



CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

QUARTER ENDED

MARCH 31, 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>March 31 2017</u>	<u>September 30 2016</u>
ASSETS		
Current assets:		
Cash	\$ 1,032	\$ 2,091
Trade receivables	4,673	416
Input tax recoverable	1,554	2,738
Prepaid expenses	348	226
Derivative asset (Note 10 (d))	54	-
Inventories (Note 3)	<u>21,709</u>	<u>24,191</u>
	29,370	29,662
Non-current assets:		
Input tax recoverable	6,687	5,707
Inventories (Note 3)	12,993	3,987
Property, plant and equipment (Note 4)	81,836	83,185
Exploration and evaluation assets (Note 5)	<u>19,940</u>	<u>18,110</u>
Total assets	<u>\$ 150,826</u>	<u>\$ 140,651</u>
LIABILITIES		
Current liabilities:		
Trade and other payables	\$ 12,280	\$ 13,486
Income taxes payable	2,039	77
Derivative liability (Note 10 (d))	-	63
Current portion of long term debt (Note 6)	<u>-</u>	<u>35,077</u>
	14,319	48,703
Non-current liabilities:		
Long term debt (Note 6)	42,165	-
Provision for site restoration	1,396	1,199
Deferred income taxes	1,638	1,847
Derivative liability (Note 10 (d))	<u>614</u>	<u>804</u>
Total liabilities	<u>60,132</u>	<u>52,553</u>
EQUITY		
Share capital (Note 7)	140,885	140,885
Contributed surplus	7,143	6,994
Accumulated other comprehensive loss	(17,342)	(18,518)
Deficit	<u>(39,992)</u>	<u>(41,263)</u>
Total equity	<u>90,694</u>	<u>88,098</u>
Total liabilities and equity	<u>\$ 150,826</u>	<u>\$ 140,651</u>

Commitments (Note 11)

