



CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED

SEPTEMBER 30, 2018 AND 2017

(in thousands of United States Dollars unless stated otherwise)



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INDEPENDENT AUDITORS' REPORT

To the Shareholders of GoGold Resources Inc.

We have audited the accompanying consolidated financial statements of GoGold Resources Inc., which comprise the consolidated statements of financial position as at September 30, 2018 and September 30, 2017, the consolidated statements of operations and comprehensive loss, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of GoGold Resources Inc. as at September 30, 2018 and September 30, 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Chartered Professional Accountants, Licensed Public Accountants

December 20, 2018
Halifax, Canada



CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in thousands of United States dollars)

	September 30 2018	September 30 2017
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 8,276	\$ 4,606
Trade receivables	10	757
Input tax recoverable	3,879	4,548
Prepaid expenses	232	233
Assets held for sale (Note 5)	-	24,092
Inventories (Note 6)	6,324	24,517
	<u>18,721</u>	<u>58,753</u>
Non-current assets:		
Input tax recoverable	5,349	2,945
Deferred income taxes (Note 13)	1,890	7,363
Inventories (Note 6)	12,302	13,358
Property, plant and equipment (Note 7)	26,294	77,791
Total assets	<u>\$ 64,556</u>	<u>\$ 160,210</u>
LIABILITIES		
Current liabilities:		
Term loan (Note 9)	\$ -	\$ 7,500
Trade and other payables	3,818	14,467
Income taxes payable (Note 12)	-	15
Liabilities held for sale (Note 5)	-	822
Current portion of long term debt (Note 10)	-	46,309
	<u>3,818</u>	<u>69,113</u>
Non-current liabilities:		
Provision for site restoration (Note 11)	1,452	1,818
Deferred income taxes (Note 13)	-	989
Derivative liability (Note 17(d))	352	464
Total liabilities	<u>5,622</u>	<u>72,384</u>
EQUITY		
Share capital (Note 12)	142,465	141,904
Contributed surplus	7,532	7,297
Accumulated other comprehensive loss	(5,523)	(19,528)
Deficit	(85,540)	(41,847)
Total equity	<u>58,934</u>	<u>87,826</u>
Total liabilities and equity	<u>\$ 64,556</u>	<u>\$ 160,210</u>

Commitments (Note 18)

Subsequent event (Note 19)

Signed on behalf of the Board:

"George Wayne"
George Wayne

"Terry Coughlan"
Terry Coughlan

See accompanying notes to the consolidated financial statements.



CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

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

	September 30 2018	September 30 2017
For the year ended		
Revenue from mining operations	\$ 21,016	\$ 17,045
Cost of sales:		
Production costs, except amortization and depletion	13,553	9,701
Amortization and depletion	5,122	4,058
Inventory net realizable value adjustment (Note 6)	12,726	9,420
Inventory write down (Note 6)	13,893	-
	<u>45,294</u>	<u>23,179</u>
General and administrative	<u>4,134</u>	<u>3,609</u>
Operating loss	<u>(28,412)</u>	<u>(9,743)</u>
Exploration	(241)	-
Finance costs	(762)	(2,084)
Foreign exchange (loss) gain	(140)	2,717
Gain on derivative liability	112	394
Interest revenue	108	-
Impairment charge (Note 8)	<u>(48,157)</u>	<u>(345)</u>
	<u>(49,080)</u>	<u>682</u>
Loss before income taxes from continuing operations	<u>(77,492)</u>	<u>(9,061)</u>
Current income tax recovery (Note 13)	15	62
Deferred income tax recovery (Note 13)	<u>4,232</u>	<u>7,597</u>
	<u>4,247</u>	<u>7,659</u>
Net loss from continuing operations	(73,245)	(1,402)
Net income from discontinued operations (Note 5)	<u>29,552</u>	<u>818</u>
Net loss	(43,693)	(584)
Other comprehensive income (loss):		
Foreign currency translation differences arising on translation of foreign subsidiaries which may subsequently be cycled through net income	(530)	(1,010)
Reclassification of foreign exchange loss on translation into net income due to discontinued operations	<u>14,535</u>	<u>-</u>
Total comprehensive loss for the year	<u>\$ (29,688)</u>	<u>\$ (1,594)</u>
Per share basic and fully diluted (Note 12):		
Net loss from continuing operations	\$ (0.43)	\$ (0.00)
Net income from discontinued operations	\$ 0.17	\$ 0.01
Net loss per share	\$ (0.26)	\$ (0.00)



CONSOLIDATED STATEMENTS OF CASH FLOWS (in thousands of United States dollars)

	September 30 2018	September 30 2017
For the year ended		
Cash provided by (used in) the following activities:		
Operating activities		
Net loss for the year	\$ (43,693)	\$ (584)
Items not involving cash:		
Amortization and depletion	5,122	4,058
Amortization of deferred financing fees and accretion	316	331
Deferred income taxes	(4,232)	(7,597)
Discontinued operations deferred income taxes	8,716	396
Foreign exchange loss (gain)	140	(2,717)
Gain on derivative liability	(112)	(394)
Gain on disposition of Santa Gertrudis	(52,803)	-
Impairment charge (Note 5)	48,157	345
Inventory net realizable value adjustment (Note 6)	12,726	9,420
Inventory write down (Note 6)	13,893	-
Reclassification of foreign exchange loss on translation from other comprehensive income	14,535	-
Share based compensation	273	293
	<u>3,038</u>	<u>3,551</u>
Net change in non-cash working capital (Note 15)	<u>(19,540)</u>	<u>(11,891)</u>
Net cash used in operating activities	<u>(16,502)</u>	<u>(8,340)</u>
Investing activities		
Exploration and evaluation expenditures	-	(3,194)
Proceeds on sale of Santa Gertrudis, net of transaction costs (Note 5)	76,770	-
Purchase of property, plant and equipment	<u>(3,173)</u>	<u>(4,365)</u>
Net cash provided by (used in) investing activities	<u>73,597</u>	<u>(7,559)</u>
Financing activities		
Proceeds from warrant exercises (Note 12)	523	-
Proceeds from long term debt (Note 10)	-	11,000
Proceeds from term loan (Note 9)	-	7,500
Repayment of long term debt (Note 10)	(46,500)	-
Repayment of term loan (Note 9)	<u>(7,500)</u>	<u>-</u>
Net cash (used in) provided by financing activities	<u>(53,477)</u>	<u>18,500</u>
Cash reclassified as held for sale (Note 5)	-	(12)
Effect of exchange rate changes on cash and cash equivalents	<u>52</u>	<u>(74)</u>
Net increase (decrease) in cash and cash equivalents	3,670	2,515
Cash and cash equivalents, beginning of year	<u>4,606</u>	<u>2,091</u>
Cash and cash equivalents, end of year	<u>\$ 8,276</u>	<u>\$ 4,606</u>



CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(in thousands of United States dollars)

	Number of shares	Share capital	Contributed surplus	Accumulated other comprehensive loss	Surplus (Deficit)	Total equity
Balance at October 1, 2016	171,376,481	\$ 140,885	\$ 6,994	\$ (18,518)	\$ (41,263)	\$ 88,098
Net loss	-	-	-	-	(584)	(584)
Other comprehensive loss	-	-	-	(1,010)	-	(1,010)
Tax recovery on share issue costs (Note 12)	-	1,019	-	-	-	1,019
Stock-based compensation (Note 12)	-	-	303	-	-	303
Balance at September 30, 2017	171,376,481	141,904	7,297	(19,528)	(41,847)	87,826
Net loss	-	-	-	-	(43,693)	(43,693)
Other comprehensive income	-	-	-	14,005	-	14,005
Warrant exercise (Note 12)	400,000	561	(38)	-	-	523
Stock-based compensation (Note 12)	-	-	273	-	-	273
Balance at September 30, 2018	171,776,481	\$ 142,465	\$ 7,532	\$ (5,523)	\$ (85,540)	\$ 58,934

See accompanying notes to the unaudited consolidated financial statements.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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(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 consolidated 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) Statement of compliance

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These financial statements were approved by the Board of Directors on December 20, 2018.

b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for derivative financial instruments that are measured at fair value through profit or loss. These consolidated financial statements are presented in United States dollars ("US dollars", "USD").

c) Use of estimates and judgments

The preparation of the consolidated financial statements requires the Corporation's management to make judgments, 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. Judgement is used mainly in determining whether a balance or transaction should be recognized in the consolidated financial statements. Estimates and assumptions are used mainly in determining the measurement of recognized transactions and balances. However, judgements and estimates are often interrelated. Actual results may differ from these estimates.

Estimates and judgments are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected. Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements as well as estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Asset acquisitions:

The Corporation applies judgement in determining whether the exploration and evaluation assets it acquires are considered to be asset acquisitions or business combinations. Key factors in this determination are whether reserves have been established; whether the project is capable of being managed as a business by a market participant, and the nature of the additional work to convert resources into reserves. The Corporation has considered all exploration and evaluation assets acquired to date to be asset acquisitions.

Commercial production:

The Corporation makes judgements about which indicators to consider when evaluating whether a project has reached commercial production, which may impact the timing and amount of amortization and depletion, the amount of revenue recognized, as well as operating expenses recognized.



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(in thousands of United States dollars unless otherwise stated)

Estimate of recoverability for non-financial assets:

Events or changes in circumstances may give rise to significant impairment charges or reversals of impairment in a particular year. In accordance with the Corporation's accounting policy, each non-financial asset or cash generating unit is evaluated every reporting period to determine whether there are any indications of impairment, which would include a significant decline in the asset's market value, decline in resources and/or reserves as a result of geological re-assessment or change in timing of extraction of resources and/or reserves which would result in a change in the discounted cash flow obtained from the site, and lower metal prices or higher input cost prices than would have been expected since the most recent valuation of the site.

If any such indication exists, a formal estimate of recoverable amount is determined and an impairment loss recognized to the extent that carrying amount exceeds recoverable amount. The recoverable amount of an asset or cash generating unit is measured at the higher of fair value less costs of disposal and value in use.

Value in use is generally determined as the present value of the estimated future cash flows, but only those expected to arise from the continued use of the asset in its present form and its eventual disposal. Present values are determined using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Fair value less costs of disposal is determined based on the present value of estimated future cash flows from each long-lived asset or cash generating unit. The assumptions used in determining the fair value less costs of disposal are typically life of mine plans, long-term commodity prices, discount rates, foreign exchange rates, and net asset value multiples.

Future cash flow estimates are based on expected production and sales volumes, mineral prices (considering current and historical prices, price trends and related factors), reserves, operating costs, restoration and rehabilitation costs and future capital expenditures.

Exploration and evaluation assets:

Management is required to apply judgment in determining whether technical feasibility and commercial viability can be demonstrated for mineral properties. The technical feasibility and commercial viability is based on management's evaluation of the geological properties of an ore body based on information obtained through evaluation activities, including metallurgical testing, resource and reserve estimates and economic assessment whether the ore body can be mined economically. Once technical feasibility and commercial viability of a mineral property can be demonstrated, exploration costs will be assessed for impairment and reclassified to property, plant and equipment and subject to different accounting treatment.

Identification of functional currency:

The functional currency for the Corporation and each of its subsidiaries is the currency of the primary economic environment in which it operates. Determination of functional currency involves significant judgment in determining the primary economic environment by considering the currency and economic factors that mainly influence sales prices, production and operating costs, financing and related transactions.

Inventory – in process:

The Corporation makes estimates of gold and silver recoverable from tailings stacked on leach pads in the determination of the carrying amount of in process inventory. The quantities of recoverable gold and silver placed on the leach pads are reconciled to the quantities of gold and silver actually recovered (metallurgical balancing), by comparing the estimate of contained ounces placed on the leach pads to actual ounces recovered. The nature of the leaching process inherently limits the ability to precisely monitor inventory levels. As a result, the metallurgical balancing process is constantly monitored and the engineering estimates are refined based on actual results over time. The ultimate recovery of gold and silver from a leach pad, and the timing of the recovery, will not be known until the leaching process is completed. Leach pad recovery estimates are used in the determination of the Corporation's inventories.

Inventory – valuation:

The Corporation values inventory at the lower of cost and net realizable value. The calculation of net realizable value relies on forecasted metal prices, forecasted exchange rates, and estimated costs to complete the processing of in process inventory.

