil, criminal and administrative penalties for unauthorized emissions of pollutants.

The Clean Water Act (CWA), and comparable state statutes, impose restrictions and controls on the discharge of pollutants into waters of the United States, or to the surface or ground waters of the state. The CWA regulates storm water runoff from mining facilities and requires a storm water discharge permit for certain activities. Such a permit requires the regulated facility to monitor and sample storm water run-off from its operations. The CWA and comparable state statutes provide for civil, criminal and administrative penalties for unauthorized discharges of pollutants and impose liability on parties responsible for those discharges for the costs of cleaning up any environmental damage caused by the release and for natural resource damages resulting from the release. Violation of these regulations and/or contamination of groundwater by mining related activities may result in fines, penalties, and remediation costs, among other sanctions and liabilities under state laws. In addition, third party claims may be filed by landowners and other parties claiming damages for alternative water supplies, property damages, and bodily injury.

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California Laws: At the state level, mining operations are also regulated by the California Department of Conservation, Office of Mine Reclamation. State law requires mine operators to hold a permit, which dictates operating controls and closure and post-closure requirements directed at protecting surface and ground water. In addition, state law requires operators to have an approved mine reclamation plan. Local ordinances require the operators to hold Conditional Use Permits. These permits mandate concurrent and post-mining reclamation of mines and require the posting of reclamation financial assurance sufficient to guarantee the cost of closure and reclamation. Any changes to these laws and regulations could have an adverse impact on our financial performance and results of operations by, for example, requiring changes to operating constraints, technical criteria, fees or financial assurance requirements.

Regulations and pending legislation governing issues involving climate change could result in increased operating costs

A number of governments or governmental bodies have introduced or are contemplating regulatory changes in response to various climate change interest groups and the potential impact of climate change. Legislation and increased regulation regarding climate change could impose significant costs on GQM LLC and its suppliers, including costs related to increased energy requirements, capital equipment, environmental monitoring and reporting and other costs to comply with such regulations. Given the current emotion, political significance and uncertainty around the impact of climate change and how it should be dealt with, we cannot predict how legislation and regulation will affect our financial condition and operating performance. Furthermore, even without such regulation, increased awareness and any adverse publicity in the global marketplace about potential impacts on climate change by GQM LLC or other companies in our industry could harm our reputation. The potential physical impacts of climate change on our operations are highly uncertain and may include changes in rainfall and storm patterns and intensities, water shortages and changing temperatures. These impacts may adversely impact the cost, production and financial performance of our operations.

Title to the Property may be subject to other claims, which could affect our property rights

There are risks that title to the Property may be challenged or impugned. The Property is located in California and may be subject to prior unrecorded agreements or transfers and title may be affected by undetected defects. There may be valid challenges to the title to the Property which, if successful, could affect development of the Mine and/or operations. This is particularly the case in respect of those portions of the Property in which GQM LLC holds its interest solely through a lease with landholders, as such interests are substantially based on contract and have been subject to a number of assignments.

GQM LLC holds a number of unpatented mining claims created and maintained in accordance with the General Mining Law of 1872 (the "General Mining Law"). Unpatented lode mining claims and millsites are unique property interests and are generally considered to be subject to greater title risk than other real property interests because the validity of unpatented mining claims is often uncertain. This uncertainty arises, in part, out of the federal laws and regulations under the General Mining Law. Also, unpatented mining claims may be subject to possible challenges by third parties or validity contests by the federal government. The validity of an unpatented mining claim or millsite, in terms of both its location and its maintenance, is dependent on strict compliance with a body of US federal law. Should the federal government impose a royalty or additional tax burdens on the properties that lie within public lands, the resulting mining operations could be seriously impacted, depending upon the type and amount of the burden.

Legislation has been proposed in the past that could significantly affect the mining industry

Members of the United States Congress have repeatedly introduced bills which would supplant or alter the provisions of the United States General Mining Law. If enacted, such legislation could change the cost of holding unpatented mining claims and could significantly impact our ability to mine mineralized material on unpatented mining claims. Such bills have proposed, among other things, to either eliminate or greatly limit the right to a mineral patent and to impose a federal royalty on production from unpatented mining claims. Although we cannot predict what legislated royalties might be, the enactment of these proposed bills could adversely affect GQM LLC's potential to mine mineralized material on unpatented mining claims. Passage of such legislation could adversely affect our financial performance.

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The Company must meet any future cash contribution requirements if required under the terms of the JV Agreement with Gauss LLC, or face dilution of its ownership interest in the Mine, which could impact our stock value and our ability to meet stock exchange listing requirements

We hold a 50% interest in the Mine pursuant to the terms of the JV Agreement. If in the future there are unexpected costs that require additional capital contributions from us under the terms of the JV Agreement, we will need to raise additional funds in order to maintain our 50% interest in the Mine, otherwise we will have our interest diluted to below 50% which will likely have an adverse impact on the price of our common shares. In addition, to the extent our ownership interest of GQM LLC remains our sole business and asset, if we are diluted below 50% ownership we could fail to meet the listing requirements of the TSX and be delisted from the TSX and unable to list on a suitable alternate stock exchange. In such an event the market for our securities would be limited to the US over-the-counter market and related quotation services, being currently the OTCQX in the case of the Company. The anticipated impact of such a delisting will be to reduce venues for trading in our securities, a reduction in available market information, a reduction in liquidity, a decrease in analyst coverage of our securities, and a decrease in our ability for us to obtain additional financing to fund our operations.

GQM LLC's results of operations, cash flows and operating costs are highly dependent upon the market prices of gold and silver and other commodities, which are volatile and beyond the Company's control

Gold and silver prices are affected by many factors including US dollar strength or weakness, prevailing interest rates and returns on other asset clauses, expectations regarding inflation, speculation, global currency values, governmental decisions regarding the disposal of precious metal stockpiles, global and regional demand and production, political and economic conditions and other factors. In addition, Exchange Traded Funds ("ETFs"), which have substantially facilitated the ability of large and small investors to buy and sell precious metals, have become significant holders of gold and silver. Factors that are generally understood to contribute to a decline in the prices of gold and silver include a strengthening of the US dollar, net outflows from gold and silver ETFs, bullion sales by private and government holders and global economic conditions and/or fiscal policies that negatively impact large consumer markets.

Because GQM LLC is expected to derive all of its revenues from sales of gold and silver, its results of operations and cash flows will fluctuate as the prices of these metals increase or decrease. A period of significant and sustained lower gold and silver prices would materially and adversely affect the results of operations and cash flows. Additionally, if market prices for gold and silver decline or remain at relatively low levels for a sustained period of time, GQM LLC may have to revise its operating plans, including reducing operating costs and capital expenditures, terminating or suspending mining operations at one or more of its properties and discontinuing certain exploration and development plans. GQM LLC may be unable to decrease its costs in an amount sufficient to offset reductions in revenues and may incur losses.

Operating costs at the Mine are also affected by the price of input commodities, such as fuel, electricity, labour, chemical reagents, explosives, steel and concrete. Prices for these input commodities are volatile and can fluctuate due to conditions that are difficult to predict, including global competition for resources, currency fluctuations, consumer or industrial demand and other factors. Continued volatility in the prices of commodities and other supplies the Company purchases could lead to higher costs, which would adversely affect results of operations and cash flows.

Holders of common shares may suffer dilution as a result of any equity financing by us in order to reduce or repay current indebtedness

We require additional capital to repay our current indebtedness, and we may be required to seek funding, including through the issuance of equity-based securities. We cannot predict the size or price of any future financing to raise capital, and any issuance of common shares or other instruments convertible into equity. Any additional issuances of common shares or securities convertible into, or exercisable or exchangeable for, common shares may ultimately result in dilution to the holders of common shares, dilution in any future earnings per share and a decrease in the market price of our common shares.

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We have been reflecting 100% of the financial results of GQM LLC in our consolidated financial statements based on certain assumptions of management, which assumptions, if incorrect, may require us to account for the Joint Venture differently

Our financial statements are prepared on the basis that GQM LLC meets the requirements for accounting treatment as a variable interest entity with the Company being considered as the primary beneficiary. As a result, we continue to reflect 100% of the financial results of GQM LLC in our consolidated financial statements, along with a non-controlling interest held by Gauss LLC representing a 50% interest in GQM LLC. Although no individual investor holds a controlling financial interest in GQM LLC, GQM LLC is controlled by a related party group. Accordingly, one member of the group must be identified as the primary beneficiary. As the member of the related party group most closely associated with GQM LLC, Golden Queen has determined it is the primary beneficiary. Future changes in the capital or voting structure of GQM LLC could change that outcome. If this is the case, the presentation of the information in Golden Queen's financial statements would change, which could be perceived negatively by investors, and could have an adverse effect on the market price of Golden Queen's common shares.

There are differences in US and Canadian practices for reporting mineral resources and reserves

We generally report mineral resources and reserves in accordance with Canadian practices. These practices differ from the practices used to report resource and reserve estimates in reports and other materials filed with the SEC.

It is Canadian practice to report measured, indicated and inferred mineral resources, which are generally not permitted in disclosure filed with the SEC by United States issuers. In the United States, mineralization may not be classified as a "reserve" unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time the reserve determination is made. United States investors are cautioned not to assume that all or any part of measured or indicated mineral resources will ever be converted into reserves. Further, "inferred mineral resources" have a great amount of uncertainty as to their existence and as to whether they can be mined legally or economically. Disclosure of "contained ounces" is permitted disclosure under Canadian regulations, however, the SEC only permits issuers to report "resources" as in place, tonnage and grade without reference to unit measures.

The Company's future growth will depend upon its ability to develop new mines, either through exploration at existing properties or by acquisition from other mining companies

Mines have limited lives based on proven and probable ore reserves. The Company's ability to achieve significant additional growth in revenues and cash flows will depend upon success in further developing the Mine and developing or acquiring new mining properties. Any strategies to further develop the Mine or acquire new properties are inherently risky, and the Company cannot assure that it will be able to successfully develop existing or new mining properties or acquire additional properties on favorable economic terms or at all.

Passive foreign investment company considerations and United States federal income tax consequences for United States investors

We would generally be classified as a "passive foreign investment company" under the meaning of Section 1297 of the United States Internal Revenue Code of 1986, as amended (a "PFIC") if, for a tax year, (a) 75% or more of our gross income for such year is "passive income" (generally, dividends, interest, rents, royalties, and gains from the disposition of assets producing passive income) or (b) if at least 50% or more of the value of our assets produce, or are held for the production of, passive income, based on the quarterly average of the fair market value of such assets. Based on the composition of our income, assets and operations for the current taxable year, we do not expect to be classified as a PFIC during our tax year ended December 31, 2018. This is a factual determination, however, that must be made annually after the close of each taxable year. Therefore, there can be no assurance that we will not be a PFIC for the current taxable year or for any future taxable year.

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If we are a PFIC for any taxable year during which a United States person holds our securities, it would likely result in materially adverse United States federal income tax consequences for such United States person. The potential consequences include, but are not limited to, re-characterization of gain from the sale of our securities as ordinary income and the imposition of an interest charge on such gain and on certain distributions received on our Common Shares. Certain elections may be available under US tax rules to mitigate some of the adverse consequences of holding shares in a PFIC.

Two of our directors are ordinarily residing outside of the United States and accordingly it may be difficult to effect service of process on them, or to enforce any legal judgment against them

Two of our directors namely, Bryan A. Coates and Paul M. Blythe are residents of Canada. Consequently, it may be difficult for US investors to effect service of process within the US upon these directors, or to realize in the US upon judgments of US courts predicated upon civil liabilities under the US securities laws. A judgment of a US court predicated solely upon such civil liabilities would probably be enforceable in Canada by a Canadian court if the US court in which the judgment was obtained had jurisdiction, as determined by the Canadian court, in the matter. There is substantial doubt whether or not an original action could be brought successfully in Canada against any of such directors predicated solely upon such civil liabilities.

Our directors and officers may have conflicts of interest as a result of their relationships with other companies

Our directors and officers are, or may in the future be, directors, officers or shareholders of other companies that are similarly engaged in the business of acquiring, developing and exploiting natural resource properties. Consequently, there is a possibility that our directors and/or officers may be in a position of conflict in the future.

Members of the Clay family own a majority interest in Golden Queen and are represented on our board of directors, and thus may exert significant influence on our corporate affairs and actions, including those submitted to a shareholder vote. Additionally, the Clay family has provided the Company with a $31 million loan which is secured by the material assets of the Company and any default on the loan could result in the loss of the Company's interest in the Mine

Thomas M. Clay, a former director and CEO of the Company is a member of the Clay Group. The Clay Group also controls Auvergne, which holds a 24.54% interest in Gauss LLC, the joint venture that holds a 50% interest in GQM LLC and half the Mine. For so long as the Clay Group beneficially owns at least 25% of our common shares, at least one of Golden Queen's representatives on the board of managers of the Joint Venture will be designated by Auvergne. Accordingly, the Clay Group has considerable influence on our corporate affairs and actions, including those submitted to a shareholder vote, and GQM LLC's development and operation of the Mine. The interests of the Clay family may be different from the interests of other investors.

Members of the Clay family have also provided the Company with the November 2016 Loan of $31 million, including approximately $23 million provided by an investment vehicle managed by Thomas M. Clay. The loan is guaranteed by GQM Holdings and secured by a pledge of the Company's interest in GQM Canada, GQM Canada's interest in GQM Holdings, and GQM Holdings' 50% interest in GQM LLC. As a result, a default on the loan could result in the Company losing its interest in the Mine, which would have a material adverse effect on our share price.

Our share price may be volatile and as a result you could lose all or part of your investment

In addition to volatility associated with equity markets in general, the value of your investment could decline due to the impact of any of the following factors upon the market price of our common shares:

- Changes in the price for gold or silver;
- delays, problems or increased costs in the production of minerals from the Mine;
- decline in demand for our common stock;
- downward revisions in securities analysts' estimates;
- our ability to refinance or repay our current and future debt;
- investor perception or our industry or prospects; and
- general economic trends.

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Over the past few years, stock markets have experienced extreme price and volume fluctuations and the market prices of securities have been highly volatile. These fluctuations are often unrelated to operating performance and may adversely affect the market price of our common shares. As a result, you may be unable to resell your shares at a desired price.

Because our common shares trade at prices below $5.00 per share, and because we will not be listed on a national US exchange, there are additional regulations imposed on US broker-dealers trading in our shares that may make it more difficult for you to buy and resell our shares through a US broker-dealer.

Because of US rules that apply to shares with a market price of less than $5.00 per share, known as the “penny stock rules”, investors will find it more difficult to sell their securities in the US through a US broker dealer. The penny stock rules will probably apply to trades in our shares. These rules in most cases require a broker-dealer to deliver a standardized risk disclosure document to a potential purchaser of the securities, along with additional information including current bid and offer quotations, the compensation of the broker-dealer and its salesperson in the transaction, monthly account statements showing the market value of each penny stock held in the customer’s account, and to make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser’s written agreement to the transaction.

The announcement and pending status of the transaction, whether or not consummated, may adversely affect our operations.

In accordance with the Share Purchase Agreement, the announcement and pending status of the Transaction, whether or not consummated, may adversely affect the trading price of our Shares, our current and future operations or our relationships with customers, suppliers and employees. In addition, pending the completion of the Transaction, we may be unable to attract and retain key personnel and the dedication of substantial resources of Golden Queen to the completion of the Transaction could have a negative impact on our current operations and could have a material adverse effect on the current and future operations, financial condition and prospects of Golden Queen.

Completion of the Transaction is subject to several conditions that must be satisfied or waived, and we cannot be sure if or when the Transaction will be completed

The completion of the Transaction is subject to a number of conditions precedent, some of which are outside of the control of Golden Queen, including approvals of the Shareholders and the TSX, and the receipt of the withholding certificate. There can be no certainty, nor can Golden Queen provide any assurance, that these conditions will be satisfied or, if satisfied, when they will be satisfied. Moreover, a substantial delay in obtaining satisfactory approvals could result in the Transaction not being completed. If the Transaction is not completed for any reason, there are risks that the announcement of the termination of the Transaction may adversely affect the trading price of our Shares, our current and future operations or our relationships with customers, suppliers and employees. Certain costs relating to the Transaction, such as legal, accounting, financial advisory and meeting related fees and expenses, must be paid by Golden Queen even if the Transaction is not completed.

In addition, if the Transaction is not completed, all amounts owing under the GQM Loan will become immediately due and payable, and the lenders may choose to pursue any rights and remedies available to them. Our Board, in discharging its fiduciary obligations, may evaluate other strategic alternatives that may not be as favorable to Golden Queen as the Transaction. There is no guarantee that a transaction of equivalent or greater value will be available from an alternative party.

The Share Purchase Agreement limits our ability to pursue alternatives to the Transaction

Pursuant to the Share Purchase Agreement, Golden Queen was required to pay a termination fee of US$1 million in the event that the Share Purchase Agreement was terminated in certain circumstances prior to April 1, 2019. The termination fee may have discouraged other parties from attempting to propose an alternative transaction, even if such a transaction could have provided better value to Shareholders than the Transaction. However, the Special Committee believed that the termination fee was customary and reasonable and would not unduly preclude a third party from making a superior proposal in accordance with the Share Purchase Agreement.

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Subsequent to April 1, 2019, the Share Purchase Agreement prohibits Golden Queen from entertaining competing proposals to the Transaction.

Item 1B. Unresolved Staff Comments

Not applicable.

Item 2. Properties

Land Ownership and Mining Rights

The Company acquired its initial property interests in 1985 and has since acquired additional properties in the area. GQM LLC holds directly or controls via agreement a total of 33 patented lode mining claims, 161 unpatented lode mining claims, one (1) patented millsite, 18 unpatented millsites, and holds directly or controls via agreement approximately 1,628 acres of fee land, which together make up the Property. The Property is located west of California State Highway 14 and lies largely south of Silver Queen Road covering all of Section 6 and portions of Sections 5, 7 and 8 in Township 10 North, Range 12 West; portions of Sections 1 and 12 in Township 10 North, Range 13 West; portions of Section 18 in Township 9 North, Range 12 West, and portions of Section 32 in Township 11 North, Range 12 West, all from the San Bernardino Baseline and Meridian. Some of the ancillary facilities required for a mining operation will be located in Section 6, T10N, R12W.