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		Six months ended	
	<u>March 31</u> <u>2017</u>	March 31 <u>2016</u>	<u>March 31</u> <u>2017</u>	March 31 <u>2016</u>
Revenue from mining operations	<u>\$ 7,111</u>	\$ 5,081	<u>\$ 13,967</u>	\$ 8,082
Cost of sales:				
Production costs, except amortization and depletion	<u>4,048</u>	2,295	<u>6,822</u>	3,729
Amortization and depletion	<u>976</u>	<u>1,237</u>	<u>1,883</u>	<u>1,979</u>
	<u>5,024</u>	<u>3,532</u>	<u>8,705</u>	<u>5,708</u>
General and administrative	<u>281</u>	918	<u>1,242</u>	2,011
Operating income	<u>1,806</u>	631	<u>4,020</u>	363
Finance costs	(503)	(430)	(975)	(787)
Foreign exchange gain (loss)	199	2,267	(326)	960
Gain (loss) on derivative liability	142	62	305	92
Impairment charge (Note 5)	-	(20,030)	-	(20,030)
	<u>(162)</u>	<u>(18,131)</u>	<u>(996)</u>	<u>(19,765)</u>
Income (loss) before income taxes	<u>1,644</u>	(17,500)	<u>3,024</u>	(19,402)
Current income tax expense	(1,962)	(31)	(1,962)	(87)
Deferred income tax recovery (expense)	<u>928</u>	426	<u>209</u>	<u>36</u>
	<u>(1,034)</u>	<u>395</u>	<u>(1,753)</u>	<u>(51)</u>
Net income (loss) for the period	<u>610</u>	(17,105)	<u>1,271</u>	(19,453)
Items which may subsequently be recycled through profit or loss:				
Foreign currency translation differences arising on translation of foreign operations	<u>1,509</u>	(2,225)	<u>1,176</u>	(1,799)
Total comprehensive income (loss) for the period	<u>\$ 2,119</u>	<u>\$ (19,330)</u>	<u>\$ 2,447</u>	<u>\$ (21,252)</u>
Net income (loss) per share basic and fully diluted (Note 7):	<u>\$ 0.00</u>	<u>\$ (0.10)</u>	<u>\$ 0.01</u>	<u>\$ (0.12)</u>
Weighted average number of common shares outstanding (Note 7):	<u>171,376,481</u>	<u>162,264,201</u>	<u>171,376,481</u>	<u>162,242,987</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		Six months ended	
	March 31 2017	March 31 2016	March 31 2017	March 31 2016
Cash provided by (used in) the following activities:				
Operating activities				
Net income (loss) for the period	\$ 610	\$ (17,105)	\$ 1,271	(19,453)
Items not involving cash:				
Amortization and depletion	976	1,237	1,883	1,979
Deferred income taxes	(928)	(426)	(209)	(36)
Foreign exchange loss (gain)	(199)	(2,267)	326	(960)
Gain on derivative liability	(142)	(62)	(305)	(92)
Amortization of deferred financing fees and accretion	80	76	157	144
Stock based compensation	45	100	137	120
Impairment charge	-	20,030	-	20,030
	<u>442</u>	<u>1,583</u>	<u>3,260</u>	<u>1,732</u>
Net change in non-cash working capital (Note 8)	<u>(2,881)</u>	<u>(2,887)</u>	<u>(8,747)</u>	<u>(5,200)</u>
Net cash used in operating activities	<u>(2,439)</u>	<u>(1,304)</u>	<u>(5,487)</u>	<u>(3,468)</u>
Investing activities				
Exploration and evaluation expenditures	(845)	(426)	(1,239)	(1,106)
Purchase of property, plant and equipment	<u>(987)</u>	<u>(2,223)</u>	<u>(1,219)</u>	<u>(5,200)</u>
Net cash used in investing activities	<u>(1,832)</u>	<u>(2,649)</u>	<u>(2,458)</u>	<u>(6,306)</u>
Financing activities				
Proceeds from long term debt (Note 6)	5,000	4,000	7,000	8,000
Proceeds on exercise of options (Note 7)	-	46	-	46
Net cash provided by financing activities	<u>5,000</u>	<u>4,046</u>	<u>7,000</u>	<u>8,046</u>
Effect of exchange rate changes on cash	<u>(71)</u>	<u>(117)</u>	<u>(114)</u>	<u>4</u>
Net increase (decrease) in cash and cash equivalents	658	(24)	(1,059)	(1,724)
Cash and cash equivalents, beginning of period	<u>374</u>	<u>1,021</u>	<u>2,091</u>	<u>2,721</u>
Cash and cash equivalents, end of period	<u>\$ 1,032</u>	<u>\$ 997</u>	<u>\$ 1,032</u>	<u>\$ 997</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	-	-	-	-	(19,453)	(19,453)
Other comprehensive loss	-	-	-	(1,799)	-	(1,799)
Stock-based compensation (Note 7)	-	-	153	-	-	153
Option exercise (Note 7)	80,000	80	(34)	-	-	46
Balance at March 31, 2016	162,302,003	\$ 132,764	\$ 6,647	\$ (16,429)	\$ (40,179)	\$ 82,803
Balance at October 1, 2016	171,376,481	\$ 140,885	\$ 6,994	\$ (18,518)	\$ (41,263)	\$ 88,098
Net income	-	-	-	-	1,271	1,271
Other comprehensive income	-	-	-	1,176	-	1,176
Stock-based compensation (Note 7)	-	-	149	-	-	149
Balance at March 31, 2017	171,376,481	\$ 140,885	\$ 7,143	\$ (17,342)	\$ (39,992)	\$ 90,694

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



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the quarter ended March 31, 2017

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

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.

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. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. These condensed consolidated interim financial statements do not give effect to the adjustments necessary to the carrying values and classification of assets and liabilities should the Corporation be unable to continue as a going concern.

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. In the event the Corporation violates any of the covenants under the credit facility and is unable to obtain amendments or waivers from the lenders in the future, its ability to borrow funds may be restricted or the lenders may demand repayment.

2. BASIS OF PREPARATION

a) 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.

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.

b) Accounting changes

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



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the quarter ended March 31, 2017

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

3. INVENTORIES

	<u>March 31, 2017</u>	<u>September 30, 2016</u>
Current:		
Supplies inventory	\$ 775	\$ 715
In process inventory	20,319	22,912
Finished goods inventory	615	564
	<u>21,709</u>	<u>24,191</u>
Long term:		
In process inventory	12,993	3,987
	<u>\$ 34,702</u>	<u>\$ 28,178</u>

The amount of inventory included in cost of sales for the three and six months ended March 31, 2017 was \$3,260 and \$6,082 (three and six months ended March 31, 2016 – \$3,532 and \$5,708).

