



**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**QUARTER ENDED**

**JUNE 30, 2017**

**(in thousands of United States Dollars unless stated otherwise)**

**(Unaudited)**



**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
(Unaudited - in thousands of United States dollars)

	<u>June 30</u> <u>2017</u>	<u>September 30</u> <u>2016</u>
<b>ASSETS</b>		
Current assets:		
Cash	\$ 1,484	\$ 2,091
Trade receivables	1,594	416
Input tax recoverable	1,800	2,738
Prepaid expenses	300	226
Derivative asset (Note 10 (d))	70	-
Inventories (Note 3)	<u>23,826</u>	<u>24,191</u>
	<b>29,074</b>	<b>29,662</b>
Non-current assets:		
Input tax recoverable	7,251	5,707
Inventories (Note 3)	14,146	3,987
Property, plant and equipment (Note 4)	83,701	83,185
Exploration and evaluation assets (Note 5)	<u>22,452</u>	<u>18,110</u>
<b>Total assets</b>	<b><u>\$ 156,624</u></b>	<b><u>\$ 140,651</u></b>
<b>LIABILITIES</b>		
Current liabilities:		
Trade and other payables	\$ 15,450	\$ 13,486
Income taxes payable	2,444	77
Derivative liability (Note 10 (d))	-	63
Current portion of long term debt (Note 6)	<u>46,255</u>	<u>35,077</u>
	<b>64,149</b>	<b>48,703</b>
Non-current liabilities:		
Provision for site restoration	1,562	1,199
Deferred income taxes	319	1,847
Derivative liability (Note 10 (d))	<u>442</u>	<u>804</u>
<b>Total liabilities</b>	<b><u>66,472</u></b>	<b><u>52,553</u></b>
<b>EQUITY</b>		
Share capital (Note 7)	140,885	140,885
Contributed surplus	7,217	6,994
Accumulated other comprehensive loss	(17,603)	(18,518)
Deficit	<u>(40,347)</u>	<u>(41,263)</u>
<b>Total equity</b>	<b><u>90,152</u></b>	<b><u>88,098</u></b>
<b>Total liabilities and equity</b>	<b><u>\$ 156,624</u></b>	<b><u>\$ 140,651</u></b>

Going concern (Note 2(a))  
Commitments (Note 11)  
Subsequent events (Notes 2(a),6)

*See accompanying notes to the unaudited condensed consolidated interim financial statements.*



## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

(Unaudited - in thousands of United States dollars, except per share amounts)

	Three months ended		Nine months ended	
	<b>June 30 2017</b>	June 30 2016	<b>June 30 2017</b>	June 30 2016
Revenue from mining operations	<u>\$ 5,020</u>	\$ 5,965	<u>\$ 18,987</u>	\$ 14,047
Cost of sales:				
Production costs, except amortization and depletion	<u>5,037</u>	2,220	<u>11,859</u>	5,948
Amortization and depletion	<u>1,175</u>	<u>1,308</u>	<u>3,058</u>	<u>3,287</u>
	<u>6,212</u>	<u>3,528</u>	<u>14,917</u>	<u>9,235</u>
General and administrative	<u>902</u>	1,071	<u>2,142</u>	3,084
Operating (loss) income	<u>(2,094)</u>	1,366	<u>1,928</u>	1,728
Finance costs	(547)	(435)	(1,523)	(1,222)
Foreign exchange gain	1,188	41	862	904
Gain on derivative liability	185	13	489	105
Impairment charge (Note 5)	-	-	-	(20,030)
	<u>826</u>	<u>(381)</u>	<u>(172)</u>	<u>(20,243)</u>
(Loss) income before income taxes	(1,268)	985	1,756	(18,515)
Current income tax (expense) recovery	(405)	33	(2,367)	(54)
Deferred income tax recovery (expense)	<u>1,318</u>	<u>(810)</u>	<u>1,527</u>	<u>(774)</u>
	<u>913</u>	<u>(777)</u>	<u>(840)</u>	<u>(828)</u>
Net (loss) income for the period	(355)	208	916	(19,343)
Items which may subsequently be recycled through profit or loss:				
Foreign currency translation differences arising on translation of foreign operations	<u>(261)</u>	<u>(1,775)</u>	<u>915</u>	<u>(3,479)</u>
Total comprehensive (loss) income for the period	<u>\$ (616)</u>	<u>\$ (1,567)</u>	<u>\$ 1,831</u>	<u>\$ (22,822)</u>
Net income (loss) per share basic and fully diluted (Note 7):	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.01</u>	<u>\$ (0.12)</u>
Weighted average number of common shares outstanding (Note 7):	<u>171,376,481</u>	<u>164,521,232</u>	<u>171,376,481</u>	<u>162,999,630</u>

See accompanying notes to the unaudited condensed consolidated interim financial statements.