A Mine location map is shown in Figure 1 below:

Figure 1

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GQM LLC holds the properties either directly or under mining lease agreements with a number of individual landholders, two groups of landholders and three incorporated entities. The land required for the Mine has therefore either been secured under one of the mining lease agreements or is controlled by GQM LLC through ownership of the land in fee or where GQM LLC owns or holds patented and unpatented mining claims or mill sites directly. The mining lease agreements were entered into from 1986 onwards. Refer to section *Property Interests Are in Good Standing* below for key information.

Fee land surrounding Section 6 is required for the construction of the ancillary facilities for a mining operation, for the construction of the heap leach pad and for construction of two pads for storing quality waste rock. The area that will be disturbed by the Mine is a 912-acre block (369 hectare) within the total area of approximately 1,700 acres (689 hectares) owned, held or controlled by GQM LLC. GQM LLC also owns 7 residential properties with buildings north of Silver Queen Road.

GQM LLC continues to review purchases of additional land in the adjacent area and acquired seven (7) parcels of land during 2018 for the amount of $130.

Record of Survey and Royalty Map

The Company obtained Records of Survey for the Mine on July 20, 2011 and March 31, 2014, which are recorded with Kern County under Document No. 211092035 Book 0027, Page 66, and Document No. 3318, Book 29, Page 30, respectively.

The basis for GQM LLC's royalty map is now the Record of Survey and this has superseded all earlier versions of the royalty map.

Royalties

GQM LLC is required to make advance minimum royalty payments under the mining lease agreements. In some instances, GQM LLC will receive a credit for the advance minimum royalty payments when mining ore on particular properties after the start of commercial production. Most of the royalties are of the net smelter return type and are based on a sliding scale, with the percentage amount of the royalty depending upon the value of the ore mined and processed from the particular property to which the royalty relates. Weighted average royalty rates will range from a low of 1.0% to a high of 5.0% depending upon the area being mined and gold and silver prices. The agreements also typically provide for an additional royalty if non-mineral commodities, such as aggregates, are processed and sold.

Property Interests Are in Good Standing

A few of the mining lease agreements expired in 2015. The Company was unable to renew some leases with their owners. In all cases, it did not prohibit the extraction of minerals from the properties. The owners became cotenants and will benefit from the distribution of profits (if any) after the Company recovers all of its capital expenses related to the development, construction, and operation of the Mine. This is not expected to impact GQM LLC's operations. GQM LLC is in ongoing negotiations with some landholders to extend mining lease agreements or purchase their land holdings.

All mining leases contain an "evergreen" clause that becomes effective once the mine commences production.

Mine Background

The Mine is located approximately 5 miles (8 kilometres) south of Mojave in Kern County in southern California. See Figure 1, a Mine location map above.

GOLDEN QUEEN MINING CO. LTD.

Geology

The Soledad Mountain mineral deposit is hosted in a volcanic sequence of porphyritic rhyolite, quartz latites and bedded pyroclastics that occur on a large dome-shaped feature, called Soledad Mountain, along the margins of a collapsed caldera. Higher-grade precious metals mineralization is associated with steeply dipping, epithermal veins, which occupy faults and fracture zones that cross cut the rock units and generally trend northwest. The veins are contained within siliceous envelopes of lower-grade mineralization that forms the bulk of the mineral resource.

The primary rock types that occur on the Property are porphyritic rhyolite, flow-banded rhyolite, quartz latite, pyroclastics and siliceous vein material. Clay occurs in variable amounts and the rocks contain upwards of 60% silica as SiO_2. Porphyritic rhyolite and flow-banded rhyolite were grouped as a single rock type for the metallurgical test work.

Mineral Reserve Estimates

The proven and probable reserve estimates based on the 2015 Feasibility Study for the Mine are shown in the table below. The reserve estimates shown have been affected by mining completed on-site to date as noted in **Item 7.**

Management's Discussion and Analysis of Financial Condition and Results of Operations.

2015 Mineral Reserve Estimates (100% Basis)

			In-Situ Grade				**Contained Metal**	
			Gold		**Silver**		**Gold**	**Silver**
Classification	**Tonnes**	**Ton**	**g/t**	**oz/ton**	**g/t**	**oz/ton**	**oz**	**oz**
Proven	3,357,000	3,701,000	0.948	0.028	14.056	0.410	102,300	1,517,100
Probable	42,957,000	47,352,000	0.638	0.019	10.860	0.317	881,300	14,999,100
Total & Average	**46,314,000**	**51,053,000**	**0.661**	**0.019**	**11.092**	**0.324**	**983,600**	**16,516,200**

Notes:

1. The Qualified Person for the 2015 mineral reserve estimates is Sean Ennis, Vice President, Mining, P.Eng., APEGBC Registered Member who is employed by Norwest Corporation, and is independent from the Company
2. A gold equivalent cut-off grade of 0.005 oz/ton was used for Quartz Latite and a cut-off grade of 0.006 oz/ton was used for all other rock types. The cut-off grade was varied to reflect differences in estimated metal recoveries for the different rock types mined.
3. Gold equivalent grades were calculated as follows: AuEq(oz/ton) = Au(oz/ton) + (Ag(oz/ton)/88, which reflects a long-term Au:Ag price ratio of 55 and an Au:Ag recovery ratio of 1.6. Gold-equivalent grades were used for open pit optimizations.
4. Tonnage and grade measurements are in imperial and metric units. Grades are reported in troy ounces per short ton and in grams per tonne.
5. The effective date of the mineral reserve estimate is February 1, 2015.
6. Total ore tonnage has been reduced by 6,617,000 tons (average grade 0.016ozEq/ton) based on mined tonnages to date.

See *"Cautionary note regarding estimates of Measured, Indicated and Inferred Resources and Proven and Probable Reserves"* on Page 3 of this Report.

The mineral reserves estimates are included in the measured and indicated mineral resource estimates set out in the table in the section ***Mineral Resource Estimates*** below.

Mineral Resource Estimates

The mineral resource estimates for the Mine are shown in the table below:

2015 Mineral Resource Estimates (100% Basis)

			In-Situ Grade				**Contained Metal**	
			Gold		**Silver**		**Gold**	**Silver**
Classification	**Tonnes**	**Ton**	**g/t**	**oz/ton**	**g/t**	**oz/ton**	**oz**	**oz**
Measured	4,298,243	4,738,000	0.960	0.028	13.37	0.39	130,000	1,865,000
Indicated	79,237,167	87,344,000	0.549	0.016	9.26	0.27	1,415,000	23,733,000
Measured & Indicated	**83,535,409**	**92,082,000**	**0.575**	**0.017**	**9.53**	**0.28**	**1,545,000**	**25,598,000**
Inferred	21,392,329	23,581,000	0.343	0.010	7.20	0.21	245,000	4,965,000

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Notes:

1. The Qualified Person for the mineral resource estimates is Michael M. Gustin, C.P.G., Senior Geologist who is employed by Mine Development Associates, and is independent from the Company.
2. Mineral resources are inclusive of mineral reserves.
3. Mineral resources that are not mineral reserves do not have demonstrated economic viability.
4. Mineral resources are reported at a 0.004 oz/ton (0.137 g/t) AuEq cutoff in consideration of potential open-pit mining and heap-leach processing.
5. Gold equivalent grades were calculated as follows: AuEq(oz/ton) = Au(oz/ton) + (Ag(oz/ton)/88, which reflect a long-term Au:Ag price ratio of 55 and a Au:Ag recovery ratio of 1.6.
6. Mineral resources are reported as partially diluted.
7. Rounding as required by reporting guidelines may result in apparent discrepancies between tons, grade and contained metal content.
8. Tonnage and grade measurements are in imperial and metric units. Grades are reported in troy ounces per short ton and in grams per tonne.
9. The effective date of the mineral resource estimate is December 31, 2014.

See *"Cautionary note regarding estimates of Measured, Indicated and Inferred Resources and Proven and Probable Reserves"* on Page 3 of this Report.

The gold-equivalent relationship is based on a long-term Au:Ag price ratio of 55 and Ag:Au recovery ratio of 0.625.

Note that mineral resources that are not mineral reserves do not have demonstrated economic viability.

Exploration Potential

Additional geological targets have been identified on the Property. These targets are generally peripheral west, east and south and southeast to the currently defined mineral resource estimates. In the west, additional vein mineralization was identified in the hanging-wall of the Soledad vein system and the potential for deeper gold-silver mineralization has been postulated based on hydrothermal alteration patterns. To the east, vein mineralization was identified in the hanging-wall of the Karma/Ajax vein system. Toward the south and southeast, extensions along the Karma/Ajax and Starlight/Golden Queen vein systems have been identified during an extensive re-logging program by GQM LLC's geologic team. Historic drill results indicate widths up to 26 feet with potentially economic gold and silver grades.

Recent exploration work, including the 20-hole drill program completed in 2018, has focused on the area laterally extending to the southeast along strike of the Silver Queen, Karma, Patience, and Queen Ester veins and structures. If successful, economic gold and silver mineralization could be added in this area. The continuity of mineralization at depth remains untested.

Mine Operation

The Mine was built in-line with the feasibility study cost estimates. Construction was completed in early 2016.

Standard, open pit mining methods are used to mine ore and waste rock. Mining operations include drilling, blasting, loading, hauling and support equipment. GQM LLC is conducting the mining. All open pit mining will occur in dry conditions above the water table.

Please refer to *Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations* for the 2017 operational update.

Closure, Reclamation and Financial Assurance

Closure and reclamation will be completed in accordance with the requirements set out in the CUPs and an approved Surface Mining and Reclamation Plan and as set out in the Board Order issued by the Regional Board.

Reclamation will proceed concurrently where feasible but is nonetheless expected to require two years following ending of mining and all aggregate operations, and a further three years of post-closure monitoring. Monitoring will continue until the reclamation success criteria are met.

GQM LLC is required to provide the following financial assurances for the Mine:

- To the Bureau of Land Management, State of California and Kern County for general reclamation on site;

- To the State Water Resources Control Board for rinsing and closing reclamation of the leached residues on the heap and "Unforeseen events financial assurance" required by the State Water Resources Control Board to provide for an unforeseen event that could contaminate surface or groundwater.

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Revegetation

Sites have been revegetated successfully elsewhere in the California deserts, and it is expected that revegetation can be completed successfully for the Mine as described in the revegetation plan prepared by independent consulting engineers. GQM LLC operates an ongoing test plot to prepare for closure revegetation.

Clean up on Site

The Company has done extensive cleanup on site since 2006 at a cost of approximately $550 and GQM LLC is continuing this effort. This demonstrates that the Company and GQM LLC are committed to environmental stewardship and good housekeeping in our operations.

Environmental, Safety and Health Policy

GQM LLC has an Environmental, Safety and Health Policy and a management system to implement the Policy.

The Company prepared a Cyanide Management Plan for the Mine and became a signatory to the International Cyanide Management Code in 2013. The Code was developed under the auspices of the United Nations Environment Program and the International Council on Metals and the Environment. The International Cyanide Management Institute, a non-profit organization, administers the Code. Signatories to the Code commit to follow the Principles set out in Code and to follow the Standards of Practice. Companies are expected to design, construct, operate and decommission their facilities consistent with the requirements of the Code and must have their operations audited by an independent third party. Audit results are made public.

Item 3. Legal Proceedings

To the best of our knowledge, there are no legal actions pending, threatened or contemplated against the Company or GQM LLC, other than what is noted below.

Item 4. Mine Safety Disclosures

Pursuant to Section 1503(a) of the Dodd-Frank Act, issuers that are operators, or that have a subsidiary that is an operator, of a coal or other mine in the United States are required to disclose specified information about mine health and safety in their periodic reports. These reporting requirements are based on the safety and health requirements applicable to mines under the Federal Mine Safety and Health Act of 1977 (the "Mine Act") which is administered by the US Department of Labor's Mine Safety and Health Administration (MSHA). Information pertaining to mine safety matters are contained within Exhibit 95.1 and attached hereto.

PART II

Item 5. Market for Common Equity, Related Stockholder Matters and Small Business Issuer Purchases of Equity Securities

Market Information

The common shares of the Company are listed and traded on the Toronto Stock Exchange under the trading symbol "GQM" and are quoted for trading on the OTCQX under the symbol "GQMNF".

The high and low sales prices of the common shares as traded on the Toronto Stock Exchange for the calendar periods indicated are set out in the table below. All prices are reported in Canadian dollars.

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Year ended December 31		High	Low
2019	First Quarter (through March 22, 2019)	$0.06	$0.03
2018	Fourth Quarter	$0.19	$0.10
	Third Quarter	$0.22	$0.14
	Second Quarter	$0.24	$0.17
	First Quarter	$0.24	$0.16
2017	Fourth Quarter	$0.61	$0.18
	Third Quarter	$0.74	$0.54
	Second Quarter	$0.61	$0.18
	First Quarter	$1.09	$0.79

The high and low bid prices of the Company’s common stock as quoted on the OTCQX for the calendar periods indicated are set out in the table below. The quotations on the OTCQX reflect inter-dealer prices without retail mark-up, mark-down, or commission and may not reflect actual transactions. All prices are reported in US dollars.

Year ended December 31		High	Low
2019	First Quarter (through March 22, 2019)	$0.04	$0.03
2018	Fourth Quarter	$0.13	$0.07
	Third Quarter	$0.17	$0.10
	Second Quarter	$0.18	$0.13
	First Quarter	$0.19	$0.12
2017	Fourth Quarter	$0.49	$0.14
	Third Quarter	$0.57	$0.42
	Second Quarter	$0.70	$0.50
	First Quarter	$0.83	$0.58

Exchange Rates

The following table sets forth, for the periods indicated, certain exchange rates based on the Bank of Canada exchange rates obtained from averages of aggregated price quotes from financial institutions. Such rates are the number of Canadian dollars per one US dollar quoted by the Bank of Canada. The high and low exchange rates for each month during the previous six months were as follows:

	High	Low
February 2019	$1.3298	$1.3095

January 2019	$1.3600	$1.3192
December 2018	$1.3642	$1.3191
November 2018	$1.3302	$1.3088
October 2018	$1.3142	$1.2803
September 2018	$1.3188	$1.2905

As of March 25, 2019, there were 213 registered holders of record of the Company's common shares and an undetermined number of beneficial holders.

Dividends

The Company has not declared dividends on its common shares since inception.

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Securities Authorized for Issuance

Current issued and outstanding	300,101,444
Stock options	2,325,001
Warrants to Clay Family – June 2015 Loan	10,000,000
Warrants issued in connection with July 2016 Financing	5,560,000
Warrants issued in connection with July 2016 Financing	757,700
Warrants to Clay Family – November 2017 Loan	8,000,000

The following table sets forth information as at December 31, 2018 respecting the compensation plans under which shares of the Company's common stock are authorized to be issued.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	2,325,001	$ 0.46	4,874,999
Total	2,325,001	$ 0.46	4,874,999

Exchange Controls

There are no governmental laws, decrees or regulations in Canada that restrict the export or import of capital, including foreign exchange controls, or that affect the remittance of dividends, interest or other payments to non-resident holders of the securities of Golden Queen, other than Canadian withholding tax. See "Certain Canadian Federal Income Tax Considerations for US Residents" below.

Certain Canadian Federal Income Tax Considerations for US Residents

The following summarizes certain Canadian federal income tax consequences generally applicable under the *Income Tax Act* (Canada) and the regulations enacted thereunder (collectively, the “Canadian Tax Act”) and the *Canada-United States Income Tax Convention (1980)* (the “Convention”) to the holding and disposition of Common Shares.

Comment is restricted to holders of Common Shares each of whom, at all material times for the purposes of the Canadian Tax Act and the Convention, (i) is resident solely in the United States, (ii) is entitled to the benefits of the Convention, (iii) holds all Common Shares as capital property, (iii) holds no Common Shares that are “taxable Canadian property” (as defined in the Canadian Tax Act) of the holder, (iv) deals at arm’s length with and is not affiliated with Golden Queen, (v) does not and is not deemed to use or hold any Common Shares in a business carried on in Canada, and (vi) is not an insurer that carries on business in Canada and elsewhere (each such holder, a “U.S. Resident Holder”).

Certain US -resident entities that are fiscally transparent for United States federal income tax purposes (including limited liability companies) may not in all circumstances be regarded by the Canada Revenue Agency (the “CRA”) as entitled to the benefits of the Convention. Members of or holders of an interest in such an entity that holds Common Shares should consult their own tax advisers regarding the extent, if any, to which the CRA will extend the benefits of the Convention to the entity in respect of its Common Shares.

Generally, a holder’s Common Shares will be considered to be capital property of the holder provided that the holder is not a trader or dealer in securities, did not acquire, hold or dispose of the Common Shares in one or more transactions considered to be an adventure or concern in the nature of trade (*i.e*. speculation), and does not hold the Common Shares as inventory in the course of carrying on a business.

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Generally, a holder’s Common Shares will not constitute “taxable Canadian property” of the holder at a particular time at which the Common Shares are listed on a “designated stock exchange” (which currently includes the Toronto Stock Exchange) unless both of the following conditions are true:

(i) the holder or any one or more persons with whom the holder does not deal at arm’s length owned, alone or in any combination, 25% or more of the issued shares of any class of the capital shares of Golden Queen at any time in the 60 months preceding the particular time; and

(ii) more than 50% of the fair market value of the Common Shares was derived directly or indirectly from, or from any combination of, real or immovable property situated in Canada, “Canadian resource properties” (as defined in the Canadian Tax Act), “timber resource properties” (as so defined), or options or interests therein, at any time in the 60 months preceding the particular time.

This summary is based on the current provisions of the Canadian Tax Act and the Convention in effect on the date hereof, all specific proposals to amend the Canadian Tax Act and Convention publicly announced by or on behalf of the Minister of Finance (Canada) on or before the date hereof, and the current published administrative and assessing policies of the CRA. It is assumed that all such amendments will be enacted as currently proposed, and that there will be no other material change to any applicable law or administrative or assessing practice, although no assurance can be given in these respects. Except as otherwise expressly provided, this summary does not take into account any provincial, territorial or foreign tax considerations, which may differ materially from those set out herein.

This summary is of a general nature only, is not exhaustive of all possible Canadian federal income tax considerations, and is not intended to be and should not be construed as legal or tax advice to any particular US Resident Holder. US Resident Holders are urged to consult their own tax advisers for advice with respect to their particular circumstances. The discussion below is qualified accordingly.