Provisions for site restoration:

The Corporation makes estimates for the timing and amount of future cash flows required to settle the Corporation's reclamation provisions. These estimates require extensive judgement about the nature, cost and timing of the work to be



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completed, and may change with future changes to costs, environmental laws and regulations and remediation practices. In view of uncertainties concerning environmental rehabilitation, the ultimate costs could be materially different from the amounts estimated.

Share-based payments:

The Corporation issues equity-settled share-based payments to certain employees, directors, and third parties outside the Corporation. Equity-settled share-based payments issued to employees are measured at fair value (excluding the effect of nonmarket based vesting conditions) at the date of grant. Fair value is measured using the Black-Scholes pricing model and requires the exercise of judgment in relation to variables such as expected volatilities and dividend yields based on information available at the time the fair value is measured. Share-based payments issued to third parties are measured at the fair value of the goods or services received except when the fair value cannot be determined reliably, they are measured at the fair value of the equity instruments granted.

Taxation:

The Corporation's accounting policy for taxation requires management's judgment in assessing whether deferred tax assets are recognized on the statement of financial position. Deferred tax assets, including those arising from tax loss carry-forwards, capital losses and temporary differences are recognized only where it is considered probable that they will be recovered, which is dependent on the generation of sufficient future taxable profits. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future production and sales volumes, mineral prices, reserves, operating costs, restoration and rehabilitation costs, capital expenditure, dividends and other capital management transactions.

Judgments are also required about the application of income tax legislation. These judgments and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognized on the statement of financial position and the amount of other tax losses and temporary differences not yet recognized. In such circumstances, some or all of the carrying amount of recognized deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the statement of operations.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

a) Basis of consolidation

The consolidated financial statements are presented in USD and include the accounts of the Corporation and the following subsidiaries:

Company	Principal activity	Country of incorporation	Functional currency
Mexican Gold Holdings Corporation Incorporated	Holding company	Canada	CAD
North American Gold Holdings Corporation Incorporated	Holding company	Canada	CAD
Minera Durango Dorado S.A. de C.V.	Gold and silver exploration	Mexico	MXN
Absolute Gold Holdings Incorporated	Holding company	Canada	CAD
AGHI Holdings Incorporated	Holding company	Canada	CAD
Grupo Coanzamex S.A. de C.V.	Gold and silver production	Mexico	USD
Coanzamex Servicios S.A. de C.V.	Gold and silver production	Mexico	USD
Servicios de Procesamiento Manufactura y Logística Coanzamex S.A. de C.V.	Gold and silver production	Mexico	USD
GoGold Resources Inc.	Corporate support	Canada	CAD

All subsidiaries are 100% owned.



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i) Subsidiaries

Subsidiaries are entities over which the Corporation has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a Corporation controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Corporation and cease to be consolidated from the date on which control is transferred out of the Corporation. A change in the ownership interest of a subsidiary that does not result in a loss of control is accounted for as an equity transaction.

ii) Transactions eliminated on consolidation

Inter-company balances and transactions, and any unrealized income and expenses arising from inter-company transactions, are eliminated in preparing the consolidated financial statements.

b) Foreign currency

i) Foreign currency transactions

Transactions in currencies other than each entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

ii) Foreign operations

These consolidated financial statements are presented in USD. The results and financial position of all the Corporation's entities that have a functional currency different from the USD presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing rate at the date of the statement of financial position;
- foreign exchange gains and losses on intercompany loans that are considered part of the net investment in foreign subsidiaries and where repayment is neither planned nor expected to occur in the foreseeable future are not recorded in earnings, but are recognized within Accumulated Other Comprehensive Income ("AOCI");
- income and expenses for each income statement presented are translated at monthly average exchange rates; and
- all resulting exchange differences are recognized within AOCI which is a separate component of equity.

On the loss of control of a foreign operation, all the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Corporation are recognized in the income statement as part of the gain or loss on loss of control.

Fair value adjustments on identifiable assets and liabilities acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognized in AOCI.

c) Financial instruments

Financial assets within the scope of IAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. When financial assets are recognized initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, including directly attributable transaction costs. The Corporation determines the classification of its financial assets on initial recognition.

The Corporation's financial instruments are comprised of the following:



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Financial assets:

Cash and cash equivalents
Trade receivables

Classification:

Fair value through profit or loss
Loans and receivables

Financial liabilities:

Trade and other payables
Derivative financial instruments
Term loan
Long term debt

Classification:

Other financial liabilities
Fair value through profit or loss
Other financial liabilities
Other financial liabilities

(i) Financial assets at fair value through profit or loss:

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss.

(ii) Loans and receivables:

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, do not qualify as trading assets and have not been designated as either fair value through profit or loss or available for sale. After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest method less any allowance for impairment. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in the consolidated statement of operations when the loans and receivables are derecognized or impaired, as well as through the amortization process.

(iii) Available for sale investments:

Financial assets classified as available for sale are measured at fair value, with changes in fair values recognized in other comprehensive income, except when there is objective evidence that the asset is impaired, at which point the cumulative loss that had been previously recognized in other comprehensive income is recognized within the consolidated statement of operations.

(iv) Derivative financial instruments:

The Corporation has entered into derivative financial instruments to hedge its risk exposure to fluctuations of the Mexican Peso compared to the U.S. dollar. The Corporation has elected not to use hedge accounting and the derivative instruments are classified as financial instruments at fair value through profit or loss. The Corporation also has derivative financial instruments associated with commodity indexed contracts.

Derivative financial instruments at fair value through profit or loss are recorded in the consolidated balance sheets at fair value. Subsequent to initial recognition, these derivatives are measured at fair value. The fair value of derivative financial instruments is based on forward rates considering the market price, rate of interest and volatility and takes into account the credit risk of the financial instrument. Changes in estimated fair value at each reporting date are included in the consolidated statements of operations as derivative gains or losses.

(v) Fair value:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy establishes three levels to classify the inputs to valuation



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techniques used to measure fair value. The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs are quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability (for example, interest rate and yield curves observable at commonly quoted intervals, forward pricing curves used to value currency and commodity contracts, volatility measurements used to value option contracts and observable credit default swap spreads to adjust for credit risk where appropriate), or inputs that are derived principally from or corroborated by observable market data or other means.