**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited - in thousands of United States dollars)

	Three months ended		Nine months ended	
	<b>June 30</b> <b>2017</b>	June 30 2016	<b>June 30</b> <b>2017</b>	June 30 2016
Cash provided by (used in) the following activities:				
Operating activities				
Net (loss) income for the period	\$ (355)	\$ 208	\$ 916	(19,343)
Items not involving cash:				
Amortization and depletion	1,175	1,308	3,058	3,287
Deferred income taxes	(1,318)	810	(1,527)	774
Foreign exchange gain	(1,188)	(41)	(862)	(904)
Gain on derivative liability	(185)	(13)	(489)	(105)
Amortization of deferred financing fees and accretion	87	75	244	220
Stock based compensation	75	102	212	223
Impairment charge	-	-	-	20,030
	<u>(1,709)</u>	<u>2,449</u>	<u>1,552</u>	<u>4,182</u>
Net change in non-cash working capital (Note 8)	<u>3,008</u>	<u>(2,632)</u>	<u>(5,729)</u>	<u>(7,846)</u>
Net cash from (used in) operating activities	<u>1,299</u>	<u>(183)</u>	<u>(4,177)</u>	<u>(3,664)</u>
Investing activities				
Exploration and evaluation expenditures	(1,621)	(640)	(2,865)	(1,748)
Purchase of property, plant and equipment	<u>(3,226)</u>	<u>(2,184)</u>	<u>(4,451)</u>	<u>(7,370)</u>
Net cash used in investing activities	<u>(4,847)</u>	<u>(2,824)</u>	<u>(7,316)</u>	<u>(9,118)</u>
Financing activities				
Proceeds from long term debt (Note 6)	4,000	2,000	11,000	10,000
Principal payments on long term debt (Note 6)	-	(6,000)	-	(6,000)
Issuance of common shares (Note 7)	-	7,458	-	7,458
Issuance of warrants (Note 7)	-	402	-	402
Proceeds on exercise of options (Note 7)	-	157	-	203
Net cash provided by financing activities	<u>4,000</u>	<u>4,017</u>	<u>11,000</u>	<u>12,063</u>
Effect of exchange rate changes on cash	-	(42)	(114)	(37)
Net increase (decrease) in cash and cash equivalents	452	968	(607)	(756)
Cash and cash equivalents, beginning of period	<u>1,032</u>	<u>997</u>	<u>2,091</u>	<u>2,721</u>
Cash and cash equivalents, end of period	<u>\$ 1,484</u>	<u>\$ 1,965</u>	<u>\$ 1,484</u>	<u>\$ 1,965</u>

*See accompanying notes to the unaudited condensed consolidated interim financial statements.*



## CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Unaudited - in thousands of United States dollars)

	Number of shares	Share capital	Contributed surplus	Accumulated other comprehensive loss	Deficit	Total equity
Balance at October 1, 2015	162,222,003	\$ 132,684	\$ 6,528	\$ (14,630)	\$ (20,726)	\$ 103,856
Net loss	-	-	-	-	(19,343)	(19,343)
Other comprehensive loss	-	-	-	(3,479)	-	(3,479)
Stock-based compensation (Note 7)	-	-	261	-	-	261
Option exercise (Note 7)	310,000	358	(155)	-	-	203
Shares issued, net of issuance costs (Note 7)	8,561,078	7,458	-	-	-	7,458
Warrants issued (Note 7)	-	-	402	-	-	402
Balance at June 30, 2016	171,093,081	\$ 140,500	\$ 7,036	\$ (18,109)	\$ (40,069)	\$ 89,358
Balance at October 1, 2016	171,376,481	\$ 140,885	\$ 6,994	\$ (18,518)	\$ (41,263)	\$ 88,098
Net income	-	-	-	-	916	916
Other comprehensive income	-	-	-	915	-	915
Stock-based compensation (Note 7)	-	-	223	-	-	223
Balance at June 30, 2017	171,376,481	\$ 140,885	\$ 7,217	\$ (17,603)	\$ (40,347)	\$ 90,152

*See accompanying notes to the unaudited condensed consolidated interim financial statements.*



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the quarter ended June 30, 2017

(Unaudited – in thousands of United States dollars unless otherwise stated)

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### 1. NATURE OF OPERATIONS

GoGold Resources Inc. (the “Corporation”) is a company domiciled in Canada. The address of the Corporation’s registered office is #1301-2000 Barrington Street, Cogswell Tower, Halifax, Nova Scotia, B3J 3K1. The Corporation’s common shares are listed on the Toronto Stock Exchange trading under the symbol GGD. The condensed consolidated interim financial statements of the Corporation comprise the Corporation and its subsidiaries. The principal business of the Corporation is the exploration, development, and production of gold and silver primarily in Mexico.