A US Resident Holder who disposes or is deemed to dispose of one or more Common Shares generally should not thereby incur any liability for Canadian federal income tax in respect of any capital gain arising as a consequence of the disposition.

A US Resident Holder to whom Golden Queen pays or is deemed to pay a dividend on the holder’s Common Shares will be subject to Canadian withholding tax, and Golden Queen will be required to withhold the tax from the dividend and remit it to the CRA for the holder’s account. The rate of withholding tax under the

Canadian Tax Act is 25% of the gross amount of the dividend, but should generally be reduced under the Convention to 15% (or, if the US Resident Holder owns at least 10% of the voting stock of Golden Queen, 5%) of the gross amount of the dividend.

Unregistered Sales of Equity Securities

All unregistered sales of equity securities were previously reported on Form 8-K.

Repurchase of Securities

During 2018, neither Golden Queen nor any affiliate of Golden Queen repurchased Common Shares of Golden Queen registered under Section 12 of the Exchange Act.

Item 6. Selected Financial Data (in thousands of US dollars, except per share)

The following table summarizes certain selected consolidated financial data of the Company and should be read in conjunction with *Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation* and the consolidated financial statements and notes thereto (for the applicable period) appearing elsewhere in this report.

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Results for the five (5) most recent years are set out in the table below:

	Years ended December 31,				
	2018	2017	2016	2015	**(restated) 2014**
Revenues	$58,403	$62,121	$27,193	$-	$ -
Net and comprehensive income (loss)	$(6,879)	$(6,175)	$(9,692)	$(7,236)	$ (9,872)
Net and comprehensive income (loss) attributable to Golden Queen Mining Co. Ltd.	$(7,059)	$(1,165)	$(7,429)	$(5,461)	$ (8,469)
Basic income (loss) per share	$(0.03)	$(0.01)	$(0.07)	$(0.05)	$ (0.09)
Diluted loss per share	$(0.03)	$(0.01)	$(0.07)	$(0.05)	$ (0.09)

	Years ended December 31,				
	2018	2017	2016	2015	**2014 (restated)**
Cash	$5,725	$2,937	$13,301	$37,587	$91,408
Total assets	$178,770	$154,816	$159,706	$169,444	$129,517
Total long-term liabilities	$21,707	$42,036	$50,129	$27,331	$14,236
Redeemable portion of non-controlling interest	$24,286	$24,214	$26,219	$27,124	$22,834
Stockholders’ equity, attributable to common shareholders	$44,018	$26,479	$27,384	$26,582	$31,733
Non-controlling interest	$46,429	$36,321	$39,327	$40,686	$34,250

For more information of the assets and liabilities specific to GQM LLC, the variable interest entity, see Joint Venture transaction below.

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion of the operating results and financial condition of the Company should be read in conjunction with the audited consolidated financial statements of the Company for the year ended December 31, 2018 and the notes thereto (the “Consolidated Financial Statements”). Additionally, please note that the operating results and financial conditions described below include the amounts attributable to the non-controlling interest.

The information in this Management Discussion and Analysis of Financial Condition and Results of Operation is derived from the Consolidated Financial Statements, which have been prepared in accordance with US generally accepted accounting principles and all amounts herein are in thousand US dollars unless otherwise noted.

Overview and Strategy

2018 Highlights

A total of 4.51 million tons of ore and 13.0 million tons of waste were mined in 2018 (waste to ore strip ratio of 2.9)

The plant processed a total of 3.52 million tons of ore at an average gold grade of 0.022 ounces per ton and an average silver grade of 0.360 ounces per ton

2018 production totaled 42,282 ounces of gold and 393,007 ounces of silver

2018 gold sales totaled 42,252 ounces and silver sales totaled 372,724 ounces

Revenues of $58,403

Total cash cost net of by-product credits of $998 per ounce gold sold ($997 per ounce produced)[1]

[1] Total cash costs are financial performance measures with no standard meaning under US GAAP. Refer to "Non-GAAP Financial Performance Measures" for further information.

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2018 Operational review

Operations during the first three (3) quarters of 2018 showed continuous improvement in mining efficiencies resulting in over two (2) months of equivalent ore production stockpiled in the pit and higher-grade ore delivered to pad every month. Mining of East Pit progressed on schedule and grade was higher than planned. Plant production increased with monthly gold delivery to pad, albeit with a 120-150 days lag. (Figure 2) Mine management believes leach kinetics are slower with ore from the East Pit, but overall recovery is expected to remain as predicted in the feasibility study. Mine operations and production were affected by mechanical maintenance issues during the last quarter of 2018. During the year, over 20,000 feet of definition drilling in the East Pit has been conducted, yielding better understanding of ore veins location and potential new vein discoveries requiring follow up drilling. Capitalized investment totalled $7.31 million, mainly for two (2) 100t haul trucks, a drill and a fuel truck, plus various support equipment for both the mine and plant.

During the fourth quarter, ore loaded to pad was 20% under budget mainly caused by a number of mechanical issues in the primary and secondary crushing areas. Average ore grade loaded on the pad was better than plan by 7% but Au ounces loaded fell short of the target by about 14% due to the lower tonnage.

A number of improvements to the crushing process have been implemented, including the replacement of the secondary crusher in early 2019. The former unit had been identified as the plant bottleneck and the larger unit is expected to improve asset efficiency metrics in the coming year.

During the year, Soledad Mountain operation registered an increase of in process inventory. There are two reasons for this situation. Firstly, as mentioned above, there is now approximately two (2) months of ore production stockpiled in the pit. This was caused by ore tonnage in the East Pit in the first half of 2018 exceeding what was planned. The second cause is the fact that the wet process is currently limited in the amount of solution that can be placed on the leach pad. This issue limits the tonnage of ore under leach and the production, resulting in higher gold in inventory on the pad. Management has designed a potential solution that will be implemented when all permits are obtained.

Figure 2

2019 Plan

It is expected that in 2019, almost all of the production will be sourced from phase 1 and 2 of the East Pit. The plan is to increase delivery of ounces on to the heap leach pad with increased efficiency resulting from de-bottlenecking. Taking advantage of the good porosity of the heap, flow to the Merrill-Crowe plant will be at capacity. Gold production is anticipated to increase throughout the year.

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A total of approximately $10,100 of capital spending is planned for 2019, including the replacement of the secondary crusher already discussed, a dispatch system, ILS leaching program, a second shovel and a larger motor grader.

Results of Operations

		2018 Q1	2018 Q2	2018 Q3	2018 Q4	2018 Total
Mining – Key Metrics						
Ore mined	k ton	1,135	1,473	916	984	4,508
Waste mined: ore mined ratio	ore mined ratio	2.3:1	1.7:1	4.3:1	4.0.1	2.9:1
Gold grade placed	oz/ton	0.019	0.020	0.025	0.022	0.022
Silver grade placed	oz/ton	0.313	0.347	0.399	0.375	0.360
Gold sold	oz	6,529	9,892	12,798	13,033	42,252
Silver sold	oz	53,612	96,127	100,408	122,557	372,724
Apparent cumulative recovery – gold (1)	%	71.5	69.1	67.1	67.2	
Apparent cumulative recovery – silver (1)	%	27.1	27.7	28.5	27.1	
Financial						
Revenue	$	9,585	14,485	16,855	17,478	58,403
Cost of sales, excluding depreciation and depletion (or Direct mining costs)		13,016	8,130	14,469	9,043	44,658
Depreciation and depletion		2,976	3,364	3,615	(277)	9,678
Income (loss) from mine operations	$	(6,449)	2,991	(1,229)	8,754	4,076
General and administrative expenses	$	(1,254)	(879)	(839)	(2,123)	(5,095)
Total other income (expenses)	$	(1,360)	(1,508)	(1,289)	(1,303)	(5,460)
Net and comprehensive income (loss)	$	(9,063)	604	(3,357)	4,937	(6,879)
Net and comprehensive income (loss) attributable to Golden Queen Mining Co Ltd.	$	(5,417)	(632)	(2,403)	1,393	(7,059)
Average realized gold price (1)	$/oz sold	1,330	1,302	1,201	1,206	1,246
Average realized silver price (1)	$/oz sold	16.70	16.62	14.77	14.29	15.37
Total cash costs - net of by-product credits (1)	$/Au oz produced	1,954	697	1,047	689	997
All-in sustaining costs - net of by-product credits (1)	$/Au oz produced	2,406	1,045	1,086	866	1,215
Total cash costs	$/t placed	18.06	16.56	19.47	21.25	18.79
Off-site costs (1)	$/t placed	0.61	0.63	0.53	0.57	0.58

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

	Tons	AuEq opt	AuEq ozs

Starting Reserves	51,053,000	0.0227	1,157,975
Reserves Mined in 2015	279,000	0.010	2,922
Reserves Mined in 2016	2,575,000	0.0170	43,662
Reserves Mined in 2017	3,763,000	0.0165	62,242
Reserves Mined in 2018	4,509,000	0.0239	107,956
Reserves at end of December 2018	39,927.000	0.0236	941,193

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Beginning Reserves AuEq

Tons	Au opt	Ag opt	AuEq opt	Au ozs.	Ag ozs.	AuEq ozs.	Au/Ag Price	Au/Ag Rec
51,053,000	0.019	0.324	0.023	983,600	16,516,200	1,157,975	55	1.60

Financial Results

The following are the results of operations for the years ended December 31, 2018 and 2017.

The Company recorded an attributable net and comprehensive loss of $7,059 ($0.03 loss per basic and diluted share) during the year ended December 31, 2018 as compared to an attributable net and comprehensive loss of $1,165 ($0.01 loss per basic and diluted share) during the year ended December 31, 2017. This represents an increase in loss of $5,894 in 2018 compared to 2017. The loss is mostly the combined result of mine operations, general and administrative expenses, other income and expenses offset by an income tax benefit.

Income (loss) from mine operations: For the year ended December 31, 2018, the Company recorded income from mine operations of $4,067 compared to a loss of $6,091 for the same period in 2017. The Company commenced production during the second quarter of 2016 therefore the 2016 loss from mine operations and its components discussed below are not representative of a full year of mine operations.

Revenues: The Company generated revenue from operations for the year ended December 31, 2018 of $58,403 (2017 - $62,121) from the sale of 42,252 (2017 – 46,039) ounces of gold and 372,724 (2017 – 237,087) ounces of silver.

Cost of sales: For the year ended December 31, 2018, the Company incurred $54,336 (2017 - $68,212) in cost of sales which includes $44,491 (2017 - $56,131) of direct mining costs and $9,774 (2017 - $11,955) of depreciation and depletion costs. Direct mining costs include mining, processing, maintenance and site support costs as well as refining and transportation costs, royalties and property taxes. Depreciation and depletion costs of capitalized property, plant, equipment and minerals interests are calculated on either a unit of production or straight-line basis.

General and administrative expenses: The Company incurred general and administrative expenses of $5,095 during the year ended December 31, 2018 compared to $5,235 for the same period in 2017, a decrease of $140 which was mainly a combined result of the following:

Salaries and benefits and director fees: For the year ended December 31, 2018, the Company incurred $2,138 (2017 – $2,094) of expenses for salaries and benefits and director fees. The increase was a result of salary increases for key employees and additional costs for short term replacement.

Corporate administration: Corporate administration expenses include advertising, consulting fees, corporate expenses, financing and bank charges, foreign exchange gain/loss, office and operating supplies as well as public relations and promotion, outside services, stock-based compensation and travel expenses. The Company recorded $1,331 of corporate administration expenses for the year ended December 31, 2018 compared to $1,484 for the same period in 2017. The decrease of $153 was mainly due to a decrease in travel expenses and office expenses.

Audit, legal and professional fees: For the year ended December 31, 2018, the Company incurred $821 (2017 - $1,029) of audit, legal and professional fees; a decrease of $208.

Other income and expenses: For the year ended December 31, 2018, the Company recorded net other expense of $5,460 compared to net other income of $426 for the same period in 2017, an increase of net loss of $5,886 which was mainly a result of the following:

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Change in fair value of derivative liability: The Company recognized a decrease in its derivative liabilities of $365 for the year ended December 31, 2018 compared to a decrease of $5,989 for the same period in 2017. The amount of the Company's derivative liability includes the warrants issued in conjunction with the June 2015 Loan, the July 2016 equity financing and the November 2016 Loan as well as GQM LLC warrants from the 2018 GQM credit facility. The decrease in the derivative liability for the years ended December 31, 2018 and 2017 was a result of a decrease in the Company's share price and a reduction in the remaining life of the derivatives. The Company's derivative liabilities are non-cash items recorded in accordance with accounting pronouncement ASC 850-40-15. Refer to Note 8, Derivative Liabilities in the Company's audited consolidated annual financial statements for a detailed analysis of the change in fair value of the Company's derivative liabilities.

Finance expense: For the year ended December 31, 2018, the Company incurred a total interest expense of $5,925 related to its various loans as compared to a total finance expense of $5,217 for same period in 2017. Please refer to the ***Transaction with Related Parties*** section for a complete breakdown of the interest expenses.

Summary of Quarterly Results (in thousands of US dollars, except per share)

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

	Results for the quarter ended:			
	Dec 31, 2018	**Sep 30, 2018**	**Jun 30, 2018**	**Mar 31, 2018**
Revenues	$17,478	$16,855	$14,485	$9,585
Net and comprehensive income (loss)	$4,937	$(3,357)	$604	$(9,063)
Net and comprehensive income (loss) attributable to Golden Queen Mining Co. Ltd.	$1,393	$(2,403)	$(632)	$(5,417)
Basic income (loss) per share	$0.01	$(0.01)	$(0.00)	$(0.03)
Diluted income (loss) per share	$0.01	$(0.01)	$(0.00)	$(0.03)

	Results for the quarter ended:			
	Dec 31, 2017	**Sep 30, 2017**	**Jun 30, 2017**	**Mar 31, 2017**
Revenues	$13,939	$16,496	$16,882	$14,804
Net and comprehensive income (loss)	$(1,327)	$(3,224)	$1,192	$(2,815)
	$(2,188)	$(1,889)	$962	$(2,425)

Net and comprehensive income (loss) attributable to Golden Queen Mining Co. Ltd.				
Basic income (loss) per share	$(0.02)	$(0.01)	$0.01	$(0.02)
Diluted income (loss) per share	$(0.02)	$(0.01)	$0.01	$(0.02)

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

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

During the three months ended June 30, 2018, net and comprehensive income was $604 mainly as a result of income generated from mine operations of $2,991.

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

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

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

Reclamation Financial Assurance and Asset Retirement Obligation

Reclamation Financial Assurance

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

This estimate, once approved by state and county authorities, forms the basis of reclamation financial assurance. The reclamation assurance provided as at December 31, 2018 was $1,749 (2017 – $1,465).

GQM LLC is also required to provide financial assurance with the Lahontan Regional Water Quality Control Board (the "Regional Board") for closure and reclamation costs related to the lined impoundments, which are defined as the Stage 1 and Stage 2 heap leach pads, the overflow pond, and the solution collection channel. The reclamation financial assurance estimate as at December 31, 2018 was $2,450 (2017 – $1,869).

In addition to the above, GQM LLC is required to obtain and maintain financial assurance for initiating and completing corrective action and remediation of a reasonably foreseeable release from the Project's waste management units as required by the Regional Board. The reclamation financial assurance estimate as at December 31, 2018 is $278 (2017 – $278).

GQM LLC entered into $4,921 (2017 – $3,612) in surety bond agreements in order to release its reclamation deposits and a bond for power of $443. GQM LLC pays a yearly premium of $100 (2017 – $90). Golden Queen Ltd. has provided a corporate guarantee on the surety bonds. In addition, a certificate of deposit for $1,005 was posted as collateral to reclamation bonding in 2018.

Asset Retirement Obligation

The total asset retirement obligation as at December 31, 2018, was $2,497 (December 31, 2017 – $1,838).

The Company estimated its asset retirement obligations based on its understanding of the requirements to reclaim and remediate its property based on its activities to date. As at December 31, 2018, the Company estimates the cash outflow related to these reclamation activities will be incurred in 2028. Reclamation provisions are measured at the expected value of future cash flows discounted to their present value using a discount rate based on a credit adjusted risk-free interest rate of 8.3% and an inflation rate of 2.4%.

The following is a summary of asset retirement obligations:

	December 31, 2018	December 31, 2017
Balance, beginning of the year	$ 1,838	$ 1,366
Accretion	167	126
Changes in cash flow estimates	492	346
Balance, end of the year	$ 2,497	$ 1,838

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Commitments and Contractual Obligations

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 amounts due to each landholder over the life of the Mine vary 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 two (2) of GQM LLC's mining drill loans. The Company has also provided a corporate guaranty for GQM LLC's surety bonds.

Contractual Obligations

GQM LLC's contractual obligations as of December 31, 2018 are shown in the table below:

Contractual obligations	Total	1-3 years	3-5 years

		Less than 1year			More than 5 years
Debt obligations (mostly mobile mining equipment financing)	12,200	6,229	5,388	3,832	
Asset retirement obligations (undiscounted)	4,478				4,478
Total	$16,678	6,229	5,388	583	4,478

GQM LTD's contractual obligations as of December 31, 2018 are shown in the table below:

Contractual obligations	Total	**Less than 1 year**	**1-3 years**	**3-5 years**	More than 5 years
November 2017 Clay loan - interest payable	$1,650	1,650	-	-	-
November 2017 Clay loan - principal	25,625	25,625	-	-	-
Total	$27,275	27,275	-	-	-

The Company and the lender agreed to defer the January 1, 2019 payments to February 8, 2019. The November 2017 Clay loan matures on May 21, 2019. As part of the February 9, 2019 binding share purchase agreement, the Lender agreed to defer all payments of principal and interest until completion of the purchase.

Off-balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

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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 earlier 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.

A total of 2,325,001 (1,183,332 exercisable) (December 31, 2017 – 2,600,001 outstanding and 751,666 exercisable) common shares were issuable pursuant to such stock options as at December 31, 2018

Transactions with Related Parties

Management Agreement

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

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

For the year ended December 31, 2018, the Company recognized $547 (2017 – $653) salaries and fees for Officers and Directors.

For the year ended December 31, 2018, transactions with related parties included amendment, closing, commitment and interest expense totalling $2,860 (2017 – $2,766).

As at December 31, 2018, $nil (December 31, 2017 - $38) was included in prepaid expenses and other current assets for closing fees paid to related parties.