4. PROPERTY, PLANT AND EQUIPMENT

Cost	<u>Plant & Equipment</u>	<u>Mining Properties</u>	<u>Total</u>
At September 30, 2016	\$ 39,670	\$ 56,654	\$ 96,324
Additions	736	489	1,225
Disposals	(14)	-	(14)
Reclamation obligation adjustments	-	128	128
Foreign exchange adjustments	-	10	10
At March 31, 2017	<u>\$ 40,392</u>	<u>\$ 57,281</u>	<u>\$ 97,673</u>
Accumulated Amortization			
At September 30, 2016	\$ 9,318	\$ 3,821	\$ 13,139
Amortization and depletion	1,704	1,001	2,705
Disposals	(12)	-	(12)
Foreign exchange adjustments	-	5	5
At March 31, 2017	<u>\$ 11,010</u>	<u>\$ 4,827</u>	<u>\$ 15,837</u>
Carrying Value			
At September 30, 2016	\$ 30,352	\$ 52,833	\$ 83,185
At March 31, 2017	<u>\$ 29,382</u>	<u>\$ 52,454</u>	<u>\$ 81,836</u>

For the six months ended March 31, 2017, additions to amortization and depletion include amounts of \$822 (2016 - \$2,112) which are included in in process inventory.



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the quarter ended March 31, 2017

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

5. EXPLORATION AND EVALUATION ASSETS

Cost	San Diego	Santa Gertrudis	Total
At September 30, 2016	\$ 213	\$ 17,897	\$ 18,110
Additions	103	1,153	1,256
Foreign exchange adjustments	14	560	574
At March 31, 2017	\$ 330	\$ 19,610	\$ 19,940

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 and 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 March 31, 2017, the calculation is based on the year to date EBITDA multiplied by two, and for the quarter ending June 30, 2017, the calculation will be based on the year to date EBITDA multiplied by four and divided by three.

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 March 31, 2017, the Corporation was in compliance with the financial covenants of the credit facility.

During the three and six months ended March 31, 2017, the Corporation drew \$5,000 and \$7,000 (2016 - \$4,000 and \$8,000) under the facility. As of March 31, 2017, the Corporation had drawn \$42,500 (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 be restricted or the Bank may demand repayment.

Subsequent to quarter end, the Corporation drew an additional \$2,000 on the facility.

Finance costs for the three and six months ended March 31, 2017 include interest expense of \$423 and \$817 (2016 – \$354 and \$643).

7. SHARE CAPITAL

(a) Authorized

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



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the quarter ended March 31, 2017

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

(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	80,000	80
Balance March 31, 2016	162,302,003	\$ 132,764
Balance September 30, 2016	171,376,481	\$ 140,885
No transactions	-	-
Balance March 31, 2017	171,376,481	\$ 140,885

The weighted average number of common shares outstanding for the three and six months ending March 31, 2017 was 171,376,481 (2016 – 162,264,201 and 162,242,987).

(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.

The changes in incentive stock options during the six months ended March 31, 2017 and March 31, 2016 were as follows:

	March 31, 2017		March 31, 2016	
	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	-	-	(80,000)	0.80
Expired	(325,000)	1.53	-	-
Closing balance	<u>4,720,000</u>	<u>CAD \$ 1.19</u>	<u>4,960,000</u>	<u>CAD \$ 1.25</u>
Exercisable	<u>2,566,667</u>	<u>CAD \$ 1.35</u>	<u>2,851,667</u>	<u>CAD \$ 1.26</u>

The weighted average market price on the day of exercise for the exercised options in the six months ended March 31, 2016 was \$1.07.



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the quarter ended March 31, 2017

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

The following table summarizes information concerning outstanding and exercisable incentive stock options at March 31, 2017:

Expiry date	Outstanding		Exercisable	
	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 six months ended March 31, 2017 and March 31, 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	Mar. 27, 2017	Dec. 23, 2015
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

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 six months ended March 31, 2017 of \$51 and \$149 (2016 - \$116 and \$153), which has been recorded as compensation expense of \$49 and \$137 (2016 - \$100 and \$120) and as additions to exploration and evaluation assets of \$2 and \$12 (2016 - \$16 and \$33).

(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 March 31, 2017 no DSUs were issued or outstanding.



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the quarter ended March 31, 2017

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

(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 March 31, 2017 the market price was \$0.07.

The warrants balances during the six months ended March 31, 2017 and March 31, 2016 were as follows:

	March 31, 2017			March 31, 2016		
	Number of warrants	Weighted average exercise price	Remaining contractual life (years)	Number of warrants	Weighted average exercise price	Remaining contractual life (years)
Opening balance	4,480,539	CAD \$ 1.69	1.70	-	-	-
No transactions	-	-	-	-	-	-
Closing balance	4,480,539	1.69	1.20	-	-	-
Exercisable	4,480,539	CAD \$ 1.69	1.20	-	-	-

(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 March 31, 2017, 4,720,000 options (2016 – 4,960,000) and 4,480,539 warrants (2016 – nil) were excluded from the computation of diluted loss per share because their effect would have been anti-dilutive.