### 2. BASIS OF PREPARATION

#### a) Going concern

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards applicable to a going concern, which assumes the Corporation will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

As at June 30, 2017 the Corporation was not in compliance with the financial covenants of its secured credit facility (see Note 6), and as a result the debt has been classified as current. Subsequent to quarter end on August 11 2017, a waiver of these financial covenants was obtained and the lender amended the credit facility to preclude the Corporation from drawing down any additional funds as well as maintain a minimum cash balance of \$1,000.

At June 30, 2017 the Corporation had a working capital deficiency of \$35,075, due to the reclassification of its debt as current, and negative cash flows from operations of \$4,177 for the nine months ended June 30, 2017. Internally prepared forecasts indicate that the Corporation expects to breach certain of the financial covenants at September 30, 2017 and throughout fiscal 2018. In the event the Corporation violates any of the covenants under the credit facility and is unable to obtain amendments or waivers from the lender in the future, its ability to borrow funds may continue to be restricted or the lender may demand repayment. Mining and development at the Santa Gertrudis project has been put on hold pending completion of a mine plan and evaluation of next steps.

Management is currently focused on increasing free cash flow at the Parral project and is actively exploring alternatives to de-lever its balance sheet. These alternatives may include seeking strategic investments, acquisitions and divestitures of or joint ventures on certain of the Company’s assets. There can be no assurances that the Company will be successful in obtaining any of these alternate sources of funding.

If the lender demands repayment and management are unable to secure alternate sources of funding, the ability of the Company to continue as a going concern would be impacted. These circumstances represent material uncertainties that cast significant doubt as to the ability of the Corporation to continue as a going concern and to meet its obligations as they come due, and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern.

These condensed consolidated interim financial statements do not give effect to the adjustments necessary to the carrying values and classification of assets, liabilities, revenues and expenses should the Corporation be unable to continue as a going concern. Such adjustments could be material.

#### b) Statement of compliance

These condensed consolidated interim financial statements are prepared in accordance with IAS 34, Interim Financial Reporting (“IAS 34”) as issued by the International Accounting Standards Board (“IASB”). These condensed consolidated interim financial statements were prepared using the same accounting policies and methods of computation, and are subject to the same use of estimates and judgments, as the Corporation’s consolidated financial statements for the year ended September 30, 2016.



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the quarter ended June 30, 2017

(Unaudited – in thousands of United States dollars unless otherwise stated)

These condensed consolidated interim financial statements do not include all disclosures required by International Financial Reporting Standards (“IFRS”) for annual consolidated financial statements and accordingly should be read in conjunction with the Corporation’s audited consolidated financial statements for the year ended September 30, 2016 prepared in accordance with IFRS as issued by the IASB.

c) Accounting changes

The Corporation has not adopted any new accounting standards or amendments to accounting standards in the current fiscal period.

### 3. INVENTORIES

	<u>June 30, 2017</u>	<u>September 30, 2016</u>
<b>Current:</b>		
Supplies inventory	\$ 785	\$ 715
In process inventory	22,307	22,912
Finished goods inventory	734	564
	<u>23,826</u>	<u>24,191</u>
<b>Long term:</b>		
In process inventory	14,146	3,987
	<u>\$ 37,972</u>	<u>\$ 28,178</u>

The amount of inventory included in cost of sales for the three and nine months ended June 30, 2017 was \$3,929 and \$10,011 (three and nine months ended June 30, 2016 – \$3,528 and \$9,235).