Level 3: Inputs are unobservable (supported by little or no market activity). The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

The Corporation's financial assets measured at fair value, as at September 30, 2018 and 2017, which include cash and cash equivalents are classified as a Level 1 measurement. Cash and equivalents include cash, term deposits, treasury bills and money market investments with original maturities of less than 90 days.

(vi) Impairment of financial assets:

Financial assets are assessed for indicators of impairment at each financial reporting date. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. Evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of amounts receivable, where the carrying amount is reduced through the use of an allowance account. When an amount receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

d) Exploration and evaluation assets

Pre-exploration expenditures are expensed as incurred.

All direct costs related to the acquisition and exploration of resource property interests are capitalized by property. Exploration and evaluation assets include expenditures on acquisition of rights to explore, studies, exploratory drilling, trenching, sampling, and other direct costs related to the exploration or evaluation of a project. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are directly related to operational activities in a particular area of interest.

Exploration and evaluation assets are initially measured at cost and classified as tangible assets.

An impairment review of exploration and evaluation assets is performed, either individually or at the cash-generating unit level, when there are indicators that the carrying amount of the assets may exceed their recoverable amounts. To the extent that this occurs the excess is fully provided against, in the financial year in which this is determined. Exploration and evaluation assets are reassessed on a regular basis and these costs are carried forward provided that at least one of the conditions below is met:



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- such costs are expected to be recouped in full through successful development and exploration of the area of interest or alternatively, by its sale; or
- exploration and evaluation activities in the area of interest have not yet reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in relation to the area are continuing, or planned for the future.

Where a project is determined to be technically viable and commercially feasible and a decision has been made to proceed with development with respect to a particular area of interest, the relevant exploration and evaluation asset is tested for impairment and the balance is reclassified as a development asset in property, plant and equipment. A project is considered to be technically viable and commercially feasible when a full technical report is prepared, construction financing is arranged, and board approval to proceed with construction is obtained.

e) Property, plant and equipment

Recognition and measurement

Land is stated at historical cost. All items of property, plant and equipment are measured at historical cost less accumulated amortization and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour and capitalized interest and any other costs directly attributable to bringing the assets to working condition for their intended use.

Subsequent costs

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Corporation and the cost of the item can be measured reliably.

The carrying amount of any replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

Amortization

Amortization of plant and equipment is calculated using the straight-line method, or unit-of-production method if that is more reflective of the usage, to allocate their cost net of their residual values, over the shorter of their estimated useful lives and the life of mine. Amortization commences when the asset is fully constructed and available for use. Amortization methods, useful lives and residual values are reviewed at each financial year end and adjusted prospectively, if appropriate. Amortization categories and useful lives for items included in plant and equipment are as follows:

Asset	Useful life
Buildings & infrastructure	9 years
Office equipment	3 years
Other equipment	3 years
Process plant	Unit-of-production
Vehicles	4 years

Development assets

Development assets include costs transferred from exploration and evaluation assets once technical feasibility or commercial viability of an area of interest are demonstrable, and development assets also includes subsequent costs to develop the mine to the production phase. Once commercial production is achieved, development assets are reclassified to mining properties or plant and equipment.

Mining Properties

Mining properties include costs transferred from development assets once commercial production has been achieved for the area of interest, and mining properties also includes subsequent costs incurred in further developing the area of interest.



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Depletion of mining properties is calculated on the basis of units of production and commences when the mine starts commercial production. Depletion is based on assessments of measured and indicated reserves and the portion of resources expected to be added to be reserves available to be mined by the current production equipment to the extent that such reserves are considered to be economically recoverable.

f) Impairment of non-financial assets

The net carrying amounts of property and equipment are reviewed for impairment either individually or at the cash-generating unit level when events and changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Where the asset does not generate cash flows that are independent from other assets, the Corporation estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount, and an impairment charge is recognized in profit or loss in the fiscal year in which this is determined. Where an impairment subsequently reverses, the carrying amount is increased to the revised estimate of recoverable amount, but so that the increased carrying amount does not exceed the carrying value that would have been determined if no impairment had previously been recognized. As a result, a reversal is recognized in profit or loss.

g) Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred income tax is recognized in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill.

Deferred income tax assets and deferred income tax liabilities of the same taxable entity are offset when they relate to taxes levied by the same taxation authority and the entity has a legally enforceable right to set off current tax assets against current tax liabilities. The principal temporary differences arise from amortization and depletion on property, plant and equipment, tax losses carried forward and fair value adjustments on assets acquired in business combinations.

h) Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments on the date of grant. Fair value is measured using the Black-Scholes pricing model. The fair value determined at the grant date of the equity-settled share-based payments is expensed as services are rendered over the vesting



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period, based on the Corporation's estimate of the shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions. For share-based payment awards with non-market vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Equity-settled share-based payment transactions with parties other than employees and those providing similar services are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

i) Earnings per share

The Corporation presents basic and diluted earnings per share data for its common shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Corporation by the weighted average number of common shares outstanding during the period. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of shares outstanding for the effects of all dilutive potential common shares. All share options are currently anti-dilutive. As a result basic and diluted earnings per share are the same.

j) Reclamation liabilities

Provisions for environmental restoration are recognized when: (i) the Corporation has a present legal or constructive obligation as a result of past exploration, development or production events; (ii) it is probable that an outflow of resources will be required to settle the obligation; and (iii) the amount has been reliably estimated. Provisions do not include any additional obligations which are expected to arise from future disturbance.

k) Inventories

Finished goods inventory

Finished goods inventory consists of doré bars which have been poured, and is valued at the lower of average cost and net realizable value.

Ore in process inventory

Ore in process inventory is measured at the lower of cost and net realizable value. The recovery of gold and silver is achieved through milling and heap leaching processes. Costs are added to ore on leach pads based on the current processing cost, including applicable overhead, depletion and amortization relating to mining and processing operations. Costs are removed from ore on leach pads as ounces are recovered, based on the average cost per recoverable ounce of gold and silver in ore in process inventory.