As at December 31, 2018, $nil (December 31, 2017 - $463) was included in accounts payable and accrued liabilities for amendment fees and accrued interest payable to related parties.

Notes Payable

On December 31, 2014, the Company entered into a loan (the “December 2014 Loan”) with the Clay Group for $12,500, 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 $12,500 to $37,500 (the “June 2015 Loan”).

On November 18, 2016, the Company repaid $10,659 of the June 2015 Loan and accrued interest from net proceeds of $10,908 from an equity financing. The Company restructured the remaining debt with a new loan with a principal amount of $31,000 (the “November 2016 Loan”). The Company incurred a financing fee to secure the loan in the amount of $930, which was also paid on November 18, 2016.

The November 2016 Loan had a thirty-month term and an annual interest rate of 8%, payable quarterly. On November 10, 2017, the Company and the Clay Group agreed to amend the November 2016 Loan by reducing the 2018 quarterly and 2019 Q1 principal payments from $2,500 to $1,000, adding the reduction of such payments pro-rata to the remaining 2019 payments, and increasing the annual interest rate from 8% to 10% effective January 1, 2018 (the “November 2017 Loan”). On January 1, 2018, $2,212 of interest payments that were deferred in 2017 at the Company’s option, a principal payment of $2,500 and a $400 amendment fee became due and the payment of which was deferred until after the close of the rights offering and were paid on February 28, 2018.

On December 27, 2018, the January 1, 2019 principal payment of $1,000 was deferred to February 1, 2019 and a $125 extension fee was added to the principal. On January 31, 2019, the $1,000 was deferred to February 8, 2019 and a $75 extension fee was added to the principal. The Company is scheduled to make the final payment of principal and accrued interest of upon the completion of the Clay Group purchase.

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The following table summarizes activity on the notes payable:

	December 31, 2018	December 31, 2017
Balance, beginning of the year	$ 30,099	$ 26,347
Interest payable transferred to principal	-	2,212
Accretion of discount on loans	2,040	1,940
Capitalized financing fee and legal fees	(125)	(400)
Extension fee added to principal	125	-
Accretion of capitalized financing and legal fees	262	-
Repayment of loans and interest	(7,711)	-
Balance, end of the year	$ 24,690	$ 30,099
Current portion	$ 24,690	$ 7,712
Non-current portion	$ -	$ 22,387

Share Purchase Warrants

On June 8, 2015, the Company issued 10,000,000 share purchase warrants to the Clay Group (the “June 2015 Warrants”) in connection with the June 2015 Loan. On February 22, 2018, the Company completed a rights offering at a share price lower than the original exercise price of $0.95 of the June 2015 Warrants. As per an anti-dilution provision included in the June 2015 Loan agreement, the exercise price of the June 2015 Warrants was revised to $0.7831 on the rights offering completion date. The expiry date of June 8, 2020 of the June 2015 Warrants remains unchanged.

On November 18, 2016, the Company issued 8,000,000 share purchase warrants to the Clay Group (the “November 2016 Warrants”) in connection with the November 2016 Loan. On February 22, 2018, the Company completed a rights offering at a share price lower than the original exercise price of $0.85 of the November 2016 Warrants. As per an anti-dilution provision included in the November 2016 Loan agreement, the exercise price of the November 2016 Warrants was revised to $0.6650 on the rights offering completion date. The expiry date of November 18, 2021 of the November 2016 Warrants remains unchanged.

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 Clay Group share purchase warrants as at December 31, 2018 was $76 (December 31, 2017 – $439).

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 December 31, 2018, the Company had re-measured the share purchase warrants and determined the fair value of the derivative liability to be $nil (December 31, 2017 - $2).

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Amortization of Discount and Interest Expense

The following table summarizes the amortization of discount and interest on loans:

	Year Ended December 31, 2018	Year Ended December 31, 2017
Accretion of the November 2017 Loan discount	$ 2,040	$ 1,940
Accretion of capitalized financing and legal fees	262	-
Interest expense related to the November 2017 Loan	2,820	2,580
Closing and commitment fees related to the 2017 Credit Facility	40	90
Interest expense related to Komatsu financial loans (1)	763	607
Accretion of discount and interest on loan	$ 5,925	$ 5,217

(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.

Joint Venture Transaction

The Company has presented Gauss LLC 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 provides 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 three (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 December 31, 2018 and December 31, 2017 are as follows:

	December 31, 2018	**December 31, 2017**
Assets, GQM LLC	$ 171,334	$ 149,095
Liabilities, GQM LLC	(24,904)	(28,024)
Net assets, GQM LLC	$ 146,430	$ 121,071

Included in the assets above, is $4,149 (December 31, 2017 - $2,606) in cash held by GQM LLC which is directed specifically to fund capital expenditures required to continue with production and to settle GQM LLC's obligations. The liabilities of GQM LLC do not have recourse to the general credit of Golden Queen except for $349 for mining drill loans and $4,921 in surety bond agreements.

Non-Controlling Interest

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

	Year Ended December 31, 2018	Year Ended December 31, 2017
Net and comprehensive income (loss) in GQM LLC	$ 360	$ (10,022)
Non-controlling interest percentage	50 %	50 %
Net and comprehensive income (loss) attributable to non-controlling interest	$ 180	$ (5,010)
Net and comprehensive income (loss) attributable to permanent non-controlling interest	$ 108	$ (3,006)
Net and comprehensive income (loss) attributable to temporary non-controlling interest	$ 72	$ (2,004)

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	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 year	(3,006)	(2,006)
Carrying value of non-controlling interest, December 31, 2017	$ 36,321	$ 24,214
Capital contribution	10,000	-
Net and comprehensive income (loss) for the year	108	(1,714)
Carrying value of non-controlling interest, December 31, 2018	$ 46,429	$ 22,500

Credit Facilities

On May 23, 2017, GQM LLC entered into a $5,000 one-year revolving credit agreement (the “2017 Credit Facility”) in which Gauss Holdings LLC and Auvergne, LLC agreed to extend credit in the form of loans to GQM LLC. The 2017 Credit Facility commenced on July 1, 2017, bore interest at a rate of 12% per annum and was subject to a commitment fee of 1% per annum. For the year ended December 31, 2018, GQM LLC paid commitment fees of $40 (2017 – $90). The balance of the Credit Facility was $3,000 as at December 31, 2017. The Credit Facility expired on May 22, 2018 and the balance of $5 million was repaid in cash.

On October 12, 2018, GQM LLC entered into an agreement with Gauss Holdings LLC and Auvergne LLC (the “Lenders”) where by the Lenders are providing GQM LLC a revolving credit loan facility (the “2018 Credit Facility”) in the amount of $20 million. The 2018 Credit Facility bears interest at a rate of 8% per annum and in addition, is subject to a commitment fee of 1% per annum on available loan balance. As per terms of the agreement, GQM LLC accrued commitment fees of $45 for the year ended December 31, 2018 (Note 11). The loan matures March 31, 2020. As at December 31, 2018, GQM LLC had drawn $5,000 from the 2018 Credit Facility and accrued interest of $121. Subsequent to the period end GQM LLC drew an additional $5,000 from the 2018 Credit Facility.

In connection with the 2018 Credit Facility, the Lenders were issued 21,486 warrants (the “GQM LLC Warrants”), with each warrant entitling the holder to purchase a unit of GQM LLC for a period of five (5) years at an exercise price of $475.384 per unit. The warrants are classified as a derivative liability due to a clause in the warrant agreement that offers the warrant holders price protection. The fair value of the derivative liabilities related to the warrants as at December 31, 2018 is $3,314 (December 31, 2017 - $nil). The value of the warrants at inception is recognized as a deferred financing cost on the balance sheet. The derivative liability was calculated using the Black-Scholes pricing valuation model.

The GQM LLC Warrants represent a fully-diluted 7.5% interest in the equity of GQM LLC. If the GQM LLC warrants are exercised, the Company's interest in GQM LLC will be diluted to 46.25%. The Company's current interest in GQM LLC is 50%.

The 2018 Credit Facility is secured by a pledge of the Company's equity interest in GQM LLC.

Fair Value of Financial Instruments

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.

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The three (3) 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).

	December 31, 2018			
	Total	Level 1	Level 2	Level 3
Liabilities:				
Share purchase warrants – Related Party	$76	$ -	$76	$ -
GQM LLC warrants – Related Party	3,314	-	3,314	-
	$3,390	$ -	$3,390	$ -

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

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.

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

The following table shows figures attributable to the Company only as of December 31, 2018:

Figures shown for the year ended December 31, 2018:

	GQM LLC	GQM LLC 50% Attributable to LTD	LTD on a Non-Consolidated Basis *	LTD Attributable
	100%	(1)	(2)	(1) + (2)
Cash	$ 4,149	$ 2,075	$ 2,581	$ 4,656
Short term debt	$ 6,578	$ 3,289	$ 25,342	$ 28,631
Long term debt	$ 10,622	$ 5,311	$ -	$ 5,311
Working Capital / (Deficit)	$ 11,805	$ 5,903	$ (29,488)	$ (23,585)

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	GQM LLC	GQM LLC 50% Attributable to LTD	LTD on a Non-Consolidated Basis *	LTD Attributable
	100%	(1)	(2)	(1) + (2)
Revenue	$ 58,403	29,202	$ -	$ 29,202
Cost of sales including depreciation and depletion	$ (53,745)	(26,873)	$ (424)	$ (27,297)
Accretion expense	$ (167)	(84)	$ -	$ (84)
G&A Expenses	$ (3,363)	(1,681)	$ (1,582)	$ (3,263)
Share based payments	$ -	-	$ (149)	$ (149)
(Increase) / Decrease in fair value of derivative liability	$ -	-	$ 364	$ 364
Finance expense	$ (803)	(402)	$ (5,121)	$ (5,523)
Interest income	$ 70	35	$ 64	$ 99
Other	$ (34)	(17)	$ -	$ (17)
Net income (loss)	$ 361	180	$ (6,848)	$ (6,668)
Income tax expense	$ -	-	$ (391)	$ (391)
Net and comprehensive income (loss)	$ 361	180	(7,239)	$ (7,059)

Liquidity and Capital Resources

The Company's access to the net assets of GQM LLC is determined by the Board of Managers of GQM LLC. The Board of Managers is not controlled by the Company and therefore there is no guarantee that any access to the net assets of GQM LLC would be provided to the Company in order to continue as a going concern. The Board of Managers of GQM LLC determine when and if distributions from GQM LLC are made to the holders of its membership units at their sole discretion.

As at December 31, 2018, the Company had a working capital deficit of $11,107 and during the year ended December 31, 2018, the cash used in operating activities was $12,800. The Company was required to pay the following amounts to the Clay Group on the following dates: $1,700 of interest and principal on January 1, 2019, $3,900 of interest and principal on April 1, 2019 and $21,700 of interest and principal on May 21, 2019. The Company is currently unable to repay the interest and principal payments due on the November 2017 Loan. 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 2019 budget and Life of Mine Plan and the results for the year ended December 31, 2018 and has determined it is unlikely it will receive sufficient distributions from GQM LLC during this fiscal year to service its debt in early 2019. Despite the extensive efforts of the Company's management and the Board, operations at the Soledad Mountain Project have not generated sufficient free cash flow to award dividends to the Company and may require significant additional cash to continue. The Company has been unable to attract sufficient capital to fund its own operations and GQM LLC, other than through loans and investment from members of the Clay family and associated entities (the "Clay Group"). This situation raises substantial doubt about the Company's ability to continue as a going concern. Consequently, since the third quarter of 2018, the Company had pursued discussions with the Clay Group to restructure the reimbursement of the debt payments. On December 27, 2018, the Company and the Clay Group agreed to postpone the January 1, 2019 $1,700 of interest and principal payment until February 1, 2019 for a restructuring fee of $125. On January 31, 2019, the Company and the Clay Group agreed to an additional extension to February 8, 2019. On February 9, 2019, the parties agreed to defer payment of interest and principal until completion of the share purchase agreement.

See the "Recent Developments" section of this Form 10-K.

Cash used in operating activities:

Cash used in operating activities was $12,864 for the year ended December 31, 2018 compared to $3,942 of cash generated from operating activities for the year ended December 31, 2017. The increased use of cash in 2018 was primarily due to increased direct mining costs and reduced revenue arising from lower production in 2018 compared to 2017 in addition to a significant accumulation of inventory.

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Cash used in investing activities:

Cash used in investing activities totaled $3,925 during the year ended December 31, 2018 compared to $11,173 of cash used in investing activities during the year ended December 31, 2017. The significant construction costs from the 2017 period related construction of the second phase of the heap leach pad. Since the second phase of the heap leach pad was completed in September 2017, no significant costs were incurred in that regard during the year ended December 31, 2018.

Cash from financing activities:

Cash generated from financing activities totaled $20,582 during the year ended December 31, 2018 compared to $3,133 of cash used in financing activities during the year ended December 31, 2017.

Working Capital:

The following table shows working capital as at December 31, 2018:

	GQM LLC 100%	GQM Ltd. on a Non-Consolidated Basis *	GQM Ltd. on a Consolidated Basis **
Current assets	$ 28,591	$ 2,693	$ 31,223
Current liabilities	(16,786)	(32,181)	(42,330)
Working capital/(deficit)	$ 11,805	$ (29,488)	$ (11,107)

*includes GQM Holdings
**includes GQM Holdings and GQM LLC

Golden Queen Mining Co. Ltd. and Golden Queen Holdings

As at December 31, 2018, Golden Queen Mining Co. Ltd and Golden Queen Holdings, had combined current assets of $2,693 (December 31, 2017 - $502) and combined current liabilities of $32,181 (December 31, 2017 - $9,194) or working capital deficit of $29,488 (December 31, 2017 – working capital deficit of $8,692).

GQM LLC

As at December 31, 2018, GQM LLC had current assets of $28,591 (December 31, 2017 - $12,162) and current liabilities of $16,786 (December 31, 2017 - $16,572) or a working capital of $11,805 (December 31, 2017 – $4,410).

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

Outstanding Share Data

At a special meeting of the holders of common shares of the Company held on December 17, 2013, the shareholders approved a special resolution to change the authorized share capital of the Company from 150,000,000 common shares to an unlimited number of common shares, all without par value, and no preferred shares. Following the issuance of 188,952,761 common shares as a result of the rights offering completed in February 2018, the Company currently has 300,101,444 common shares issued and outstanding.

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

Item	No. of Shares		
Shares issued and outstanding as at December 31, 2017	111,148,683		
Shares issued as the result of a rights offering	188,952,761		
Shares issued and outstanding as at December 31, 2018	300,101,444	Exercise Price	Expiry Date
Shares to be issued on exercise of directors and employees stock options	2,325,001	$0.29 to $0.66	From 11/30/21 to 10/20/22
Shares to be issued on exercise of warrants	24,317,700	$0.665 to $0.7831 and CAD $2.00	From 06/08/20 to 11/18/21
Fully diluted March 20, 2019	326,744,145		

The company has an unlimited authorized share capital.

Subsequent Events

Subsequent to December 31, 2018, GQM LLC drew an additional $5,000 from the 2018 Credit Facility.

On January 31, 2019, the Company and the Clay Group agreed to amend the November 2017 Loan, extending the due date of $1,000 of principal as well as interest from the original due date of February 1, 2019 to February 8, 2019. An extension fee of $75 was added to the principal amount owing under the November 2017 Loan.

On February 9, 2019, the Company announced that it had entered into a binding share purchase agreement with a group of purchasers including Thomas M. Clay and certain members of the Clay family and associated entities (the “Purchaser”), whereby the Purchaser will acquire 100% of the Company’s 50% ownership interest in the Soledad Mountain Project. The Company has agreed to sell 100% of the shares of its subsidiary Golden Queen Mining Holdings Inc., which owns 50% of the outstanding units of Golden Queen Mining Company, LLC. All payments of interest and principal on the November 2017 Loan have been delayed until completion of the purchase.

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 are common financial performance measures in the gold mining industry but with no standard meaning under US GAAP. Management believes that, in addition to conventional measures prepared in accordance with US GAAP, certain investors use this information to evaluate our performance and ability to generate cash flow. Accordingly, it is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with US GAAP. The measure, along with sales, is considered to be a key indicator of a Company's ability to generate earnings and cash flow from its mining operations. Total cash cost figures are calculated in accordance with a standard developed by The Gold Institute, which was a worldwide association of suppliers of gold and gold products and included leading North American gold producers. The Gold Institute ceased operations in 2002, but the standard is the accepted standard of reporting cash cost of production in North America. 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. 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.

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	Three Months Ended March 31, 2018	June 30, 2018	September 30, 2018	December 31, 2018
Total Cash Costs				
Mining	$7,376	$8,087	$ 9,311	$ 9,927
Processing	4,488	4,707	5,940	4,740
Indirect mining cost	1,972	2,029	2,046	2,253
Inventory changes and others	(820)	(6,693)	(2,828)	(8,044)
Direct mining costs	13,016	8,130	14,469	8,876
Site general and administrative	732	416	576	1,685
Cash costs before by-product credits	13,748	8,546	15,045	10,561
Divided by gold produced (oz)	6,579	9,976	12,943	12,784
Cash costs per ounce of gold produced ($/oz)	2,090	857	1,162	826
Less: By-product silver credits per ounce ($/oz)	(136)	(160)	(115)	(137)
Total cash cost per ounce of gold produced on a by-product basis ($/oz)	$1,954	$697	$ 1,047	$ 689
Ore placed (tons)	806,450	943,148	930,776	843,924
Total Cash Costs ($/t placed)	18.06	16.56	19.47	21.25
Crusher mechanical availability (%)	65 %	73 %	67 %	64 %
Apparent cumulative recovery [(1)] – gold	71.5 %	69.1 %	67.1 %	67.2 %
Apparent cumulative recovery [(1)] - silver	27.1 %	27.7 %	28.5 %	27.1 %

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

	Three Months Ended March 31, 2018	June 30, 2018	September 30, 2018	December 31, 2018
Total Cash Costs				
Mining	$7,376	$8,087	$ 9,311	$ 9,927
Processing	4,488	4,707	5,940	4,740
Indirect mining cost	1,972	2,029	2,046	2,253
Inventory changes and others	(820)	(6,693)	(2,828)	(8,044)
Direct mining costs	13,016	8,130	14,469	8,876
Site general and administrative	732	416	576	1,685
Cash costs before by-product credits	13,748	8,546	15,045	10,561

Divided by gold produced (oz)	6,579	9,976	12,943	12,784
Cash costs per ounce of gold produced ($/oz)	2,090	857	1,162	826
Less: By-product silver credits per ounce ($/oz)	(136)	(160)	(115)	(137)
Total cash cost per ounce of gold produced on a by-product basis ($/oz)	$1,954	$697	$ 1,047	$ 689
Ore placed (tons)	806,450	943,148	930,776	843,924
Total Cash Costs ($/t placed)	18.06	16.56	19.47	21.25
Crusher mechanical availability (%)	65 %	73 %	67 %	64 %
Apparent cumulative recovery (1) – gold	71.5 %	69.1 %	67.1 %	67.2 %
Apparent cumulative recovery (1) - silver	27.1 %	27.7 %	28.5 %	27.1 %

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In September 2013, the World Gold Council, a non-regulatory association of the world's leading gold mining companies established to promote the use of gold to industry, consumers and investors, provided guidance for the calculation of the measure "All-in sustaining costs", which has no standard meaning under US GAAP. These standards became effective January 1, 2014. Management believes that the all-in sustaining costs measure provides additional insight into the costs of producing gold by capturing all of the expenditures required for the discovery, development and sustaining of gold production and allows the Company to assess its ability to support capital expenditures to sustain future production from the generation of operating cash flows. Management believes that, in addition to conventional measures prepared in accordance with US GAAP, certain investors use this information to evaluate our performance and ability to generate cash flow. Accordingly, it is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with US GAAP.