### 4. PROPERTY, PLANT AND EQUIPMENT

<b>Cost</b>	Plant & Equipment	Mining Properties	Total
At September 30, 2016	\$ 39,670	\$ 56,654	\$ 96,324
Additions	3,612	839	4,451
Disposals	(14)	-	(14)
Reclamation obligation adjustments	-	204	204
Foreign exchange adjustments	8	24	32
<b>At June 30, 2017</b>	<u>\$ 43,276</u>	<u>\$ 57,721</u>	<u>\$ 100,997</u>
<b>Accumulated Amortization</b>	Plant & Equipment	Mining Properties	Total
At September 30, 2016	\$ 9,318	\$ 3,821	\$ 13,139
Amortization and depletion	2,562	1,598	4,160
Disposals	(12)	-	(12)
Foreign exchange adjustments	5	4	9
<b>At June 30, 2017</b>	<u>\$ 11,873</u>	<u>\$ 5,423</u>	<u>\$ 17,296</u>



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the quarter ended June 30, 2017

(Unaudited – in thousands of United States dollars unless otherwise stated)

Carrying Value	Plant & Equipment	Mining Properties	Total
At September 30, 2016	\$ 30,352	\$ 52,833	\$ 83,185
<b>At June 30, 2017</b>	<b>\$ 31,403</b>	<b>\$ 52,298</b>	<b>\$ 83,701</b>

For the nine months ended June 30, 2017, additions to amortization and depletion include amounts of \$1,102 (2016 - \$2,134) which are included in in process inventory.

### 5. EXPLORATION AND EVALUATION ASSETS

Cost	San Diego	Santa Gertrudis	Total
At September 30, 2016	\$ 213	\$ 17,897	\$ 18,110
Additions	103	2,773	2,876
Foreign exchange adjustments	28	1,438	1,466
<b>At June 30, 2017</b>	<b>\$ 344</b>	<b>\$ 22,108</b>	<b>\$ 22,452</b>

### 6. LONG TERM DEBT

Long term debt consists of a \$50,000 senior revolving credit facility which was entered into on July 21, 2015 with a Canadian chartered bank (“the Bank”). The facility bears interest at LIBOR plus 2.00% to 3.25%, depending on the leverage ratio of the Corporation, matures on July 21, 2018, and may be extended upon mutual agreement by both parties. No principal payments under the facility are due until the maturity date. The credit facility is secured by a first charge over all the Corporation’s assets.

The credit facility has covenants that include a debt leverage ratio (for which debt is compared to EBITDA as defined in the credit facility agreements; excluding most significant non-cash and non-recurring items), an interest coverage ratio (defined as the ratio of EBITDA to interest expense), and a minimum level of tangible net worth of \$65.6 million plus 50% of aggregate net income from April 1, 2015 onward.

On November 17, 2016, the Bank amended the credit facility by resetting the rolling four quarters as of December 31, 2016 in the calculation of the debt leverage ratio and interest coverage ratio. For the quarter ending June 30, 2017, the calculation is based on the year to date EBITDA multiplied by four and divided by three, and for the quarter ending September 30, 2017, the calculation will be based on the year’s EBITDA.

The Corporation is required to ensure at all times that the debt leverage ratio, determined on a rolling four quarter basis, does not exceed 3.5 to 1, and the interest coverage ratio, defined as the ratio of EBITDA to interest expense, determined on a rolling four quarter basis equals or exceeds 4.5 to 1. At June 30, 2017, the Corporation was not in compliance with the financial covenants of the credit facility, and as a result the debt was classified as current. Subsequent to quarter end on August 11 2017, a waiver of these financial covenants was obtained and the Bank amended the credit facility to preclude the Corporation from drawing down any additional funds as well as maintain a minimum cash balance of \$1,000.

During the three and nine months ended June 30, 2017, the Corporation drew \$4,000 and \$11,000 (2016 - \$2,000 and \$10,000) under the facility. As of June 31, 2017, the Corporation had drawn \$46,500 (September 30, 2016 - \$35,500). In the event the Corporation is not in compliance with any of the covenants under the credit facility, its ability to borrow funds may continue to be restricted or the Bank may demand repayment.



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the quarter ended June 30, 2017

(Unaudited – in thousands of United States dollars unless otherwise stated)

Finance costs for the three and nine months ended June 30, 2017 include interest expense of \$460 and \$1,299 (2016 – \$360 and \$1,016).

### 7. SHARE CAPITAL

#### (a) Authorized

An unlimited number of common shares, without nominal or par value.

#### (b) Issued

The following table summarizes the changes in issued common shares of the Corporation:

	Shares	Value
Balance September 30, 2015	162,222,003	\$ 132,684
Shares issued for exercise of options	310,000	358
Shares issued, net of issuance costs	8,561,078	7,458
<b>Balance June 30, 2016</b>	<b>171,093,081</b>	<b>\$ 140,500</b>
Balance September 30, 2016	171,376,481	\$ 140,885
No transactions	-	-
<b>Balance June 30, 2017</b>	<b>171,376,481</b>	<b>\$ 140,885</b>

The weighted average number of common shares outstanding for the three and nine months ending June 30, 2017 was 171,376,481 (2016 – 164,521,232 and 162,999,630).