Supplies inventory

Supplies inventory consists of processing supplies and consumables used in the operation of the project, and is valued at the lower of average cost and net realizable value.

l) Revenue recognition

Revenue from the sale of gold, silver and doré is recognized when persuasive evidence of a sale arrangement exists, the risks and rewards of ownership pass to the purchaser, the selling price is measurable, and collectability is probable. Revenue from the sale of gold, silver and doré is measured at the fair value of the consideration received or receivable and may be subject to adjustment once final weights and assays are determined. When pre-production sales are directly attributed in the development of an asset, the proceeds are offset against the asset cost.



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4. ACCOUNTING CHANGES AND RECENT PRONOUNCEMENTS

A number of new standards, and amendments to standards and interpretations under IFRS, are not yet effective for the year ending September 30, 2018, and have not been applied in preparing these consolidated financial statements.

a) Revenue from Contracts with Customers

In May 2014, and later amended in April 2016, the IASB issued IFRS 15 *Revenue from Contracts with Customers*. The new standard is effective for fiscal years beginning on or after January 1, 2018 and is available for early adoption. IFRS 15 will replace IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfer of Assets from Customers*, and SIC 31 *Revenue – Barter Transactions Involving Advertising Services*. The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized.

The Corporation intends to adopt IFRS 15 in its financial statements for the annual period beginning on October 1, 2018. The Corporation is in the process of completing their analysis on the impact of adoption of this standard on the financial statements.

b) Financial instruments

In July 2014, the IASB issued IFRS 9, *Financial Instruments*, will replace IAS 39, *Financial Instruments: Recognition and Measurement*, and some of the requirements of IFRS 7, *Financial Instruments: Disclosures*. The objective of IFRS 9 is to establish principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. The IASB has determined the revised effective date for IFRS 9 will be for annual reporting periods beginning on or after January 1, 2018. The Corporation will evaluate the impact of the change to the consolidated financial statements based on the characteristics of financial instruments outstanding at the time of adoption.

c) Leases

In January 2016, the IASB issued IFRS 16, *Leases*. This standard specifies the methodology to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. This standard replaces IAS 17, *Leases*. The standard is effective for annual reporting periods beginning on or after January 1, 2019 with early adoption permitted. The Corporation is currently assessing the impact of adopting this standard on its consolidated financial statements.

d) Share based payments

The IASB issued amendments to IFRS 2, *Share-based Payment*. The new requirements could affect the classification and/or measurement of cash settled share-based payments, classification of share-based payments settled net of tax advantage, and share-based payment from cash-settled to equity settled – and potentially the timing and amount of expense recognized for new and outstanding awards. The amendments apply for annual reporting periods beginning on or after January 1, 2018. The adoption of this standard is not expected to have an impact on the Corporation's financial statements.

5. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

On September 5, 2017, the Corporation entered into an agreement with Agnico Eagle Mines Limited ("Agnico") to sell the Santa Gertrudis project. At September 30, 2017, the assets and liabilities of Santa Gertrudis were classified as held for sale on the statement of financial position and operational results from Santa Gertrudis were classified as discontinued operations for the year ended September 30, 2017.



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On November 2, 2017, the Corporation completed the sale of the Santa Gertrudis property through the sale of 100% of the outstanding common shares of Animas Resources Ltd. (“Animas”). The transaction proceeds were cash of \$80,000, less a working capital adjustment of \$380 and transaction costs of \$2,850 for net cash proceeds of \$76,770, plus a retained 2% net smelter royalty, where 2% of all future revenues from the Santa Gertrudis property will be paid out to the Corporation, less allowable deductions including refining, assay, and transportation charges (see Note 19). Transaction costs of \$493 were expensed in the year ended September 30, 2017.

The cash proceeds from the sale were used to fully repay and discharge both the senior revolving credit facility and the term loan on November 2, 2017. Details of the use of cash proceeds are as follows:

Proceeds, net	\$ 76,770
Repayment of senior revolving credit facility	(46,500)
Interest on senior revolving credit facility	(75)
Repayment of term loan	(7,500)
Interest on term loan	(121)
Remaining funds	<u>\$ 22,574</u>

Assets and liabilities held for sale:

Assets and liabilities held for sale were disposed of on November 2, 2017 with the closing of the transaction. The major classes of assets and liabilities of Santa Gertrudis at September 30, 2017 were as follows:

Current Assets

Cash	\$ 12
Input tax recoverable	1,268
Prepaid expenses	167
Mining properties	341
Exploration and evaluation assets	22,304
	<u>\$ 24,092</u>

Current Liabilities

Trade and other payables	<u>\$ 822</u>
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Upon completion of the transaction on November 2, 2017, there was an adjustment to current assets held for sale which resulted in an increase of \$1,190 to \$25,282.



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Discontinued operations

Following are the results of discontinued operations for the years ended September 30, 2018 and 2017:

	Year ended September 30, 2018	Year ended September 30, 2017
Revenue from mining operations	\$ -	\$ 6,428
Production costs, except amortization and depletion	-	(5,108)
Amortization and depletion	-	(48)
General and administrative expense	-	(24)
Operating income	-	1,248
Foreign exchange loss	-	(34)
Income before income taxes	-	1,214
Deferred income tax expense	-	(396)
Net income prior to disposition	-	818
Cash proceeds on sale of Santa Gertrudis	80,000	-
Net working capital adjustment	(380)	-
Assets held for sale	(25,282)	-
Liabilities held for sale	822	-
Gain on disposition	55,160	-
Transaction costs	(2,357)	-
Gain on disposition, net of transaction costs	52,803	-
Deferred income tax expense	(8,716)	-
Reclassification of foreign exchange loss on translation from other comprehensive income	(14,535)	-
Net income from discontinued operations	\$ 29,552	\$ 818

Reclassification of foreign exchange loss on translation from other comprehensive income includes \$6,017 associated with the Santa Gertrudis disposal, and \$8,518 associated with the disposal of the San Diego operation. In 2015, the Corporation recorded an impairment charge in connection with decisions to cease exploration activities at the San Diego operation. Since that time, no significant exploration has been done and claims have been allowed to lapse. During the year the final claims were abandoned resulting in a conclusion that the project has been disposed of. Consequently, \$8,518 of accumulated foreign exchange translation losses recorded in accumulated other comprehensive income have been recorded as a component of income for discontinued operations in the year ending September 30, 2018.