Golden Queen defines all-in sustaining costs as the sum of direct mining costs (as defined under total cash costs), 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.

	Three Months Ended			
	March 31, 2018	**June 30, 2018**	**September 30, 2018**	**December 31, 2018**
All-in sustaining costs				
Cash costs before by-product credits	$13,748	$8,546	$ 15,045	$ 10,561
Silver by-product	(895)	(1,598)	(1,483)	(1,484)
Total cash cost after by-product	12,853	6,948	13,562	9,077
Corporate general and administrative expenses	477	428	230	432
Share based payments	45	35	33	36
Accretion expense	42	42	42	41
Sustaining capital	2,412	2,974	190	1,484
All-in sustaining costs	15,829	10,427	14,057	11,070
Divided by gold produced (oz)	6,579	9,976	12,943	12,784
All-in sustaining costs per gold ounce on a by-product basis	$2,406	$1,045	$ 1,086	$ 866

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	Three Months Ended			
	March 31, 2017	**June 30, 2017**	**September 30, 2017**	**December 31, 2017**
All-in sustaining costs				
Cash costs before by-product credits	$12,399	$14,025	$ 16,234	$ 16,695
Silver by-product	(1,092	(915)	(810)	(1,221)
Total cash cost after by-product	11,307	13,110	15,424	15,474
Corporate general and administrative expenses	578	54	341	549
Share based payments	34	51	48	68
Accretion expense	31	32	31	32
Sustaining capital	7,288	4,781	3,990	3,303
All-in sustaining costs	19,238	18,028	19,896	19,426
Divided by gold produced (oz)	11,406	12,632	12,275	9,886
All-in sustaining costs per gold ounce on a by-product basis	$1,687	$1,427	$ 1,621	$ 1,965

Summary of Significant Accounting Policies and Estimates

The financial statements of the Company have been prepared in accordance with generally accepted accounting principles in the United States. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates which have been made using careful judgment.

Significant estimates 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 expenditures, royalty obligations, inventory valuations, asset retirement obligations, and derivative liability – warrants, some aspects of which are further described below. Actual results could differ from those estimates.

Inventory

The heap leach process extracts gold and silver by placing ore on an impermeable pad and applying a diluted cyanide solution that dissolves a portion of the contained gold and silver, which are then recovered in metallurgical processes.

The estimate of the ultimate recovery expected over time and the quantity of metal that may be extracted relative to the time the leach process occurs requires the use of estimates, which are inherently inaccurate due to the nature of the leaching process. The quantities of metal contained in the ore are based upon actual weights and assay analysis. The rate at which the leach process extracts gold and silver from the crushed ore is based upon metallurgical test column estimates. The assumptions that will be used by the Company to measure metal content during each stage of the inventory conversion process includes estimated recovery rates based on laboratory testing and assaying. The Company will periodically review its estimates compared to actual experience and revise its estimates when appropriate.

The assumptions used in determining market value for mineral inventories include estimates of gold and gold equivalents contained in the stockpile ore, heap leach pad and solution and precipitates, expected recoveries, and judgment used in determining the allocation of depletion, depreciation and amortization expense, and overhead costs that are directly attributable to inventories. If these estimates or assumptions are inaccurate, the Company may be required to write down the carrying value of its inventories, which would reduce the Company’s earnings and working capital.

During the year ended December 31, 2018, the Company recognized a net realizable value (“NRV”) write down against doré in the amount of $122. During 2018 the Company increased mined ore stockpiles. With production plans to process this inventory no earlier than 2021, these stockpiles are classified as long-term assets which resulted in an NRV write down of $403 as a result of discounting the recoverable amount of the long-term stockpile.

The rate of recovery of gold and silver from the leach pad is a significant area of estimation. While the inventory is shown as a current asset it is probable that some portion of the gold and silver on the leach pad will be recovered more than a year from the balance sheet date, depending on the length of the leaching cycle and on management's strategy for optimizing the recovery from the leach pad.

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During the year ended December 31, 2017, the Company recognized an NRV write-down in the amount of $2,071.

Mineral Interests

Costs related to the development of our mineral reserves are capitalized when an ore body is determined to be economically mineable based on proven and probable reserves and when appropriate permits are in place. The capitalized costs are amortized over the useful life of the ore body following commencement of production or written off if the property is sold or abandoned.

Upon commencement of the production phase, mining interests are depleted on a units-of-production basis over the estimated remaining economic life of the mine. In applying the units of production method, depletion is determined using the quantity of material extracted from the mine in the period as a portion of total quantity of material expected to be extracted in current and future periods based on the total estimated recoverable ounces in proven and probable reserves.

Drilling and related costs are classified as development expenditures and capitalized if all the following criteria are met:

- the costs are incurred to further define mineralization at and adjacent to existing reserve areas or intended to assist with mine planning within a reserve area;
- the drilling costs relate to an ore body that has been determined to be commercially mineable, and a decision has been made to put the ore body into commercial production; and
- at the time that the cost is incurred, the expenditure: (a) embodies a probable future benefit that involves a capacity, singly or in combination, with other assets to contribute directly or indirectly to future net cash inflows, (b) we can obtain the benefit and control access to it, and (c) the transaction or event giving rise to our right to or control of the benefit has already occurred.

Drilling and related costs not meeting all of these criteria are charged to operations as incurred.

Drilling and related costs are classified as development expenditures and capitalized if all the following criteria are met:

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

Drilling and related costs not meeting all of these criteria are charged to operations as incurred.

Asset Retirement Obligations

The estimated ARO is updated each period end to reflect changes in facts and circumstances. The principal factors that can cause the ARO to change are the construction of new processing facilities, changes in the quantities of material in proven and probable mineral reserves and a corresponding change in the life-of-mine plan, changing ore characteristics that impact required environmental protection measures and related costs, changes in water quality that impact the extent of water treatment required and changes in laws and regulations governing the protection of the environment.

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New Accounting Pronouncements

Adopted

(i) In May 2014, the FASB issued Accounting Standards Update ("ASU") 2014-09, "Revenue from Contracts with Customers (Topic 606)." The amendments in ASU 2014-09 affect any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards (e.g., insurance contracts or lease contracts). This ASU superseded the revenue recognition requirements in Topic 605, Revenue Recognition, and most industry-specific guidance, and creates a Topic 606, Revenue from Contracts with Customers. The new standard provides a five-step approach to be applied to all contracts with customers and also requires expanded disclosures about revenue recognition.

The Company has completed its assessment of the impact of the new revenue standard on the Company's consolidated financial statements and disclosures. The Company has completed the review of all contracts and determined that the adoption of this guidance has no material impact on amounts and timing of revenue recognition. The Company's revenue arises from contracts with customers in which the delivery of doré is the single performance obligation under the customer contract. Product pricing is determined at the point when contract is created by reference to active and freely traded commodity markets, for example, the London Bullion Market for both gold and silver. The Company enters into the contracts with parties who have an ability and intention to meet its obligations with respect to consideration payment, thus ensuring the collectability of such consideration. These contracts are not modified and contain no variable consideration.

(ii) 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 was effective for the Company's fiscal year and interim periods beginning after December 15, 2017. The Company adopted the guidance effective January 1, 2018 and has retrospectively applied this guidance for all periods presented. There was no material impact from adoption of this guidance.

Not Yet Adopted

(iii) 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 adoption of this standard is not expected to have a material impact on the financial statements.

Item 8. Financial Statements and Supplementary Data

The Consolidated Financial Statements of the Company and the notes thereto are attached to this report following the signature page and Certifications.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

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Item 9A. 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. No material weaknesses were identified in our internal control over financial reporting. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the company’s annual or interim financial statements will not be prevented or detected on a timely basis. As a result, 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

The Company’s internal control over financial reporting is a process designed by, or under the supervision of, the Chief Executive Officer and Chief Financial Officer, or persons performing similar functions, and effected by the Company’s board of directors, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. The Company’s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements.

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting. Management conducted an assessment of the Company's internal control over financial reporting based on the framework established by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control—Integrated Framework (2013). As a result of this assessment, management identified a material weakness in the operating effectiveness of internal controls relating to the accuracy and valuation of inventory. The material weakness could have resulted in a material understatement of inventory and the overstatement of cost of goods sold in the annual consolidated financial statements for the year ended December 31, 2018. The potential misstatement was corrected prior to the issuance of the consolidated financial statements and therefore, there were no misstatements in the Company's current or prior period consolidated financial statements.

In response to the material weaknesses described above management has established a remediation plan, which is to implement a more robust production inventory tracking model which will be included as part of quarter end processes in 2019.

Attestation Report of the Independent Registered Public Accounting Firm

This Annual Report on Form 10-K does not include an attestation report of our independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our independent registered public accounting firm pursuant to Section 404(c) of the Sarbanes-Oxley Act of 2002, as amended, which provides that issuers that are not an "accelerated filer" or "large accelerated filer" are exempt from the requirement to provide an auditor attestation report.

Changes in Internal Control

During the year ended December 31, 2018, there has been no change in the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. Other Information

None.

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PART III

Item 10. Directors, Executive Officers and Corporate Governance

Information concerning our executive officers, directors, Audit Committee, corporate governance, and compliance with Section 16(a) of the Exchange Act is contained in our definitive Proxy Statement, filed pursuant to Regulation 14A promulgated under the Securities Exchange Act of 1934 for the 2019 Annual Meeting of Stockholders (the "**Proxy Statement**") and is incorporated herein by reference.

Code of Business Conduct

The Board has adopted a Code of Business Conduct (the "**Code**"), which is distributed and applies to officers, management and employees of the Company. To ensure and monitor compliance with the Code, the Board has adopted a Whistle-blower Policy. A request for a waiver of any provision of the Code can be made in writing to the Audit Committee, however, such waiver must be approved by the Board. During the recently completed fiscal year, there was no conduct by an officer, by management or an employee that constituted a departure from the Code. The Board has also adopted a Code of Ethics for Senior Financial Officers. The Company's Code of Business Conduct and Code of Ethics for Senior Financial Officers are available on the Company's website at www.goldenqueen.com. We will post any amendments to, or waivers from, including an implicit waiver, the Code of Ethics on that website.

If a director or senior officer has a material interest in a transaction or agreement being considered by the Company, such individual is precluded from voting on the matter and the Board considers such matter without the individual present.

Item 11. Executive Compensation

Information relating to executive compensation will be contained in the Proxy Statement and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder

Information relating to security ownership of certain beneficial owners of our common shares, our equity compensation plans and the security ownership of our management will be contained in the Proxy Statement and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions

Information concerning this item will be contained in the Proxy Statement and is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services

Information concerning this item will be contained in the Proxy Statement and is incorporated herein by reference.

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PART IV

Item 15. Exhibits

Exhibit No.	Description of Exhibit	Manner of Filing
3.1	Notice of Articles	Incorporated by reference to Exhibit 3.1 to the Form 10-K of the Company, filed with the SEC on March 30, 2016
3.2	Articles	Incorporated by reference to Exhibit 3.2 to the Form 8-K of the Company, filed with the SEC on September 2, 2010
4.1	Form of Warrant Certificate	Incorporated by reference to Exhibit 4.1 to the Form 8-K of the Company, filed with the SEC on July 28, 2016
4.2	Warrant Indenture dated July 25, 2016	Incorporated by reference to Exhibit 4.1 to the Form 8-K of the Company, filed with the SEC on July 25, 2016
10.1	Second Amended and Restated Term Loan Agreement dated as of November 21, 2016 among the Company, the Landon T. Clay 2009 Irrevocable Trust Dated March 6, 2009, EHT, LLC, and the Clay Family 2009 Irrevocable Trust Dated April 14, 2009	Incorporated by reference to Exhibit 10.1 to the Form 8-K of the Company, filed with the SEC on November 25, 2016
10.2	Form of Share Purchase Warrants of the Company dated November 21, 2016	Incorporated by reference to Exhibit 10.2 to the Form 8-K of the Company, filed with the SEC on November 25, 2016
10.3	Amended and Restated Indemnity Agreement dated November 21, 2016 between the Company and the Clay Family Holders	Incorporated by reference to Exhibit 10.3 to the Form 8-K of the Company, filed with the SEC on November 25, 2016
10.4	Underwriting Agreement dated July 18, 2016 between the Company, Cormark Securities Inc. and M Partners Inc.	Incorporated by reference to Exhibit 1.1 to the Form 8-K of the Company, filed with the SEC on July 18, 2016
10.5	Bought Deal Letter dated July 14, 2016 between the Company and Cormark Securities Inc.	Incorporated by reference to Exhibit 1.1 to the Form 8-K of the Company, filed with the SEC on July 14, 2016
10.6	Amendment to Pledge Agreement between the Company, Golden Queen Mining Holdings Inc., Golden Queen Mining Canada Ltd., The Landon T. Clay 2009 Irrevocable Trust Dated March 6, 2009 and Jonathan C. Clay dated February 27, 2015	Incorporated by reference to Exhibit 10.1 to the Form 10-Q of the Company, filed with the SEC on May 11, 2015

10.7	Amended and Restated Term Loan Agreement dated June 8, 2015 among the Company, The Landon T. Clay 2009 Irrevocable Trust Dated March 6, 2009, EHT, LLC, Harris Clay, and The Clay Family 2009 Irrevocable Trust Dated April 14, 2009	Incorporated by reference to Exhibit 10.1 to the Form 8-K of the Company, filed with the SEC on June 9, 2015

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10.8	Amended and Restated Guaranty dated June 8, 2015 among Golden Queen Mining Holdings Inc., Golden Queen Mining Canada Ltd., The Landon T. Clay 2009 Irrevocable Trust Dated March 6, 2009, EHT, LLC, Harris Clay and The Clay Family 2009 Irrevocable Trust Dated April 14, 2009	Incorporated by reference to Exhibit 10.2 to the Form 8-K of the Company, filed with the SEC on June 9, 2015
10.9	Amended and Restated Pledge Agreement dated June 8, 2015 among the Company, Golden Queen Mining Holdings Inc., Golden Queen Mining Canada Ltd., The Landon T. Clay 2009 Irrevocable Trust Dated March 6, 2009, EHT, LLC, Harris Clay and The Clay Family 2009 Irrevocable Trust Dated April 14, 2009	Incorporated by reference to Exhibit 10.3 to the Form 8-K of the Company, filed with the SEC on June 9, 2015
10.10	Amended and Restated Registration Rights Agreement dated June 8, 2015 among the Company, The Landon T. Clay 2009 Irrevocable Trust Dated March 6, 2009, EHT, LLC, Harris Clay and The Clay Family 2009 Irrevocable Trust Dated April 14, 2009	Incorporated by reference to Exhibit 10.4 to the Form 8-K of the Company, filed with the SEC on June 9, 2015
10.11	Amended and Restated Option Agreement dated June 8, 2015 among Gauss LLC, Gauss Holdings LLC, Auvergne, LLC, The Landon T. Clay 2009 Irrevocable Trust Dated March 6, 2009, EHT, LLC, Harris Clay, The Clay Family 2009 Irrevocable Trust Dated April 14, 2009, Golden Queen Mining Canada Ltd. and Golden Queen Mining Holdings Inc.	Incorporated by reference to Exhibit 10.5 to the Form 8-K of the Company, filed with the SEC on June 9, 2015
10.12	Indemnity Agreement between the Company and the Clay Family Holders dated June 8, 2015	Incorporated by reference to Exhibit 10.6 to the Form 8-K of the Company, filed with the SEC on June 9, 2015
10.13	Form of Share Purchase Warrants of the Company dated June 8, 2015	Incorporated by reference to Exhibit 10.7 to the Form 8-K of the Company, filed with the SEC on June 9, 2015
10.14	Mining Lease dated April 22, 1986 between the Company, Southwestern Refining Corporation, and Claude and Mary J.Birtle, and amendment dated March 23, 2007	Incorporated by reference to Exhibit 10.2 to the Form 10-K/A of the Company, filed with the SEC on January 14, 2011
10.15#	2013 Stock option plan of the Company.	Incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed with the SEC on September 24, 2013
10.16#	Employment Agreement dated September 18, 2013 between the Company and Andree St-Germain	Incorporated by reference to Exhibit 10.1 of the Company's Form 10-Q filed with the SEC on May 12, 2014
10.17	Transaction Agreement among the Company, Golden Queen Mining Company, Inc., Gauss LLC, Gauss Holdings LLC, and Auvergne, LLC dated June 8, 2014	Incorporated by reference to Exhibit 10.1 to the Form 8-K of the Company, filed with the SEC on June 12, 2014

10.18	Registration Rights Agreement between the Company and Gauss Holdings LLC dated June 8, 2014	Incorporated by reference to Exhibit 10.3 to the Form 8-K of the Company, filed with the SEC on June 12, 2014