8. SUPPLEMENTAL CASH FLOW INFORMATION

	Three months ended		Six months ended	
	March 31 2017	March 31 2016	March 31 2017	March 31 2016
Change in non-cash operating working capital:				
Trade receivables	\$ (2,629)	\$ (1,300)	\$ (4,257)	\$ (1,245)
Input tax recoverable	669	(1,054)	522	(2,045)
Prepaid expenses	(67)	16	(110)	47
Inventories	(2,725)	(2,342)	(5,703)	(4,513)
Trade and other payables	92	1,761	(1,161)	2,469
Income taxes payable	1,962	32	1,962	87
	<u>\$ (2,881)</u>	<u>\$ (2,887)</u>	<u>\$ (8,747)</u>	<u>\$ (5,200)</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



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the quarter ended March 31, 2017

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

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 March 31, 2017:			
Depreciation	\$ 976	\$ -	\$ 976
Segment net income (loss)	1,116	(968)	148
Expenditures on non-current assets	1,832	-	1,832
For the three months ended March 31, 2016:			
Depreciation	\$ 1,237	\$ -	\$ 1,237
Segment net income (loss)	(17,891)	786	(17,105)
Expenditures on non-current assets	2,649	-	2,649
For the six months ended March 31, 2017:			
Depreciation	\$ 1,883	\$ -	\$ 1,833
Segment net income (loss)	4,330	(3,519)	809
Expenditures on non-current assets	2,458	-	2,458
For the six months ended March 31, 2016:			
Depreciation	\$ 1,979	\$ -	\$ 1,979
Segment net income (loss)	17,590	(1,863)	(19,453)
Expenditures on non-current assets	6,306	-	6,306
Reportable segment assets (March 31, 2017)	\$ 150,254	\$ 572	\$ 150,826
Reportable segment liabilities (March 31, 2017)	16,923	43,209	60,132
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 six months ended March 31, 2017 are foreign exchange gains of \$347 and losses of \$479 (2016 – gains of \$2,294 and \$1,126).

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.



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the quarter ended March 31, 2017

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

	March 31, 2017		September 30, 2016	
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 1</u>	<u>Level 2</u>
Cash	\$ 1,032	-	\$ 2,091	-
Derivative assets	-	\$ 54	-	-
Derivative liabilities	-	614	-	\$ 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 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:

	<u>March 31, 2017</u>	<u>September 30, 2016</u>
Shareholders' equity	\$ 90,694	\$ 88,098
Long term debt	42,165	35,077
	132,859	123,175
Less: cash	(1,032)	(2,091)
	<u>\$ 131,827</u>	<u>\$ 121,084</u>

(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 \$63 and value added tax from the Federal Government of Mexico of \$8,178. 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



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the quarter ended March 31, 2017

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

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 March 31, 2017, GoGold Resources Inc. had net monetary liabilities in US dollars of \$42,089 (September 30, 2016 – \$33,477), for which a 10% change in US exchange rates would change net income by approximately \$4,209, which would then be offset by a corresponding change recorded through foreign currency translation differences recorded through other comprehensive income. At March 31, 2017, the Corporation had net monetary liabilities in Mexican Pesos of approximately \$4,689 (September 30, 2016 - \$2,476), for which a 10% change in Mexican Peso exchange rates would change net income by approximately \$469.

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 \$425.

Liquidity Risk

The Corporation's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at March 31, 2017, the Corporation had cash balances of \$1,032 (September 30, 2016 - \$2,091) for settling current liabilities of \$14,309 (September 30, 2016 - \$48,703). Current liabilities at September 30, 2016 included \$35,077 of debt which was classified as current at September 30, 2016 as the Corporation was in violation of a covenant at that date. As the covenants were met at March 31, 2017, the debt has been reclassified as long term.

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. In the event the Corporation violates any of the covenants under the credit facility and is unable to obtain amendments or waivers from the lenders its ability to borrow funds may be restricted or the lenders may demand repayment.

(d) Derivatives:

As at March 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 \$54 as of March 31, 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 March 31, 2017 of \$18.06 (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 March 31, 2017 was \$614 (September 30, 2016 - \$804).



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the quarter ended March 31, 2017

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

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	\$ 50	\$ -	\$ -	\$ -
Minimum royalty and land payments – Parral (Note 10 (d))	369	1,006	1,006	1,006	1,006
Land payments - Santa Gertrudis	183	183	183	183	183
	<u>\$ 602</u>	<u>\$ 1,239</u>	<u>\$ 1,189</u>	<u>\$ 1,189</u>	<u>\$ 1,189</u>