#### (c) Incentive stock options

The Corporation has a rolling 10% incentive stock option plan (the “Plan”) under which options to purchase common shares of the Corporation may be granted to directors, officers, employees and consultants of the Corporation. The number of common shares subject to options granted under the Plan is limited to 10% of the issued and outstanding common shares of the Corporation and no one person may receive in excess of 5% of the outstanding common shares of the Corporation at the time of grant (on a non-diluted basis).

Under the Plan, the terms and conditions of each grant of options are determined by the Board of Directors. Options are granted at a price no lower than the market price of the common shares as defined in the Plan which is the five day weighted average of the Corporation’s common shares prior to the date of grant rounded up to the nearest cent. Options granted under the Plan typically vest over a 3 year period, although the vesting period is at the Board of Directors’ discretion.



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the quarter ended June 30, 2017

(Unaudited – in thousands of United States dollars unless otherwise stated)

The changes in incentive stock options during the nine months ended June 30, 2017 and June 30, 2016 were as follows:

	<u>June 30, 2017</u>		<u>June 30, 2016</u>	
	Number of incentive options	Weighted average exercise price	Number of incentive options	Weighted average exercise price
Opening balance	4,025,000	CAD \$ 1.33	3,365,000	CAD \$ 1.26
Granted	1,020,000	0.75	1,675,000	1.20
Exercised	-	-	(310,000)	0.87
Expired	(325,000)	1.53	(130,000)	1.05
Closing balance	<u>4,720,000</u>	<u>CAD \$ 1.19</u>	<u>4,600,000</u>	<u>CAD \$ 1.27</u>
Exercisable	<u>2,566,667</u>	<u>CAD \$ 1.35</u>	<u>2,600,000</u>	<u>CAD \$ 1.30</u>

The weighted average market price on the day of exercise for the exercised options in the nine months ended June 30, 2016 was \$1.22.

The following table summarizes information concerning outstanding and exercisable incentive stock options at June 30, 2017:

	<u>Outstanding</u>		<u>Exercisable</u>	
Expiry date	Number of options	Exercise price (CAD \$)	Number of options	Exercise price (CAD \$)
July 9, 2017	100,000	1.60	66,667	1.60
August 20, 2017	325,000	1.54	325,000	1.54
September 17, 2017	150,000	1.60	150,000	1.60
October 9, 2017	350,000	1.40	350,000	1.40
March 1, 2018	150,000	1.26	150,000	1.26
May 16, 2018	125,000	1.30	125,000	1.30
December 9, 2018	400,000	1.00	400,000	1.00
February 12, 2019	100,000	1.50	100,000	1.50
March 17, 2019	325,000	1.60	325,000	1.60
July 9, 2019	50,000	1.60	33,333	1.60
December 23, 2020	1,625,000	1.20	541,667	1.20
March 27, 2022	1,020,000	0.75	-	-
	<u>4,720,000</u>	<u>CAD \$ 1.19</u>	<u>2,566,667</u>	<u>CAD \$ 1.35</u>

The compensation cost for the incentive stock options granted during the nine months ended June 30, 2017 and June 30, 2016 were determined based on the fair value of the options at the date of grant using the Black-Scholes option pricing model with the following assumptions:

Option grant date	<u>Mar. 27, 2017</u>	<u>Dec. 23, 2015</u>
Options granted	1,020,000	1,675,000
Exercise price	CAD \$ 0.75	CAD \$ 1.20
Risk-free rate	0.95%	0.62%
Expected volatility of share price	53.04%	47.83%
Expected dividend yield	0.00%	0.00%
Expected life of each option	3.9 years	3.5 years
Weighted average grant date fair value	CAD \$ 0.27	CAD \$ 0.39



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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(Unaudited – in thousands of United States dollars unless otherwise stated)

The expected volatility was determined based on the historical share price volatility from the date of the grant over a period of time equal to the expected life of the option. The expected forfeiture rate was nil.

The Corporation has recorded total share based compensation during the three and nine months ended June 30, 2017 of \$75 and \$223 (2016 - \$107 and \$261), which has been recorded as compensation expense of \$75 and \$212 (2016 - \$102 and \$223) and as additions to exploration and evaluation assets of \$Nil and \$11 (2016 - \$5 and \$38).