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10.19	Registration Rights Agreement between the Company and Auvergne, LLC dated June 8, 2014	Incorporated by reference to Exhibit 10.4 to the Form 8-K of the Company, filed with the SEC on June 12, 2014
10.20	Amended and Restated Limited Liability Company Agreement between the Company, Golden Queen Mining Company, LLC, Gauss LLC, and Golden Queen Mining Holdings, Inc. dated September 15, 2014	Incorporated by reference to Exhibit 10.5 to the Form 8-K of the Company, filed with the SEC on September 16, 2014
10.21	Standby Guaranty Agreement dated November 10, 2017	Incorporated by reference to Exhibit 10.1 to the Form 8-K of the Company, filed with the SEC on November 16, 2017
10.22	Employment Agreement with Guy Le Bel	Incorporated by reference to Exhibit 10.1 to the Form 8-K of the Company, filed with the SEC on March 20, 2017
10.23	Revolving Credit Agreement between Golden Queen Mining Holdings, Inc., GQM Holdings, Golden Queen Mining Company, LLC Gauss LLC, Gauss Holdings LLC and Auvergne, LLC, dated October 12, 2018	Incorporated by reference to Exhibit 10.3 to the Form 10-Q of the Company, filed with the SEC on November 8, 2018
10.24	Share Purchase Agreement between the Company, and Estate of Landon Thomas Clay, Thomas M. Clay, Lavinia D. Clay, Cassius M.C. Clay, Landon H. Clay, Richard T. Clay, Jonathan Clay, James Clay, Clay Family 2009 Irrevocable Trust, LTC 2009 Irrevocable Trust, EHT, LLC, Monadnock Charitable Lead Annuity Trust dated May 31, 1996, Arctic Coast Petroleums, Ltd., and 933 Milledge, LLC, dated February 7, 2019	Incorporated by reference to Exhibit 10.1 to the Form 8-K of the Company, filed with the SEC on February 11, 2019

21.1	Subsidiaries of the Company	Filed herewith
23.1	Consent of PricewaterhouseCoopers, LLP	Filed herewith
23.2	Consent of Sean Ennis	Filed herewith
23.3	Consent of Michael M. Gustin	Filed herewith
31.1	Rule 13a-14(a)/15(d)-14(a) Certification (CEO)	Filed herewith
31.2	Rule 13a-14(a)/15(d)-14(a) Certification (CFO)	Filed herewith
32.1	Section 1350 Certification (CEO)	Filed herewith
32.2	Section 1350 Certification (CFO)	Filed herewith
95.1	Mine Safety Disclosure	Filed herewith
101	101.INS	XBRL Instance Document
	101.SCH	XBRL Taxonomy Extension – Schema
	101.CAL	XBRL Taxonomy Extension – Calculations
	101.DEF	XBRL Taxonomy Extension – Definitions

101.LAB	XBRL Taxonomy Extension – Labels
101.PRE	XBRL Taxonomy Extension – Presentations

GOLDEN QUEEN MINING CO. LTD.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

GOLDEN QUEEN MINING CO. LTD.

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

Date: March 25, 2019

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	**Title**	**Date**
/s/ Guy Le Bel Guy Le Bel	Principal Executive, Accounting & Financial Officer	March 25, 2019
/s/ Bryan A. Coates Bryan A. Coates	Director	March 25, 2019
/s/ Paul M. Blythe Paul M. Blythe	Director	March 25, 2019
/s/ Bernard Guarnera Bernard Guarnera	Director	March 25, 2019

Golden Queen Mining Co. Ltd.

Audited Consolidated Financial Statements

For the years ended December 31, 2018 and 2017

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of Golden Queen Mining Co. Ltd.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Golden Queen Mining Co. Ltd. and its subsidiaries (together, the Company) as of December 31, 2018 and 2017, and the related consolidated statements of loss and comprehensive loss, shareholders’ equity, non-controlling interest and redeemable portion of non-controlling interest and cash flows for the years then ended, including the related notes (collectively referred to as the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and their results of operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America (US GAAP).

Substantial Doubt About the Company's Ability to Continue as a Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Company has negative working capital and cash outflows from operating activities that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits of these consolidated financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

PricewaterhouseCoopers LLP

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants

Vancouver, Canada

March 25, 2019

We have served as the Company's auditor since 2016.

GOLDEN QUEEN MINING CO. LTD.

Consolidated Balance Sheets

(amounts expressed in thousands of US dollars)

	December 31, 2018	**December 31, 2017**
Assets		
Current assets:		
Cash	$ 5,725	$ 2,937
Inventories (Note 4)	25,031	9,028
Prepaid expenses and other current assets	467	699
Total current assets	31,223	12,664
Restricted cash (Note 5)	1,005	-
Deferred financing cost (Note 14(v))	3,314	-
Property, plant, equipment and mineral interests (Note 6)	135,818	141,848
Advance minimum royalties	497	304
Inventories (Note 4)	6,913	-
Total Assets	$ 178,770	$ 154,816
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 6,899	$ 6,320
Interest payable	773	664
Credit facility (Note 14 (v))	-	3,000
Current portion of note payable (Note 14 (ii))	24,690	7,712
Current portion of loan payable (Note 7)	6,578	7,629
Derivative liabilities (Note 8)	3,390	441
Total current liabilities	42,330	25,766
Credit facility (Note 14 (v))	5,000	-
Note payable (Note 14 (ii))	-	22,387
Loan payable (Note 7)	5,622	9,614
Asset retirement obligation (Note 9)	2,497	1,838
Deferred tax liability (Note 10)	8,588	8,197
Total liabilities	64,037	67,802
Temporary Equity		
Redeemable portion of non-controlling interest (Note 14 (iv))	24,286	24,214
Shareholders' Equity		
Common shares, no par value, unlimited shares authorized (2017 - unlimited); 300,101,444 (2017 – 111,148,683) shares issued and outstanding (Note 11)	95,575	71,126
Additional paid-in capital	44,002	43,853
Deficit accumulated	(95,559)	(88,500)
Total shareholders' equity attributable to GQM Ltd.	44,018	26,479
Non-controlling interest (Note 14 (iv))	46,429	36,321
Total Shareholders' Equity	90,447	62,800

Total Liabilities, Temporary Equity and Shareholders’ Equity	$ 178,770	$ 154,816

Going Concern (Note 2)

Commitments and Contingencies (Note 16)

Subsequent Events (Note 18)

Approved by the Directors:

“Paul M. Blythe”	*“Bryan A. Coates”*
Paul M. Blythe, Director	Bryan A. Coates, Director

See Accompanying Summary of Accounting Policies and Notes to Consolidated Financial Statements

GOLDEN QUEEN MINING CO. LTD.

Consolidated Statements of Loss and Comprehensive Loss

(amounts expressed in thousands of US dollars, except shares amounts)

	Year Ended December 31, 2018	Year Ended December 31, 2017
Revenues		
Metal Sales	$ 58,403	$ 62,121
Cost of Sales		
Direct mining costs	(44,491)	(56,131)
Depreciation and depletion (Note 6)	(9,678)	(11,955)
Accretion expense	(167)	(126)
Income (Loss) from mine operations	4,067	(6,091)
General and administrative expenses (Note 12)	(5,095)	(5,235)
Operating loss	(1,028)	(11,326)
Other income (expenses)		
Gain on derivative instruments (Note 8)	365	5,989
Finance expense (Note 14 (iii))	(5,925)	(5,217)
Interest income	134	88
Other expenses	(34)	(434)
Total other income (expenses)	(5,460)	426
Loss for the year before income taxes	$ (6,488)	$ (10,900)
Income tax (expense) benefit (Note 10)	(391)	4,725
Net and comprehensive loss for the year	(6,879)	(6,175)
Less: Net and comprehensive loss attributable to the non-controlling interest for the period (Note 14 (iv))	(180)	5,010
Net and comprehensive loss attributable to Golden Queen Mining Co Ltd. for the year	$ (7,059)	$ (1,165)
Loss per share – basic (Note 13)	$ (0.03)	$ (0.01)
Loss per share – diluted (Note 13)	$ (0.03)	$ (0.01)
Weighted average number of common shares outstanding -basic	272,664,468	111,140,464
Weighted average number of common shares outstanding - diluted	272,664,468	111,140,464

See Accompanying Summary of Accounting Policies and Notes to Consolidated Financial Statements

GOLDEN QUEEN MINING CO. LTD.

Consolidated Statements of Shareholders' Equity, Non-controlling Interest and Redeemable Portion of Non-controlling Interest

(amounts expressed in thousands of US dollars, except shares amounts)

	Common shares	Amount	Additional Paid-in Capital	Deficit Accumulated	Total Shareholders' Equity attributable to GQM Ltd	Non-controllng Interest	Total Shareholdes' Equity	Redeemable Portion of Non-controlling Interest
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 11)	100,000	59	-	-	59	-	59	-
Stock-based compensation	-	-	201	-	201	-	201	-
Net loss for the year	-	-	-	(1,165)	(1,165)	(3,006)	(4,171)	(2,006)
Balance, December 31, 2017	111,148,683	$71,126	$43,853	$(88,500)	$26,479	$36,321	$62,800	$24,214
Issuance of common shares (Note 11)	188,952,761	24,449	-	-	24,449	-	24,449	-
Capital contribution from non-controlling interest	-	-	-	-	-	10,000	10,000	-
Stock-based compensation	-	-	149	-	149	-	149	-
Net loss for the year	-	-	-	(7,059)	(7,059)	108	(6,951)	72
Balance, December 31, 2018	300,101,444	$95,575	$44,002	$(95,559)	$44,018	$46,429	$90,447	$24,286

See Accompanying Summary of Accounting Policies and Notes to Consolidated Financial Statements

GOLDEN QUEEN MINING CO. LTD.

Consolidated Statements of Cash Flows

(amounts expressed in thousands of US dollars)

	Year Ended December 31, 2018	**Year Ended December 31, 2017**
Operating Activities		
Net loss for the year	$ (6,879)	$ (6,175)
Adjustment to reconcile net loss to cash used in operating activities:		
Depreciation and depletion	9,678	11,955
Amortization of debt discount and interest accrual	2,302	1,540
Accretion expense	167	126
Change in fair value of derivative liabilities (Note 8)	(365)	(5,989)
Stock based compensation	149	201
Unrealized foreign exchange loss (gain)	40	(7)
Loss on disposal of property, plant, equipment and mineral interests	-	434
Deferred income taxes	391	(4,725)
Changes in non-cash working capital items:		
Prepaid expenses & other current assets	232	(88)
Inventory	(19,034)	1,913
Accounts payable & accrued liabilities	(318)	2,177
Interest payable	773	2,580
Cash generated from (used in) operating activities	(12,864)	3,942
Investment activities:		
Additions to property, plant, equipment and mineral interests	(3,925)	(11,173)
Cash used in investing activities	(3,925)	(11,173)
Financing activity:		
Issuance of common shares (Note 11)	24,449	59
Proceeds from credit facility	5,000	3,000
Repayment of credit facility	(3,000)	-
Repayments of loan payable (Note 7)	(8,156)	(6,192)
Repayments of note payable and accrued interest (Note 14 (ii))	(7,711)	-
Capital contribution from non-controlling interest	10,000	-
Cash generated from (used in) financing activities	20,582	(3,133)
Net change in cash, cash equivalents and restricted cash	3,793	(10,364)
Cash, cash equivalents and restricted cash, beginning balance	2,937	13,301
Cash, cash equivalents and restricted cash, ending balance	$ 6,730	$ 2,937

Supplementary Disclosures of Cash Flow Information (Note 15)

See Accompanying Summary of Accounting Policies and Notes to Consolidated Financial Statements

GOLDEN QUEEN MINING CO. LTD.

Notes to Consolidated Financial Statements

For the Years Months Ended December 31, 2018 and 2017

(amounts expressed in thousands of US dollars, except share amounts)

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. Basis of Presentation and Going Concern

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (“US GAAP”) applicable to going concern.

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 consolidated 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.

The Company's access to the net assets of GQM LLC is determined by the Board of Managers of GQM LLC. The Board of Managers is not controlled by the Company and therefore there is no guarantee that any access to the net assets of GQM LLC would be provided to the Company in order to continue as a going concern. The Board of Managers of GQM LLC determine when and if distributions from GQM LLC are made to the holders of its membership units at their sole discretion.

The Company was required to pay the following amounts to the Clay Group on the following dates: $1.7 million of interest and principal on January 1, 2019, $3.9 million of interest and principal on April 1, 2019 and $21.7 million of interest and principal on May 21, 2019. On December 27, 2018, the Company and the Clay Group agreed to postpone the January 1, 2019 $1.7 million of interest and principal payment until February 1, 2019 for a restructuring fee of $125. On January 31, 2019, the Company and the Clay Group agreed to an additional extension to February 8, 2019. On February 9, 2019, the parties agreed to defer payment of interest and principal until completion of the share purchase agreement (see Note 18).

As at December 31, 2018, the Company had a working capital deficit of $11.1 million and during the year ended December 31, 2018, the cash used in operating activities was $12.8 million. The Company is currently unable to repay the interest and principal payments due on the November 2017 Loan. 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 2019 budget and Life of Mine Plan and the results for the year ended December 31, 2018 and has determined it is unlikely it will receive sufficient distributions from GQM LLC during this fiscal year to service its debt in early 2019. This situation raises substantial doubt about the Company's ability to continue as a going concern. Consequently, since the third quarter of 2018, the Company had pursued discussions with the Clay Group to restructure the reimbursement of the debt payments. See Note 18, Subsequent Events. While the Company has been successful in re-negotiating the debt repayment terms with the Clay Group in the past, there can be no assurance that will be achieved going forward.

The consolidated 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.

GOLDEN QUEEN MINING CO. LTD.

Notes to Consolidated Financial Statements

For the Years Months Ended December 31, 2018 and 2017

(amounts expressed in thousands of US dollars, except share amounts)

3. Summary of Accounting Policies, Estimates and Judgements

Cash and Cash Equivalents For purposes of balance sheet classification and the statements of cash flows, the Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

The Company places its cash and cash equivalents with high quality financial institutions. At times, such cash deposits may be in excess of Federal Deposit Insurance Corporation insurance limits. To date, the Company has not experienced a loss or lack of access to its cash and cash equivalents. However, no assurance can be provided that access to the Company’s cash and cash equivalents will not be impacted by adverse economic conditions in the financial markets.

Inventories Included in inventories are stockpiled ore, in-process inventory, doré, and operating materials and supplies. The classification of inventory is determined by the stage at which the ore is in the production process. All inventories are stated at the lower of weighted average cost or net realizable value. Cost includes direct labor, materials, depreciation, depletion and amortization as well as overhead costs relating to mining activities. Net realizable value represents the estimated future sales price of the product based on current and long-term metals prices, less the estimated costs to complete production and bring the product to sale. Any write-downs of inventory to net realizable value are recorded as cost of sales.

Stockpiled ore inventory represents ore that has been extracted from the mine and is available for further processing. Costs added to stockpiled ore inventory are valued based on current mining cost per tonne incurred up to the point of stockpiling the ore and are transferred to the next process at the weighted average cost per equivalent ounce. Stockpiled ore tonnage is verified by periodic surveys and physical counts. Stockpiled inventory is treated as a current or a non-current asset depending on the estimate period of further processing.

In process inventory includes ore on heap leach pad and inventories in the solution and precipitate process. Finished goods inventory includes metals in their final stage of production prior to sale, including doré.

The heap leach process extracts silver and gold by placing ore on an impermeable pad and applying a diluted cyanide solution that dissolves a portion of the contained silver and gold, which are then recovered in metallurgical processes.

Materials and supplies inventories are valued at the lower of weighted average cost and net realizable value. Costs include acquisition, freight and other directly attributable costs.

The estimate of the ultimate recovery expected over time and the quantity of metal that may be extracted relative to the time the leach process occurs requires the use of estimates, which are inherently inaccurate due to the nature of the leaching process. The quantities of metal contained in the ore are based upon actual weights and assay analysis. The rate at which the leach process extracts gold and silver from the crushed ore is based upon metallurgical test column estimates. The assumptions that are used by the Company to measure metal content during each stage of the inventory conversion process include estimated recovery rates based on laboratory testing and assaying. The Company periodically reviews its estimates compared to actual experience and revises its estimates when appropriate.

The assumptions used in determining net realizable value for mineral inventories include estimates of gold and gold equivalents contained in the stockpile ore, heap leach pad and solution and precipitates, expected recoveries, and judgment used in determining the allocation of depletion, depreciation and amortization expense, and overhead costs that are directly attributable to inventories. If these estimates or assumptions are inaccurate, the Company may be required to write down the carrying value of its inventories.

Mineral Interests Costs related to the development of our mineral reserves are capitalized when an ore body is determined to be economically mineable based on proven and probable reserves and when appropriate permits are in place. The capitalized costs are amortized over the useful life of the ore body following commencement of production or written off if the property is sold or abandoned.

Upon commencement of the production phase, mining interests are depleted on a units-of-production basis over the estimated remaining economic life of the mine. In applying the units of production method, depletion is determined using the quantity of material extracted from the mine in the period as a portion of total quantity of material expected to be extracted in current and future periods based on the total estimated recoverable ounces in proven and probable reserves.

GOLDEN QUEEN MINING CO. LTD.

Notes to Consolidated Financial Statements

For the Years Months Ended December 31, 2018 and 2017

(amounts expressed in thousands of US dollars, except share amounts)

3. Significant Accounting Policies, Estimates and Judgements (continued)

Drilling and related costs are classified as development expenditures and capitalized if all the following criteria are met:

- the costs are incurred to further define mineralization at and adjacent to existing reserve areas or intended to assist with mine planning within a reserve area;
- the drilling costs relate to an ore body that has been determined to be commercially mineable, and a decision has been made to put the ore body into commercial production; and
- at the time that the cost is incurred, the expenditure: (a) embodies a probable future benefit that involves a capacity, singly or in combination, with other assets to contribute directly or indirectly to future net cash inflows, (b) we can obtain the benefit and control access to it, and (c) the transaction or event giving rise to our right to or control of the benefit has already occurred.

Drilling and related costs not meeting all of these criteria are charged to operations as incurred.

Property, Plant and Equipment Are recorded at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment includes the purchase price or construction cost, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use, and borrowing costs related to the acquisition or construction of qualifying assets. Assets under construction are recorded at cost and reallocated to machinery and mine equipment when they become available for use.

Depreciation is calculated using either the straight-line method or using the units-of-production method over the shorter of the estimated service lives of the respective assets or the expected life of mine. Depreciation commences when the asset is in the condition and location necessary for it to operate in the manner intended by management.