The results of discontinued operations included in the consolidated statements of cash flows for the years ended September 30, 2018 and 2017 were as follows:

	Year ended September 30, 2018	Year ended September 30, 2017
Cash flow from (used in):		
Operating activities before working capital changes	\$ -	\$ 1,296
Changes in net working capital	-	(250)
Cash flow from operating activities	-	1,046
Cash flow from investing activities	76,770	(3,110)
Net increase (decrease) in cash from discontinued operations	\$ 76,770	\$ (2,064)



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6. INVENTORIES

	<u>September 30, 2018</u>	<u>September 30, 2017</u>
Current:		
Supplies inventory	\$ 573	\$ 835
In process inventory	4,781	21,726
Finished goods inventory	970	1,956
	<u>6,324</u>	<u>24,517</u>
Long term:		
In process inventory	12,302	13,358
	<u>\$ 18,626</u>	<u>\$ 37,875</u>

The amount of inventory included in cost of sales was \$45,294 (2017 – \$23,179). As a result of lower expected metal prices, changes to production methodology and related costs during the year, an assessment of the net realizable value of in process inventory was completed. This assessment resulted in a reduction of inventory carrying value of \$12,726 (2017 – \$9,420), which included adjustments to amortization and depletion of \$2,377 (2017 - \$1,768). The assessment of the net realizable value of the inventory is sensitive to fluctuations in the consensus future silver and gold price, a change of 5% in future price would result in a change in carrying value of \$1,450.

During the year ended September 30, 2018, an assessment was completed regarding the future recoverability of in process inventory. As a result of this analysis, 649,095 silver and 4,377 gold ounces contained in in process inventory were deemed to no longer be recoverable. This resulted in a write down of in process inventory of \$13,893, of which \$3,692 related to amortization and depletion.



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7. PROPERTY, PLANT AND EQUIPMENT

Cost	Plant & Equipment	Mining Properties	Total
October 1, 2016	\$ 39,670	\$ 56,654	\$ 96,324
Additions	5,212	848	6,060
Disposals	(238)	-	(238)
Reclamation obligation adjustments	-	468	468
Reclassification to held for sale (Note 5)	-	(390)	(390)
Foreign exchange adjustments	7	23	30
At September 30, 2017	44,651	57,603	102,254
Additions	1,235	449	1,684
Disposals	(52)	-	(52)
Reclamation obligation adjustments	-	(400)	(400)
Reclassification	335	(335)	-
Foreign exchange adjustments	(4)	-	(4)
At September 30, 2018	\$ 46,165	\$ 57,317	\$ 103,482

Accumulated Amortization and Impairment	Plant & Equipment	Mining Properties	Total
At October 1, 2016	\$ 9,318	\$ 9,446	\$ 18,764
Amortization and depletion	3,415	2,336	5,751
Disposals	(12)	-	(12)
Reclassification to held for sale (Note 5)	-	(49)	(49)
Foreign exchange adjustments	5	4	9
At September 30, 2017	\$ 12,726	\$ 11,737	\$ 24,463
Amortization and depletion	2,974	1,602	4,576
Impairment losses (Note 8)	7,178	40,979	48,157
Disposals	(9)	-	(9)
Foreign exchange adjustments	1	-	1
At September 30, 2018	\$ 22,870	\$ 54,318	\$ 77,188

Net Carrying Value	Plant & Equipment	Mining Properties	Total
At September 30, 2017	\$ 31,925	\$ 45,866	\$ 77,791
At September 30, 2018	\$ 23,295	\$ 2,999	\$ 26,294

For the year ended September 30, 2018, additions to amortization and depletion include amounts of \$542 (2017 - \$75) which are included in in process inventory.



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8. IMPAIRMENT

In accordance with the Corporation's accounting policy, non-current assets are reviewed at each reporting date to determine whether there are any indicators of impairment. An impairment loss is recognized when the carrying amount exceeds the recoverable amount. Non-current assets that have been impaired are tested for possible reversal of the impairment whenever events or changes in circumstance indicate that the impairment may have reversed.

At September 30, 2018, the Corporation determined that negative cash flows and operational performance being less than original expectations from the Parral project constituted an indicator of potential impairment. Therefore, the Corporation completed an impairment assessment for the Parral project whereby the net book value was compared to its recoverable amount. The recoverable amount was determined as the fair value less costs of disposal, which was determined using a discounted future cash flow valuation model. As a result of the impairment assessment the Corporation recognized a non-cash impairment loss of \$48,157 on non-current assets.

The discounted future cash flow valuation model used in impairment testing is significantly affected by changes in assumptions for metal prices, production costs estimates, future capital expenditures, changes in the amount of recoverable reserves, resources, discount rates, inflation and exchange rates. The determination of fair value includes the following key applicable assumptions:

- Silver price per ounce of \$17.50 in 2019 and \$18.00 in 2020 and beyond
- Gold price per ounce of \$1,300 in 2019 and beyond
- Operating and capital costs based on historical costs incurred and estimated forecasts
- Stacking rates and recoveries based on historical rates and estimated forecasts
- After-tax discount rate of 7%

The Corporation performed a sensitivity analysis on the fair value. A 5% change in silver and gold price assumptions or the recovery rate would change the recoverable amount by \$13,584. A 5% change in operating costs would result in a change of \$8,760.

Management fully impaired the San Diego project in September 2017 as the remaining claims on the property were not to be renewed, which resulted in an impairment charge of \$345. The asset was previously recorded as an exploration asset.

9. TERM LOAN

On September 5, 2017, the Corporation entered into a term loan agreement with Agnico for \$7,500, bearing interest at 10% per annum repayable on the maturity date of February 28, 2018. The loan was fully repaid on November 2, 2017 in connection with the sale of Santa Gertrudis (Note 5).

10. LONG TERM DEBT

Long term debt consisted 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 bore interest at LIBOR plus 2.00% to 3.25%, depending on the leverage ratio of the Corporation, and was to mature on July 21, 2018. No principal payments under the facility were due until the maturity date. The credit facility was secured by a first charge over all the Corporation's assets.

As of September 30, 2017, the Corporation had drawn \$46,500 on the facility. On November 2, 2017, the Corporation fully repaid the credit facility, and the security was fully discharged.