### (d) Deferred share units

On March 24, 2016 the Corporation approved a deferred share unit (“DSU”) plan as an alternative form of compensation for employees, officers, and directors of the Corporation. Each DSU entitles the participant to receive one common share of the Corporation issued from treasury upon redemption. The maximum number of common shares that are issuable under the DSU plan is 5,000,000, and when combined with the incentive stock option plan shall not exceed 10% of the issued and outstanding common shares. As of June 30, 2017 no DSUs were issued or outstanding.

### (e) Warrants

On June 7, 2016, in connection with a bought deal financing, the Corporation issued 4,280,539 warrants with an exercise price of CAD \$1.70 and an expiration date of June 7, 2018. On July 12, 2016, 200,000 warrants with an exercise price of CAD \$1.50 and an expiration date of June 30, 2018 were issued. The fair value of the warrants was determined using the Black-Scholes pricing model.

The warrants which were issued on June 7, 2016 are publicly traded on the Toronto Stock Exchange under the symbol GGD.WT, and at June 30, 2017 the market price was \$0.03.

The warrants balances during the nine months ended June 30, 2017 and June 30, 2016 were as follows:

	<b>June 30, 2017</b>			<b>June 30, 2016</b>		
	<u>Number of warrants</u>	<u>Weighted average exercise price</u>	<u>Remaining contractual life (years)</u>	<u>Number of warrants</u>	<u>Weighted average exercise price</u>	<u>Remaining contractual life (years)</u>
Opening balance	4,480,539	CAD \$ 1.69	1.70	-	-	-
Issued	-	-	-	4,280,539	CAD \$ 1.70	1.94
Closing balance	<u>4,480,539</u>	<u>1.69</u>	<u>0.94</u>	<u>4,280,539</u>	<u>1.70</u>	<u>1.94</u>
Exercisable	<u>4,480,539</u>	<u>CAD \$ 1.69</u>	<u>0.94</u>	<u>4,280,539</u>	<u>CAD \$ 1.70</u>	<u>1.94</u>

### (f) Earnings (loss) per share

Basic earnings (loss) per share is calculated based on the weighted average number of shares outstanding during the period. Diluted earnings per share is based on the assumption that stock options and finder’s options have been exercised on the later of the beginning of the period and the date granted. As of June 30, 2017, 4,720,000 options (2016 – 4,600,000) and 4,480,539 warrants (2016 – 4,280,539) were excluded from the computation of diluted loss per share because their effect would have been anti-dilutive.



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the quarter ended June 30, 2017

(Unaudited – in thousands of United States dollars unless otherwise stated)

### 8. SUPPLEMENTAL CASH FLOW INFORMATION

	Three months ended		Nine months ended	
	June 30 2017	June 30 2016	June 30 2017	June 30 2016
Change in non-cash operating working capital:				
Trade receivables	\$ 3,080	\$ (861)	\$ (1,177)	\$ (2,105)
Input tax recoverable	(460)	(1,089)	(11)	(3,148)
Prepaid expenses	59	(296)	(52)	(260)
Inventories	(3,000)	(3,486)	(8,693)	(7,999)
Trade and other payables	2,924	3,133	1,837	5,610
Income taxes payable	405	(33)	2,367	56
	<u>\$ 3,008</u>	<u>\$ (2,632)</u>	<u>\$ (5,729)</u>	<u>\$ (7,846)</u>

### 9. SEGMENTED INFORMATION

The Corporation's reportable segments are consistent with the Corporation's geographic regions in which the Corporation operates. In determining the Corporation's segment structure, the Corporation considered the basis on which management reviews the financial and operational performance and whether any of the Corporation's mining operations share similar economic, operational and regulatory characteristics. The Corporation aggregates San Diego, Santa Gertrudis, and the Parral projects as the Mexico segment and the Corporation's corporate offices as the Canadian segment.

The following table presents information about reportable segments:

	Mexico	Canada	Total
For the three months ended June 30, 2017:			
Depreciation	\$ 1,175	\$ -	\$ 1,175
Segment net income (loss)	178	(533)	(355)
Expenditures on non-current assets	4,847	-	4,847
For the three months ended June 30, 2016:			
Depreciation	\$ 1,308	\$ -	\$ 1,308
Segment net income (loss)	1,599	(1,391)	208
Expenditures on non-current assets	2,824	-	2,824
For the nine months ended June 30, 2017:			
Depreciation	\$ 3,058	\$ -	\$ 3,058
Segment net income (loss)	4,510	(3,594)	916
Expenditures on non-current assets	7,316	-	7,316
For the nine months ended June 30, 2016:			
Depreciation	\$ 3,287	\$ -	\$ 3,287
Segment net loss	(16,091)	(3,252)	(19,343)
Impairment charge	20,030	-	20,030
Expenditures on non-current assets	9,117	-	9,117