Mineral property interests and claims	Units-of-production

Mine development	Units-of-production
Machinery and mine equipment	7 – 12 years
Buildings and structures	5 - 12 years
Vehicles	3 – 5 years
Computer equipment and software	3 years
Asset retirement cost	Units-of-production
Capitalized interest	Units-of-production

Capitalization of certain mine construction costs ceases and expenditures are either variable production costs as a component of inventory or expensed as incurred once production commences. Depletion of capitalized costs for mining properties and depreciation and amortization of property, plant and equipment also begins when the production phase commences.

Capitalized Interest For significant exploration and development projects, interest is capitalized as part of the historical cost of developing and constructing assets in accordance with ASC 835-20 ("capitalization of interest"). Interest is capitalized until the asset is available for use. Capitalized interest is determined by multiplying the Company’s weighted-average borrowing cost on general debt by the average amount of qualifying costs incurred.

Once an asset subject to interest capitalization is completed and available for use, the associated capitalized interest is expensed through depletion or impairment. See *Note 14(iii) - Amortization of Discount and Interest Expense.*

Valuation of Long-lived Assets The Company reviews and evaluates its long-lived assets for impairment when events or changes in circumstances indicate that the related carrying amounts may not be recoverable. Asset impairment is considered to exist if the total estimated undiscounted pre-tax future cash flows are less than the carrying amount of the asset. In estimating future cash flows, assets are grouped at the lowest level for which there is identifiable cash flows that are largely independent of future cash flows from other asset groups. An impairment loss is measured and recorded based on discounted estimated future cash flows. Future cash flows are calculated based on estimated quantities of recoverable minerals, expected silver and gold prices (considering current and historical prices, trends and related factors), production levels, operating costs, capital requirements and reclamation costs, all based on life-of mine plans.

GOLDEN QUEEN MINING CO. LTD.

Notes to Consolidated Financial Statements

For the Years Months Ended December 31, 2018 and 2017

(amounts expressed in thousands of US dollars, except share amounts)

3. Significant Accounting Policies, Estimates and Judgements (continued)

Existing proven and probable reserves are included when determining the fair value of mine site asset groups at acquisition and, subsequently, in determining whether the assets are impaired. The term "recoverable minerals" refers to the estimated amount of silver and gold that are expected to be obtained after taking into account losses during ore processing and treatment.

Gold and silver prices are volatile and affected by many factors beyond the Company's control, including prevailing interest rates and returns on other asset classes, expectations regarding inflation, speculation, currency values, governmental decisions regarding precious metals stockpiles, global and regional demand and production, political and economic conditions and other factors may affect the key assumptions used in the Company's impairment testing. Various factors could impact our ability to achieve forecasted production levels from proven and probable reserves. Additionally, production, capital and reclamation costs could differ from the assumptions used in the cash flow models used to assess impairment. Actual results may vary from the Company's estimates and result in additional impairment charges.

Foreign Currency Translation The Company's functional and reporting currency, the US dollar, is the primary economic currency in which the Company operates. Assets and liabilities in foreign currencies are translated into US dollars at the exchange rate on the balance sheet date. Expenses are translated at exchange rates on the date of the transaction. Where amounts denominated in a foreign currency are converted into US dollars by remittance or repayment, the realized exchange differences are included in other income.

Earnings (Loss) Per Share Basic earnings (loss) per share is computed as net income (loss) attributed to the Company divided by the weighted average number of common shares outstanding for the period. Diluted earnings (loss) per share reflects the potential dilution that could occur from common shares issuable through stock options, warrants and convertible instruments. Net income attributable to any non-controlling interest is not included in the calculation of the basic and diluted earnings (loss) per share.

Asset Retirement Obligations Asset retirement obligations (''AROs'') arise from the acquisition, development and construction of mining properties and plant and equipment due to government controls and regulations that protect the environment on the closure and reclamation of mining properties. The major parts of the carrying amount of AROs relate to tailings and heap leach pad closure and rehabilitation, demolition of buildings and mine facilities, ongoing water treatment and ongoing care and maintenance of closed mines. The Company recognizes an ARO at the time the environmental disturbance occurs. When the ARO provision is recognized, the corresponding cost is capitalized to property, plant, equipment and mineral interests and depreciated over the life of the related assets.

The timing of the actual environmental remediation expenditures is dependent on a number of factors such as the life and nature of the asset, the operating license conditions and the environment in which the mine operates. Reclamation provisions are initially measured at the expected value of future cash flows discounted to their present value using a credit adjusted risk-free interest rate. If the expected present value increases, the increase gives rise to a new obligation accounted for separately just as the reclamation provision was originally measured but using current market value assumptions, and the current credit-adjusted risk-free rate. AROs are adjusted each period to reflect the passage of time (accretion). Upon settlement of an ARO, the Company records a gain or loss if the actual cost differs from the carrying amount of the ARO. Settlement gains/losses are recorded in the consolidated statements of comprehensive income (loss).

The estimated ARO is updated each period end to reflect changes in facts and circumstances. The principal factors that can cause the ARO to change are the construction of new processing facilities, changes in the quantities of material in proven and probable mineral reserves and a corresponding change in the life-of-mine plan, changing ore characteristics that impact required environmental protection measures and related costs, changes in water quality that impact the extent of water treatment required and changes in laws and regulations governing the protection of the environment.

GOLDEN QUEEN MINING CO. LTD.

Notes to Consolidated Financial Statements

For the Years Months Ended December 31, 2018 and 2017

(amounts expressed in thousands of US dollars, except share amounts)

3. Significant Accounting Policies, Estimates and Judgements (continued)

Estimates The preparation of financial statements in conformity with 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 expenditures, royalty obligations, inventory valuations, asset retirement obligations, and derivative liability – warrants. Actual results could differ from those estimates.

Fair Value of Financial Instruments The carrying amounts reported in the balance sheets for cash, receivables, accounts payable and accrued liabilities and interest payable approximate fair values because of the immediate or short-term maturity of these financial instruments. The fair value of the short-term and long-term loans payable approximate their carrying values because the interest rates are based on the market rates. The fair value of the short and long-term portions of the notes payable approximates their carrying value and have been estimated based on discounted cash flows using interest rates being offered for similar debt instruments. The carrying amount of the notes payable are being recorded at amortized cost using the effective interest rate method.

The notes payable were initially recorded at fair value less financing costs and are measured at each period end at amortized cost. The derivative liability relating to the share purchase warrants issued by the Company as part of the consideration for the holders of the notes payable is recorded at fair value using the binomial and the Black-Scholes valuation models at each reporting period.

Revenue Recognition The Company produces gold and silver dore. Revenue is recognized at the point of transfer of control of the gold and silver dore to the buyer and when collectability is reasonably assured. Title and the risks and rewards of ownership pass to the buyer based on terms of the sales contract. Product pricing is determined at the point revenue is recognized by reference to active and freely traded commodity markets, for example, the London Bullion Market for both gold and silver, in an identical form to the product sold.

Income Taxes The Company follows the asset and liability method of accounting for income taxes whereby the deferred tax assets and liabilities are recognized for the future tax consequences of differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. If it is determined that the realization of a future tax benefit is not more likely than not, the Company establishes a valuation allowance.

Stock-based Compensation Compensation costs are charged to the consolidated statements of income (loss) and comprehensive income (loss). Compensation costs for employees are amortized over the period from the grant date to the date the options vest. Compensation expense for non-employees is recognized immediately for past services and pro-rata for future services over the service provision period.

The Company accounts for stock-based compensation awards granted to non-employees in accordance with FASB ASC Topic 505-50, *Equity-Based Payments to Non-Employees, or* ASC 505-50. Under ASC 505-50, we determine the fair value of the stock-based compensation awards granted as either the fair value of the consideration received or the fair value of the equity instruments issued, whichever is more reliably measurable. If the fair value of equity instruments issued is used, it is measured using the stock price and other measurement assumptions as of the earlier of either (1) the date at which commitment for performance by the counterparty to earn the equity instruments is reached, or (2) the date at which the counterparty's performance is complete.

The Company uses the Black-Scholes option valuation model to calculate the fair value of stock options at the date of grant. Option pricing models require the input of highly subjective assumptions, including the expected price volatility. Changes in these assumptions can materially affect the fair value estimate.

Derivative Financial Instruments The Company reviews the terms of its equity instruments and other financing arrangements to determine whether or not there are embedded derivative instruments that are required to be accounted for separately as a derivative financial instrument. Also, in connection with the issuance of financing instruments, the Company may issue freestanding options or warrants that may, depending on their terms, be accounted for as derivative instrument liabilities, rather than as equity. The Company may also issue options or warrants to non-employees in connection with consulting or other services.

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Notes to Consolidated Financial Statements

For the Years Months Ended December 31, 2018 and 2017

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3. Significant Accounting Policies, Estimates and Judgements (continued)

Derivative financial instruments are measured at their fair value. For derivative financial instruments that are accounted for as liabilities, the derivative instrument is initially recorded at its fair value and is then re-valued at each reporting date, with changes in the fair value reported as charges or credits to profit or loss. For warrant-based derivative financial instruments, the Company uses the Black-Scholes option pricing model to estimate fair value of the derivative instruments. For more complex derivative financial instruments, the Company uses the binomial pricing model to estimate fair value of the derivative instrument.

Derivative instrument liabilities are classified in the balance sheet as current or non-current based on whether net-cash settlement of the derivative instrument could be required within 12 months of the balance sheet date.

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

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

The non-controlling interest in permanent equity represents the portion of the non-controlling interest that is not convertible. Please refer to Note 14 (iv) for details.

New Accounting Pronouncements

Adopted

(i) In May 2014, the FASB issued Accounting Standards Update (“ASU”) 2014-09, “Revenue from Contracts with Customers (Topic 606).” The amendments in ASU 2014-09 affect any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards (e.g., insurance contracts or lease contracts). This ASU superseded the revenue recognition requirements in Topic 605, Revenue Recognition, and most industry-specific guidance, and creates a Topic 606, Revenue from Contracts with Customers. The new standard provides a five-step approach to be applied to all contracts with customers and also requires expanded disclosures about revenue recognition.

The Company adopted Topic 606 effective January 1, 2018. The Company has completed its assessment of the impact of the new revenue standard on the Company's consolidated financial statements and disclosures. The Company has completed the review of all contracts and determined that the adoption of this guidance has no material impact on amounts and timing of revenue recognition. The adoption of the new standard had no impact on either our current or prior revenue recognition processes or reporting. Electing the modified retrospective basis for implementing the standard results in no changes to prior financial reports.

The Company's revenue arises from contracts with customers in which the delivery of doré is the single performance obligation under the customer contract. Product pricing is determined at the point when contract is created by reference to active and freely traded commodity markets, for example, the London Bullion Market for both gold and silver. The Company enters into the contracts with parties who have an ability and intention to meet its obligations with respect to consideration payment, thus ensuring the collectability of such consideration. These contracts are not modified and contain no variable consideration.

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3. Significant Accounting Policies, Estimates and Judgements (continued)

(ii) 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 was effective for the Company's fiscal year and interim periods beginning after December 15, 2017. The Company adopted the guidance effective January 1, 2018 and has retrospectively applied this guidance for all periods presented. There was no material impact from adoption of this guidance.

Not Yet Adopted

(iii) 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 adoption of this standard is not expected to have a material impact on the financial statements.

4. 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:

	December 31,	December 31,

	2018	2017
Stockpile inventory	$ 6,913	$ 201
In-process inventory	21,607	6,495
Dore inventory	761	320
Supplies and spare parts	2,663	2,012
	$ 31,944	$ 9,028
Current portion	$ 25,031	$ 9,028
Non-current portion	$ 6,913	$ -

During the year ended December 31, 2018, the Company recognized a net realizable value (“NRV”) write down against dore in the amount of $122. During 2018 the Company increased mined ore stockpiles. With production plans to process this inventory no earlier than 2021, these stockpiles are classified as long-term assets which resulted in an NRV write down of $403 as a result of discounting the recoverable amount of the long-term stockpile.

The rate of recovery of gold and silver from the leach pad is a significant area of estimation. Whilst inventory is shown as a current asset it is probable that some portion of the gold and silver on the leach pad will be recovered more than a year from the balance sheet date, depending on the length of the leaching cycle and on management's strategy for optimizing the recovery from the leach pad.

During the year ended December 31, 2017, the Company recognized an NRV write-down in the amount of $2,071.

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5. Restricted Cash

The Company's restricted cash consists of the following*:*

	December 31, 2018	**December 31, 2017**
Certificate of Deposit	$ 1,005	$ -

The surety required a certificate of deposit to bond reclamation requirements of regulatory agencies. (see Note 9)

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, 2016	$3,893	$ 4,241	$ 42,033	$ 60,201	$ 28,604	$ 543	$ 5,886	$ 145,401
Additions	98	817	354	17	-	19,597	-	20,883
Transfers	-	222	8,625	11,239	-	(20,086)	-	-
Disposals	(22)	-	(239)	(1,391)	(207)	-	-	(1,859)
At December 31, 2017	$3,969	$ 5,280	$ 50,773	$ 70,066	$ 28,397	$ 54	$ 5,886	$ 164,425

Additions	173	5	492	-	-	6,902	-	7,572
Transfers	(5)	550	711	5,375	48	(6,679)	-	-
Disposals	-	-	-	(213)	-	-	-	(213)
At December 31, 2018	$4,137	$ 5,835	$ 51,976	$ 75,228	$ 28,445	$ 277	$ 5,886	$171,784
Accumulated depreciation and depletion								
At December 31, 2016	$-	$ 67	$ 971	$ 7,129	$ 2,679	$ -	$ 5	$10,851
Additions	-	261	2,444	6,489	2,358	-	466	12,018
Disposals	-	-	-	(265)	(27)	-	-	(292)
At December 31, 2017	$-	$ 328	$ 3,415	$ 13,353	$ 5,010	$ -	$ 471	$22,577
Additions	-	278	2,682	7,789	2,357	-	430	13,536
Disposals	-	-	-	(147)	-	-	-	(147)
At December 31, 2018	$-	$ 606	$ 6,097	$ 20,995	$ 7,367	$ -	$ 901	$35,966
Carrying values								
At December 31, 2017	$3,969	$ 4,952	$ 47,358	$ 56,713	$ 23,387	$ 54	$ 5,415	$141,848
At December 31, 2018	$4,137	$ 5,229	$ 45,879	$ 54,233	$ 21,078	$ 277	$ 4,985	$135,818

GOLDEN QUEEN MINING CO. LTD.

Notes to Consolidated Financial Statements

For the Years Months Ended December 31, 2018 and 2017

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7. Loan Payable

As at December 31, 2018 and 2017, equipment financing balances are as follows:

	December 31, 2018	**December 31, 2017**
Balance, beginning of the year	$ 17,243	$ 15,150
Additions	3,751	10,727
Principal repayments	(8,156)	(6,192
Down payments and taxes	(638)	(1,839)
Settlements	-	(603)
Balance, end of the year	$ 12,200	$ 17,243
Current portion	$ 6,578	$ 7,629
Non-current portion	$ 5,622	$ 9,614

The terms of the equipment financing agreements are as follows:

	December 31, 2018	**December 31, 2017**
Total acquisition costs	$39,443	$35,692
Interest rates	0.00% ~ 4.50%	0.00% ~ 4.50%
Monthly payments	$5 ~ 74	$5 ~ 74
Average remaining life (years)	1.27	2.13

For the year ended December 31, 2018, the Company made total down payments of $638 (December 31, 2017 – $1,839). 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 four years, except two which are for three years, and are secured by the underlying asset.

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

Years	Principal Payments	
2019	$	6,229
2020		3,204
2021		2,184
2022		583
Total	$	12,200

8. Derivative Liabilities

Share Purchase Warrants – Clay loans (Related Party (see Note 14 (ii))

On June 8, 2015, the Company issued 10,000,000 share purchase warrants to the Clay Group (the "June 2015 Warrants") in connection with the June 2015 Loan. On February 22, 2018, the Company completed a rights offering at a share price lower than the original exercise price of $0.95 of the June 2015 Warrants. As per an anti-dilution provision included in the June 2015 Loan agreement, the exercise price of the June 2015 Warrants was revised to $0.7831 on the rights offering completion date. The expiry date of June 8, 2020 of the June 2015 Warrants remains unchanged.

On November 18, 2016, the Company issued 8,000,000 share purchase warrants to the Clay Group (the "November 2016 Warrants") in connection with the November 2016 Loan. On February 22, 2018, the Company completed a rights offering at a share price lower than the original exercise price of $0.85 of the November 2016 Warrants. As per an anti-dilution provision included in the November 2016 Loan agreement, the exercise price of the November 2016 Warrants was revised to $0.6650 on the rights offering completion date. The expiry date of November 18, 2021 of the November 2016 Warrants remains unchanged.

GOLDEN QUEEN MINING CO. LTD.

Notes to Consolidated Financial Statements

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8. Derivative Liabilities (continued)

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 Clay Group share purchase warrants as at December 31, 2018 was $76 (December 31, 2017 – $439). The derivative liabilities were calculated using the Black-Scholes pricing valuation model with the following assumptions:

Warrants related to June 2015 Loan	**December 31, 2018**		**December 31, 2017**	
Risk-free interest rate	1.30	%	1.73	%
Expected life of derivative liability	1.44 years		2.44 years	
Expected volatility	95.04	%	78.59	%
Dividend rate	0.00	%	0.00	%

Warrants related to November 2016 Loan	**December 31, 2018**		**December 31, 2017**	
Risk-free interest rate	1.50	%	1.73	%
Expected life of derivative liability	2.89 years		3.89 years	
Expected volatility	78.91	%	75.69	%
Dividend rate	0.00	%	0.00	%

Other Share Purchase Warrants

On July 25, 2016, the Company issued 6,317,700 share purchase warrants with an exercise price of C$2.00 and an expiry date of July 25, 2019. As at December 31, 2018, the Company re-measured the share purchase warrants and determined the fair value of the derivative liability to be $nil (December 31, 2017 - $2).

The change in the derivative liabilities is as follows:

	December 31, 2018	December 31, 2017
Balance, beginning of the year	$ 441	$ 6,430
GQM LLC Warrants (Note 14 (v))	3,314	-
Change in fair value	(365)	(5,989)
Balance, end of the year	$ 3,390	$ 441

9. *Asset Retirement Obligations*

Reclamation Financial Assurance

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

This estimate, once approved by state and county authorities, forms the basis of reclamation financial assurance. The reclamation assurance provided as at December 31, 2018 was $1,749 (December 31, 2017 – $1,465).