Finance costs for the year ended September 30, 2018 includes interest expense of \$446 (2017 - \$1,753).



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11. PROVISION FOR SITE RESTORATION

The Corporation has recorded a provision for site restoration related to the Parral project based on management's best estimate of the future cash flows associated with restoration obligations at the end of the project's life. The total undiscounted amount of estimated cash flows required to settle the obligation is \$2,147 (2017 - \$1,919). The cash flows have been inflated at an annual rate of 5.0% (2017 - 6.4%), and discounted using a pre-tax risk-free rate of 7.9% (2017 - 6.9%).

	<u>September 30, 2018</u>	<u>September 30, 2017</u>
Provision, beginning of year	\$ 1,818	\$ 1,199
Accretion expense	125	91
Foreign exchange	(61)	84
Inflation and discount rate	(438)	310
Revision to estimate	8	134
Provision, end of year	\$ 1,452	\$ 1,818

12. 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 October 1, 2016	171,376,481	\$ 140,885
Tax recovery on issuance costs	-	1,019
Balance September 30, 2017	171,376,481	141,904
Shares issued on exercise of warrants	400,000	561
Balance September 30, 2018	171,776,481	\$ 142,465

The weighted average number of common shares outstanding for the year ending September 30, 2018 was 171,517,851 (2017 - 171,376,481).

(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



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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 three year period, although the vesting period is at the Board of Directors' discretion.

The changes in incentive stock options during the years ended September 30, 2018 and 2017 were as follows:

	September 30, 2018		September 30, 2017	
	Number of incentive options	Weighted average exercise price	Number of incentive options	Weighted average exercise price
Opening balance	3,965,000	CAD \$ 1.15	4,025,000	CAD \$ 1.33
Granted	1,025,000	0.45	1,020,000	0.75
Expired	(625,000)	1.35	(1,080,000)	1.42
Closing balance	<u>4,365,000</u>	<u>CAD \$ 0.96</u>	<u>3,965,000</u>	<u>CAD \$ 1.15</u>
Exercisable	<u>2,255,000</u>	<u>CAD \$ 1.19</u>	<u>2,058,333</u>	<u>CAD \$ 1.29</u>

The following table summarizes information concerning outstanding and exercisable incentive stock options at September 30, 2018:

	Outstanding		Exercisable	
	Number of options	Exercise price (CAD \$)	Number of options	Exercise price (CAD \$)
Expiry date				
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	50,000	1.60
December 23, 2020	1,625,000	1.20	1,100,000	1.20
March 27, 2022	840,000	0.75	280,000	0.75
March 27, 2023	1,025,000	0.45	-	-
	<u>4,365,000</u>	<u>CAD \$ 0.96</u>	<u>2,255,000</u>	<u>CAD \$ 1.19</u>

The compensation cost for the incentive stock options granted during the years ended September 30, 2018 and September 30, 2017 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, 2018	Mar. 27, 2017
Options granted	1,025,000	1,020,000
Exercise price	CAD \$ 0.45	CAD \$ 0.75
Risk-free rate	2.01%	0.95%
Expected volatility of share price	56.26%	53.04%
Expected dividend yield	0.00%	0.00%
Expected life of each option	4.6 years	3.9 years
Weighted average grant date fair value	CAD \$ 0.20	CAD \$ 0.27

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.



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(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. On March 27, 2018, 475,000 DSUs were granted with a three year vesting period, the share price on the issuance date was \$0.425. Compensation cost of \$157 will be recognized over the three year vesting period. At September 30, 2018, there is unrecognized compensation cost of \$108 remaining.

The Corporation has recorded total share based compensation during the year ended September 30, 2018 of \$273 (2017 - \$303), which has been recorded as compensation expense of \$273 (2017 - \$293) and as additions to exploration and evaluation assets of \$nil (2017 - \$10).

(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 which expired and were delisted on June 7, 2018.

The warrants balances during the years ended September 30, 2018 and 2017 were as follows:

	September 30, 2018			September 30, 2017		
	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	0.69	4,480,539	CAD \$ 1.69	1.69
Exercised	(400,000)	1.70	0.04	-	-	-
Expired	(4,080,539)	1.69	-	-	-	-
Closing balance	-	-	-	4,480,539	CAD \$ 1.69	0.69
Exercisable	-	-	-	4,480,539	CAD \$ 1.69	0.69

The market share price on the date of exercise, May 24, 2018, was \$0.48.

(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 warrants have been exercised on the later of the beginning of the period and the date granted. As of September 30, 2018, 4,365,000 options (2017 – 3,965,000) and Nil warrants (2017 – 4,480,539) were excluded from the computation of diluted loss per share because their effect would have been anti-dilutive.



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13. INCOME TAXES

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and (liabilities) are presented below:

	Year ended September 30, 2018	Year ended September 30, 2017
Resource properties	\$ (418)	\$ (1,887)
Non-capital loss carryforwards	6,382	7,775
Capital loss carryforwards	-	294
Share issuance costs	181	322
Deferred financing fees and foreign exchange on debt	(225)	(600)
Inventory	(4,481)	(335)
Derivative liabilities and other payables	451	805
	\$ 1,890	\$ 6,374

The net change in deferred income taxes is reflected in deferred income tax recovery of \$4,232 (2017 - \$7,597), adjustment to equity of \$Nil (2017 - \$1,019), and deferred income tax expense in discontinued operations of \$8,716 (2017 - \$396.)

Deferred tax assets of \$1,890 (2017 - \$7,363) are attributable to Canadian entities and deferred tax liabilities of \$Nil (2017 - \$989) are attributable to Mexican entities.

The following deductible temporary difference and non-capital losses have not been recognized in the consolidated financial statements:

	Year ended September 30, 2018	Year ended September 30, 2017
Non-capital losses	\$ 29,335	\$ 16,039
Accruals and other	-	697
	\$ 29,355	\$ 16,736

The non-capital losses noted above expire from 2022 to 2037. Non capital losses of \$Nil (2017 - \$3,735) are held in entities which are considered held for sale as they were sold on November 2, 2017 as per note 5. The aggregate temporary difference associated with investments in subsidiaries for which no deferred tax assets have been recorded is \$Nil (2017 - \$5.7 million).