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the quarter ended June 30, 2017

(Unaudited – in thousands of United States dollars unless otherwise stated)

Reportable segment assets (June 30, 2017)	\$ 155,182	\$ 1,442	\$ 156,624
Reportable segment liabilities (June 30, 2017)	19,380	47,092	66,472
Reportable segment assets (September 30, 2016)	\$ 138,656	\$ 1,994	\$ 140,651
Reportable segment liabilities (September 30, 2016)	15,971	36,582	52,553

Included in segment net loss in Canada for the three and nine months ended June 30, 2017 are foreign exchange gains of \$1,132 and \$652 (2016 – gains of \$286 and \$1,412).

### 10. FINANCIAL INSTRUMENTS

(a) Fair value of financial instruments:

The fair values of the Corporation's financial instruments are considered to approximate the carrying amounts. Levels 1 to 3 are defined based on the degree to which fair value inputs are observable or unobservable, as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 inputs are based on inputs which have a significant effect on fair value that are observable, either directly or indirectly from market data; and
- Level 3 inputs are unobservable (supported by little or no market activity).

The following table provides the disclosures of the fair value and the level in the hierarchy for financial instruments valued at fair value through profit or loss.

	June 30, 2017		September 30, 2016	
	Level 1	Level 2	Level 1	Level 2
Cash	\$ 1,484	-	\$ 2,091	-
Derivative assets	-	\$ 70	-	-
Derivative liabilities	-	442	-	\$ 867

For derivative contracts, the Corporation obtains a valuation of the contracts from counterparties of those contracts or performs valuations internally. The Corporation assesses the reasonableness of these valuations through internal methods and third party valuations. The Corporation then calculates a debt valuation adjustment or a credit valuation adjustment by considering the risk of nonperformance by the counterparties and the Corporation's own credit risk. Valuations are based on forward rates considering the market price, rate of interest and volatility, and take into account the credit risk of the financial instrument, and are therefore classified within Level 2 of the fair value hierarchy.

(b) Capital management:

The Corporation's general objective when managing capital is to maintain adequate levels of funding to support the acquisition, exploration and development of resource properties and maintain the necessary corporate and administrative functions to facilitate these activities. This is done primarily through equity financing and debt. Future financings are dependent on market conditions and there can be no assurance the Corporation will be able to raise funds in the future. The Corporation invests all capital that is surplus to its immediate operational needs in high interest savings accounts.

The capital of the Corporation consists of items included in shareholders' equity and debt, net of cash as follows:

	June 30, 2017	September 30, 2016
Shareholders' equity	\$ 90,152	\$ 88,098
Debt	46,255	35,077
	136,407	123,175
Less: cash	(1,484)	(2,091)
	\$ 134,923	\$ 121,084



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the quarter ended June 30, 2017

(Unaudited – in thousands of United States dollars unless otherwise stated)

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(c) Financial risks:

The Corporation's financial risk exposures and the impact on the Corporation's financial instruments are summarized below:

*Commodity price risk*

The profitability of the Corporation's mining operations will be significantly affected by changes in the market price for gold and silver ("Metal"). Metal prices fluctuate on a daily basis and are affected by numerous factors beyond the Corporation's control. The supply and demand for Metal, the level of interest rates, the rate of inflation, investment decisions by large holders of Metal, including governmental reserves, and the stability of exchange rates can all cause significant fluctuations in Metal prices. Such external economic factors are in turn influenced by changes in international investment patterns and monetary systems, and political developments.

*Credit Risk*

The Corporation's credit risk is primarily attributable to cash, input tax recoverable and trade receivables. Input tax recoverable consists of harmonized sales tax due from the Federal Government of Canada of \$80 and value added tax from the Federal Government of Mexico of \$8,971. Exposure on trade receivables is limited as all receivables are with customers who the Corporation has strong working relationships with. Management believes the risk of loss with respect to financial instruments consisting of cash, input tax recoverable and trade receivables to be low.