GQM LLC is also required to provide financial assurance with the Lahontan Regional Water Quality Control Board (the "Regional Board") for closure and reclamation costs related to the lined impoundments, which are defined as the Stage 1 and Stage 2 heap leach pads, the overflow pond, and the solution collection channel. The reclamation financial assurance estimate as at December 31, 2018 was $2,450 (December 31, 2017 – $1,869).

In addition to the above, GQM LLC is required to obtain and maintain financial assurance for initiating and completing corrective action and remediation of a reasonably foreseeable release from the Project's waste management units as required by the Regional Board. The reclamation financial assurance estimate as at December 31, 2018 is $278 (December 31, 2017 – $278).

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9. Asset Retirement Obligations (continued)

GQM LLC entered into $4,921 (2017 – $3,612) in surety bond agreements in order to release its reclamation deposits and a bond for power of $443 . GQM LLC pays a yearly premium of $100 (2017 – $90). Golden Queen Ltd. has provided a corporate guarantee on the surety bonds. In addition a certificate of deposit for $1,005 was posted as collateral to reclamation bonding in 2018.

Asset Retirement Obligation

The total asset retirement obligation as at December 31, 2018, was $2,497 (December 31, 2017 – $1,838).

The Company estimated its asset retirement obligations based on its understanding of the requirements to reclaim and remediate its property based on its activities to date. As at December 31, 2018, the Company estimates the cash outflow related to these reclamation activities will be incurred in 2028. Reclamation provisions are measured at the expected value of future cash flows discounted to their present value using a discount rate based on a credit adjusted risk-free interest rate of 8.3% and an inflation rate of 2.4%.

The following is a summary of asset retirement obligations:

	December 31, 2018	**December 31, 2017**
Balance, beginning of the period	$ 1,838	$ 1,366
Accretion	167	126
Changes in cash flow estimates	492	346
Balance, end of the period	$ 2,497	$ 1,838

10. Income Taxes

The tax effects of the temporary differences that give rise to the Company's deferred tax assets and liabilities are as follows:

	December 31, 2018	**December 31, 2017**
Deferred Tax Assets (Liabilities)		
Net operating and capital losses	$ 17,037	$ 16,942
Un-deducted interest	3,005	2,109
Capitalized interest deducted	(1,271)	(1,409)
Unrealized FX (gain) loss	(674)	(657)
Discount on Clay loan	(55)	(840)
Other	145	157
Financing costs	462	435
Investment in GQM LLC	(12,446)	(11,692)
Valuation allowance	(14,791)	(13,242)
Deferred tax liabilities	$ (8,588)	$ (8,197)

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10. Income Taxes (continued)

The annual tax benefit (provision) is different from the amount provided by applying the statutory federal income tax rate to the Company's pre-tax income (loss). The reasons for the difference are:

	December 31, 2018	**December 31, 2017**
Income tax (benefit) provision at Canadian statutory rate	$ (1,755)	$ (2,834)
Foreign income taxes at other than Canadian statutory rate	(84)	(1,921)
Re-measurement due to the Tax Cuts and Jobs Act	-	(3,739)
Foreign Exchange Revaluation of tax attributes	508	-
Change in fair value of derivative liability	(98)	(1,557)
Non-deductible accretion and other	-	(113)
Expiration of tax loss carryforwards	255	2,105
Non-controlling interest	(54)	2,197
Permanent differences, other	(30)	58
Prior year true-up, net	100	1,977
Increase (decrease) in valuation allowance	1,549	(898)
Tax provision (benefit)	$ 391	$ (4,725)

The Company evaluates its valuation allowance requirements based on projected future operations. When circumstances change and this causes a change in management's judgment about the recoverability of deferred tax assets, the impact of the change on the valuation allowance is reflected in current income or loss. As management of the Company does not currently believe that the Company will receive the benefit of this asset, a valuation allowance equal to certain net deferred tax assets has been established at both December 31, 2018 and 2017.

As at December 31, 2018, the Company had net operating loss carry-forwards available to reduce taxable income in future years as follows:

Country	Amount	Expiration dates
Unites States – Federal	$42,575	2019 - 2038
Canada (C$)	$22,071	2026 - 2038

These consolidated financial statements do not reflect the potential effect on future income taxes of the application of these losses.

The Company has evaluated its tax positions for the years ended December 31, 2018 and 2017 and determined that it has no uncertain tax positions requiring financial statement recognition.

Under current federal and state income tax laws and regulations, GQM LLC, a multi-member limited liability company ("LLC") is treated as a partnership for income tax reporting purposes and is generally not subject to income taxes. Additionally, at the LLC level no provision has been made for federal, state, or local income taxes on the results of operations generated by partnership activities; as such taxes are the responsibility of its Members.

11. Share Capital

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

Common shares

On February 22, 2018, the Company closed a rights offering and issued 188,952,761 shares for total gross proceeds of $25,036. The Company paid associated fees of $587 which were classified as share issue costs.

On January 17, 2017, the Company issued 100,000 shares for a total of $59 as finder fees which were recognized in general and administrative expenses in connection with the declaration of commercial production in December 2016.

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11. Share Capital (continued)

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 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 years ended December 31, 2018 and 2017:

	Shares	Weighted Average Exercise Price per Share
Options outstanding, December 31, 2016	1,555,000	$ 0.85
Options granted	1,605,001	$ 0.38
Options forfeited	(166,667)	$ 0.64
Options expired	(393,333)	$ 1.13
Options outstanding, December 31, 2017	2,600,001	$ 0.54
Options forfeited	(75,000)	$ 0.29
Options expired	(200,000)	$ 1.48

Options outstanding, December 31, 2018	2,325,001	$	0.46

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. These stock options were not exercised, thus expired during the year ended December 31, 2017.

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.

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

	2018		2017	
Expected life (years)	-		5.00	
Interest rate	-	%	1.18% ~ 1.70	%
Volatility	-	%	77.29% ~ 79.17	%
Dividend yield	-	%	0.00	%

During the year ended December 31, 2018, the Company recognized $149 (2017 - $201) in stock-based compensation relating to employee stock options that were issued and/or had vesting terms.

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11. Share Capital (continued)

Stock options (continued)

The following table summarizes information about stock options outstanding and exercisable as at December 31, 2018:

Expiry Date	Number Outstanding	Number Exercisable	Remaining Contractual Life (years)	Exercise Price
September 8, 2020	430,000	430,000	1.69	$ 0.58
November 30, 2021	365,000	243,332	2.92	$ 0.66
March 20, 2022	400,002	133,334	3.22	$ 0.65
October 20, 2022	1,129,999	376,666	3.81	$ 0.29
	2,325,001	1,183,332	3.17	

As at December 31, 2018, the aggregate intrinsic value of the outstanding exercisable options was $nil (December 31, 2017 – $nil).

Warrants

As at December 31, 2018, 24,317,700 warrants were outstanding (December 31, 2017 – 24,317,700).

The following table summarizes information about share purchase warrants outstanding as at December 31, 2018:

Expiry Date	Number Outstanding	Remaining Contractual Life (years)	Exercise Price
June 8, 2020	10,000,000	1.44	$ 0.7831
July 25, 2019 [1]	6,317,700	0.56	C$2.0000
November 18, 2021	8,000,000	2.88	$ 0.6650
	24,317,700	1.69	

(1) Non-tradable share purchase warrants.

12. 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:

	Year Ended December 31, 2018	Year Ended December 31, 2017
Audit, legal and professional fees	$ 821	$ 1,029
Salaries and benefits and director fees	2,138	2,094
Regulatory fees and licenses	196	114
Insurance	609	514
Corporate administration	1,331	1,484
	$ 5,095	$ 5,235

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13. Loss Per Share

	Year Ended December 31, 2018	Year Ended December 31, 2017
Numerator:		
Net loss attributable to the shareholders of the Company - numerator for basic and diluted loss per share	$ (6,879)	$ (1,165)
Denominator:		
Weighted average number of common shares outstanding -basic and diluted	272,664,468	111,140,464
Loss per share – basic and diluted	$ (0.03)	$ (0.01)

Weighted average number of shares for the year ended December 31, 2018 excludes 2,325,001 options (December 31, 2017 – 2,600,001) and 24,317,700 warrants (December 31, 2017 – 24,317,700) that were antidilutive.

14. Related Party Transactions

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

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

For the year ended December 31, 2018, the Company recognized $547 (2017 –$653) salaries and fees for Officers and Directors.

As at December 31, 2018, $nil (December 31, 2017 – $38) was included in prepaid expenses and other current assets for closing fees paid to related parties.

As at December 31, 2018, $nil (December 31, 2017 – $463) for amended fees and accrued interest payable to related parties) was included in accounts payable and accrued liabilities for accrued interest payable to related parties.

(ii) Note Payable

On November 18, 2016, the Company entered into a loan with the Clay Group for $31,000 (the "November 2016 Loan"), due on May 21, 2019 with an annual interest rate of 8%, payable quarterly. In connection with the November 2016 Loan the Company issued 8,000,000 common share purchase warrants exercisable for a period of five years expiring November 21, 2021. See Note 8.

On November 10, 2017, the Company and the Clay Group agreed to amend the November 2016 Loan by reducing the 2018 quarterly and 2019 Q1 principal payments from $2,500 to $1,000, adding the reduction of such payments pro-rata to the remaining 2019 payments, and increasing the annual interest rate from 8% to 10% effective January 1, 2018 (the "November 2017 Loan"). This amendment was accounted for as a debt modification.

On December 27, 2018, the Company and the Clay Group agreed to amend the November 2017 Loan, extending the due date of $1,000 of principal as well as interest from the original due date of January 1, 2019 to February 1, 2019. An extension fee of $125 was added to the principal amount owing under the November 2017 Loan. This amendment was accounted for as a debt modification. Subsequent to December 31, 2018, the due date was extended to February 8, 2019 and then subsequently extended until completion of the binding share purchase agreement (Note 18),

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14. Related Party Transactions (continued)

The following table summarizes activity on the notes payable:

	December 31, 2018	**December 31, 2017**
Balance, beginning of the year	$ 30,099	$ 26,347
Interest payable transferred to principal balance	-	2,212
Accretion of discount on loans	2,040	1,940
Capitalized financing and legal fees	(125)	(400)
Extension fee added to principal	125	-
Accretion of capitalized financing and legal fees	262	-
Repayment of loans and interest	(7,711)	-
Balance, end of the year	$ 24,690	$ 30,099
Current portion	$ 24,690	$ 7,712
Non-current portion	$ -	$ 22,387

(iii) Amortization of Discounts and Interest Expense

The following table summarizes the amortization of discount and interest on loans:

	Year Ended December 31, 2018	Year Ended December 31, 2017
Accretion of the November 2017 Loan discount	$ 2,040	$ 1,940
Accretion of capitalized financing and legal fees	262	-
Interest expense related to the November 2017 Loan	2,820	2,580
Closing and commitment fees related to the 2017 Credit Facility	40	90

Interest expense related to Komatsu financial loans [1]	763	607
Accretion of discount and interest on loan	$ 5,925	$ 5,217

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

(iv) Joint Venture Transaction

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

If a member becomes less than a 20% interest holder, its remaining interest will (ultimately) be terminated through one of 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 at December 31, 2018 and 2017 are as follows:

	December 31, 2018	**December 31, 2017**
Assets, GQM LLC	$ 171,334	$ 149,095
Liabilities, GQM LLC	(29,904)	(28,024)
Net assets, GQM LLC	$ 141,430	$ 121,071

Included in the assets above, is $4,149 (December 31, 2017 – $2,606) in cash held by GQM LLC which is directed specifically to fund capital expenditures required to continue with production and to settle GQM LLC's obligations

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14. Related Party Transactions (continued)

(iv) Joint Venture Transaction (continued)

The liabilities of GQM LLC do not have recourse to the general credit of Golden Queen except for $349 for a mining drill loan and $4,921 in surety bond agreements.

Non-Controlling Interest

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

	Year Ended December 31, 2018	Year Ended December 31, 2017
Net and comprehensive income (loss) in GQM LLC	$ 360	$ (10,022)
Non-controlling interest percentage	50 %	50 %
Net and comprehensive income (loss) attributable to non-controlling interest	$ 180	$ (5,010)
Net and comprehensive income (loss) attributable to permanent non-controlling interest	$ 108	$ (3,006)
Net and comprehensive income (loss) attributable to temporary non-controlling interest	$ 72	$ (2,004)

	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 year	(3,006)	(2,006)
Carrying value of non-controlling interest, December 31, 2017	$ 36,321	$ 24,214
Capital contribution	10,000	-
Net and comprehensive loss for the year	108	72
Carrying value of non-controlling interest, December 31, 2018	$ 46,429	$ 24,286

(v) Credit Facilities

On May 23, 2017, GQM LLC entered into a $5,000 one-year revolving credit agreement (the “2017 Credit Facility”) in which Gauss Holdings LLC and Auvergne, LLC agreed to extend credit in the form of loans to GQM LLC. The 2017 Credit Facility commenced on July 1, 2017, bore interest at a rate of 12% per annum and was subject to a commitment fee of 1% per annum. For the year ended December 31, 2018, GQM LLC paid commitment fees of $40 (2017 – $90). The balance of the Credit Facility was $3,000 as at December 31, 2017. The Credit Facility expired on May 22, 2018 and the balance of $5 million was repaid in cash.

On October 12, 2018, GQM LLC entered into an agreement with Gauss Holdings LLC and Auvergne LLC (the “Lenders”) where by the Lenders are providing GQM LLC a revolving credit loan facility (the “2018 Credit Facility”) in the amount of $20 million. The 2018 Credit Facility bears interest at a rate of 8% per annum and in addition, is subject to a commitment fee of 1% per annum on available loan balance. As per terms of the agreement, GQM LLC accrued commitment fees of $45 for the year ended December 31, 2018. The loan matures March 31, 2020. As at December 31, 2018, GQM LLC had drawn $5,000 from the 2018 Credit Facility and accrued interest of $121. Subsequent to the period end GQM LLC drew an additional $5,000 from the 2018 Credit Facility (Note 18).

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14. Related Party Transactions (continued)

(iv) Joint Venture Transaction (continued)

In connection with the 2018 Credit Facility, the Lenders were issued 21,486 warrants (the “GQM LLC Warrants”), with each warrant entitling the holder to purchase a unit of GQM LLC for a period of five (5) years at an exercise price of $475.384 per unit. The warrants are classified as a derivative liability due to a clause in the warrant agreement that offers the warrant holders price protection. The fair value of the derivative liabilities (Note 8) related to the warrants as at December 31, 2018 was $3,314 (December 31, 2017 - $nil). The value of the warrants at inception was recognized as a deferred financing cost on the balance sheet. The derivative liability was calculated using the Black-Scholes pricing valuation model.

The GQM LLC Warrants represent a fully-diluted 7.5% interest in the equity of GQM LLC. If the GQM LLC warrants are exercised, the Company’s interest in GQM LLC will be diluted to 46.25%. The Company’s current interest in GQM LLC is 50%.

The 2018 Credit Facility is secured by a pledge of the Company’s equity interest in GQM LLC.

15. Supplementary Disclosures of Cash Flow Information

	Year Ended December 31, 2018	Year Ended December 31, 2017
Cash paid during the period for:		
Interest on loan payable	$ 2,930	$ 607
Non-cash financing and investing activities:		
Asset retirement costs charged to mineral property interests	$ 492	$ 346
Mining equipment acquired through issuance of debt	$ 3,113	$ 8,285

Mineral property expenditures included in accounts payable	$ -	$ 117
Non-cash finders' fee	-	59
Interest cost capitalized to mineral property interests	$ -	$ -
Non-cash amortization of discount and interest expense	$ 2,302	$ 1,540
Interest payable converted to principal balance	$ -	$ 2,212

16. Commitments and Contingencies

Royalties

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

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Corporate Guaranties

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

17. 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).

	December 31, 2018			
	Total	Level 1	Level 2	Level 3

	Total	Level 1	Level 2	Level 3
Liabilities:				
Share purchase warrants – Related Party (see Note 8)	$76	$ -	$76	$ -
GQM LLC Warrants – Related Party (see Note 8)	3,314	-	3,314	-
	$3,390	$ -	$3,390	$ -

	December 31, 2017			
	Total	Level 1	Level 2	Level 3
Liabilities:				
Share purchase warrants – Related Party (see Note 8)	$439	$ -	$ 439	$ -
Share purchase warrants – (see Note 8)	2	-	2	-
	$441	$ -	$ 441	$ -

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 $250 and Canadian Dollar cash deposits held in Canada are insured by the Canada Deposit Insurance Corporation (“CDIC”) for up to C$100.

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 at December 31, 2018, the Company’s cash balances held in United States and Canadian financial institutions include $6,730, 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.

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17. Financial Instruments (continued)

Interest Rate Risk

The Company holds approximately its cash in bank deposit accounts with major financial institutions. The interest rates received on these balances may fluctuate with changes in economic conditions. Based on the average cash balances during the year ended December 31, 2018, a 1% decrease in interest rates would have reduced the interest income for the year ended December 31, 2018, 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 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 at December 31, 2018, the Company maintained the majority of its cash balance in US Dollars. The Company currently does not engage in any currency hedging activities.

18. Subsequent Events

Subsequent to December 31, 2018, GQM LLC drew an additional $5,000 from the 2018 Credit Facility.

On January 31, 2019, the Company and the Clay Group agreed to amended the November 2017 Loan, extending the due date of $1,000 of principal as well as interest from the original due date of February 1, 2019 to February 8, 2019. An extension fee of $75 was added to the principal amount owing under the November 2017 Loan.

On February 9, 2019, the Company announced that it had entered into a binding share purchase agreement with a group of purchasers including Thomas M. Clay and certain members of the Clay family and associated entities (the "Purchaser"), whereby the Purchaser will acquire 100% of the Company's 50% ownership interest in the Soledad Mountain Project. The Company has agreed to sell 100% of the shares of its subsidiary Golden Queen Mining Holdings Inc., which owns 50% of the outstanding units of Golden Queen Mining Company, LLC. All payments of interest and principal on the November 2017 Loan are not due until completion of the purchase.