Income taxes vary from the amount that would be computed by applying the basic Federal and Provincial tax rate of 31.0% (2017 - 31.0%) to loss before taxes as follows:

	Year ended September 30, 2018	Year ended September 30, 2017
Loss from continuing operations before taxes	\$ (77,492)	\$ (9,061)
Computed expected recovery at 31%	\$ 24,023	\$ 2,809
Foreign tax rate differential	(351)	(24)
Permanent differences	(4,246)	(829)
Effect of foreign exchange	(722)	141
Change in unrecognized temporary differences	(14,457)	5,562
Recorded income tax recovery	\$ 4,247	\$ 7,659



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14. RELATED PARTY TRANSACTIONS

Compensation to directors and officers of the Corporation:

	Year ended September 30, 2018	Year ended September 30, 2017
Directors' fees	\$ 194	\$ 163
Share-based payments to directors	51	85
Key management short-term benefits	1,383	639
Share-based payments to key management	135	126

Compensation expense of \$1,860 (2017 - \$857) is included in production costs for the year.

15. SUPPLEMENTAL CASH FLOW INFORMATION

Change in non-cash operating working capital:

	Year ended September 30, 2018	Year ended September 30, 2017
Trade receivables	\$ 747	\$ (341)
Input tax recoverable	(1,994)	222
Prepaid expenses	(12)	(155)
Inventory	(7,912)	(10,754)
Trade and other payables	(10,354)	(801)
Income taxes payable	(15)	(62)
	\$ (19,540)	\$ (11,891)

16. 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 and the Parral projects as the Mexico segment and the Corporation's corporate offices as the Canadian segment. Discontinued operations include the Santa Gertrudis project and are shown as a separate segment.

The following table presents information about reportable segments:

	Mexico	Canada	Continuing Operations	Discontinued Operations	Total
For the year ended September 30, 2018:					
Amortization and depletion	\$ 5,122	\$ -	\$ 5,122	\$ -	\$ 5,122
Segment net (loss) income	(73,320)	75	(73,245)	29,552	(43,693)
Expenditures on non-current assets	3,173	-	3,173	-	3,173
For the year ended September 30, 2017:					
Amortization and depletion	\$ 5,826	\$ -	\$ 5,826	\$ 48	\$ 5,874
Segment net (loss) income	(3,774)	2,372	(1,402)	818	(584)
Expenditures on non-current assets	4,469	-	4,469	3,090	7,559



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Reportable segment assets (September 30, 2018)	\$ 57,073	\$ 7,483	\$ 64,556	\$ -	\$ 64,556
Reportable segment liabilities (September 30, 2018)	5,245	377	5,622	-	5,622
Reportable segment assets (September 30, 2017)	\$ 124,420	\$ 11,698	\$ 136,118	\$ 24,092	\$ 160,210
Reportable segment liabilities (September 30, 2017)	16,363	55,199	71,562	822	72,384

Included in segment net income in Canada for the year ended September 30, 2018 are foreign exchange losses of \$1,594 (2017 – gain of \$2,407).

17. FINANCIAL INSTRUMENTS

(a) Fair value of financial instruments:

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.

	September 30, 2018		September 30, 2017	
	Level 1	Level 2	Level 1	Level 2
Cash and cash equivalents	\$ 8,276	-	\$ 4,606	-
Derivative liabilities	-	\$ 352	-	\$ 464

For derivative contracts, the Corporation performs valuations internally and 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 operation of resource properties and maintain the necessary corporate and administrative functions to facilitate these activities. These activities are primarily funded through operations, 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:

	September 30, 2018	September 30, 2017
Shareholders' equity	\$ 58,934	\$ 87,826
Term loan and debt	-	53,809
	58,934	141,635
Less: cash	(8,276)	(4,606)
	\$ 50,658	\$ 137,029

(c) Financial risks:

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



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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 \$151 and value added tax from the Federal Government of Mexico of \$9,077. Exposure on trade receivables is limited as all receivables are with customers who the Corporation has strong working relationships with, and are reputable large companies with a history of timely payment. 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 September 30, 2018, GoGold Resources Inc. had net monetary assets in US dollars of \$7,047 (September 30, 2017 – liabilities of \$53,809), for which a 10% change in US exchange rates would change net income by approximately \$705. At September 30, 2018, the Corporation had net monetary assets in Mexican Pesos of approximately \$6,255 (September 30, 2017 – liabilities of \$1,080), for which a 10% change in Mexican Peso exchange rates would change net income by approximately \$625.

Interest Rate Risk

The Corporation has cash balances and current policy is to invest excess cash in Canadian bank high interest savings accounts. The Corporation has no interest bearing liabilities.

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 September 30, 2018, the Corporation had cash balances of \$8,276 for settling current liabilities of \$3,818, liquidity is expected to be sufficient to fund the operations of the Corporation for the next twelve months.

(d) Derivatives:

The Corporation, through its subsidiary Coanzamex, has an agreement with the Municipality of Parral, Mexico ("Town") to mine and process tailings material for precious metal recovery. The Corporation makes payments of \$48 per month to the Town which increases based on the market average silver price, with payments continuing until tailings are completely mined. 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 obligation 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 September 30, 2018 of \$14.31 (September 30, 2017 - \$16.86), as well as the historical volatility of silver market prices. The fair value of the liability under this method at September 30, 2018 was \$352 (September 30, 2017 - \$464).



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18. COMMITMENTS

The Corporation has annual commitments of \$1,006 for the next five years related to the Parral project, which includes minimum royalty payments and land lease payments, and annual commitments of \$39 until 2022 related to the Corporate office.

19. SUBSEQUENT EVENT

On November 7, 2018, the Corporation closed the sale of the 2% net smelter royalty on the Santa Gertrudis project for \$12,000 to Metalla Royalty and Streaming Ltd ("Metalla"), of which \$6,000 was paid in cash and the balance was settled by 10,123,077 common shares of Metalla. Metalla is traded on the TSX-V Exchange under the symbol MTA. The market price on the closing date was CAD \$0.78 per common share for a total value of \$6,000 which, after transaction costs of \$300, resulted in net proceeds and an equivalent pre-tax gain of \$11,700. The Metalla shares represent 9.9% of Metalla shares outstanding at the date of the transaction and are subject to a four month hold period.