*Foreign Currency Risk*

The Corporation's major purchases are transacted in Canadian dollars, US dollars, and Mexican Pesos. The Corporation funds certain operations, exploration and administrative expenses in Mexico using US dollar and Mexican Peso currency converted from its Canadian and US dollar bank accounts held in Canada. As GoGold Resources Inc., the parent corporation, has a functional currency of Canadian dollars, net liabilities held in US dollars are affected by foreign exchange fluctuations and will affect the Corporation's net income. At June 30, 2017, GoGold Resources Inc. had net monetary liabilities in US dollars of \$45,150 (September 30, 2016 – \$33,477), for which a 10% change in US exchange rates would change net income by approximately \$4,515, which would then be offset by a corresponding change recorded through foreign currency translation differences recorded through other comprehensive income. At June 30, 2017, the Corporation had net monetary liabilities in Mexican Pesos of approximately \$1,212 (September 30, 2016 - \$2,476), for which a 10% change in Mexican Peso exchange rates would change net income by approximately \$121.

*Interest Rate Risk*

The Corporation has cash balances and interest-bearing debt. The Corporation's current policy is to invest excess cash in Canadian bank high interest savings accounts. The long term debt as detailed in Note 6 bears interest based on the LIBOR rate, for which a 1% increase or decrease would result in an increase or decrease of annual interest expense of \$465.

*Liquidity Risk*

The Corporation's general objective when managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at June 30, 2017, the Corporation had cash balances of \$1,484 (September 30, 2016 - \$2,091) for settling current liabilities of \$64,149 (September 30, 2016 - \$48,703). Current liabilities include \$46,255 (2016 – 35,077) of debt which was classified as current as the Corporation was in violation of certain financial covenants on June 30, 2017.

The Corporation's senior revolving credit facility has financial covenants (see Note 6), which are dependent on the financial results of the Corporation. Should the Corporation not achieve planned financial results, it may violate one or more covenants. The Corporation arranged for amendments to financial covenants during the quarter ended December 31, 2016 in order to remain in compliance with the terms of the facility. The Corporation has obtained a waiver subsequent to June 30, 2017 for the breach of financial covenants at quarter end. Internally prepared forecasts indicate that the Corporation expects to breach certain of the financial covenants at September 30, 2017 and throughout fiscal 2018. In the event the Corporation is unable to obtain amendments or waivers from the lender in the future, its ability to borrow funds may continue to be restricted or the lender may demand repayment. Management is currently focused on improving cash flows at the Parral project as well as exploring various other options to manage liquidity risk.



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the quarter ended June 30, 2017

(Unaudited – in thousands of United States dollars unless otherwise stated)

(d) Derivatives:

As at June 31, 2017, the Corporation held foreign exchange option contracts to protect against the risk of the Mexican Peso (“MXN”) strengthening against the USD within a certain range. The option contracts settle monthly and are for the purchase of 10,000,000 MXN per month and the sale of USD at a call option price of \$1.00 USD to 19.00 MXN and a put option of \$1.00 USD to 20.26 MXN. The contracts were entered into on September 16, 2016 and began on October 1, 2016 and expire on September 29, 2017. The Corporation had similar contracts during the prior year for the purchase of 8,000,000 MXN per month and the sale of USD at a call option price of \$1.00 USD to 15.80 MXN and a put option of \$1.00 USD to 17.01 MXN which began on September 1, 2015 and expired on August 31, 2016. These contracts had a fair value of \$70 as of June 30, 2017 (September 30, 2016 – liability of \$63), all of which has been recognized in net income.

The Corporation, through its subsidiary Coanzamex, has an agreement which was renegotiated in the three months ending December 31, 2015 and finalized in January 2016 with the Municipality of Parral, Mexico (“Town”) to mine and process tailings material for precious metal recovery. With the renegotiated agreement, the Corporation eliminated a 12% net profit royalty and increased the monthly royalty payment from \$30 to a minimum of \$48 per month to the Town, which increases based on the market average silver price. As the monthly royalty payment increases based on the market average silver price, from a minimum of \$48 per month to a maximum of \$88 per month, this is accounted for as an embedded derivative liability. The fair value of the liability has been accounted for using a Monte Carlo simulation based on the spot price of silver at June 30, 2017 of \$16.47 (September 30, 2016 of \$19.48), as well as the historical volatility of silver market prices. The fair value of the liability under this method at June 30, 2017 was \$442 (September 30, 2016 - \$804).

### 11. COMMITMENTS

The following table summarizes the minimum future financial commitments over the next five years to keep the San Diego, Parral, and Santa Gertrudis projects in good standing:

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Land payments - San Diego	\$ -	\$ 50	\$ -	\$ -	\$ -
Minimum royalty and land payments – Parral (Note 10 (d))	179	1,006	1,006	1,006	1,006
Land payments - Santa Gertrudis	175	183	183	183	183
	<u>\$ 353</u>	<u>\$ 1,239</u>	<u>\$ 1,189</u>	<u>\$ 1,189</u>	<u>\$ 1,189</u>